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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)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014**

#### **FINANCIAL HIGHLIGHTS**

|                                                                             | <b>Six months ended</b> |                    |                 |
|-----------------------------------------------------------------------------|-------------------------|--------------------|-----------------|
|                                                                             | <b>30 June</b>          |                    |                 |
|                                                                             | <b>2014</b>             | <b>2013</b>        | <b>Change %</b> |
|                                                                             | <b>(Unaudited)</b>      | <b>(Unaudited)</b> |                 |
| Revenue (HK\$'Mn)                                                           | <b>1,499</b>            | 2,095              | (28.4)          |
| Gross profit (HK\$'Mn)                                                      | <b>33</b>               | 98                 | (66.3)          |
| Loss before tax from continuing operations<br>(HK\$'Mn)                     | <b>(234)</b>            | (100)              | N/A             |
| Net loss from ordinary activities attributable to<br>shareholders (HK\$'Mn) | <b>(240)</b>            | (110)              | N/A             |
| Basic loss per share (HK cents)                                             | <b>(15.72)</b>          | (7.17)             | N/A             |
| Basic loss per share from continuing operations<br>(HK cents)               | <b>(15.72)</b>          | (7.02)             | N/A             |
| Interim dividend per share (HK cents)                                       | <b>Nil</b>              | Nil                | N/A             |

The board (“Board”) of directors (“Directors”) of Global Sweeteners Holdings Limited (the “Company”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2014 (the “Period”).

## **CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 June 2014*

|                                                                                            |              | <b>Six months ended 30 June</b> |                    |
|--------------------------------------------------------------------------------------------|--------------|---------------------------------|--------------------|
|                                                                                            |              | <b>2014</b>                     | <b>2013</b>        |
|                                                                                            |              | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
|                                                                                            | <i>Notes</i> | <b>HK\$'000</b>                 | <b>HK\$'000</b>    |
| <b>CONTINUING OPERATIONS</b>                                                               |              |                                 |                    |
| <b>REVENUE</b>                                                                             | 4            | <b>1,499,302</b>                | 2,095,321          |
| Cost of sales                                                                              |              | <u><b>(1,466,386)</b></u>       | <u>(1,996,912)</u> |
| Gross profit                                                                               |              | <b>32,916</b>                   | 98,409             |
| Other income and gains                                                                     | 4            | <b>113,194</b>                  | 13,955             |
| Selling and distribution expenses                                                          |              | <b>(114,866)</b>                | (107,147)          |
| Administrative expenses                                                                    |              | <b>(59,534)</b>                 | (51,004)           |
| Other expenses                                                                             |              | <b>(161,541)</b>                | (96)               |
| Finance costs                                                                              | 5            | <u><b>(44,557)</b></u>          | <u>(54,060)</u>    |
| <b>LOSS BEFORE TAX FROM CONTINUING OPERATIONS</b>                                          | 6            | <b>(234,388)</b>                | (99,943)           |
| Income tax expense                                                                         | 7            | <u><b>(5,787)</b></u>           | <u>(7,345)</u>     |
| <b>LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS</b>                                      |              | <u><b>(240,175)</b></u>         | <u>(107,288)</u>   |
| <b>DISCONTINUED OPERATION</b>                                                              |              |                                 |                    |
| Loss for the period from a discontinued operation                                          |              | <u>—</u>                        | <u>(2,377)</u>     |
| <b>LOSS FOR THE PERIOD</b>                                                                 |              | <u><b>(240,175)</b></u>         | <u>(109,665)</u>   |
| <b>OTHER COMPREHENSIVE INCOME</b>                                                          |              |                                 |                    |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods:     |              |                                 |                    |
| Exchange difference on translation of financial statements of operations outside Hong Kong |              | <u><b>(19,431)</b></u>          | <u>21,260</u>      |
| <b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>                                             |              | <u><b>(259,606)</b></u>         | <u>(88,405)</u>    |

|                                                                      |                                       | <b>Six months ended 30 June</b> |                       |
|----------------------------------------------------------------------|---------------------------------------|---------------------------------|-----------------------|
|                                                                      |                                       | <b>2014</b>                     | <b>2013</b>           |
|                                                                      |                                       | <b>(Unaudited)</b>              | <b>(Unaudited)</b>    |
|                                                                      |                                       | <b>HK\$'000</b>                 | <b>HK\$'000</b>       |
| <i>Note</i>                                                          |                                       |                                 |                       |
| Loss attributable to:                                                |                                       |                                 |                       |
|                                                                      | Owners of the parent                  | <b>(240,102)</b>                | (109,546)             |
|                                                                      | Non-controlling interests             | <b>(73)</b>                     | (119)                 |
|                                                                      |                                       | <u><b>(240,175)</b></u>         | <u>(109,665)</u>      |
| Total comprehensive loss attributable to:                            |                                       |                                 |                       |
|                                                                      | Owners of the parent                  | <b>(259,611)</b>                | (88,212)              |
|                                                                      | Non-controlling interests             | <b>5</b>                        | (193)                 |
|                                                                      |                                       | <u><b>(259,606)</b></u>         | <u>(88,405)</u>       |
| LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT |                                       |                                 |                       |
|                                                                      |                                       | 8                               |                       |
| Basic                                                                |                                       |                                 |                       |
|                                                                      | — For loss for the period             | <u><b>HK(15.72) cents</b></u>   | <u>HK(7.17) cents</u> |
|                                                                      | — For loss from continuing operations | <u><b>HK(15.72) cents</b></u>   | <u>HK(7.02) cents</u> |
| Diluted                                                              |                                       |                                 |                       |
|                                                                      | — For loss for the period             | <u><b>HK(15.72) cents</b></u>   | <u>HK(7.17) cents</u> |
|                                                                      | — For loss from continuing operations | <u><b>HK(15.72) cents</b></u>   | <u>HK(7.02) cents</u> |

Details of the dividends proposed for the Period are disclosed in note 9 to the condensed consolidated financial statements.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2014

|                                                                |       | 30 June<br>2014<br>(Unaudited)<br>HK\$'000 | 31 December<br>2013<br>(Audited)<br>HK\$'000 |
|----------------------------------------------------------------|-------|--------------------------------------------|----------------------------------------------|
|                                                                | Notes |                                            |                                              |
| <b>NON-CURRENT ASSETS</b>                                      |       |                                            |                                              |
| Property, plant and equipment                                  |       | 1,497,986                                  | 1,576,123                                    |
| Prepaid land lease payments                                    |       | 189,447                                    | 194,837                                      |
| Deposits paid for acquisition of property, plant and equipment |       | 7,427                                      | 4,774                                        |
| Goodwill                                                       |       | 81,066                                     | 183,538                                      |
| Other intangible assets                                        |       | 3,243                                      | 3,243                                        |
| Deferred tax assets                                            |       | 2,213                                      | 2,240                                        |
| Total non-current assets                                       |       | 1,781,382                                  | 1,964,755                                    |
| <b>CURRENT ASSETS</b>                                          |       |                                            |                                              |
| Inventories                                                    |       | 794,542                                    | 1,068,806                                    |
| Trade and bills receivables                                    | 10    | 377,819                                    | 699,329                                      |
| Prepayments, deposits and other receivables                    |       | 129,290                                    | 180,323                                      |
| Due from the immediate holding company                         |       | 21,821                                     | 21,709                                       |
| Due from fellow subsidiaries                                   |       | 126,235                                    | 91,823                                       |
| Non-current assets held for sale                               |       | —                                          | 5,500                                        |
| Financial asset at fair value through profit or loss           |       | —                                          | 22,658                                       |
| Pledged deposits                                               |       | 15,146                                     | 5,703                                        |
| Cash and cash equivalents                                      |       | 263,495                                    | 407,207                                      |
| Total current assets                                           |       | 1,728,348                                  | 2,503,058                                    |
| <b>CURRENT LIABILITIES</b>                                     |       |                                            |                                              |
| Trade and bills payables                                       | 11    | 141,975                                    | 427,013                                      |
| Other payables and accruals                                    |       | 230,741                                    | 221,588                                      |
| Interest-bearing bank borrowings                               |       | 709,153                                    | 1,320,421                                    |
| Due to fellow subsidiaries                                     |       | 128,916                                    | 258,344                                      |
| Due to the ultimate holding company                            |       | 28,587                                     | 30,482                                       |
| Tax payable                                                    |       | 25,998                                     | 28,216                                       |
| Total current liabilities                                      |       | 1,265,370                                  | 2,286,064                                    |
| <b>NET CURRENT ASSETS</b>                                      |       | <b>462,978</b>                             | <b>216,994</b>                               |

|                                                    |             | <b>30 June<br/>2014<br/>(Unaudited)<br/><i>HK\$'000</i></b> | 31 December<br>2013<br>(Audited)<br><i>HK\$'000</i> |
|----------------------------------------------------|-------------|-------------------------------------------------------------|-----------------------------------------------------|
|                                                    | <i>Note</i> |                                                             |                                                     |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>       |             | <b><u>2,244,360</u></b>                                     | <b><u>2,181,749</u></b>                             |
| <b>NON-CURRENT LIABILITIES</b>                     |             |                                                             |                                                     |
| Interest-bearing bank borrowings                   |             | <b>358,750</b>                                              | 37,185                                              |
| Deferred tax liabilities                           |             | <b><u>108,033</u></b>                                       | <u>107,381</u>                                      |
| Total non-current liabilities                      |             | <b><u>466,783</u></b>                                       | <u>144,566</u>                                      |
| Net assets                                         |             | <b><u><u>1,777,577</u></u></b>                              | <b><u><u>2,037,183</u></u></b>                      |
| <b>EQUITY</b>                                      |             |                                                             |                                                     |
| <b>Equity attributable to owners of the parent</b> |             |                                                             |                                                     |
| Issued capital                                     | 12          | <b>152,759</b>                                              | 152,759                                             |
| Reserves                                           |             | <b><u>1,631,008</u></b>                                     | <u>1,890,619</u>                                    |
|                                                    |             | <b>1,783,767</b>                                            | 2,043,378                                           |
| <b>Non-controlling interests</b>                   |             | <b><u>(6,190)</u></b>                                       | <u>(6,195)</u>                                      |
| Total equity                                       |             | <b><u><u>1,777,577</u></u></b>                              | <b><u><u>2,037,183</u></u></b>                      |

# **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*30 June 2014*

## **1. CORPORATE INFORMATION**

The interim condensed consolidated financial statements of Global Sweeteners Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2014 are authorised for issue in accordance with a resolution of the directors (the “Directors”) passed on 29 August 2014.

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 II, No.18 Harcourt Road, Hong Kong. The Group was principally engaged in the manufacture and sale of corn refined products and corn-based sweetener products. There were no changes in the nature of the Group’s principal activities during the Period.

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. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

### **Basis of preparation**

The interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2013.

## Significant accounting policies

Except as described below, the accounting policies adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2013. The Group has adopted the following new and revised HKFRSs for the first time for the current period's financial statements.

|                                                  |                                                                                                                                                |
|--------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments | Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — <i>Investment Entities</i>                                                               |
| HKAS 32 Amendments                               | Amendments to HKAS 32 <i>Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities</i>                       |
| HKAS 39 Amendments                               | Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting</i> |
| HK(IFRIC)-Int 21                                 | <i>Levies</i>                                                                                                                                  |

The adoption of these new and revised HKFRSs has no significant financial effect on these interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the interim condensed consolidated financial statements:

|                                         |                                                                                                                            |
|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| HKFRS 9                                 | <i>Financial Instruments</i> <sup>4</sup>                                                                                  |
| HKFRS 9, HKFRS 7 and HKAS 39 Amendments | <i>Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39</i> <sup>4</sup>                                        |
| HKFRS 11 Amendments                     | Amendments to HKFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i> <sup>2</sup>                    |
| HKFRS 14                                | <i>Regulatory Deferral Accounts</i> <sup>2</sup>                                                                           |
| HKFRS 15                                | <i>Revenue from Contracts with Customers</i> <sup>3</sup>                                                                  |
| HKAS 16 and HKAS 38 Amendments          | Amendments to HKAS 16 and HKAS 38 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> <sup>2</sup> |
| HKAS 19 Amendments                      | Amendments to HKAS 19 <i>Employee Benefits — Defined Benefit Plans: Employee Contributions</i> <sup>1</sup>                |
| Annual Improvements 2010-2012 Cycle     | Amendments to a number of HKFRSs issued in January 2014 <sup>1</sup>                                                       |
| Annual Improvements 2011-2013 Cycle     | Amendments to a number of HKFRSs issued in January 2014 <sup>1</sup>                                                       |

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>4</sup> No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application, but is not yet in a position to state whether these new and revised HKFRSs will have a significant impact on the Group's results of operations and financial position.

### 3. SEGMENT INFORMATION

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

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

The management monitors the results of its operating segments separately for the purpose of making decisions in relation to resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) 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. The geographical information is another basis on which the Group reports its segment information.

On 21 December 2012, the Group announced the decision of the Directors to exit its retail beef business. Accordingly, the retail beef business was treated as a discontinued operation and was not included in the segment information.

**(a) Business units information**

|                                                   | Corn refined products                      |                                              | Corn based sweetener products<br>Six months ended 30 June |                                              | Total                                      |                                              |
|---------------------------------------------------|--------------------------------------------|----------------------------------------------|-----------------------------------------------------------|----------------------------------------------|--------------------------------------------|----------------------------------------------|
|                                                   | 2014<br>(Unaudited)<br>HK\$'000            | 2013<br>(Unaudited)<br>HK\$'000              | 2014<br>(Unaudited)<br>HK\$'000                           | 2013<br>(Unaudited)<br>HK\$'000              | 2014<br>(Unaudited)<br>HK\$'000            | 2013<br>(Unaudited)<br>HK\$'000              |
| <b>Segment revenue:</b>                           |                                            |                                              |                                                           |                                              |                                            |                                              |
| Sales to external customers                       | 743,470                                    | 977,669                                      | 755,832                                                   | 1,117,652                                    | 1,499,302                                  | 2,095,321                                    |
| Intersegment sales                                | <u>288,526</u>                             | <u>266,066</u>                               | <u>—</u>                                                  | <u>—</u>                                     | <u>288,526</u>                             | <u>266,066</u>                               |
|                                                   | <u><b>1,031,996</b></u>                    | <u><b>1,243,735</b></u>                      | <u><b>755,832</b></u>                                     | <u><b>1,117,652</b></u>                      | <u><b>1,787,828</b></u>                    | <u><b>2,361,387</b></u>                      |
| <i>Reconciliation:</i>                            |                                            |                                              |                                                           |                                              |                                            |                                              |
| Elimination of intersegment sales                 |                                            |                                              |                                                           |                                              | <u>(288,526)</u>                           | <u>(266,066)</u>                             |
| Revenue from continuing operations                |                                            |                                              |                                                           |                                              | <u><b>1,499,302</b></u>                    | <u><b>2,095,321</b></u>                      |
| <b>Segment results</b>                            | <u><b>(169,138)</b></u>                    | <u><b>(59,430)</b></u>                       | <u><b>(24,170)</b></u>                                    | <u><b>5,321</b></u>                          | <u><b>(193,308)</b></u>                    | <u><b>(54,109)</b></u>                       |
| <i>Reconciliation:</i>                            |                                            |                                              |                                                           |                                              |                                            |                                              |
| Bank interest income                              |                                            |                                              |                                                           |                                              | 1,567                                      | 1,210                                        |
| Unallocated gains                                 |                                            |                                              |                                                           |                                              | 111,627                                    | 12,745                                       |
| Corporate and other unallocated expenses          |                                            |                                              |                                                           |                                              | (109,717)                                  | (5,729)                                      |
| Finance costs                                     |                                            |                                              |                                                           |                                              | <u>(44,557)</u>                            | <u>(54,060)</u>                              |
| Loss before tax from continuing operations        |                                            |                                              |                                                           |                                              | <u><b>(234,388)</b></u>                    | <u><b>(99,943)</b></u>                       |
|                                                   |                                            |                                              |                                                           |                                              |                                            |                                              |
|                                                   | Corn refined products                      |                                              | Corn based sweetener products                             |                                              | Total                                      |                                              |
|                                                   | 30 June<br>2014<br>(Unaudited)<br>HK\$'000 | 31 December<br>2013<br>(Audited)<br>HK\$'000 | 30 June<br>2014<br>(Unaudited)<br>HK\$'000                | 31 December<br>2013<br>(Audited)<br>HK\$'000 | 30 June<br>2014<br>(Unaudited)<br>HK\$'000 | 31 December<br>2013<br>(Audited)<br>HK\$'000 |
| <b>Segment assets</b>                             | <u><b>1,709,015</b></u>                    | <u><b>1,995,541</b></u>                      | <u><b>1,410,180</b></u>                                   | <u><b>1,839,707</b></u>                      | <u><b>3,119,195</b></u>                    | <u><b>3,835,248</b></u>                      |
| <i>Reconciliation:</i>                            |                                            |                                              |                                                           |                                              |                                            |                                              |
| Elimination of intersegment receivables           |                                            |                                              |                                                           |                                              | (29,637)                                   | (91,290)                                     |
| Cash and cash equivalents and<br>pledged deposits |                                            |                                              |                                                           |                                              | 278,641                                    | 412,910                                      |
| Corporate and other unallocated assets            |                                            |                                              |                                                           |                                              | 141,531                                    | 304,614                                      |
| Assets related to a discontinued operation        |                                            |                                              |                                                           |                                              | <u>—</u>                                   | <u>6,331</u>                                 |
| Total assets                                      |                                            |                                              |                                                           |                                              | <u><b>3,509,730</b></u>                    | <u><b>4,467,813</b></u>                      |
|                                                   |                                            |                                              |                                                           |                                              |                                            |                                              |
| <b>Segment liabilities</b>                        | <u><b>214,029</b></u>                      | <u><b>504,345</b></u>                        | <u><b>286,510</b></u>                                     | <u><b>293,202</b></u>                        | <u><b>500,539</b></u>                      | <u><b>797,547</b></u>                        |
| <i>Reconciliation:</i>                            |                                            |                                              |                                                           |                                              |                                            |                                              |
| Elimination of intersegment payables              |                                            |                                              |                                                           |                                              | (29,637)                                   | (91,290)                                     |
| Interest-bearing bank borrowings                  |                                            |                                              |                                                           |                                              | 1,067,903                                  | 1,357,606                                    |
| Corporate and unallocated liabilities             |                                            |                                              |                                                           |                                              | 193,348                                    | 365,578                                      |
| Liabilities related to a discontinued operation   |                                            |                                              |                                                           |                                              | <u>—</u>                                   | <u>1,189</u>                                 |
| Total liabilities                                 |                                            |                                              |                                                           |                                              | <u><b>1,732,153</b></u>                    | <u><b>2,430,630</b></u>                      |

**(b) Geographical information**

|                             | Mainland China   |                  | Regions other than<br>Mainland China |                | Consolidated     |                  |
|-----------------------------|------------------|------------------|--------------------------------------|----------------|------------------|------------------|
|                             |                  |                  | Six months ended 30 June             |                |                  |                  |
|                             | 2014             | 2013             | 2014                                 | 2013           | 2014             | 2013             |
|                             | (Unaudited)      | (Unaudited)      | (Unaudited)                          | (Unaudited)    | (Unaudited)      | (Unaudited)      |
|                             | HK\$'000         | HK\$'000         | HK\$'000                             | HK\$'000       | HK\$'000         | HK\$'000         |
| Segment revenue:            |                  |                  |                                      |                |                  |                  |
| Sales to external customers | <u>1,413,344</u> | <u>1,960,903</u> | <u>85,958</u>                        | <u>134,418</u> | <u>1,499,302</u> | <u>2,095,321</u> |

**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 other income and gains from continuing operations is as follows:

|                                  | Note | Six months ended 30 June |               |
|----------------------------------|------|--------------------------|---------------|
|                                  |      | 2014                     | 2013          |
|                                  |      | (Unaudited)              | (Unaudited)   |
|                                  |      | HK\$'000                 | HK\$'000      |
| <b>Other income and gains</b>    |      |                          |               |
| Gain on assets compensation      | 6    | 102,669                  | —             |
| Sales of scrap and raw materials |      | 6,337                    | 8,842         |
| Bank interest income             |      | 1,567                    | 1,210         |
| Government grants*               |      | 753                      | 1,742         |
| Exchange gains                   |      | —                        | 250           |
| Others                           |      | <u>1,868</u>             | <u>1,911</u>  |
|                                  |      | <u>113,194</u>           | <u>13,955</u> |

\* Government grants during the Period represented government rewards awarded to some subsidiaries located in Mainland China.

## 5. FINANCE COSTS

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

|                                               | Six months ended 30 June |               |
|-----------------------------------------------|--------------------------|---------------|
|                                               | 2014                     | 2013          |
|                                               | (Unaudited)              | (Unaudited)   |
|                                               | HK\$'000                 | HK\$'000      |
| Interest on bank loans:                       |                          |               |
| Wholly repayable within five years            | 40,991                   | 56,210        |
| Finance costs for discounted bills receivable | 4,121                    | —             |
| Less: interest capitalised                    | (555)                    | (2,150)       |
|                                               | <u>44,557</u>            | <u>54,060</u> |

## 6. LOSS BEFORE TAX

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

|                                                                           |       | Six months ended 30 June |             |
|---------------------------------------------------------------------------|-------|--------------------------|-------------|
|                                                                           |       | 2014                     | 2013        |
|                                                                           |       | (Unaudited)              | (Unaudited) |
|                                                                           | Notes | HK\$'000                 | HK\$'000    |
| Raw materials and consumables used                                        |       | 1,209,246                | 1,622,352   |
| Depreciation                                                              |       | 71,435                   | 72,684      |
| Amortisation of prepaid land lease payments                               |       | 3,585                    | 3,662       |
| Employee benefits expense                                                 |       | 41,943                   | 39,427      |
| Foreign exchange differences, net                                         |       | 849                      | (250)       |
| Write-down/(reversal) of inventories to net realisable value <sup>#</sup> |       | (38,847)                 | 12,466      |
| Gain on assets compensation <sup>##</sup>                                 | 4     | (102,669)                | —           |
| Impairment of goodwill <sup>##</sup>                                      |       | 102,472                  | —           |
| Impairment of trade receivables                                           | 10    | 13,371                   | 6           |
| Reversal of impairment of trade receivables                               | 10    | (5)                      | (449)       |
| Reversal of impairment of other receivables                               |       | (10,778)                 | —           |
| Loss on disposal of property, plant and equipment                         |       | <u>4,134</u>             | <u>69</u>   |

<sup>#</sup> Included in "Cost of sales" in the condensed consolidated statement of profit or loss.

<sup>##</sup> As announced by the Company on 7 January 2014, the Group commenced a plan to relocate its production facilities located on the land in the Lu Yuan District, Changchun, the PRC (the "Lu Yuan District") in response to the request of the local government to industrial companies to move their factories away from the central districts of the city which has been developed rapidly. The Group has entered into compensation agreements (the "Compensation Agreements") with Changchun Land Reserve Centre (長春市土地儲備中心) on 30 December 2013 and 31 December 2013.

Certain assets are retained on the land in the Lu Yuan District and will not be relocated to the new production site. Goodwill of HK\$149,950,000 is allocated to the land and these assets (collectively, the "Relevant Assets") to be retained in the Lu Yuan District pending for the disposal to the local government.

The recoverable amount of the Relevant Assets together with the goodwill is determined based on (i) the management's estimated fair value of the resumption compensation to be received from the local government less (ii) the cost of disposal of the items of assets.

During the Period, the Group received part of the resumption compensation amounting to RMB86,480,000 (approximately HK\$108,100,000) and the Group recognised a gain on assets compensation of HK\$102,669,000 based on the carrying value of associated assets held for sale of HK\$5,431,000. Accordingly, there is a corresponding decrease in the recoverable amount of the Relevant Assets together with the goodwill after the above compensation was received and the carrying value of the associated assets amounting to HK\$5,431,000 was derecognised. Accordingly, impairment loss of goodwill amounting to HK\$102,472,000 was recognised in other expenses during the Period.

## 7. INCOME TAX EXPENSE

|                           | <b>Six months ended 30 June</b> |                    |
|---------------------------|---------------------------------|--------------------|
|                           | <b>2014</b>                     | <b>2013</b>        |
|                           | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
|                           | <b>HK\$'000</b>                 | <b>HK\$'000</b>    |
| Current — Hong Kong       | —                               | —                  |
| Current — Mainland China  | <b>4,321</b>                    | 4,790              |
| Deferred                  | <b>1,466</b>                    | 2,555              |
|                           | <hr/>                           | <hr/>              |
| Tax charge for the period | <b>5,787</b>                    | 7,345              |
|                           | <hr/>                           | <hr/>              |

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the Period.

The statutory tax rate for all subsidiaries in Mainland China was 25% for the six months ended 30 June 2014 (2013: 25%).

The Group had accumulated tax losses arising in Hong Kong of approximately HK\$51,209,000 (31 December 2013: HK\$43,781,000) that were available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group had accumulated tax losses arising in five PRC subsidiaries of approximately HK\$658,142,000 (31 December 2013: HK\$424,333,000) that were available for offsetting against future taxable profits of the companies in which the losses arose and these tax losses would expire from the year ending 31 December 2017 to the year ending 31 December 2019. In the opinion of the Directors, deferred tax assets have not been recognised as these tax losses are only available to offset against future taxable profits of the individual companies in which the losses arose and may not be used to offset taxable profits elsewhere in the Group and the Directors consider that it is uncertain whether future taxable profits would arise to offset against these losses for these companies.

## 8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share for the period ended 30 June 2014 is based on the consolidated loss for the period attributable to equity holders of the parent, and the weighted average number of ordinary shares in issue during the period of 1,527,586,000 (six months ended 30 June 2013: 1,527,586,000). The consolidated loss for the period and the loss attributable to continuing operations amounted to approximately HK\$240,102,000 (six months ended 30 June 2013: HK\$109,546,000) and HK\$240,175,000 (six months ended 30 June 2013: HK\$107,288,000), respectively.

No adjustment has been made to the basic loss per share amounts for the period ended 30 June 2014 and 2013 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

## 9. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

## 10. TRADE AND BILLS RECEIVABLES

|                   | <b>30 June<br/>2014<br/>(Unaudited)<br/>HK\$'000</b> | <b>31 December<br/>2013<br/>(Audited)<br/>HK\$'000</b> |
|-------------------|------------------------------------------------------|--------------------------------------------------------|
| Trade receivables | <b>389,555</b>                                       | 576,307                                                |
| Bills receivable  | <b>79,209</b>                                        | 201,583                                                |
| Impairment        | <b>(90,945)</b>                                      | (78,561)                                               |
| Total             | <b><u>377,819</u></b>                                | <b><u>699,329</u></b>                                  |

The Group normally allows credit terms of 90 days to established customers and credit terms of 180 days were allowed to some major customers with long term business relationship and good credit history. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the senior management.

Trade receivables are non-interest-bearing. Significant concentration of risk exists where the Group has material exposures to trade receivables from three customers located in Mainland China which accounted for 34% of the total trade and bills receivables as at 30 June 2014 (31 December 2013: three customers accounted for 30%).

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

|                | <b>30 June<br/>2014<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2013<br>(Audited)<br>HK\$'000 |
|----------------|------------------------------------------------------|----------------------------------------------|
| Within 1 month | 207,799                                              | 267,017                                      |
| 1 to 2 months  | 102,055                                              | 106,142                                      |
| 2 to 3 months  | 15,738                                               | 30,326                                       |
| Over 3 months  | <u>52,227</u>                                        | <u>295,844</u>                               |
| Total          | <u><b>377,819</b></u>                                | <u><b>699,329</b></u>                        |

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

|                                  | <i>Note</i> | <b>2014<br/>(Unaudited)<br/>HK\$'000</b> | 2013<br>(Audited)<br>HK\$'000 |
|----------------------------------|-------------|------------------------------------------|-------------------------------|
| At 1 January 2014/1 January 2013 |             | 78,561                                   | 82,205                        |
| Impairment losses recognised     | 6           | 13,371                                   | 837                           |
| Impairment losses reversed       | 6           | (5)                                      | (6,562)                       |
| Exchange realignment             |             | <u>(982)</u>                             | <u>2,081</u>                  |
| At 30 June 2014/31 December 2013 |             | <u><b>90,945</b></u>                     | <u><b>78,561</b></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\$90,945,000 (31 December 2013: HK\$78,561,000) with a carrying amount before provision of HK\$104,160,000 (31 December 2013: HK\$91,938,000).

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

|                               | <b>30 June<br/>2014<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2013<br>(Audited)<br>HK\$'000 |
|-------------------------------|------------------------------------------------------|----------------------------------------------|
| Neither past due nor impaired | 321,483                                              | 513,438                                      |
| Less than 1 month past due    | 20,388                                               | 21,629                                       |
| 1 to 3 months past due        | 18,873                                               | 38,107                                       |
| Over 3 months past due        | <u>3,860</u>                                         | <u>112,778</u>                               |
| Total                         | <u><b>364,604</b></u>                                | <u><b>685,952</b></u>                        |

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

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

Included in the Group's trade receivables are amounts due from the Group's fellow subsidiaries of HK\$30,686,000 (31 December 2013: HK\$126,883,000) which are repayable on similar credit terms to those offered to the major customers of the Group.

As at 30 June 2014, a subsidiary of the Group has pledged bills receivables of approximately HK\$22,150,000 (31 December 2013: HK\$105,091,000) to secure bank loans.

## 11. TRADE AND BILLS PAYABLES

|                | <b>30 June<br/>2014<br/>(Unaudited)<br/>HK\$'000</b> | <b>31 December<br/>2013<br/>(Audited)<br/>HK\$'000</b> |
|----------------|------------------------------------------------------|--------------------------------------------------------|
| Trade payables | <b>106,350</b>                                       | 421,310                                                |
| Bills payables | <b>35,625</b>                                        | 5,703                                                  |
| Total          | <b>141,975</b>                                       | 427,013                                                |

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers, except for the purchase of corn kernels from farmers, which is normally settled on a cash basis. The carrying amounts of trade payables approximate to their fair values.

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

|                | <b>30 June<br/>2014<br/>(Unaudited)<br/>HK\$'000</b> | <b>31 December<br/>2013<br/>(Audited)<br/>HK\$'000</b> |
|----------------|------------------------------------------------------|--------------------------------------------------------|
| Within 1 month | <b>87,326</b>                                        | 174,741                                                |
| 1 to 2 months  | <b>9,224</b>                                         | 12,863                                                 |
| 2 to 3 months  | <b>9,575</b>                                         | 7,392                                                  |
| Over 3 months  | <b>35,850</b>                                        | 232,017                                                |
| Total          | <b>141,975</b>                                       | 427,013                                                |

As at 30 June 2014, the Group's bills payable were secured by time deposits of HK\$10,688,000.

Included in the Group's trade and bills payables are amounts due to the Group's fellow subsidiaries of HK\$20,604,000 (31 December 2013: HK\$218,442,000) which are repayable on similar credit terms to those offered by the fellow subsidiaries to their major customers.

## 12. SHARE CAPITAL

The following is a summary of the authorised and issued share capital of the Company:

|                                                                                      | <b>30 June<br/>2014<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2013<br>(Audited)<br>HK\$'000 |
|--------------------------------------------------------------------------------------|------------------------------------------------------|----------------------------------------------|
| Authorised:                                                                          |                                                      |                                              |
| 100,000,000,000 (31 December 2013: 100,000,000,000) ordinary shares of HK\$0.10 each | <u><b>10,000,000</b></u>                             | <u>10,000,000</u>                            |
| Issued and fully paid:                                                               |                                                      |                                              |
| 1,527,586,000 (31 December 2013: 1,527,586,000) ordinary shares of HK\$0.10 each     | <u><b>152,759</b></u>                                | <u>152,759</u>                               |

## MANAGEMENT DISCUSSION AND ANALYSIS

Global Sweeteners Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are principally engaged in the production and sale of corn refined products and corn sweeteners, categorised into upstream and downstream products. The Group's upstream products include corn starch, gluten meal, corn oil and other corn refined products. Corn starch is then refined downstream to produce various corn sweeteners which are classified into two categories: corn syrup (glucose syrup, maltose syrup and high fructose corn syrup) and corn syrup solid (crystallised glucose and maltodextrin). The Group is also engaged in 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), market demand and supply of each of the products and their respective substitutes in the market and the variety of product specifications.

The Crimean Crisis in Ukraine, the third largest corn exporting country, has stimulated the international corn price in the first quarter of 2014. However, as the climate conditions turned favourable in May, the corn harvest in the United States of America ("US") is expected to outperform expectations in 2014. Consequently, international corn price dropped from 523 US cents per bushel (equivalent to RMB1,282 per metric tonne ("MT")) to 417 US cents per bushel (equivalent to RMB1,018 per MT) by the end of the Period. While in the People's Republic of China (the "PRC"), corn harvest in 2013/14 exceeded 218 million MT (2012/13: approximately 205 million MT), representing a 6.3% increase year on year. Despite this, corn price in China

remained high during 2014. The PRC government has adopted a series of measures since the end of 2013 to stabilise domestic corn price, including the increase in national corn reserves to 69 million MT (2013: 31 million MT), representing 31.7% of the total corn harvest in 2013/14. As a result, the average purchase price of corn kernels remained at approximately RMB1,985 per MT (2013: RMB2,004 per MT) for the Period.

Despite the PRC government's continuous efforts to stimulate economic growth, the depressed property prices and industrial production suggest that pace of economic growth in China remained slow. Sentiment among buyers and manufacturers stayed conservative as reflected in China's Purchasing Managers Index. Consequently, the market selling price of the Group's products remained weak. In addition, as the market is flooded with excess supply of corn starch, the price of upstream products hit the record low in the first quarter of 2014 at approximately RMB2,460 per MT, putting the Group's upstream business under pressure.

In respect of sugar price movement, the abundant supply of cane sugar, a substitute of the Group's corn sweetener products, continued to exert pressure on the market selling price of corn sweetener products. Domestic sugar price dropped further by 13.0% to approximately RMB4,700 per MT (2013: RMB5,400 per MT) by the end of the Period. On the other hand, increased production in various major sugar producing regions has pressed international sugar price to 16.6 US cents per pound (equivalent to RMB2,273 per MT) by the end of June 2014. The discrepancy between domestic and international sugar prices encouraged imports, which further pressured the prices of the Group's sweetener products.

In view of the increasingly challenging operating environment, the Group will continue to strengthen its market position leveraging on its brand name and further improving operation efficiency through continuous research and development efforts to lower operating costs. In addition, the Group will take the opportunity of relocating its production facilities to Xinglongshan, Changchun to re-adjust its product mix and capacity to adapt to market changes.

## **FINANCIAL PERFORMANCE**

The Group's consolidated revenue decreased by approximately 28.4% to approximately HK\$1,499 million (2013: HK\$2,095 million) while gross profit decreased by approximately 66.3% to HK\$33 million (2013: HK\$98 million) when compared to the corresponding period last year. During the Period, the Group recorded gain on assets compensation and an impairment of goodwill which amounted to approximately HK\$103 million and HK\$103 million respectively, as a result of the relocation of the Group's production facilities in Changchun. Consequently, the Group's net loss attributable to shareholders for the Period amounted to approximately HK\$240 million (2013: HK\$110 million). The above deterioration is mainly due to the low utilisation rate of the Group's production facilities in Changchun as a result of the poor operating environment since last year, and the suspension of the Group's upstream production facilities in preparation for the relocation as disclosed in an announcement of the Company dated 31 March 2014. Consequently, the Group's unit production costs remained high during the Period. The combined effect with the weak market selling prices has posed pressure on the Group's performance for the Period.

The Directors believe that the upstream industry is under the process of consolidation and such situation is only temporary. As the operating environment gradually recovers, it is expected that the utilisation rate of the Group's production facilities will improve and lower the production cost. With the Group's established leading position in the industry, the Directors believe that the Group is well positioned to withstand challenges and to capture market opportunities as they arise.

### **Upstream products**

(Sales amount: HK\$743 million (2013: HK\$978 million))

(Gross loss: HK\$46 million (2013: Gross profit: HK\$7 million))

During the Period, the revenue and gross profit of corn procurement business amounted to approximately HK\$72 million and HK\$3 million (2013: HK\$36 million and HK\$1 million) respectively. Internal consumption of corn kernels for upstream production during the Period amounted to approximately 31,000 MT (2013: Nil).

During the Period, the sales volume of corn starch and other corn refined products were approximately 142,000 MT (2013: 150,000 MT) and 87,000 MT (2013: 163,000 MT) respectively. Internal consumption of corn starch was approximately 80,000 MT (2013: 87,000 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 decreased by approximately 7.9% to HK\$3,035 per MT (2013: HK\$3,295 per MT) while other corn refined products increased by approximately 1.1% to HK\$2,762 per MT (2013: HK\$2,732 per MT) as compared to the corresponding period last year. As the average unit production cost increased during the Period, the corn starch segment recorded a gross loss margin of approximately 3.6% (2013: Gross profit margin of 6.3%) while other corn refined products segment recorded a gross loss margin of approximately 14.0% (2013: 5.8%) during the Period.

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 Period and is expected to continue in the second half of 2014. As such, the Group decided to halt its production of upstream products in Changchun since 31 March 2014. The Group will closely monitor the market to determine whether the Group shall source raw materials, such as corn starch, externally from either independent third parties or Global Bio-chem Technology Group Company Limited ("GBT") and its subsidiaries (other than the members comprising the Group, the "GBT Group") for its downstream production; and assess from time to time whether and when shall its upstream operation at the new site in Xinglongshan Changchun, the PRC (the "Xinglongshan Site").

## Corn syrup

(Sales amount: HK\$462 million (2013: HK\$806 million))

(Gross profit: HK\$49 million (2013: HK\$72 million))

During the Period, revenue of high fructose corn syrup (“HFCS”) increased by 10.9% to approximately HK\$112 million (2013: HK\$101 million) which was mainly attributable to the increase in sales volume by 17.9% to approximately 31,000 MT (2013: 26,300 MT). The average selling price decreased by 4.0% while the average unit production cost decreased by 5.8% due to the decrease in raw material (corn starch) cost. As a result, gross profit increased by 41.7% to approximately HK\$17 million (2013: HK\$12 million) and the gross profit margin increased to 14.6% (2013: 12.9%).

The Group has focused on the high-end niche market for glucose syrup to differentiate from its competitors during the Period. As such, the average selling price of glucose syrup increased by approximately 28.1%. Due to the low utilisation rate of the Group’s production facilities in Changchun, the sales volume decreased to approximately 26,000 MT (2013: 131,000 MT) as compared to the corresponding period last year. Consequently, the revenue of glucose syrup dropped by approximately 74.2% to approximately HK\$91 million (2013: HK\$353 million), while the gross profit margin of glucose syrup increased to approximately 11.3% (2013: 7.1%).

On the other hand, the keen competition in the maltose syrup market has lowered the average selling price of maltose syrup during the Period by approximately 4.5%, while the sales volume decreased by 22.4% to approximately 76,000 MT (2013: 98,000 MT) due to the low utilisation rate of the Group’s production facilities in Changchun. Consequently, the revenue of maltose syrup decreased by 26.4% to approximately HK\$259 million (2013: HK\$352 million), and the gross profit margin of maltose syrup dropped to approximately 8.5% (2013: 9.8%).

Internal consumption of glucose syrup for downstream production during the Period decreased to approximately 9,000 MT (2013: 24,000 MT), which was mainly attributable to the decrease in the production volume of crystallised glucose.

During the Period, no glucose syrup (2013: 109,000 MT) was sold to the GBT Group.

## **Corn syrup solid**

(Sales amount: HK\$294 million (2013: HK\$311 million))

(Gross profit: HK\$30 million (2013: HK\$19 million))

The revenue of corn syrup solid decreased by approximately 5.8% during the Period. It was mainly attributable to the drop in sales volume and average selling price of crystallised glucose by approximately 30.8% and 8.1% to 9,000 MT (2013: 13,000 MT) and HK\$3,628 (2013: HK\$3,949) respectively. Consequently, the revenue of crystallised glucose decreased by approximately 33.3% to approximately HK\$34 million (2013: HK\$51 million).

During the Period, the average selling price of maltodextrin decreased by 5.0% while the sales volume increased by 4.2% to approximately 75,000 MT (2013: 72,000 MT). As a result, the revenue of maltodextrin maintained at approximately HK\$260 million (2013: HK\$260 million).

During the Period, the average unit production cost of crystallised glucose and maltodextrin decreased by 20.6% and 6.7% respectively. It was mainly attributable to the reallocation of depreciation from cost of sales as a result of idle capacity of Changchun production facilities during the Period. The crystallised glucose segment recorded gross profit of approximately HK\$1 million (2013: gross loss of approximately HK\$5 million), notwithstanding the drop of its sales volume by 30.8%. Meanwhile, the maltodextrin segment recorded a gross profit of approximately HK\$29 million (2013: HK\$24 million) with a gross profit margin of 11.1% (2013: 9.5%).

During the Period, no crystallised glucose was sold to the GBT Group (2013: 400 MT).

## **Export sales**

During the Period, the Group exported approximately 17,000 MT (2013: 45,000 MT) of upstream corn refined products and approximately 11,000 MT (2013: 7,000 MT) of corn sweeteners; their export sales amounted to approximately HK\$40 million (2013: HK\$105 million) and HK\$45 million (2013: HK\$29 million) respectively, together representing approximately 5.7% (2013: 6.4%) of the total revenue of the Group.

## **Other income, operating expenses, finance costs and income tax**

### ***Other income***

During the Period, other income of the Group increased to HK\$113 million (2013: HK\$14 million), which was mainly attributable to the gain on assets compensation as a result of the relocation of production facilities in Changchun which amounted to approximately HK\$103 million.

### ***Selling and distribution expenses***

During the Period, the selling and distribution expenses representing 7.7% (2013: 5.1%) of the Group's revenue, which represents an increase of 7.5% to approximately HK\$115 million (2013: HK\$107 million). Such increase was mainly attributable to the increase in direct labour costs.

### ***Administrative expenses***

During the Period, administrative expenses increased by 17.6% to approximately HK\$60 million (2013: HK\$51 million), representing 4.0% (2013: 2.4%) of the Group's revenue. Such increase was attributable to the increase in staff salary as a result of inflationary pressure in the PRC.

### ***Other expenses***

During the Period, other expenses of the Group increased to approximately HK\$162 million (2013: HK\$1 million). Such increase was attributable to the reallocation of depreciation from cost of sales as a result of the idle capacity of the Changchun production facilities and impairment of goodwill of Changchun production facilities amounted to approximately HK\$52 million and HK\$103 million respectively.

### ***Finance costs***

During the Period, finance costs of the Group decreased to approximately HK\$45 million (2013: HK\$54 million) as a result of the reduction in bank borrowings by approximately HK\$631 million.

### ***Income tax***

Although the Group recorded a net loss during the Period, certain subsidiaries in the PRC incurred net profit and were subject to the PRC enterprise income tax. As a result, provision for income tax expenses amounted to approximately HK\$6 million was made (2013: HK\$7 million).

### ***Net loss attributable to shareholders***

As a result of the high production costs and weaker than expected market selling prices, the Group recorded a net loss of approximately HK\$240 million (2013: HK\$110 million) during the Period.

## **FINANCIAL RESOURCES AND LIQUIDITY**

### **Structure of interest bearing borrowings and net borrowing position**

As at 30 June 2014, the Group's bank borrowings amounted to approximately HK\$1,068 million (31 December 2013: HK\$1,358 million), of which approximately 1.0% (31 December 2013: 1.9%) was denominated in US dollars, 5.6% (31 December 2013: 4.4%) was denominated in Hong Kong dollars and the remainder was denominated in Renminbi. The average interest rate during the Period decreased to approximately 5.3% (2013: 5.9%) per annum as a result of the decrease in the PRC interest rate.

During the Period, the Group was in compliance with the financial covenants as required in its current banking facilities and had no difficulty in renewing its banking facilities. On the contrary, the Group proactively reduced its bank borrowings by 21.4% and implemented a series of measures to strengthen its liquidity management. Such measures included restructuring of certain short term borrowings to long term ones, recovery of trade receivables and reduction of corn inventory. Consequently, the Group's net borrowings decreased by 15.4% to approximately HK\$804 million (31 December 2013: HK\$950 million) as at 30 June 2014.

### **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. During the Period, the trade receivables turnover days decreased to approximately 46 days (31 December 2013: 61 days) which was mainly attributable to the Group's stringent control on credit terms.

During the Period, trade payables turnover days decreased to approximately 18 days (31 December 2013: 38 days) as part of the cash flow management.

As at 30 June 2014, the inventory level decreased by 25.6% to approximately HK\$795 million (31 December 2013: HK\$1,069 million). However, with the decrease in cost of sales to approximately HK\$1,466 million (31 December 2013: HK\$4,062 million), the inventory turnover days had slightly increased to approximately 98 days for the Period (31 December 2013: 96 days).

The current ratio as at 30 June 2014 increased to approximately 1.37 (31 December 2013: 1.10) and the quick ratio increased to approximately 0.74 (31 December 2013: 0.63), due to the reallocation of short term borrowings amounted to HK\$359 million to long term ones. Gearing ratio in terms of net debts (i.e. net balance between bank borrowings and cash and cash equivalents) to equity was approximately 48.0% (31 December 2013: 51.8%). The decrease in gearing ratio was due to the reduction in bank borrowings of approximately HK\$290 million during the Period.

## IMPORTANT TRANSACTION

Reference is made to the announcements of the Company dated 7 January 2014 and 31 March 2014. In response to the call of the local government to industrial companies to move their factories away from the central districts of Changchun which has been developed rapidly, the Group has accepted the resumption proposal and entered into compensation agreements (the “Compensation Agreements”) with Changchun Land Reserve Centre (長春市土地儲備中心) on 30 December 2013 and 31 December 2013.

As part of the relocation plan of the Group’s production facilities in Changchun, the Group would start gradually relocating its production facilities to the Xinglongshan Site in 2014. On the other hand, in light of the current market sentiment of the upstream corn refinery, the Group has halted its production of upstream products in Changchun since 31 March 2014. During this period, to meet the production requirement of the Group’s downstream products in Changchun, the Group would source corn starch externally from either independent third parties or the GBT Group. The Group would also optimise the utilisation of the downstream sweeteners operations at its current production site in Changchun and maintain its flexibility to continue to serve local customers according to market needs.

The Board considers that the relocation of production facilities to the Xinglongshan Site provides a good opportunity for the Group to re-adjust its product mix to focus on high value-added products in order to adapt to the changing market needs. At the same time, by upgrading the current production facilities during the relocation process, the Group could further enhance operation efficiency and cost competitiveness. Commercial production of its downstream production facilities at the Xinglongshan Site is expected to commence by the first half of 2015. Depending on the then market environment, the Group will reassess whether to re-commence the production of these upstream products or continue to source corn starch externally after completion of the relocation of production facilities to the Xinglongshan Site.

Pursuant to the Compensation Agreements, the Group agreed to the resumption of a piece of land with an area of approximately 70,000 square metres located on the west side of Xihuancheng Road, Changchun, the PRC (“GSH Land”) and the building and fixtures erected on the GSH Land. The Changchun Land Reserve Centre shall make a compensation of RMB35,320,000 (approximately to HK\$44,150,000) in respect of the GSH Land, and a compensation of RMB86,480,000 (approximately to HK\$108,100,000) in relation to the buildings and fixtures erected on the GSH Land.

As disclosed in the 2013 annual report of the Company issued on 11 April 2014, goodwill of HK\$149,950,000 related to Changchun Dihao Foodstuff Development Co., Ltd. (“Changchun Dihao”) has been allocated to the group of assets which were identified by the management to be retained in Lu Yuan District, Changchun pending for the disposal of certain assets to the local government pursuant to a relocation plan (“Relevant Assets”). The value of the goodwill has been assessed by comparing the amount of relocation compensation with the carrying amount of the Relevant Assets.

During the Period, the Group received part of the resumption compensation amounting to RMB86,480,000 (approximately HK\$108,100,000) and the Group recognised a gain on assets compensation of HK\$102,669,000 based on the carrying value of associated assets held for sale of HK\$5,431,000. Accordingly, there is a corresponding decrease in the recoverable amount of the Relevant Assets together with the goodwill after the above compensation was received and the carrying value of the associated assets amounting to HK\$5,431,000 was derecognised. Accordingly, impairment loss of goodwill amounting to HK\$102,472,000 was recognised in other expenses during the Period.

As at the date of this announcement, the remaining part of the Group's production site in Changchun with an aggregate area of approximately 257,290 square metres and the production facilities erected thereon are pending for resumption and relocation. On 21 August 2014, Changchun Land Reserve Centre and the Group entered into mutual framework agreements by which the parties have reached a preliminary understanding on the intention of the resumption. It was agreed that the compensation shall be determined by the Changchun Land Reserve Centre and the Land Acquisition Reserve Transaction Fund Verification Centre (長春市土地儲備交易資金審核中心), with reference to the valuation performed by a valuer to be appointed by Changchun Land Reserve Centre. It is expected that formal land resumption compensation agreements will be entered into after Changchun Land Reserve Centre and the Group agree on the final terms and conditions. For the reference of the Company's management, the Company has engaged an independent valuer to perform a valuation of the subject land, buildings, machineries and fixtures erected thereon. The valuation amounted to RMB665 million in aggregate as of 31 July 2014. The Company will make an announcement and comply with the relevant requirements under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") once the formal agreement(s) shall have been finalized or signed, as and when necessary.

## **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 Directors consider that there is no material unfavourable exposure to foreign exchange fluctuation. Therefore, 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 the Group's business segments and its overall foreign exchange risk profile, and will consider appropriate hedging measures in future as and 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 efforts and strategic business alliance with prominent international market leaders.

The Group will adopt a prudent approach in face of the current challenging operating environment. In the short run, the Group will take opportunity of the relocation of its production facilities to the Xinglongshan Site to re-adjust its product mix and capacity to adapt to market changes, and at the same time, enhance operation efficiency through continuous research and development efforts to lower operating costs. The relocation plan of the Group will be financed by the Group's internal resources, and the Directors are of the view that the existing technology know-how of the Group is sufficient for the relocation of production facilities. In the long run, the Group will continue to strengthen its market position leveraging on its brand name and add value to the current product mix through the introduction of new high value-added products.

## **NUMBER AND REMUNERATION OF EMPLOYEES**

As at 30 June 2014, the Group has approximately 1,360 full time employees in Hong Kong and the PRC. The Group appreciates the correlation between human resources and its success, and has therefore placed great emphasis on the recruitment of qualified and experienced personnel to enhance the Group's production capability and product 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 funds, insurance schemes and performance related commissions.

## **INTERIM DIVIDEND**

The Board has resolved not to recommend the payment of an interim dividend in respect of the Period (Six months ended 30 June 2013: Nil).

## **PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

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

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND MODEL CODE**

The Company is committed to ensuring a high standard of corporate governance for the interests of shareholders and devotes considerable effort in identifying and formalising best practices.

Save as disclosed below, in the opinion of the Directors, the Company has complied with all code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2014.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. On 20 May 2014, Mr. Zhang Fazheng ceased to be an executive Director and chief executive officer ("CEO") of the Group upon his retirement by rotation from the Board at the annual general meeting held on even date, due to the reaching of his retirement age. Mr. Kong Zhanpeng, the chairman of the Company and an executive

Director, has been appointed as the CEO of the Group. The Board believes that vesting the roles of both chairman and CEO in the same person has the benefit of ensuring effective and efficient decision making and management control.

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of the Directors, all Directors have confirmed to the Company that they have complied with the required standard set out in the Model Code and the Company's code of conduct throughout the Period.

## **CORPORATE GOVERNANCE COMMITTEE**

The corporate governance committee of the Company (the "Corporate Governance Committee") was established in accordance with the requirements of the CG Code for the purposes of reviewing the Company's policies and practices on corporate governance, and providing supervision over the Board and its committees' compliance with their respective terms of reference, relevant requirements under the CG Code, or other laws, regulations, rules and codes. The Corporate Governance Committee comprises of an executive Director, Mr. Lee Chi Yung, and two independent non-executive Directors, Mr. Chan Yuk Tong and Mr. Ho Lic Ki. The chairman of the Corporate Governance Committee is Mr. Chan Yuk Tong.

The Corporate Governance Committee reviewed the Company's policies and practices on corporate governance, and considered that the Company has complied with all code provisions in the CG Code during the six months ended 30 June 2014.

## **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. The Audit Committee comprises all three independent non-executive Directors. As at the date of this announcement, the chairman of the Audit Committee is Mr. Chan Yuk Tong, and the other members of the Audit Committee are Mr. Ho Lic Ki and Mr. Lo Kwing Yu.

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 interim results of the Group for the Period have not been audited, but have been reviewed by the Company's auditors, Ernst & Young, and the Audit Committee.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of the Company at [www.global-sweeteners.com](http://www.global-sweeteners.com) under “Investor Relations”.

The Interim Report 2014 of the Company will be dispatched to the shareholders of the Company and will be available for viewing on the aforesaid websites of the Stock Exchange and the Company in due course.

On behalf of the Board  
**Global Sweeteners Holdings Limited**  
**Kong Zhanpeng**  
*Chairman and Chief Executive Officer*

Hong Kong, 29 August 2014

*As at the date of this announcement, the Board comprises four executive directors, namely, Mr. Kong Zhanpeng, Mr. Lee Chi Yung, Ms. Wang Guifeng and Mr. Nie Zhiguo and three independent non-executive directors, namely Mr. Chan Yuk Tong, Mr. Ho Lic Ki and Mr. Lo Kwing Yu.*

*\* For identification purposes only*