大成糖業控股有限公司*

GLOBAL Sweeteners Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 03889 HK
913889 TW

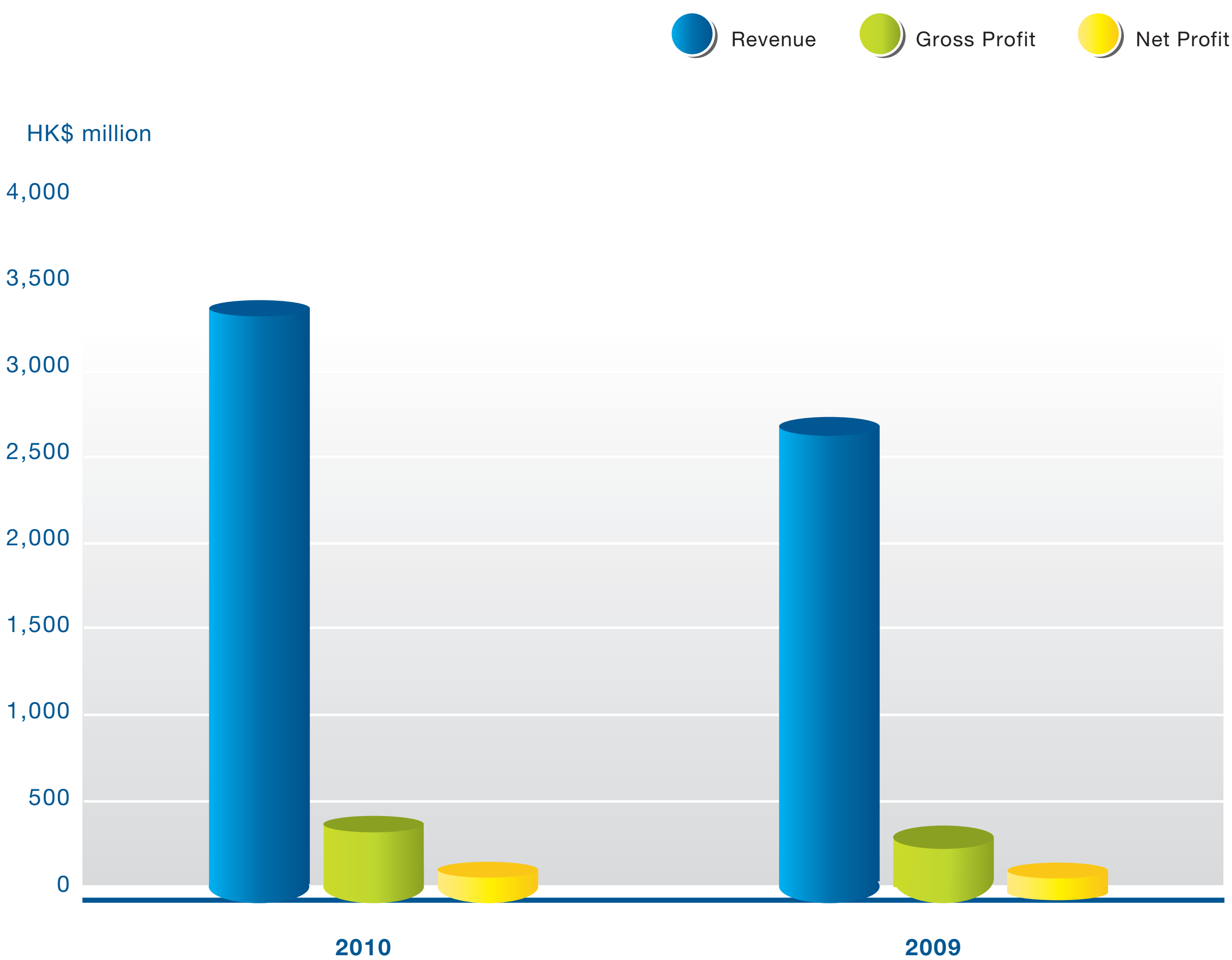
ANNUAL REPORT 2010

* For identification purpose only

CONTENTS

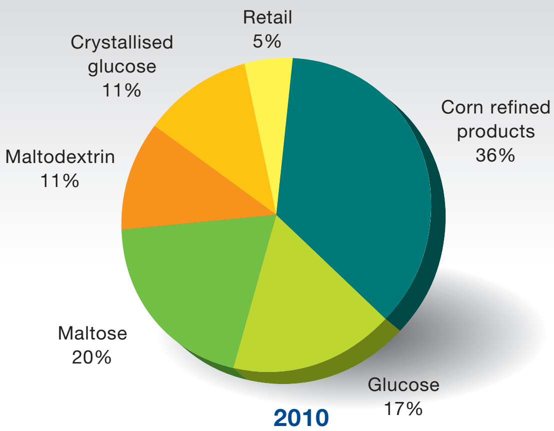
FINANCIAL HIGHLIGHTS

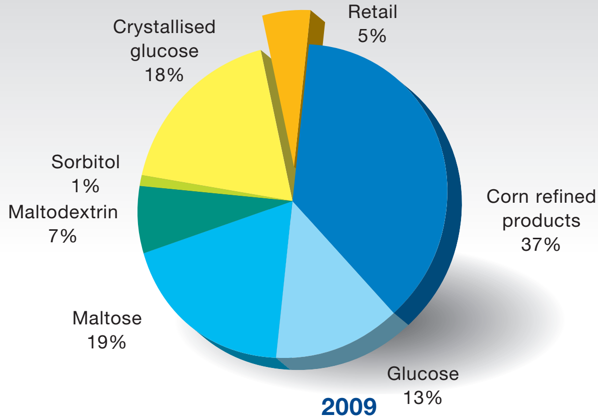
(HK$ million)	2010	2009	Change %
Revenue	**3,356**	2,669	25.7
Gross profit	**378**	307	23.1
Profit before tax	**125**	107	16.8
Net profit from ordinary activities attributable to shareholders	**89**	86	3.5
Basic earnings per share (HK cents)	**7.9**	8.2	(3.7)
Proposed final dividend per share (HK cents)	**—**	1	N/A



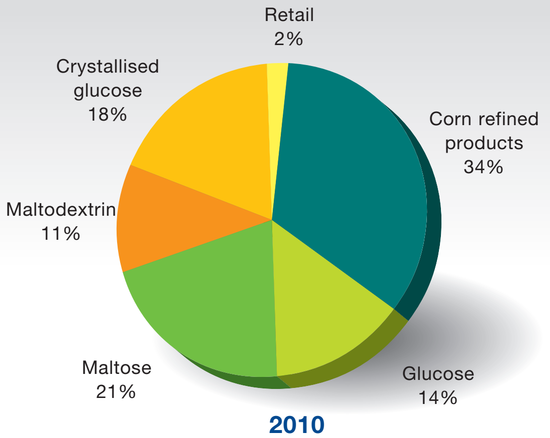
REVENUE AND SALES ANALYSIS

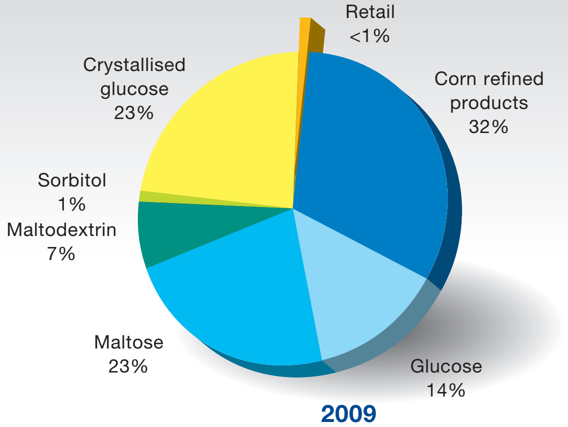
REVENUE



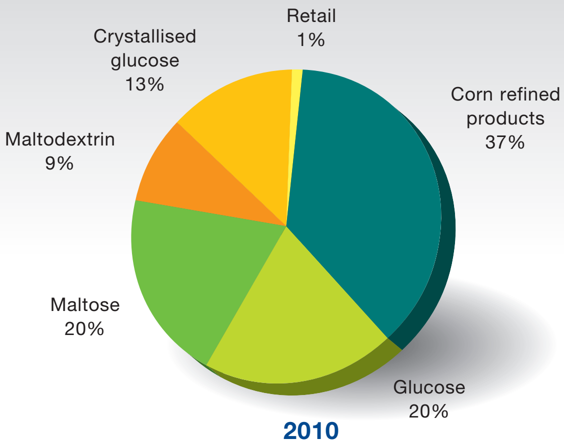


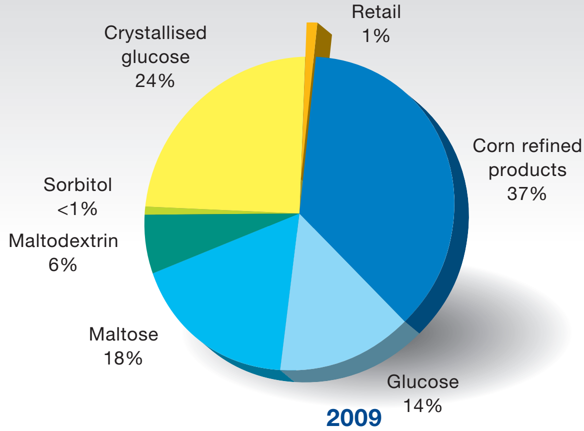
GROSS PROFIT





SALES VOLUME





MESSAGE TO SHAREHOLDERS

To the Shareholders,

I am pleased to present the annual report of Global Sweeteners Holdings Limited for the year ended 31 December 2010.

Benefiting from the increase in product selling prices during the year and the economies of scale of the Group's core sweeteners business, the revenue and gross profit of the Group for the year ended 31 December 2010 showed prominent growth compared to last year, reporting an increase of 25.7% and 23.1% to HK$3,356 million and HK$378 million respectively, while gross profit margin maintained at the level of approximately 11.3%. Notwithstanding the satisfactory increase in product prices and gross profit, due to the rise in raw material cost and other expenses, net profit for the year under review increased by 3.5% compared to the previous year.

BUSINESS REVIEW

The economy of China maintained a healthy development pace in 2010. Strong consumption sentiments in the PRC have fueled the demand of food, bringing about a strong demand for the raw materials of food and drinks such as corn starch and sweeteners. On the other hand, the improved market sentiment and rising commodities prices have also raised the price of corn kernels, the Group's principal raw material, significantly. In response to this, the Group has leveraged on the scale of its production capacity and operation efficiency and maintained a steady business development.

During the year under review, the purchasing price of corn kernels increased by 21.2%, which is challenging to the operation of the Group. However, the upsurged selling price of corn starch supported by the strong demand has effectively offset the pressure from the increase in raw material cost. As a result, the profit for the corn starch segment reported a significant growth over the last year. Among the upstream products, the prices of corn refined products has also increased, although the magnitude is not as high as the increase in corn price. Overall speaking, the Group could still manage to raise its gross profit margin for the upstream business slightly in view of the challenging market condition. In addition, the Group also increased the internal consumption of corn starch to help control the production cost for downstream business.

The unstable weather conditions had an impact on the international sugar market, giving rise to market shortage. The situation in China was even more prominent. Major sugar-producing regions such as Guangxi Province and Yunnan Province have been affected by the weather, tightening the market supply and increasing sugar price significantly. Triggered by the rise in sugar price, the selling prices of corn sweeteners of the Group have also increased. On the other hand, crude oil price has stayed up, imposing a positive impact on the prices of sugar and sweeteners as an alternative source of energy.

The downstream sweeteners segment maintained stable growth. Overall annual sales volume reached 771,000 metric tonnes. Among all the sweetener products, the growth in sales volume of glucose syrup and maltose syrup was particularly prominent. This was mainly attributable to the commencement of operation of the Jinzhou plant in late 2009. During the year under review, the contribution from the Jinzhou plant has gradually reflected in the increase in the production output.

In order to capture the opportunity of increasing demand in the food and beverage industries, the Group leveraged on the flexibility in its production facilities. During the year, to cope with the rapid demand growth of maltodextrin, one of the glucose syrup production lines in the Group's Shanghai plant was switched to produce maltodextrin. This has significantly increased the sales volume of maltodextrin during the year under review by 44% to 113,000 metric tonnes.

During the year under review, sales volume of crystallised glucose dropped by 43.6% compared to last year. This was mainly due to a decrease in sale of crystallised glucose to the Group's parent company, Global Bio-chem Technology Group. Moreover, the production facility of crystallised glucose in Changchun has been modified during the third quarter of the year to improve product quality. Consequently, the production volume of crystallised glucose decreased. Despite this, the gross profit of crystallised glucose maintained at similar level compared to last year, as a result of better selling price of the product.

During the year, the Group continued its effort to develop its export markets and expand its overseas sales. Export volume of the Group increased from 75,000 metric tonnes in 2009 to 94,000 metric tonnes, representing an increase of 25.3%, while turnover amounted to HK$269 million, representing an increase of 65.0% over 2009.

Having laid a solid foundation of the Group's core business, the Group strived to expand its income source and profit platforms. The Group started to tap into the beef business and distribute beef products to supermarket chains and hotels in 2009. As the overall living standard in China improves, the demand for beef products and beef consumption per capita keep increasing every year. The business in beef provided considerable contribution to the revenue and profit for the Group in 2010. The gross profit of this segment grew by about 4.5 times to HK$8 million, and revenue reached HK$166 million. To ensure steady growth of the Group's beef business without affecting the capital of its core business, the Group has been listed in Taiwan through the issue of Taiwan Depositary Receipt (913889.TW) since March 2010. The Company raised about HK$184 million net proceeds from the listing of TDR. Such proceeds are designated for the working capital for the Group's beef business. The issuance of TDR could also increase the liquidity of the Company's share and broaden its shareholder base.

FUTURE PLANS AND OUTLOOK

The positive outlook on crude oil price is expected to give strong support to international sugar price. While in China, considering sugar supply will be tightened as a result of the weather condition, sugar price in China is expected to stay high in 2011.

On the other hand, international corn price rose to a historic high in early 2010 and has been staying at a relatively high level since then. We anticipate that we will still experience pressure from the rise of corn prices in China in year 2011. Thus, to control the average procurement cost of corn more efficiently, the Group continues its practice to start the purchase of corn during the corn harvest season in October every year, and at the same time, adopt more flexible procurement strategies by keeping a close eye on changes of corn prices in order to lower the procurement cost by bulk purchase at the right time.

We expect market demand for the Group's products will remain strong in 2011 so overall sales volume may further increase. Furthermore, utilisation rate of various production facilities will gradually ramp up and reach full utlilisation. In view of this, the Group plans to expand its production capacity to cope with the rising market demand. For the upstream business, the Group plans to increase its current corn processing capacity in Jinzhou from 600,000 metric tonnes per annum to 900,000 metric tonnes per annum in the second quarter of this year, to meet the huge market demand of corn starch. The increase in corn processing capacity of 50% will be the feedstock for the new production line in Shanghai and increase external sales of corn starch.

For the downstream business, the Group will build a new 55 high fructose corn syrup (HFCS 55) production line with an annual production capacity of 60,000 metric tonnes in the existing Shanghai plant. This project is expected to complete in the fourth quarter of this year. Furthermore, the Group plans to build a crystallised glucose production facility with an annual production capacity of 100,000 metric tonnes, a maltodextrin production facility with an annual production capacity of 40,000 metric tonnes and a HFCS 55 production facility with an annual production capacity of 100,000 metric tonnes in Jinzhou. These projects are expected to complete successively by mid 2012.

The total capital expenditure for the above-mentioned projects is about HK$600 million. The capital expenditure for 2011 will be around HK$200 million. The contribution from the additional production capacity from these projects will be fully manifested in 2012, providing a solid foundation to the continuous growth of the Group.

To cope with the rising beef consumption in China, the Group plans to develop its beef business by improving the gross profit margin of the segment through product mix adjustment. This could be done by increasing the proportion of higher gross margin chilled beef products, and introducing new products through co-operation with food processers to produce downstream products such as beef balls and beef jerky. On the other hand, to ensure operation efficiency, the Group has sold out all its cattle in the Gansu cattle farm, and concentrated in the operation in Dalian. The Group also plans to build an additional cattle barn in its Dalian cattle farm with a capacity of 380 cattle. The new cattle barn is expected to complete by the end of April this year.

Currently, the domestic population of beef cattle in China is insufficient to meet its growing demands of beef products. As such, importing beef products is another area for the Group's beef business development. In order to fill the gap in the demand of high end beef products in China, the Group plans to commence the import of Australian beef into China in the first half of this year, which will further increase the Group's market share in the beef industry.

Ever since the Group was listed in 2007, it has gradually realised its development plans as announced in its IPO. In just a few years, the Group achieved substantial growth in the scale of its business and operation results. While working on maintaining its market leader status in the corn sweeteners market, the Group also actively explores plans to diversify its revenue source, as it seeks to expand the scope of its business in relation to food products. We hope to utilise the Group's competitive edge in management, capital and connections in the market fully to reward our Shareholders with stable returns. I would like to take this opportunity to extend my gratitude to all Shareholders for supporting Global Sweeteners, witnessing the growth of the Group, and enjoying the fruitful results the Group generates.

Kong Zhanpeng
Chairman
29 March 2011

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 three categories: corn syrup (glucose syrup and maltose syrup), corn syrup solid (crystallised glucose and maltodextrin) and sugar alcohol (sorbitol). The Group is also engaged in retail business through launching of its own branded sweeteners and beef products direct to supermarket chains and end users.

BUSINESS ENVIRONMENT

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

During the year under review (the "Year"), the average purchasing price of corn kernels increased by approximately 21.2% while the average selling price of corn starch increased by approximately 32.2% as compared to the corresponding period last year. While the price of cane sugar, a substitute of the Group's corn sweetener products, surged up by approximately 60% during the Year as compared to the corresponding period last year.

FINANCIAL PERFORMANCE

The Group's consolidated revenue and gross profit for the Year increased by approximately 25.7% and 23.1% to approximately HK$3,356 million and HK$378 million respectively (2009: HK$2,669 million and HK$307 million) when compared to the previous year. Such increase was mainly attributable to the increase in average selling prices and sales volume. The Group's net profit attributable to shareholders for the Year increased by approximately HK$3 million to approximately HK$89 million (2009: HK$86 million).

Upstream products

(Sales amount: HK$1,224 million (2009: HK$988 million))
(Gross profit: HK$127 million (2009: HK$97 million))

During the Year, the sales volume of corn starch and other corn refined products were approximately 291,000 metric tonnes ("MT") (2009: 300,000 MT) and 173,000 MT (2009: 163,000 MT) respectively. Internal consumption of corn starch was approximately 125,000 MT (2009: 115,000 MT), which was used as raw material for the production in Jinzhou and Shanghai production sites.

The operating environment of upstream products has been improving during the Year. The selling prices of corn starch and other corn refined products increased by approximately 32.2% and 8.4% to HK$2,800 per MT and HK$2,300 per MT (2009: HK$2,100 per MT and HK$2,100 per MT) respectively as compared to the corresponding period last year. However, corn price increased by 21.2% when compared to the corresponding period of 2009. As a result, the corn starch segment recorded a gross profit margin of approximately 19.6% (2009: 12.3%) while other corn refined products segment recorded a gross loss margin of approximately 8.7% (2009: gross profit margin: 5.2%) during the Year.

Corn syrup

(Sales amount: HK$1,239 million (2009: HK$847 million))
(Gross profit: HK$133 million (2009: HK$114 million))

During the Year, the sales volume of glucose syrup and maltose syrup increased by approximately 38.2% and 8.6% respectively as compared to the corresponding period last year.

Internal consumption of glucose syrup for downstream production decreased by 35.6% to approximately 277,000 MT (2009: 430,000 MT) due to the decrease in production of crystallised glucose during the Year. With the commencement of a new glucose/maltose production facility in Jinzhou in the second quarter of 2009, the sales volume of glucose syrup and maltose syrup increased to approximately 246,000 MT (2009: 178,000 MT) and 244,000 MT (2009: 225,000 MT) respectively. Consequently, the revenue of glucose syrup and maltose syrup grew by approximately 61.5% and 35.7% to approximately HK$561 million (2009: HK$347 million) and HK$678 million (2009: HK$500 million) respectively.

Despite the increase in the selling price of glucose syrup and maltose syrup by approximately 16.8% and 25.0% respectively as compared to the corresponding period last year, with the significant increase in raw material (corn starch) price during the Year, the gross profit margins of glucose syrup and maltose syrup segments decreased to 9.6% (2009: 12.0%) and 11.7% (2009: 14.4%) respectively.

During the Year, the Group sold approximately 184,000 MT (2009: 102,000 MT) of glucose syrup to Global Bio-chem Technology Group Company Limited ("GBT" and together with its subsidiaries other than the members comprising the Group, the "GBT Group").

Corn syrup solid

(Sales amount: HK$727 million (2009: HK$677 million))
(Gross profit: HK$110 million (2009: HK$92 million))

The revenue of crystallised glucose dropped by approximately 22.7% to approximately HK$371 million (2009: HK$480 million) during the Year, as a result of the decrease in sales volume by 43.6% to approximately 168,000 MT (2009: 298,000 MT). The revenue of maltodextrin increased by approximately 80.9% to HK$356 million (2009: HK$197 million) due to the increase in selling price and sales volume by 25.5% and 44.1% respectively to approximately HK$3,100 per MT (2009: HK$2,500 per MT) and 113,000 MT (2009: 79,000 MT) respectively.

During the Year, crystallised glucose and maltodextrin recorded gross profit of approximately HK$68 million (2009: HK$70 million) and HK$42 million (2009: HK$22 million) respectively with gross profit margins of 18.3% (2009: 14.6%) and 11.8% (2009: 11.1%) respectively. The increase in gross profit margins was mainly due to the increase in selling price.

During the Year, the Group sold approximately 139,000 MT (2009: 276,000 MT) of crystallised glucose to the GBT Group.

Sugar alcohol

(Sales amount: Nil (2009: HK$20 million))
(Gross profit: Nil (2009: HK$3 million))

Due to the poor market sentiment of sorbitol, the production line was switched to produce crystallised glucose during the Year.

Retail business

(Sales amount: HK$166 million (2009: HK$137 million)
(Gross profit: HK$8 million (2009: HK$2 million)

The revenue and gross profit of beef business increased by 21.5% and 445.7% to HK$166 million (2009: HK$137 million) and HK$8 million (2009: HK$2 million) respectively. During the Year, the Group has extended its business line to cattle fattening business. As at 31 December 2010, the Group had approximately 410 heads of cattle (2009: 370) in ranch including 330 heads of Angus beef cattle (2009: 330) and 80 heads of local cattle (2009: 40).

As at 31 December 2010, the Group has provided approximately HK$90 million as general working capital for trading and fattening of beef cattle. On the other hand, the Group has invested approximately HK$3 million to improve the current facilities and expand the barn, the construction is expected to be completed by the end of April 2011 and the heads of cattle in ranch will be double up. In the forthcoming year, capital expenditure amounted to HK$5 million will be incurred for the expansion of barn.

Export sales

During the Year, the Group exported approximately 45,000 MT (2009: 46,000 MT) of upstream corn refined products and approximately 41,000 MT (2009: 15,000 MT) of corn sweeteners; their export sales amounted to approximately HK$102 million (2009: HK$80 million) and HK$137 million (2009: HK$44 million) respectively.

Operating expenses and income tax

Due to the increase in turnover and number of headcounts of the Group, the operating expenses (other than finance costs) increased by approximately 19.8%. The ratio of such operating expenses to turnover, however, dropped to approximately 6.0% (2009: 6.3%), resulting mainly from the stringent control over operating costs and the enhancement in operating efficiency.

Finance costs of the Group increased to approximately HK$52 million (2009: HK$34 million) for the Year due to the increase in interest for discounting bills receivable and the increase in interest rate in PRC during the Year.

During the Year, certain subsidiaries which tax concession period expired were then subject to corporate profit tax rate at 25%. Consequently, the overall effective tax rate of the Group increased to approximately 27.1% (2009: 19.3%).

Performance of joint venture

As at 31 December 2010, the Group has one joint venture project with Cargill Inc., which is principally engaged in the manufacture and sale of high fructose corn syrup ("HFCS"). During the Year, the revenue of HFCS increased by 31.7% to HK$148 million (2009: HK$112 million) due to the increase in selling price by 20.8% and quantity sold by 6.2% to HK$2,900 per MT (2009: HK$2,400 per MT) and 50,000 MT (2009: 47,000 MT) respectively. Gross profit decreased by 11.8% to HK$20 million (2009: HK$22 million) is mainly attributable to increase in raw material cost by 36.0%. As a result, this joint venture recorded an operating profit of approximately HK$2 million (2009: HK$7 million) and share of profits by the Group amounted to HK$1 million (2009: HK$3 million).

Net profit attributable to shareholders

As a result of the stringent control over operating costs and the enhancement in operating efficiency, the net profit attributable to shareholders for the Year increased by approximately 3.5% to approximately HK$89 million (2009: HK$86 million).

IMPORTANT TRANSACTION

Listing of TDR on Taiwan Stock Exchange Corporation ("Taiwan Stock Exchange")

The Company made an application to the Taiwan Stock Exchange and the Taiwan Central Bank on 8 December 2009, and to the Taiwan Securities and Futures Bureau on 2 February 2010, for the offering and listing of 100 million TDRs, representing 100 million new shares of the Company and 100 million shares of the Company transferred by Global Corn Bio-chem Technology Company Limited, a wholly owned subsidiary of GBT ("TDR Issue") to the depositary bank for the TDRs, on the Taiwan Stock Exchange. The Company obtained approvals from all the relevant authorities by 26 February 2010. The underwriting agreement in connection with the TDR Issue was signed on 18 March 2010.

The TDR Issue consisted of 100 million units of TDR which comprised of (a) an offer of 1,000 units of TDR for subscription by Securities and Futures Investors Protection Center pursuant to the applicable securities laws in Taiwan; (b) an offer of an aggregate of 15 million units of TDR for subscription by the underwriters; (c) an offer of an aggregate of 8,500,000 million units of TDR for application for subscription by the public in Taiwan; and (d) an offer of an aggregate of 76,499,000 units of TDR for subscription by selected institutional and individual investors in Taiwan through book building process.

100 million shares of the Company were issued on 23 March 2010 as underlying securities of the TDR at the aggregate nominal value of HK$10 million.

The TDRs of the Company were listed on Taiwan Stock Exchange on 25 March 2010, with an offer price of NT$15.5 (equivalent to approximately HK$3.79) per TDR. The issue price per share of the Company, being NT$7.75 (equivalent to approximately HK$1.89), represented a discount of approximately 5.5% to the closing price of HK$2.00 per share quoted at 4:00p.m. on the Hong Kong Stock Exchange on 18 March 2010, being the date of signing of the underwriting agreement. The net issue price per share was approximately HK$1.85. The Company raised about HK$184 million net proceeds from the issue of the new shares pursuant to the TDR Issue.

As announced by the Company on 18 March 2010, the Board intended to use the net proceeds from the TDR Issue for the working capital for the Group's high end beef products business. The Board considered that the listing of TDR was an appropriate means of raising extra funds for the Group's future business development. Taking into account the Group's current working capital requirement, the prevailing market conditions and the cost involved in the TDR Issue when compared with other means of fund raising exercises, the Board believed the TDR Issue would be the most appropriate method as it could enhance the capital base of the Company and broaden the Company's shareholder base with a minimal dilution effect of up to approximately 8.70%, enhance the public awareness of the Group in Taiwan and provide an additional fundraising platform for the Group on one hand, and without having to incur additional interest costs nor to increase the Group's gearing ratio on the other hand.

Subsequent to the TDR Issue, GBT's interest in the Company was reduced from approximately 66.76% to approximately 52.24%.

As at the date of this report, the Group utilised a total of approximately HK$90 million of the proceeds for the high end beef products business. The remaining proceeds are placed on short term deposits with licensed banks in Hong Kong.

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

The Group's net borrowings remained at approximately HK$502 million (31 December 2009: HK$505 million) as at 31 December 2010.

Structure of interest bearing borrowings

As at 31 December 2010, the Group's bank borrowings amounted to approximately HK$879 million (31 December 2009: HK$801 million), of which approximately 11.4% (31 December 2009: 12.5%) was denominated in Hong Kong dollars while the remainder was denominated in Renminbi. The average interest rate during the Year increased to approximately 6.2% (2009: 4.8%) per annum as finance costs included discounted bills interest amounted to HK$7 million (2009: HK$3 million).

The percentage of interest bearing borrowings wholly repayable within one year or on demand and in the second to the fifth years were approximately 70.0% (31 December 2009: 84.9%) and 30.0% (31 December 2009: 15.1%) respectively. The change in repayment pattern was mainly due to the reallocation of certain short term bank borrowings to long term bank borrowings during the Year.

Turnover days, liquidity ratios and gearing ratios

Credit terms, normally 90 days, are granted to customers, depending on their credit worthiness and business relationships with the Group. As at 31 December 2010, out of the amounts due from fellow subsidiaries, approximately HK$130 million representing the trade nature portion (31 December 2009: HK$51 million) was taken into consideration in the calculation of trade receivables turnover days. During the Year, the trade receivables turnover days increased slightly to approximately 69 days (31 December 2009: 66 days) as longer credit terms were granted to customers for the new glucose plant and beef business. Subsequent to the balance sheet date, approximately HK$313 million of trade receivable was settled. Meanwhile, the outstanding balances of approximately HK$92 million (31 December 2009: HK$3 million) as at 31 December 2010 arising from the purchase transactions with the GBT Group were classified as amounts due to fellow subsidiaries. Such balances were considered as trade payables for the calculation of trade payables turnover days. During the Year, trade payables turnover days increased to approximately 26 days (31 December 2009: 8 days) as part of the cash flow management. Due to the increase in the inventory level of corn kernels of Jinzhou Yuancheng as of 31 December 2010 to approximately 195,000 MT (31 December 2009: 124,000 MT), the inventory turnover days had increased to approximately 72 days for the Year (31 December 2009: 57 days).

The current ratio and quick ratio as at 31 December 2010 increased to approximately 1.67 (31 December 2009: 1.20) and 1.10 (31 December 2009: 0.85) due to the increase in cash and cash equivalents as a result of the TDR Issue. Gearing ratios in terms of (i) bank borrowings to total assets, (ii) bank borrowings to equity and (iii) net debts (i.e. net balance between bank borrowings and cash and cash equivalents) to equity were approximately 26.9% (31 December 2009: 28.1%), 45.6% (31 December 2009: 49.0%) and net debts 26.1% (31 December 2009: 30.8%) respectively. The gearing ratio improved as a result of the TDR Issue which increased the cash and cash equivalents. Interest coverage (i.e. EBITDA over finance costs) decreased to approximately 5.5 times (2009: 6.7 times) as a result of increase in finance costs by 52.9% to HK$52 million (2009: HK$34 million).

The Group recorded net cash outflows from operating activities amounted to approximately HK$63 million during the Year (2009: HK$2 million). The change in cash flow position was mainly due to (1) the increase in trade and bills receivables by approximately HK$194 million; and (2) the increase in inventory level of corn kernels of Jinzhou Yuancheng by approximately HK$187 million.

FOREIGN EXCHANGE EXPOSURE

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

FUTURE PLANS AND PROSPECTS

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

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

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

With respect to the raw material price fluctuation, it is always the Group's objective to secure our corn kernel supply at the lowest cost. To better utilise our current corn storage facilities and subject to market moves, the Group will explore possibilities to further reduce our corn cost and secure our corn supply with a more comprehensive corn procurement policy and network.

EXPANSION OF PRODUCTION CAPACITY

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

To secure raw material supply and match with the Group's expansion in downstream corn sweeteners production in future, the Group plans to build an additional 300,000 MT per annum ("mtpa") corn processing capacity in current Jinzhou corn refinery. Construction of this corn processing facility is scheduled to commence in the second quarter of this year and is expected to complete by the fourth quarter of this year.

For the downstream expansion, in view of the pace of economic recovery and improved market sentiment, the Group plans to add a new HFCS 55 production facility of 60,000 mtpa in Shanghai to cope with the huge demand growth in the region. Construction of this facility will commence in April this year and is expected to complete in October this year. In addition, the Group also plans to resume the construction of a new crystallised glucose production facility of 100,000 mtpa, a maltodextrin production facility of 40,000 mtpa and a new HFCS production facility of 100,000 mtpa in Jinzhou this year. Construction of these projects are expected to start in the second and third quarters of this year respectively.

The Board estimates that substantial portion of the above expected capital expenditures will be incurred prior to the commencement of commercial production of each of these 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.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2010, the Group has approximately 1,200 full time employees in Hong Kong and the PRC. The Group emphasises the importance of human resources to its success, therefore qualified and experienced personnel are recruited for enhancing production capability and development of new products. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industrial practice. Our staff benefits provided by the Group include mandatory fund, insurance schemes and performance related commission.

EXECUTIVE DIRECTORS

Mr. Kong Zhanpeng, aged 47, is the executive Director and Chairman of the Company and is responsible for the Group's overall corporate development and management. Mr. Kong is one of the founders of the parent company, Global Bio-chem Technology Group Company Limited ("GBT") in 1994. He has over 15 years of extensive experience in industry and corporate development and management. Mr. Kong holds a bachelor's degree in textile engineering and a diploma in international trade from the China Textile University.

Mr. Zhang Fazheng, aged 61, was appointed as an executive Director in June 2008 and was appointed as the chief executive officer of the Group on 6 February 2009. Mr. Zhang is responsible for overseeing the Group's operation management and product development. Mr. Zhang graduated from Jilin Finance and Trade College in 1992, majoring in corporate accounting and he has over 22 years of experience in the management of production plant. Mr. Zhang joined the Group in 1998. He is the brother-in-law of Mr. Xu Zhouwen, an executive Director.

Mr. Xu Zhouwen, aged 68, was appointed as an executive Director on 28 October 2010. He graduated from the Harbin Electric University in 1970. As a pioneer in the corn refinery and corn-based bio-chemical industry, Mr. Xu has expertise in corn sweeteners industry. He is responsible to advise on the Group's operation management and product development. Mr. Xu is an executive director and the co-chairman of GBT, the holding company of the Company. Mr. Xu's role in the GBT Group is primarily on formulating and implementing product diversification strategies, managing product development and technology research, as well as supervising the overall production and operations of the GBT Group. He is the brother-in-law of Mr. Zhang Fazheng, an executive Director.

Ms. Wang Guifeng, aged 60, an executive Director, is responsible for overseeing the finance and accounting functions of the Group's business in the PRC. Ms. Wang graduated from Changchun Vocational University in 1983, majoring in industrial accountancy. She is a member of the Chinese Institute of Certified Public Accountants with over 20 years of experience in accounting and financial resources management. Ms. Wang joined the Group in June 2006. Ms. Wang resigned as executive Director with effect from 29 September 2010 due to her change of business pursuit as on executive Director of GBT, the holding company of the Company.

Mr. Lee Chi Yung, aged 36, is an executive Director, financial controller and company secretary of the Company. He is responsible for overseeing the Group's financial reporting procedures, internal controls and compliance with the Rules ("**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**" or "**Stock Exchange**") and other relevant laws and regulations. Mr. Lee has over 10 years of experience in the related fields of finance, auditing, accounting and corporate governance practices. He graduated from the City University of Hong Kong with a Bachelor's degree (with honors) in accountancy in 1996. He is a member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. Mr. Lee joined the Group in August 2007 and was appointed as executive Director on 8 December 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Yuk Tong, aged 48, holds a Bachelor's degree in Commerce from the University of Newcastle in Australia and a Master's degree in Business Administration from the Chinese University of Hong Kong. He has more than 21 years of experience in auditing, accounting, management consultancy and financial advisory services. Mr. Chan is a practicing fellow member of the Hong Kong Institute of Certificate Public Accountants and a member of CPA Australia. Mr. Chan was appointed as an independent non-executive Director in June 2008. Mr. Chan also holds directorship in the following publicly listed companies:

Company Name	Stock Code	Position
Anhui Conch Cement Company Limited	Hong Kong Stock Exchange: 00914 Shanghai Stock Exchange: 600585	Independent non-executive director
Ausuntria Dairy Corporation Limited	Hong Kong Stock Exchange: 01717	Independent non-executive director
BYD Electronics (International) Company Limited	Hong Kong Stock Exchange: 00285	Independent non-executive director
Daisho Microline Holdings Limited	Hong Kong Stock Exchange: 00567	Independent non-executive director
Kam Hing International Holdings Limited	Hong Kong Stock Exchange: 02307	Independent non-executive director
Thunder Sky Battery Limited (formerly known as Jia Sheng Holdings Limited)	Hong Kong Stock Exchange: 00729	Independent non-executive director
Trauson Holdings Company Limited	Hong Kong Stock Exchange: 00325	Independent non-executive director (with effect from 10 June 2010)
Vitop Bioenergy Holdings Limited	Hong Kong Stock Exchange: 01178	Non-executive director (formerly acted as an executive director from September 2005 to 25 February 2008)
Xinhua Winshare Publishing and Media Co., Limited (formerly known as Sichuan Xinhua Winshare Chainstore Co., Limited)	Hong Kong Stock Exchange: 00811	Independent non-executive director

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

Mr. Gao Yunchun, aged 46, is the vice president of Jilin Petrochemical Design and Research Institute. Mr. Gao graduated from Tianjin University with a bachelor degree in chemical engineering in 1987 and has about 13 years of experience in the field of chemical engineering and corn refinery industry. Mr. Gao was appointed as an independent non-executive Director in August 2007.

Mr. Ho Lic Ki, aged 62, completed the Chinese Senior Bankers Program offered by the University of Washington, Seattle, the US in cooperation with the Bank of China (Hong Kong) in 1991 and obtained a Foundation Diploma in Management from the University of Hong Kong in 1994. He is also a holder of a Bachelor Degree in Chinese Medicine (Dispensing), Hubei University of Chinese Medicine and the registered licensee of type 9-asset management regulated activities under the Securities and Futures Ordinance. Mr. Ho is a full member of Hong Kong Securities Institute and was awarded as "Professional Manager" by the Hong Kong Management Association in 2008. Mr. Ho has about 40 years of experience in banking, finance and asset management. Mr. Ho was appointed as independent non-executive Director in August 2007. Mr. Ho was also an independent non-executive director of Karce International Holdings Company Limited, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange, from 14 January 2010 to 9 April 2010.

SENIOR MANAGEMENT

Mr. Nie Zhiguo, aged 39, is the general manager of Jinzhou Dacheng Food Development Co., Ltd.. Mr. Nie obtained a master degree in University of Electronic Science and Technology of China, the School of Computer Science and Engineering, in 2000. He joined GBT in 1997. He has over 13 years of experience in corn refinery and sweeteners industries. Mr. Nie joined the Group in 2001, after his appointment as Production Engineer in Global Bio-chem — Cargill High Fructose (Shanghai) Co., Ltd..

Mr. Wen Gang, aged 39, is the general manager of Changchun Dihao and Dihao Crystal, responsible for the operations including production planning, cost control and product development. Mr. Wen graduated from Liaoning University in 2000, majoring in Business Administration. He joined the Group in March 2005. Mr. Wen has about 11 years of experience in production and corn refinery and sweeteners industries.

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

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2010, the Company has fully complied with all code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules.

In compliance with the Code, the Company has set up an audit committee and a remuneration committee of the Board. The Board considers the determination of the appointment and removal of Directors to be the Board's collective decision and thus does not intend to adopt the recommended best practice of the Code to set up a nomination committee.

THE BOARD

Members' Attendance of Board and Committee Meetings for the year 2010.

	Meetings Attended and Held		
	Board Meeting	**Audit Committee**	**Remuneration Committee**
Executive Directors			
Kong Zhanpeng	6/7		2/2
Zhang Fazheng	7/7		
Xu Zhouwen*	1/2		
Wang Guifeng**	3/3		
Lee Chi Yung	6/7		
Independent non-executive Directors			
Chan Yuk Tong	5/7	2/2	
Gao Yunchun	7/7	2/2	2/2
Ho Lic Ki	7/7	2/2	2/2

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

As of the date of this report, the Board comprises seven Directors, being four executive Directors and three independent non-executive Directors. Other than Mr. Xu Zhouwen being the brother-in-law of Mr. Zhang Fazheng, an executive Director and Chief Executive Officer of the Group, there is no relationship (including financial, business, family or other material/relevant relationship) between any of the Directors. Details of the biographies of each individual Directors and their range of specialist experience and expertise are set out on page 13 to 15 of this report.

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

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

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

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

DIRECTORS' REMUNERATION

During the Year, Directors' remuneration is as follows:

	2010 HK$'000	2009 HK$'000
Fees	744	820
Other emoluments:		
Salaries, allowances and benefits in kind	4,540	4,340
Performance related bonuses	4,400	4,200
Pension scheme contributions	24	13
	9,708	9,373

According to the Directors' service contracts, each of the executive Directors is entitled to a basic salary to an annual increment at the discretion of the Directors of not more than 15% of the annual salary immediately prior to such increase. In addition, each of the executive Directors is also entitled to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year of the Company may not exceed 5% of the audited combined or consolidated audited net profit of the Group (after taxation and non-controlling and payment of such bonuses but before extraordinary items) in respect of the financial year of the Company. For the year ended 31 December 2010, the aggregate amount of the bonuses payable to the executive Directors amounted to approximately 4.9% (2009: 4.9%) of the net profit from ordinary activities attributable to shareholders.

(a) Independent Non-executive Directors

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

	2010 HK'000	2009 HK$'000
Chan Yuk Tong	252	240
Gao Yunchun	240	240
Ho Lic Ki	252	240
Yan Man Sing Frankie*	Nil	100
	744	820

* retired on 29 May 2009

There were no other emoluments payable to the independent non-executive Directors during the Year (2009: Nil).

(b) Executive Directors

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

	Basic salaries, housing benefits, other allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Pension Scheme contributions HK$'000	Total remuneration HK$'000
2010				
Executive Directors:				
Kong Zhanpeng	**2,760**	**3,500**	**12**	**6,272**
Zhang Fazheng	**496**	**—**	**—**	**496**
Xu Zhouwen*	**—**	**—**	**—**	**—**
Wang Guifeng**	**480**	**—**	**—**	**480**
Lee Chi Yung	**804**	**900**	**12**	**1,716**
	4,540	**4,400**	**24**	**8,964**

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

2009				
Executive Directors:				
Kong Zhanpeng	2,760	3,000	12	5,772
Zhang Fazheng	471	700	—	1,171
Zhang Fusheng*	338	—	—	338
Wang Guifeng	720	—	—	720
Lee Chi Yung**	51	500	1	552
	4,340	4,200	13	8,553

* resigned on 8 December 2009
** appointed on 8 December 2009

The Directors meet at least once every year to review the nomination procedures and the process and criteria adopted by the Board to select and recommend candidates for directorship.

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

In selecting a suitable candidate to become a member of the Board, the Board will consider various criteria such as education, qualification, experience and reputation of such candidate.

During the Year, one Board meeting was held in relation to the nomination and appointment of Directors. All Directors attended the meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms not less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the ''Model Code'') set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. Based on specific enquiry of the Directors, the Directors have complied with the required standard set out in the Model Code and the code of conduct throughout the accounting period covered by the annual report.

AUDIT COMMITTEE

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

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

The Audit Committee held two meetings in 2010.

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 2010.

INTERNAL CONTROL

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

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

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

In October 2010, the Board has engaged BDO Financial Services Limited ("BDO") to conduct a review of the effectiveness of the system of internal control of the Group and report any weaknesses identified and recommending means for improvement to the Audit Committee. The Board has conducted a review of the effectiveness of the Group's internal control system based on the assessment of the Audit Committee and BDO.

REMUNERATION COMMITTEE

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

In 2010, the remuneration committee held two meetings to review and approve the remuneration packages of the Directors and the senior management.

REMUNERATION POLICY

The primary objective of the Group's remuneration policy is to retain and motivate executive Directors by linking their remuneration with the Group's performance and to evaluate their remuneration against corporate goals, so that the interests of the executive Directors are aligned with those of shareholders. No Director is allowed to approve his or her own remuneration.

CONTINUING CONNECTED TRANSACTIONS EXECUTIVE COMMITTEE

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

In 2010, the CCT Executive Committee held twelve meetings.

CCT SUPERVISORY COMMITTEE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

During the Year, four meetings were held by the CCT Supervisory Committee to review the CCT Quarterly Reports submitted by the CCT Executive Committee in respect of the Proposed Sale and Purchase, the Utility Services and the Sales Agency Services entered into by the Group with the GBT Group during the Year. Details of findings have been published on 14 May 2010, 20 August 2010, 5 November 2010 and 21 March 2011. As reported by the CCT Supervisory Committee, (i) the Proposed Sale and Purchase conducted during the Year were in line with the Prescribed Guidelines; (ii) the fees charged by the GBT Group in respect of the Utility Services and the Sales Agency Services rendered during the Year had been charged in accordance with the relevant Master Agreements; and (iii) there was no other matter that needs to be brought to the attention of the shareholders of the Company.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of accounts of each financial year, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. In preparing the accounts for the year ended 31 December 2010, the Directors have selected suitable accounting policy and applied them consistently, approved adoption of all Hong Kong Financial Reporting Standards, made judgments and estimates that are appropriate, and prepared the accounts on the going concern basis.

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

AUDITORS' REMUNERATION

For the year ended 31 December 2010, approximately HK$2,128,000 was incurred as remuneration to Ernst & Young for the provision of audit services and audit related remuneration of approximately HK$540,000 was paid to other certified public accountant firms for the provision of audit services of the subsidiaries of the Company located in Mainland China. During the Year, the following amounts were paid as remuneration to Ernst & Young and other certified public accountant firms for the provision of non-audit related services to the Group:

	HK$'000
Taxation	42
Others	300
Total	342

COMMUNICATION WITH SHAREHOLDERS

The Group establishes and maintains different communication channels with its shareholders through the publication of annual and interim reports, information on the Stock Exchange, a corporate website, and general and investor meetings held either face-to-face or via telephone conference calls. The Group reports to its shareholders twice a year and maintains a regular dialogue with investors.

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of Directors. Details of the proposed resolutions are contained in the circular.

DIRECTORS' AND AUDITORS' ACKNOWLEDGEMENT

All Directors acknowledge their responsibility for preparing the accounts for the year ended 31 December 2010.

The auditors of the Company acknowledge their reporting responsibilities in the auditors' report on the financial statements for the year ended 31 December 2010.

The directors present their report and the audited financial statements of Global Sweeteners Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is involved in the manufacture and sale of corn refined products, corn based sweetener products, and cattle breeding and beef selling. Details of the principal activities of the principal subsidiaries are set out in note 17 to the financial statements. During the year, the Group also involved is cattle breeding and beef selling business.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 37 to 102.

The Directors do not recommend the payment of final dividend for the year ended 31 December 2010 (2009: HK1 cent).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the year ended 31 December 2010 and the published combined financial information of the Group for the four years ended 31 December 2006, 2007, 2008 and 2009, as extracted from the audited financial statements or the prospectus of the Company dated 10 September 2007, and restated as appropriate, is set out on page 103. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in note 28 and note 30 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2010, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) ("Companies Law") of the Cayman Islands, amounted to approximately HK$856,192,000. Under the Companies Law of the Cayman Islands, the share premium account of the Company of approximately HK$753,121,000 as at 31 December 2010 is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The Company's share premium account may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 33.4% of the total sales for the year and sales to the largest customer included therein accounted for 18.9% of the total sales of the year. Purchases from the Group's five largest suppliers accounted for 52.9% of the total purchases for the year, and purchases from the largest supplier included therein accounted for 36.6% of the total purchases of the year.

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

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Kong Zhanpeng	
Zhang Fazheng	
Xu Zhouwen	(Appointed on 28 October 2010)
Wang Guifeng	(Resigned on 29 September 2010)
Lee Chi Yung	

Independent non-executive directors:

Chan Yuk Tong
Gao Yunchun
Ho Lic Ki

In accordance with articles 108(A) of the Company's articles of association and Mr. Kong Zhanpeng, being executive director, and Mr. Chan Yuk Tong, being an independent non-executive director, will retire by rotation at the forthcoming annual general meeting on 16 May 2011. All the directors, being eligible, will offer themselves for re-election at the annual general meeting.

In accordance with article 112 of the Company's articles of association, the office of Mr. Xu Zhouwen, being an executive director, will end at the annual general meeting on 16 May 2011. Mr. Xu Zhouwen, being eligible, will offer himself for re-election at the annual general meeting.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 13 to 15 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Two of the executive directors, Mr. Kong Zhanpeng and Ms. Wang Guifeng have entered into service contracts with the Company for a term of three years which commenced on 1 September 2007 and renewable automatically for successive term of one year. Three of the executive directors, Mr. Zhang Fazheng, Mr. Xu Zhouwen and Mr. Lee Chi Yung have entered into service contracts with the Company for a term of three years which commenced on 1 June 2008, 28 October 2010 and 8 December 2009, respectively and renewable automatically for successive term of one year. Each of the executive directors is subject to termination by either party giving not less than three months' written notice. The service contract of Ms. Wang Guifeng was terminated on 29 September 2010 upon her resignation as an executive director.

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

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN CONTRACTS

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

MANAGEMENT CONTRACTS

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

SHARE OPTION SCHEME

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

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

	Number of share options							Price of Company's shares			
Participants	At 1 January 2010	Lapsed during the year	Exercised during the year	At 31 December 2010	Date of grant of share options	Exercise period of share options	Vesting period of share options	Exercise price of share options	Immediately before the grant date	Weighted average closing price immediately before the exercise date	At exercise date of options
								HK$ per share	HK$ per share	HK$ per share	HK$ per share
Lee Chi Yung	3,000,000	–	–	3,000,000	7 July 2008	7 July 2008 to 6 July 2011	–	1.59	1.63	N/A	N/A
Employees	330,000	–	–	330,000	7 July 2008	7 July 2008 to 6 July 2011	–	1.59	1.63	N/A	N/A
Employees	368,000	(164,000)	(204,000)	–	17 September 2008	17 September 2009 to 16 September 2011	17 September 2008 to 17 September 2009	0.99	0.87	1.57	2.00
	3,698,000	(164,000)	(204,000)	3,330,000							

At 31 December 2010, the options granted to subscribe for 3,330,000 Shares remained outstanding, representing approximately 0.29% of the issued share capital of the Company at that date. No options to subscribe for Shares have been granted or cancelled during the year ended 31 December 2010.

As at the date of this annual report, 3,330,000 Shares were available for issue under the Scheme, representing approximately 0.29% of the issued share capital of the Company at that date.

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2010, the interests and share positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong ("SFO")) of the directors and chief executive of the Company as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("**Model Code**"):

Name of director	The company/ name of associated corporation	Capacity/ nature of interest	Number and class of securities held (Note 1)	Percentage of the relevant class of issued share capital of the Company/ associated corporation
Kong Zhanpeng	Global Bio-chem Technology Group Company Limited ("GBT")	Beneficial owner	18,256,000 ordinary shares of HK$0.10 each (L)	0.56
	GBT	Interest of a controlled corporation	241,920,000 ordinary shares of HK$0.10 each (L) (Note 2)	7.45
	The Company	Beneficial owner	1,984,000 shares (L) (Note 3)	0.17
Xu Zhouwen	GBT	Beneficial owner	24,155,600 ordinary shares of HK$0.10 each (L)	0.74
	GBT	Interest of a controlled corporation	295,456,000 ordinary shares of HK$0.10 each (L) (Note 4)	9.10
Lee Chi Yung	The Company	Beneficial owner	3,000,000 shares (L) (Note 5)	0.26

Notes:

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

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

3. These shares are held by Hartington Profits Limited.

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

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

Saved as disclosed above, as at 31 December 2010, none of the directors and the chief executive of the Company has any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLING SHARES

At 31 December 2010, so far as is known to the directors, the following persons (other than the directors) had an interest or short position in the shares and underlying shares of the Company and chief executive of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Capacity/nature of interest	Number of Shares held (Note 1)	Percentage of Company's issued share capital
Global Corn Bio-chem Technology Company Limited ("Global Corn Bio-chem")	Beneficial owner	600,000,000 shares of HK$0.10 each (L)	52.20
GBT	Interest of a controlled corporation (Note 2)	600,000,000 shares of HK$0.10 each (L)	52.20
	Beneficial owner	500,000 shares of HK$0.10 each (L)	0.04

Notes:

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

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

Saved as disclosed above, no person, other than the directors and chief executive of the Company has, as of 31 December 2010, had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

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

Sales to and purchase from the GBT Group

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

Sourcing of utilities services

Pursuant to the utilities master supply agreement dated 16 April 2009, the GBT Group provided utility services including electricity, water, steam and wastewater treatment services to all of its subsidiaries at Changchun, including the Group's production plants at Changchun on arm's length basis and with reference to the actual cost incurred by the GBT Group for its provision of such services. Under the utilities service master supply agreement, the fees payable by the Group shall be settled on a monthly basis and shall be payable by the Group within 90 days after the date of the relevant invoice issued by GBT Group. During the Year, amounts payable by the Group in respective of provisions of these utilities services by the GBT Group amounted to HK$88 million.

Purchase of corn starch

Pursuant to the corn starch master purchase agreement date 16 April 2009, the Group has been sourcing corn starch either in the form of starch powder or starch slurry, from the GBT Group as one of the principal production materials for the Group's production. Under the corn starch master purchase agreement, the prices shall be from time to time determined by the relevant members of the GBT Group and the Group on arm's length basis and with reference to the prevailing market rates of corn starch powder, with adjustments to be made to the purchase price with reference to the delivery arrangement between the Group and the GBT Group. The payment terms for the products would be set out in the purchase order for each order to be placed under the corn starch master purchase agreement, provided that the purchase price shall be payable by the relevant member of the Group within 60 days after the date of the relevant invoice issued by the relevant member of the GBT Group. During the Year, purchase of corn starch from the GBT Group by the Group amounted to HK$795 million.

Supply of corn sweeteners

Pursuant to the corn sweeteners master sales agreement dated 16 April 2009, the GBT Group has been sourcing corn sweeteners, including sorbitol, from the Group as one of the principal production materials for the production of its amino acid and polyol products on arm's length basis and with reference to the prevailing market rates of the relevant corn sweeteners and on such other standard terms of sale and purchase from time to time, provided that such terms are on normal and usual commercial terms and are no more favourable as those applicable to the sales of the same type and quality of corn sweeteners for comparable quantity by the Group to independent third parties. Under the corn sweeteners master sales agreement, the payment terms for the products would be set out in the purchase order for each order to be placed under the agreement, provided that the purchase price shall be payable by the relevant member of the GBT Group within 60 days after the date of the relevant invoice issued by the Group. During the Year, sales of corn sweeteners, by the Group to the GBT Group amounted to HK$635 million.

Sales agency service

Pursuant to the sales agency agreement dated 24 September 2008 ("Sales Agency Agreement"), the GBT Group has been providing sales agency service to Jinzhou Yuancheng, a wholly owned subsidiary of the Company, for the sale of corn starch and other co-products. Under the Sales Agency Agreement, Jinzhou Yuancheng shall reimburse the GBT Group for its costs for the performance of its obligations under the Sales Agency Agreement on a semi-annual basis and there would not be any other agency fee being charged by the GBT Group for the services rendered. During the Year, the fee paid by Jinzhou Yuancheng for the sales agency service amounted to HK$3.1 million.

The GBT Group holds in aggregate 52.24% interest in the share capital of the Company. The above transactions constituted continuing connected transactions under Chapter 14A of the Listing Rules.

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

Other than the aforementioned continuing connected transactions, the related party transactions disclosed in note 33 to the financial statements are either exempted connected continuing transactions or non-exempted continuing connected transactions which have complied with the requirement of Chapter 14A of the Listing Rules, saved for the sales commission paid to a related company.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

Mr. Kong Zhanpeng and Mr. Xu Zhouwen, two of the executive Directors, are interested in approximately 8.01% and 9.84% of the issued share capital of GBT through their interest as beneficial owners and their respective interest in Hartington Profits Limited and Crown Asia Profits Limited. The GBT Group is engaged in, among other things, the production and sale (the "Excluded Business") of corn starch, steepwater liquid, corn oil, germ cake, corn fibre feed, corn gluten meal, corn gluten feed pellets and other co-products ("Co-Products"). Pursuant to a non-compete undertaking ("Non-compete Undertaking") given by GBT and Global Corn Bio-chem dated 3 September 2007 in favour of the Group (as supplemented by a waiver executed by the Company to GBT and Global Corn Bio-chem dated 24 September 2008), the GBT Group is restricted from engaging in any business that may compete with the business of the Group from time to time.

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

In order to facilitate the Group's sale of corn starch and Co-Products to its customers at arm's length from the GBT Group's Excluded Business and protect the Group from any possible direct and indirect competition from the GBT Group in respect of the Excluded Business, Jinzhou Yuancheng, a wholly-owned subsidiary of the Company, and Global Corn Bio-chem have entered into the Sales Agency Agreement on 24 September 2008. Under the Sales Agency Agreement, Jinzhou Yuancheng has appointed Global Corn Bio-chem (for itself and on behalf of the GBT Group) as its exclusive agent for the sale of the Co-products and corn starch in excess of its internal consumption from time to time produced by Jinzhou Yuancheng from 24 September 2008 to 31 December 2010, subject to renewal by Jinzhou Yuancheng. Under the Sales Agency Agreement, the GBT Group would use its best endeavours to procure the sale and marketing of the Co-products and corn starch as exclusive agent of Jinzhou Yuancheng, and would sell the Co-products and corn starch produced by Jinzhou Yuancheng in priority to any Co-products and corn starch produced by any members of the GBT Group (other than those goods produced by Global Corn or any member of the GBT Group for sales in Jilin and Heilongjiang Provinces of the PRC). Jinzhou Yuancheng would reimburse the GBT Group's for its costs for the performance of its obligations under the Sales Agency Agreement, and there would not be any other agency fee payable to the GBT Group for the services rendered.

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

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Kong Zhanpeng
Chairman

Hong Kong
29 March 2011

ERNST & YOUNG
安 永

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

We have audited the consolidated financial statements of Global Sweeteners Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 37 to 102, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

29 March 2011

	Notes	2010 HK$'000	2009 HK$'000
REVENUE	5	**3,356,264**	2,668,767
Cost of sales		**(2,978,038)**	(2,361,562)
Gross profit		**378,226**	307,205
Other income and gains	5	**28,556**	18,624
Selling and distribution costs		**(157,608)**	(108,877)
Administrative expenses		**(70,406)**	(75,928)
Other expenses		**(3,517)**	(3,259)
Finance costs	7	**(51,617)**	(34,232)
Share of profits of jointly controlled entities	18	**1,196**	3,312
PROFIT BEFORE TAX	6	**124,830**	106,845
Income tax expense	10	**(33,768)**	(20,643)
PROFIT FOR THE YEAR		**91,062**	86,202
OTHER COMPREHENSIVE INCOME			
Gain on property revaluation	14	**–**	17,461
Income tax effect	27	**–**	(4,365)
		–	13,096
Exchange difference on translation of financial statements of operations outside Hong Kong		**26,137**	1,143
Share of other comprehensive income of jointly controlled entities		**1,712**	(481)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**118,911**	99,960
Profit attributable to:			
Owners of the Company	11	**89,402**	85,681
Non-controlling interests		**1,660**	521
		91,062	86,202
Total comprehensive income attributable to:			
Owners of the Company		**117,251**	99,439
Non-controlling interests		**1,660**	521
		118,911	99,960
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	13	**HK$0.079**	HK$0.082
Diluted	13	**HK$0.079**	HK$0.082

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,157,692**	1,199,849
Prepaid land premiums	15	**106,146**	109,072
Deposits paid for acquisition of property, plant and equipment and land premiums		**5,439**	6,472
Goodwill	16	**183,538**	183,538
Deferred tax assets	27	**595**	26
Breeding biological assets	19	**7,535**	7,949
Investments in jointly controlled entities	18	**97,372**	94,465
Total non-current assets		**1,558,317**	1,601,371
CURRENT ASSETS			
Inventories	20	**585,981**	367,160
Trade and bills receivables	21	**503,246**	428,972
Prepayments, deposits and other receivables	22	**50,989**	79,268
Trading biological assets	19	**1,948**	1,219
Due from jointly controlled entities		**3,110**	484
Due from the immediate holding company	33	**21,086**	22,230
Due from fellow subsidiaries	33	**172,085**	53,380
Tax recoverable		**—**	3,242
Cash and cash equivalents	23	**377,559**	296,556
Total current assets		**1,716,004**	1,252,511
CURRENT LIABILITIES			
Trade payables	24	**122,850**	48,831
Other payables and accruals	25	**133,571**	132,670
Interest-bearing bank borrowings	26	**614,943**	679,775
Due to fellow subsidiaries	33	**128,466**	174,884
Due to the ultimate holding company	33	**3,417**	3,189
Due to jointly controlled entities		**17,299**	101
Tax payable		**3,997**	3,995
Total current liabilities		**1,024,543**	1,043,445
NET CURRENT ASSETS		**691,461**	209,066
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,249,778**	1,810,437

	Notes	2010 HK$'000	2009 HK$'000 (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,249,778**	1,810,437
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	26	**264,368**	121,348
Deferred tax liabilities	27	**58,498**	53,294
Total non-current liabilities		**322,866**	174,642
Net assets		**1,926,912**	1,635,795
EQUITY			
Equity attributable to owners of the Company			
Issued capital	28	**114,948**	104,927
Reserves	29(a)	**1,804,588**	1,514,659
Proposed final dividend	12	**—**	10,493
		1,919,536	1,630,079
Non-controlling interests		**7,376**	5,716
Total equity		**1,926,912**	1,635,795

Kong Zhanpeng
Director

Lee Chi Yung
Director

	Attributable to owners of the Company										
	Issued share capital HK$'000	Share premium account HK$'000	Asset revaluation reserve HK$'000	Statutory reserve fund HK$'000	Exchange fluctuation reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2009	104,500	574,473	12,253	77,389	149,147	1,992	605,770	–	1,525,524	–	1,525,524
Profit for the year	–	–	–	–	–	–	85,681	–	85,681	521	86,202
Other comprehensive income for the year:											
Revaluation surplus, net of deferred tax	–	–	13,096	–	–	–	–	–	13,096	–	13,096
Exchange realignment	–	–	–	–	1,143	–	–	–	1,143	–	1,143
Share of other comprehensive income of jointly controlled entities	–	–	(815)	398	(64)	–	–	–	(481)	–	(481)
Total comprehensive income for the year	–	–	12,281	398	1,079	–	85,681	–	99,439	521	99,960
Equity-settled share option arrangement	427	4,915	–	–	–	(325)	99	–	5,116	–	5,116
Establishment of a subsidiary	–	–	–	–	–	–	–	–	–	5,195	5,195
Proposed final 2009 dividend (note 12)	–	–	–	–	–	–	(10,493)	10,493	–	–	–
Transfer from retained profits	–	–	–	10,518	–	–	(10,518)	–	–	–	–
At 31 December 2009	104,927	579,388*	24,534*	88,305*	150,226*	1,667*	670,539*	10,493	1,630,079	5,716	1,635,795

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

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

* These reserve accounts comprise the consolidated reserves of the Group of HK$1,804,588,000 (2009: HK$1,514,659,000) in the consolidated statement of financial position.

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**124,830**	106,845
Adjustments for:			
Finance costs	7	**51,617**	34,232
Equity-settled share option arrangement	30	**—**	885
Bank interest income	5	**(933)**	(805)
Depreciation	14	**100,321**	84,939
Gain on disposal of items of property, plant and equipment	6	**(557)**	(244)
Loss/(gain) on disposal of biological assets	6	**145**	(213)
Changes in fair value of biological assets	6	**2,940**	—
Amortisation of prepaid land premiums	15	**5,252**	4,724
Share of profits of jointly controlled entities	18	**(1,196)**	(3,312)
Impairment of trade and bills receivables	21	**433**	2,680
Impairment/(write-back) of inventories to net realisable value		**2,938**	(4,553)
		285,790	225,178
Increase in inventories		**(221,759)**	(121,251)
Increase in trading biological assets		**(1,931)**	(1,219)
Increase in trade and bills receivables		**(74,707)**	(193,666)
Decrease/(increase) in prepayments, deposits and other receivables		**28,806**	(17,280)
Increase/(decrease) in trade payables		**74,019**	(16,238)
(Decrease)/increase in other payables and accruals		**(3,353)**	33,163
Increase in amounts due from fellow subsidiaries		**(78,480)**	(28,405)
(Increase)/decrease in amounts due from jointly controlled entities		**(2,617)**	833
(Decrease)/increase in amounts due to fellow subsidiaries		**(59,782)**	131,228
Increase in amounts due to jointly controlled entities		**17,198**	15
Cash (used in)/generated from operations		**(36,816)**	12,358
Interest received		**933**	805
Overseas taxes paid		**(26,912)**	(15,112)
Net cash flows used in operating activities		**(62,795)**	(1,949)

	Notes	2010 HK$'000	2009 HK$'000
Net cash flows used in operating activities		**(62,795)**	(1,949)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(26,983)**	(31,678)
Proceeds from disposal of items of property, plant and equipment		**1,535**	787
Purchases of items of breeding biological assets	19	**(1,256)**	(8,853)
Proceeds from disposal of breeding biological assets		**–**	1,117
Business combination		**–**	(100,000)
Proceed from establishment of a subsidiary		**–**	5,195
Net cash flows used in investing activities		**(26,704)**	(133,432)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings		**416,092**	520,224
Repayment of bank borrowings		**(354,023)**	(341,573)
Interest paid	7	**(51,617)**	(34,232)
Equity-settled share option arrangement	28	**202**	4,231
Dividends paid		**(11,494)**	–
Proceeds from offering of TDRs		**183,498**	–
Decrease in an amount due from the immediate holding company		**1,144**	–
(Increase)/decrease in amounts due from fellow subsidiaries		**(40,225)**	20,482
(Increase)/decrease in amounts due from jointly controlled entities		**(9)**	1,143
Increase in an amount due from the ultimate holding company		**228**	(1,145)
Decrease in an amount due to the ultimate holding company		**–**	(165,350)
Increase in amounts due to fellow subsidiaries		**13,364**	3,902
Net cash flows from financing activities		**157,160**	7,682
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**67,661**	(127,699)
Cash and cash equivalents at beginning of year		**296,556**	423,113
Effect of foreign exchange rate changes, net		**13,342**	1,142
CASH AND CASH EQUIVALENTS AT END OF YEAR		**377,559**	296,556
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**327,154**	256,438
Non-pledged time deposits with original maturity of less than three months when acquired	23	**50,405**	40,118
		377,559	296,556

	Notes	2010 HK$'000	2009 HK$'000 (Restated)
NON-CURRENT ASSETS			
Investments in subsidiaries	17	**508,391**	501,866
Total non-current assets		**508,391**	501,866
CURRENT ASSETS			
Due from the ultimate holding company		**81,800**	81,800
Due from subsidiaries		**1,139,458**	1,074,637
Prepayments, deposits and other receivables	22	**381**	2,708
Cash and cash equivalents	23	**210,538**	77,853
Total current assets		**1,432,177**	1,236,998
CURRENT LIABILITIES			
Interest-bearing bank borrowings	26	**100,000**	100,000
Due to subsidiaries		**358,360**	310,191
Other payables and accruals	25	**12,861**	14,345
Total current liabilities		**471,221**	424,536
NET CURRENT ASSETS		**960,956**	812,462
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,469,347**	1,314,328
NON-CURRENT LIABILITIES			
Financial guarantee contracts		**4,942**	2,827
Total non-current liabilities		**4,942**	2,827
Net assets		**1,464,405**	1,311,501
EQUITY			
Issued capital	28	**114,948**	104,927
Reserves	29(b)	**1,349,457**	1,196,081
Proposed final dividend	12	**—**	10,493
Total equity		**1,464,405**	1,311,501

Kong Zhanpeng
Director

Lee Chi Yung
Director

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 13 June 2006. The principal activity of the Company is investment holding. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Unit 2403, Admiralty Centre, Tower 2, 18 Harcourt Road, Hong Kong. The Group was involved in the manufacture and sale of corn refined products, corn based sweetener products, and cattle breeding and beef selling. There were no changes in the nature of the Group's principal activities during the 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").

2.1 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$").

As further explained in note 2.2 below, during the year, the Group adopted HK Interpretation 5, following which the Group's term bank loan was reclassified as a current liability. This in turn has impacted on the amount of net current assets presented in the consolidated statement of financial position. Further details about the effect on the financial statements and the Director's assessment of the impact on the Group's liquidity arising from this change are included in notes 2.2 and 36 to the financial statements, respectively.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation

Basis of consolidation from 1 January 2010

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 2010. 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.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

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

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

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests (formerly known as minority interests), prior to 1 January 2010, were accounted for using the parent entity extension method, whereby the differences between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements — Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009* and HK Interpretation 5, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting the new and revised HKFRSs are as follows:

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

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

(b) ***Improvements to HKFRSs 2009*** **issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:**

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

(c) **HK Interpretation 5: *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause***

HK Interpretation 5 requires that a term loan that contains a clause that gives the lender the unconditional right to call the loan at any time shall be classified in total by the borrower as current in the statement of financial position. This is irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the loan agreement. Prior to the adoption of this interpretation, the Group's term loan was classified in the statement of financial position separately as to the current and non-current liability portions based on the maturity dates of repayment. Upon the adoption of the interpretation, the term loan has been reclassified as a current liability. The interpretation has been applied by the Group retrospectively and comparative amounts have been restated. In addition, as a result of this change and as required by HKAS 1 *Presentation of Financial Statements*, the Group is required to present a statement of financial position as at 1 January 2009. Since the adoption of HK Interpretation 5 has had no impact on the Group's financial position as at 1 January 2009, no third statement of financial position as at 1 January 2009 was included in these financial statements.

Further details of the Group's term loan are disclosed in note 26 to the financial statements.

The above change has had no effect on the consolidated statement of comprehensive income. The effect on the consolidated statements of financial position at 1 January 2009, 31 December 2009 and 2010 is summarised as follows:

	2010	2009	At 1 January 2009
	HK$'000	HK$'000	HK$'000
CURRENT LIABILITIES			
Increase in interest-bearing bank borrowings	50,000	50,000	—
NON-CURRENT LIABILITIES			
Decrease in interest-bearing bank borrowings	(50,000)	(50,000)	—

There has been no impact on the net assets of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[2]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*[4]
HKFRS 9	*Financial Instruments*[6]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*[5]
HKAS 24 (Revised)	*Related Party Disclosures*[3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs* 2010 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2013

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

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

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

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

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2013.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly.

While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government-related entities.

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

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

In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

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

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

(b) HKAS 1 *Presentation of Financial Statements*: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

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

Joint ventures

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

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Jointly controlled entities

A jointly controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly controlled entity.

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

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

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations prior to 1 January 2010 but after 1 January 2005
In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

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

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

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

Related parties

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

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly controlled entity;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the consolidated statement of comprehensive income. Any subsequent revaluation surplus is credited to the consolidated statement of comprehensive income to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold buildings	2%
Plant and machinery	6.7%
Leasehold improvements, furniture, office equipment and motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Biological assets

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

Operating leases

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as loans and receivables. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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

Subsequent measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

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

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

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

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost *(continued)*

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

Loans and borrowings

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

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

Financial guarantee contracts

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial liabilities

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

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

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

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

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

Share-based payment transactions

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other employee benefits

Pension schemes and other retirement benefits

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

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in the retirement benefit schemes (the "PRC RB Schemes") operated by the respective local municipal governments in provinces of Mainland China that the group companies operate. These subsidiaries are required to contribute a certain percentage of their payroll costs to the PRC RB Schemes to fund the benefits. The only obligation of the Group with respect to the PRC RB Schemes is to pay the ongoing required contributions under the PRC RB Schemes. Contributions under the PRC RB Schemes are charged to profit or loss as they become payable in accordance with the rules of the PRC RB Schemes.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. The capitalisation rate is based on the actual cost of the related borrowings. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

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

Foreign currencies

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*
The functional currencies of certain overseas subsidiaries and a jointly controlled entity are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their statement of comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

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

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

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

Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2010 was HK$183,538,000 (31 December 2009: HK$183,538,000). Further details are given in note 16 to the financial statements.

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

Estimation uncertainty *(continued)*

Estimation of fair value of biological assets

The Group's biological assets are stated at fair value less point-of-sale cost. This requires an independent valuer's assessment of the fair value of the biological assets. Changes in conditions of the biological assets could impact the fair value of the assets. The carrying amount of the Group's biological assets at 31 December 2010 was HK$9,483,000 (2009: HK$9,168,000). Further details are given in note 19 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

4. OPERATING SEGMENT INFORMATION *(continued)*

(a) Business unit information

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31 December 2010 and 31 December 2009.

Year ended 31 December 2010	Corn refined products HK$'000	Corn based sweetener products HK$'000	Biological products HK$'000	Total HK$'000
Segment revenue:				
Sales to external customers	1,223,907	1,966,537	165,820	3,356,264
Intersegment sales	386,998	—	—	386,998
	1,610,905	1,966,537	165,820	3,743,262
Reconciliation:				
Elimination of intersegment sales				(386,998)
Revenue				3,356,264
Segment results	100,737	73,083	3,308	177,128
Reconciliation:				
Bank interest income				933
Unallocated gains				27,622
Corporate and other unallocated expenses				(29,236)
Finance costs				(51,617)
Profit before tax				124,830
Segment assets	1,189,887	1,231,323	131,446	2,552,656
Reconciliation:				
Elimination of intersegment receivables				(191,051)
Cash and cash equivalents				377,559
Corporate and other unallocated assets				535,157
Total assets				3,274,321
Segment liabilities	257,524	245,971	142,794	646,289
Reconciliation:				
Elimination of intersegment payables				(191,051)
Interest-bearing bank borrowings				879,310
Unallocated liabilities				12,861
Total liabilities				1,347,409
Other segment information:				
Share of profits of jointly controlled entities	—	1,196	—	1,196
Capital expenditure, including payment of land premiums	10,490	18,424	4,612	33,526
Depreciation	38,316	61,679	326	100,321
Amortisation of prepaid land premiums	3,339	1,675	238	5,252
Impairment/(write-back) of trade and bills receivables	(1,379)	1,812	—	433
Impairment of inventories to net realisable value	2,271	667	—	2,938
Loss on disposal of biological assets	—	—	145	145

4. OPERATING SEGMENT INFORMATION *(continued)*

(a) Business unit information *(continued)*

Year ended 31 December 2009	Corn refined products *HK$'000*	Corn based sweetener products *HK$'000*	Biological products *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	908,333	1,623,920	136,514	2,668,767
Intersegment sales	302,325	—	—	302,325
	1,210,658	1,623,920	136,514	2,971,092
Reconciliation:				
Elimination of intersegment sales				(302,325)
Revenue				2,668,767
Segment results	86,967	57,538	1,909	146,414
Reconciliation:				
Bank interest income				805
Unallocated gains				17,819
Corporate and other unallocated expenses				(23,961)
Finance costs				(34,232)
Profit before tax				106,845
Segment assets	1,177,392	1,198,683	108,854	2,484,929
Reconciliation:				
Elimination of intersegment receivables				(233,138)
Cash and cash equivalents				296,556
Corporate and other unallocated assets				305,535
Total assets				2,853,882
Segment liabilities	138,585	366,468	94,602	599,655
Reconciliation:				
Elimination of intersegment payables				(197,039)
Interest-bearing bank borrowings				801,123
Unallocated liabilities				14,348
Total liabilities				1,218,087
Other segment information:				
Capital expenditure, including payment of land premiums	13,275	12,099	11,282	36,656
Depreciation	33,898	50,848	193	84,939
Amortisation of prepaid land premiums	593	4,031	100	4,724
Impairment of trade and bills receivables	1,631	1,049	—	2,680
Write-back of inventories to net realisable value	(4,553)	—	—	(4,553)
Share of profits of jointly controlled entities	—	3,312	—	3,312
Gain on disposal of biological assets	—	—	213	213

4. OPERATING SEGMENT INFORMATION *(continued)*

(b) Geographical information

Revenue from external customers

	2010 HK$'000	2009 HK$'000
Mainland China	3,116,428	2,545,201
Regions other than Mainland China	239,836	123,566
	3,356,264	2,668,767

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

Non-current assets

	2010 HK$'000	2009 HK$'000
Mainland China	1,513,166	1,556,728
Regions other than Mainland China	44,556	44,643
	1,557,722	1,601,371

The non-current asset information above is based on the location of assets.

Information about a major customer

Revenue of approximately HK$634,799,000 (2009: HK$625,049,000) during the year ended 31 December 2010 was derived from sales by the corn based sweetener products segment to group companies of the ultimate holding company.

5. REVENUE, OTHER INCOME AND GAINS

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

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

	Group	
	2010	2009
	HK$'000	HK$'000
Revenue		
Sale of goods	3,356,264	2,668,767
Other income and gains		
Bank interest income	933	805
Net profit arising from sale of packing materials and by-products	12,782	11,197
Government grants*	7,823	3,762
Others	7,018	2,860
	28,556	18,624

* Government grants of 2010 represented sundry tax refunds awarded to certain subsidiaries located in Mainland China according to the notice of local bureau on an annual basis. Government grants of 2009 represented the rewards for environmental protection, technology innovation and improvement to certain subsidiaries located in Mainland China.

6. PROFIT BEFORE TAX

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

		Group	
		2010	2009
	Notes	HK$'000	HK$'000
Raw materials and consumables used		2,505,717	1,892,794
Depreciation	14	100,321	84,939
Amortisation of prepaid land premiums	15	5,252	4,724
Auditors' remuneration		2,366	1,370
Changes in fair value of biological assets		2,940	—
Employee benefit expenses, including direct labour costs as recorded in the cost of sales:			
Wages and salaries		36,912	41,355
Directors' remuneration		9,708	9,373
Pension scheme contributions		4,019	3,188
		50,639	53,916

6. PROFIT BEFORE TAX *(continued)*

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

	Group	
	2010	2009
	HK$'000	HK$'000
Foreign exchange differences, net	**3,673**	813
Impairment of trade and bills receivables	**433**	2,680
Impairment/(write-back) of inventories to net realisable value	**2,938**	(4,553)
Gain on disposal of items of property, plant and equipment	**557**	244
(Loss)/gain on disposal of biological assets	**(145)**	213

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Interest on bank loans wholly repayable within five years	**44,363**	31,129
Finance costs for discounting bills receivable	**7,254**	3,103
	51,617	34,232

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

		Group	
		2010	2009
	Notes	**HK$'000**	HK$'000
Fees	(a)	**744**	820
Other emoluments:	(b)		
Salaries, allowances and benefits in kind		**4,540**	4,340
Performance related bonuses		**4,400**	4,200
Pension scheme contributions		**24**	13
		8,964	8,553
		9,708	9,373

8. DIRECTORS' REMUNERATION *(continued)*

According to the directors' service contracts, each of the executive directors, upon completion of every 12 months of services, is entitled to a management bonus. In addition, executive directors with special contributions to the Group may be entitled to special bonus. The aggregate amount of the bonuses payable to all the executive directors for any financial year may not exceed 5% of the consolidated net profit from ordinary activities attributable to owners in respect of that financial year. For the year ended 31 December 2010, the aggregate amount of the bonuses payable to the executive directors was equivalent to approximately 4.9% (2009: 4.9%) of the net profit from ordinary activities attributable to shareholders.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2010 HK$'000	2009 HK$'000
Mr. Chan Yuk Tong	252	240
Mr. Gao Yunchun	240	240
Mr. Ho Lic Ki	252	240
Mr. Yan Man Sing Frankie (Retired on 29 May 2009)	–	100
	744	820

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

(b) Executive directors

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

8. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors *(continued)*

2009	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:				
Mr. Kong Zhanpeng	2,760	3,000	12	5,772
Mr. Zhang Fazheng	471	700	—	1,171
Mr. Lee Chi Yung (Appointed on 8 December 2009)	51	500	1	552
Ms. Wang Guifeng	720	—	—	720
Mr. Zhang Fusheng (Resigned on 8 December 2009)	338	—	—	338
	4,340	4,200	13	8,553

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2009: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2009: two) non-directors, highest paid employees for the year is as follows:

	Group 2010 HK$'000	2009 HK$'000
Salaries, allowances and benefits in kind	493	3,523
Pension scheme contributions	—	33
	493	3,556

The remuneration for the year of the non-director, highest paid employee fell within the following band:

	Group 2010 Number of individuals	2009 Number of individuals
Nil to HK$1,000,000	1	1
HK$1,000,001 to HK$1,500,000	—	1
HK$1,500,001 to HK$2,000,000	—	1

No emolument was paid by the Group to any of the directors or the five highest paid individuals as inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the years ended 31 December 2010 and 31 December 2009.

10. INCOME TAX

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

	Group	
	2010	2009
	HK$'000	HK$'000
Current — Hong Kong	—	—
Current — Elsewhere	30,157	18,087
Deferred (note 27)	3,611	2,556
Total tax charge for the year	33,768	20,643

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 — 2010	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
(Loss)/profit before tax	(21,972)		146,802		124,830	
Tax at the statutory rate	(3,625)	16.5	36,701	25.0	33,076	26.5
Preferential tax rate offered (note (a))	—	—	(1,925)	(1.3)	(1,925)	(1.5)
Lower tax rate for tax relief granted (note (b))	—		(10,489)	(7.1)	(10,489)	(8.4)
Unrecognised tax losses	3,191	(14.5)	9,993	6.8	13,184	10.6
Income not subject to tax	(423)	1.9	(827)	(0.6)	(1,250)	(1.0)
Expenses not deductible for tax	857	(3.9)	315	0.2	1,172	0.9
Tax charge at the Group's effective rate	—	—	33,768	23.0	33,768	27.1

10. INCOME TAX *(continued)*

Group — 2009	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
(Loss)/profit before tax	(29,549)		136,394		106,845	
Tax at the statutory rate	(4,875)	16.5	34,098	25.0	29,223	27.3
Preferential tax rate offered (note (a))	—	—	(3,014)	(2.2)	(3,014)	(2.8)
Lower tax rate for tax relief granted (note (b))	—		(11,962)	(8.8)	(11,962)	(11.2)
Unrecognised tax losses	4,875	(16.5)	1,119	0.8	5,994	5.6
Expenses not deductible for tax	—	—	402	0.3	402	0.4
Tax charge at the Group's effective rate	—	—	20,643	15.1	20,643	19.3

The statutory tax rate for all subsidiaries in Mainland China was 25% for the current year (2009: 25%).

Notes:

(a) One (2009: three) subsidiary was subject to tax concessions in 2010. The total taxable profit of the subsidiary that was subject to tax concessions amounted to approximately HK$87,645,000 (2009: HK$110,393,000). It was granted tax concessions by the state tax bureau in accordance with the Enterprise Income Tax Law of the People's Republic of China (the "EITL") and the corresponding transitional tax concession policy under which this subsidiary would be exempted from corporate income tax for the first two profitable years and subject to 50% of the applicable tax rate for the following three profitable years.

(b) The tax rate of one (2009: one) subsidiary, which was granted the Technologically Advanced Enterprise status and was entitled to a lower applicable tax rate under Article 75 of the Detailed Rules and Regulation for the Implementation of the Income Tax Law of the 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 subsidiary enjoyed the corporate income tax rates of 15% in 2007, 18% in 2008, 20% in 2009 and 22% in 2010 and will be subject to the corporate income tax rates of 24% in 2011 and 25% in 2012.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2010 includes a loss of HK$19,302,000 (2009: profit of HK$183,541,000) which has been dealt with in the financial statements of the Company (note 29(b)).

12. DIVIDEND

	2010 HK$'000	2009 HK$'000
Proposed final-Nil (2009: HK1 cent per ordinary share)	–	10,493

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

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

The calculation of basic earnings per share is based on the consolidated profit for the year attributable to owners of the Company of approximately HK$89,402,000 (2009: HK$85,681,000) and the weighted average number of ordinary shares in issue throughout the year of 1,131,389,000 (2009: HK$1,045,315,000).

The calculation of the diluted earnings per share amount is based on the profit attributable to owners of the Company for the year of approximately HK$89,402,000 (2009: HK$85,681,000) and on the number of ordinary shares of 1,131,397,000 (2009: 1,045,884,000), being the weight average of 1,131,389,000 (2009: 1,045,315,000) ordinary shares in issue during the year, as used in the basic earnings per share calculation, plus the weighted average of 8,000 (2009: 569,000) ordinary shares assumed to be issued at no consideration on the deemed exercise of the share options during the year.

14. PROPERTY, PLANT AND EQUIPMENT

Group 31 December 2010	Leasehold buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture, office equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At cost:					
1 January 2010	464,512	918,208	19,354	59,612	1,461,686
Additions	564	8,989	7,373	15,344	32,270
Disposals	(40)	(2,178)	(3,448)	–	(5,666)
Transfers	23,249	27,509	–	(50,758)	–
Exchange realignment	9,873	21,257	353	1,370	32,853
At 31 December 2010	498,158	973,785	23,632	25,568	1,521,143
Accumulated depreciation:					
1 January 2010	46,664	203,899	11,274	–	261,837
Depreciation provided during the year	18,179	78,286	3,856	–	100,321
Disposals	(15)	(1,405)	(3,268)	–	(4,688)
Exchange realignment	1,073	4,687	221	–	5,981
At 31 December 2010	65,901	285,467	12,083	–	363,451
Net book value:					
At 31 December 2010	432,257	688,318	11,549	25,568	1,157,692
At 31 December 2009	417,848	714,309	8,080	59,612	1,199,849
Analysis of cost or valuation:					
At cost	33,646	973,785	23,632	25,568	1,056,631
At 31 December 2009 valuation	464,512	–	–	–	464,512
	498,158	973,785	23,632	25,568	1,521,143

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

Group 31 December 2009	Leasehold buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture, office equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At cost:					
1 January 2009	418,305	831,804	18,007	153,555	1,421,671
Additions	2,944	9,377	1,851	9,985	24,157
Disposals	—	(1,099)	(504)	—	(1,603)
Transfers	25,802	78,126	—	(103,928)	—
Surplus on revaluation	17,461	—	—	—	17,461
At 31 December 2009	464,512	918,208	19,354	59,612	1,461,686
Accumulated depreciation:					
1 January 2009	31,985	137,646	8,327	—	177,958
Depreciation provided during the year	14,679	66,867	3,393	—	84,939
Disposals	—	(614)	(446)	—	(1,060)
At 31 December 2009	46,664	203,899	11,274	—	261,837
Net book value:					
At 31 December 2009	417,848	714,309	8,080	59,612	1,199,849
At 31 December 2008	386,320	694,158	9,680	153,555	1,243,713
Analysis of cost or valuation:					
At cost	—	918,208	19,354	59,612	997,174
At 31 December 2009 valuation	464,512	—	—	—	464,512
	464,512	918,208	19,354	59,612	1,461,686

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

At 31 December 2009, the Group's leasehold buildings were revalued on an open market value basis, by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at approximately HK$417,848,000. A surplus on revaluation of approximately HK$17,461,000 arising from the 2009 valuation has been credited to the asset revaluation reserve during the year ended 31 December 2009. In the opinion of the directors, as there were no material differences between the carrying value and the open market value of the Group's leasehold buildings as at 31 December 2010, no revaluation has been performed as at 31 December 2010.

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

Had the Group's leasehold buildings been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK$397,280,000 (31 December 2009: HK$392,350,000).

At 31 December 2010, no leasehold building of the Group was pledged to secure banking facilities granted to the Group (2009: Nil).

At 31 December 2010, the applications of building certificates for certain leasehold buildings of the Group with a total carrying amount of HK$4,469,000 (31 December 2009: HK$4,510,000) were still in progress.

15. PREPAID LAND PREMIUMS

		Group	
		2010	2009
	Notes	**HK$'000**	HK$'000
Carrying amount at 1 January		**113,796**	112,295
Additions		**—**	6,225
Amortised during the year	6	**(5,252)**	(4,724)
Exchange realignment		**2,854**	—
Carrying amount at 31 December		**111,398**	113,796
Current portion included in prepayments, deposits and other receivables		**(5,252)**	(4,724)
Non-current portion		**106,146**	109,072

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

16. GOODWILL

	Group	
	2010	2009
	HK$'000	HK$'000
Cost and net carrying amount at 1 January and 31 December:	**183,538**	183,538

16. GOODWILL *(continued)*

Impairment testing of goodwill

Certain of the Group's goodwill related to Changchun Dihao Food Development Co., Ltd. (the "Changchun Dihao") which was acquired by the Group during the years ended 31 December 2004 and 2005. The recoverable amount of Changchun Dihao has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a fifteen-year period. The discount rate applied to cash flow projections is 13% (2009: 12%). No growth has been projected beyond the five-year period.

In addition, certain of the Group's goodwill related to Jinzhou Yuancheng Bio-chem Technology Co., Ltd ("Jinzhou Yuancheng") which was acquired by the Group during the year ended 31 December 2008. The recoverable amount of Jinzhou Yuancheng has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a fifteen-year period. The discount rate applied to cash flow projections is 13% (2009: 12%). No growth has been projected beyond the five-year period.

Key assumptions were used in the value in use calculation of cash-generating units for 31 December 2010. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

The values assigned to key assumptions are consistent with external information sources.

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2010	2009
	HK$'000	HK$'000
Unlisted shares	**508,391**	501,866

17. INVESTMENTS IN SUBSIDIARIES *(continued)*

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

Name	Place of incorporation/ establishment and operations	Nominal value of paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held:				
Global Sweeteners Investments Limited ("Global Sweeteners")	British Virgin Islands	US$100	100	Investment holding
Global Sweeteners (China) Limited ("GS (China)")	British Virgin Islands	US$2	100	Investment holding
Global Sweeteners (HK) Limited	Hong Kong	HK$1,000	100	General administration
Global Sweeteners Retail Investment Company Limited	Hong Kong	HK$10,000	100	Investment holding
Global Starch Investments Limited	Hong Kong	HK$10,000	100	Investment holding
Global Sweeteners Investments Limited	Hong Kong	HK$10,000	100	Investment holding
Indirectly held:				
Datex Investment Limited	Hong Kong	HK$2	100	Investment holding
Eternal Win Investments Limited	British Virgin Islands	US$2	100	Investment holding
Global Sorbitol (H.K) Company Limited	Hong Kong	HK$1,550	100	Investment holding
Global Sweeteners (China) Limited	Hong Kong	HK$1,000	100	Investment holding
Changchun Dihao Foodstuff Development Co., Ltd.*	The People's Republic of China (the "PRC")/ Mainland China	RMB81,000,000	100	Manufacture and sale of corn based sweetener products
Jinzhou Yuancheng Bio-chem Technology Co., Ltd.*	PRC/Mainland China	US$44,034,000	100	Manufacture and sale of corn refined products
Shanghai Hao Cheng Food Development Co., Ltd.* ("Hao Cheng")	PRC/Mainland China	US$2,668,000	100	Manufacture and sale of corn based sweetener products
Changchun Dihao Crystal Sugar Industry Development Co., Ltd.* ("Dihao Crystal")	PRC/Mainland China	US$22,200,000	100	Manufacture and sale of crystallised sugar

17. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment and operations	Nominal value of paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Jinzhou Dacheng Food Development Co., Ltd.*	PRC/Mainland China	US$2,770,000	100	Manufacture and sale of corn based sweetener products
Dalian Angus Beef Co., Ltd.	PRC/Mainland China	RMB12,000,000	62	Breeding of cattle and sale of beef
Corn Essence (Shanghai) Co., Ltd.	PRC/Mainland China	RMB1,000,000	100	Sales and trading of corn based sweetener products
Global Sweeteners Trade Development (Dalian) Co. Ltd. @/*	PRC/Mainland China	US$2,000,000	100	International trading, exhibition and consultation
Pingliang Angus Beef Development Co., Ltd. @	PRC/Mainland China	RMB3,000,000	100	Breeding of cattle and sale of beef

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

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

18. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	2010 HK$'000	2009 HK$'000
Share of net assets	**57,372**	54,465
Loan to a jointly controlled entity	**40,000**	40,000
	97,372	94,465

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

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

Particulars of the jointly controlled entities are as follows:

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

* Wholly-foreign-owned enterprise

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

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

	2010 HK$'000	2009 HK$'000
Share of the jointly controlled entities' assets and liabilities:		
Current assets	**68,962**	60,860
Non-current assets	**17,430**	18,254
Current liabilities	**(28,205)**	(3,859)
Non-current liabilities	**(815)**	(20,790)
Net assets	**57,372**	54,465

	2010 HK$'000	2009 HK$'000
Share of the jointly controlled entities' results:		
Revenue	**73,818**	56,070
Other income	**1,101**	1,152
	74,919	57,222
Total expenses	**(73,405)**	(52,982)
Tax	**(149)**	(530)
Profit after tax	**1,365**	3,710
Statutory reserve	**(169)**	(398)
Share of profit of joint controlled entities	**1,196**	3,312

19. BIOLOGICAL ASSETS

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

Group	2010 HK$'000	2010 Units
Breeding biological assets	7,535	242
Trading biological assets	1,948	172
	9,483	414

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

The Group's biological assets were revalued at the end of each reporting period on a fair value basis. As at 31 December 2010, the Group's biological assets were independently valued by American Appraisal China Limited. The fair value less estimated point-of-sale costs of the biological assets was determined using the market approach, which was determined based on the most recent market transaction prices.

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

Group	2010 HK$'000
Breeding cattle	
At 1 January	7,949
Increase due to purchases	1,256
Decrease due to disposals	(123)
Loss arising from changes in fair value less costs to sell	(1,731)
Exchange realignment	184
At 31 December	7,535
Trading cattle	
At 1 January	1,219
Increase due to purchases	1,931
Decrease due to sales	(22)
Loss arising from changes in fair value less costs to sell	(1,209)
Exchange realignment	29
At 31 December	1,948

20. INVENTORIES

	Group	
	2010 HK$'000	2009 HK$'000
Raw materials	510,525	309,304
Finished goods	75,456	57,856
	585,981	367,160

21. TRADE AND BILLS RECEIVABLES

	Group	
	2010	2009
	HK$'000	HK$'000
Trade receivables	**360,000**	269,667
Bills receivables	**146,041**	161,985
Impairment	**(2,795)**	(2,680)
	503,246	428,972

The Group normally allows credit terms of 90 days to established customers, and credit terms of 180 days was allowed to two major customers with long term business relationships and good credit history. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Trade and bills receivables are non-interest-bearing. Significant concentration of risk exists where the Group has material exposures to trade and bills receivables from one customer located in Mainland China which accounted for 17% of the total trade and bills receivables as at 31 December 2010 (31 December 2009: 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	
	2010	2009
	HK$'000	HK$'000
Within 1 month	**233,224**	174,663
1 to 2 months	**96,234**	114,686
2 to 3 months	**55,397**	95,369
Over 3 months	**118,391**	44,254
	503,246	428,972

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

	2010	2009
	HK$'000	HK$'000
At 1 January	**2,680**	—
Impairment losses recognised	**2,299**	2,680
Impairment losses reversed	**(1,866)**	—
Exchange realignment	**(318)**	—
	2,795	2,680

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade and bills receivables of HK$2,299,000 (2009: HK$2,680,000) with a carrying amount before provision of HK$7,910,000 (2009: HK2,680,000).

The individually impaired trade and bills receivables relate to customers that were in financial difficulties and the receivables are expected to be unrecoverable. The Group does not hold any collateral or other credit enhancements over these balances.

21. TRADE AND BILLS RECEIVABLES *(continued)*

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

	Group	
	2010	2009
	HK$'000	HK$'000
Neither past due nor impaired	**414,349**	413,548
Less than 1 month past due	**17,003**	9,248
1 to 3 months past due	**11,243**	4,011
Over 3 months past due	**60,651**	2,165
	503,246	428,972

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

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

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**1,018**	19,988	**310**	2,462
Deposits and other receivables	**23,237**	30,979	**71**	246
PRC value-added tax ("VAT") receivables and other tax receivables	**21,482**	23,577	**—**	—
Current portion of prepaid land premiums	**5,252**	4,724	**—**	—
	50,989	79,268	**381**	2,708

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

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**327,154**	256,438	**160,133**	37,735
Time deposits	**50,405**	40,118	**50,405**	40,118
Cash and cash equivalent	**377,559**	296,556	**210,538**	77,853

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$135,394,000 (31 December 2009: HK$169,470,000). the RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

24. 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	
	2010	2009
	HK$'000	HK$'000
Within 1 month	**105,262**	33,115
1 to 2 months	**11,532**	5,666
2 to 3 months	**941**	2,516
Over 3 months	**5,115**	7,534
	122,850	48,831

25. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Payables for purchases of machinery	21,649	17,395	—	—
Customer deposits/receipts in advance	57,790	74,015	—	—
VAT and other duties payable	14,686	10,765	—	—
Accrued welfare and others	39,446	30,495	12,861	14,345
	133,571	132,670	12,861	14,345

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

26. INTEREST-BEARING BANK BORROWINGS

Group	31 December 2010 Effective interest rate %	31 December 2010 Maturity	31 December 2010 HK$'000	31 December 2009 Effective interest rate %	31 December 2009 Maturity	31 December 2009 HK$'000 (Restated)
Current						
Bank loans — unsecured	2.40-5.84/ HIBOR	On demand/ 2011	564,943	5.31-7.56/ HIBOR	On demand/ 2010	629,775
Long term bank loan repayable on demand — unsecured (note (a))	HIBOR	On demand	50,000	HIBOR	On demand	50,000
Non-current						
Bank loans — unsecured	5.31-5.40	2012	264,368	4.86-5.40	2011	121,348
			879,311			801,123

Company	31 December 2010 Effective interest rate %	31 December 2010 Maturity	31 December 2010 HK$'000	31 December 2009 Effective interest rate %	31 December 2009 Maturity	31 December 2009 HK$'000 (Restated)
Current						
Bank loans — unsecured	HIBOR	On demand	50,000	HIBOR	On demand	50,000
Long term bank loans repayable on demand — unsecured (note (a))	HIBOR	On demand	50,000	HIBOR	On demand	50,000
			100,000			100,000

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

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
Analysed into:				
Bank loans repayable:				
Within one year or on demand (note (a))	**614,943**	679,775	**100,000**	100,000
In the second year	**264,368**	121,348	**—**	—
	879,311	801,123	**100,000**	100,000

Notes:

(a) As further explained in notes 2.2 and 36 to the financial statements, due to the adoption of HK Interpretation 5 in the current year, the Group's term loan in the amount of HK$50,000,000 (2009: HK$50,000,000) containing an on-demand clause has been reclassified as a current liability. For the purpose of the above analysis, the loan is included within current interest-bearing bank borrowings and analysed into bank loans repayable within one year or on demand.

Based on the maturity terms of the loan, the amounts repayable in respect of the loan are: HK$50,000,000 (2009: HK$50,000,000) within one year or on demand; HK$50,000,000 in the second year (2009: Nil) and nil in the third to fifth years (2009: HK50,000,000).

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

At 31 December 2010, the Group's bank borrowings were guaranteed by the Company and certain subsidiaries of the Group with the amounts of approximately HK664,368,000 (31 December 2009: HK$420,225,000) and HK$214,943,000 (31 December 2009: HK$380,899,000) respectively.

27. DEFERRED TAX

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

Deferred tax liabilities — Group	**Depreciation allowance in excess of related depreciation**	**Fair value adjustments arising from business combination**	**Revaluation of leasehold buildings**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2009	17,097	26,541	2,735	46,373
Deferred tax charged to profit or loss during the year (note 10)	2,556	—	—	2,556
Deferred tax charged to other comprehensive income during the year	—	—	4,365	4,365
At 31 December 2009 and 1 January 2010	19,653	26,541	7,100	53,294
Deferred tax charged to profit or loss during the year (note 10)	4,180	—	—	4,180
Exchange realignment	1,024	—	—	1,024
At 31 December 2010	24,857	26,541	7,100	58,498

Deferred tax assets — Group	**Inventories provision**
	HK$'000
At 1 January 2009	987
Deferred tax charged to profit or loss during the year	(961)
At 31 December 2009 and 1 January 2010	26
Deferred tax credited to profit or loss during the year	569
At 31 December 2010	595

The Group had accumulated tax losses arising in Hong Kong of approximately HK$22,420,000 (2009: HK$19,067,000) 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 four PRC subsidiaries of approximately HK$35,222,000 (2009: HK$37,076,000) 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 2011 to the year ending 31 December 2015. In the opinion of the directors, deferred tax assets have not been recognised as these tax losses are only available to offset against future taxable profits of the individual companies in which the losses arose and may not be used to offset taxable profits elsewhere in the Group and the directors consider that it is uncertain whether future taxable profits would arise to offset against these losses for these companies.

At 31 December 2010, there was no significant unrecognised deferred tax liability (31 December 2009: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

27. DEFERRED TAX *(continued)*

At 31 December 2010, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and jointly controlled entities established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and jointly controlled entities will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and jointly controlled entities in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$406,502,000 at 31 December 2010 (2009: HK$273,451,000).

28. SHARE CAPITAL

Shares

	2010 HK$'000	2009 HK$'000
Authorised: 100,000,000,000 (31 December 2009: 100,000,000,000) ordinary shares of HK$0.10 each	**10,000,000**	10,000,000
Issued and fully paid: 1,149,478,000 (31 December 2009: 1,049,274,000) ordinary shares of HK$0.10 each	**114,948**	104,927

As at the reporting date, the issued and fully paid share capital is 1,149,478,000 ordinary shares of HK$0.10 each. The movements in the issued share capital were as follows:

(1) On 6 January 2010, the subscription rights attaching to 204,000 option shares were exercised at the subscription price of HK$0.99 per share, resulting in the issue of 204,000 shares of HK$0.10 each, for a total cash consideration, before expenses, of approximately HK$202,000.

(2) On 12 March 2010, the Company launched a public offering of 100 million units of TDRs in Taiwan representing the combination of 100 million new shares of the Company issued by the Company and 100 million of the Company's shares transferred by the immediate holding company, Global Corn Bio-Chem. On 18 March 2010, the Company entered into the underwriting agreement with the underwriters at the offer price of NT15.5 (equivalent to approximately HK$3.79) per TDR. The 100 million new shares of HK$0.10 each were issued by the Company on 23 March 2010, which resulted in net cash proceeds of approximately HK$184 million, net of related expenses from the TDR offering. On 25 March 2010, TDRs of the Company were listed on the Taiwan Stock Exchange.

29. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 40 of the financial statements.

29. RESERVES *(continued)*

(b) Company

	Contributed surplus HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Accumulated profits/ (losses) HK$'000	Exchange fluctuation reverse HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 January 2009	491,695	574,473	1,992	(49,717)	–	–	1,018,443
Total comprehensive income for the year	–	–	885	183,541	–	–	184,426
Transfer of the share option reserve upon the forfeiture of share options	–	–	(99)	–	–	–	(99)
Share options exercised	–	4,915	(1,111)	–	–	–	3,804
Proposed final 2010 dividend	–	–	–	(10,493)	–	10,493	–
At 31 December 2009 and 1 January 2010	491,695	579,388	1,667	123,331	–	10,493	1,206,574
Total comprehensive income for the year	–	–	–	(11,254)	(8,048)	–	(19,302)
Final 2009 dividend declared	–	–	–	(1,001)	–	(10,493)	(11,494)
Issue of shares	–	173,498	–	–	–	–	173,498
Transfer of the share option reserve upon the forfeiture of share options	–	54	(97)	43	–	–	–
Share options exercised	–	181	–	–	–	–	181
At 31 December 2010	491,695	753,121	1,570	111,119	(8,048)	–	1,349,457

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

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

30. SHARE OPTION SCHEME

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

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

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

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

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

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

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

	2010		2009	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
	HK$ per share	**'000**	HK$ per share	'000
At 1 January	**1.53**	**3,698**	1.249	8,172
Granted during the year	**—**	**—**	—	—
Forfeited during the year	**0.99**	**(164)**	1.59	(200)
Exercised during the year	**0.99**	**(204)**	0.99	(4,274)
At 31 December	**1.59**	**3,330**	1.53	3,698

30. SHARE OPTION SCHEME *(continued)*

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

2010

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

2009

Exercise period	Vesting period	Grant date	The closing price immediately preceding the date of grant	Exercise price*	Number of options
			HK$	HK$	'000
7-7-2008 to 6-7-2011	—	7-7-2008	1.63	1.59	3,330
17-9-2009 to 16-9-2011	17-9-2008 to 17-9-2009	17-9-2008	0.87	0.99	368
					3,698

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

There was no additional share option granted during the year ended 31 December 2010 and 31 December 2009. For the share options granted during the year ended 31 December 2008, no share option expense was recognised during the year ended 31 December 2010 (2009: HK$885,000).

The fair value of equity-settled share options granted during the year 2008 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Date of exercise			
	7-7-08	1-3-09	14-4-09	17-9-09
Dividend yield (%)	2.00	2.00	2.00	1.50
Expected volatility (%)	50.00	50.00	50.0	55.00
Risk-free interest rate (%)	2.90	2.90	2.90	2.70
Expected life of options (month)	24	28	27	36
Weighted average share price (HK$)	0.47	0.47	0.47	0.26

30. SHARE OPTION SCHEME *(continued)*

For share options granted to PRC employees, the options are vested after one year with two years exercise period of two years. For share options granted to Hong Kong employees, based on the information from the management, the staff must work for at least a year before exercise of share option. There were four groups of employees whose vesting condition were different. Therefore, four exercise periods were resulted in 2008, which were from grant date to 6 July 2011, from 1 March 2009 to 6 July 2011, from 14 April 2009 to 6 July 2011 and from 17 September 2009 to 6 September 2011. Two of the Hong Kong employees have resigned in 2009 and another two Hong Kong employees have resigned in 2010, the share options of whom have been forfeited. All PRC employees had either exercised their share options or resigned during the year. Therefore the number of exercise periods became one as at the end of the reporting period, which was from the grant date to 6 July 2011.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

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

At the end of the reporting period, the Company had 3,330,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 3,330,000 additional ordinary shares of the Company and additional share capital of HK$333,000 and share premium of HK$4,961,700 (before issue expenses).

31. CONTINGENT LIABILITIES

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

The Company provided guarantees for banking facilities granted to certain subsidiaries. These subsidiaries utilised the banking facilities to the extent of approximately HK$664,368,000 as at 31 December 2010 (31 December 2009: HK$420,225,000).

32. COMMITMENTS

At 31 December 2010, the Group had capital commitments as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Contracted, but not provided for:		
Leasehold buildings	**26,291**	29,473
Plant and machinery	**6,698**	8,273
Capital contributions	**—**	8,479
	32,989	46,225

The Company did not have any other significant commitments as at 31 December 2010.

33. RELATED PARTY TRANSACTIONS

(i) Transactions with related parties

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

	Notes	2010 HK$'000	2009 HK$'000
Purchases from fellow subsidiaries			
— Corn starch	(a)	**794,778**	692,408
Sales to fellow subsidiaries			
— Corn sweeteners — Sorbitol	(b)	**—**	18,469
— Corn sweeteners — Others	(b)	**634,798**	606,580
Sales to a jointly controlled entity			
— Corn starch	(b)	**28,408**	16,405
Sales to a related company			
— Biological products	(c)	**121,811**	136,514
Reimbursement of utilities cost by a fellow subsidiary	(d)	**87,697**	93,842
Reimbursement of utilities cost to a jointly controlled entity	(d)	**9,714**	10,476
Agency fee charged by a fellow subsidiary	(e)	**3,133**	3,690

Notes:

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

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

(c) The Group sold the biological products to a related company of a subsidiary. The sale was made at prices mutually agree between the parties.

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

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

33. RELATED PARTY TRANSACTIONS *(continued)*

(ii) Balances with related parties:

(a) Balances with group companies

The balances with the ultimate holding company, the immediate holding company and fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the balances with these group companies approximated to their fair values at the end of each reporting period. At 31 December 2010, approximately HK$129,535,000 (31 December 2009: HK$51,054,000) of the balances due from fellow subsidiaries and approximately HK$92,586,000 (31 December 2009: HK$152,368,000) of the balances due to fellow subsidiaries arose from trading activities.

The following table sets out the aged analysis of the trade nature portions of amounts due from fellow subsidiaries as at 31 December 2010 and 31 December 2009, respectively.

	Group	
	2010	2009
	HK$'000	HK$'000
Trade nature		
Amounts due from fellow subsidiaries		
Within 3 months	**82,229**	39,156
Over 3 months but less than 6 months	**1,538**	5,273
Over 6 months but less than 1 year	**33,767**	728
Over 1 year	**12,001**	5,897
Total	**129,535**	51,054

The following table sets out the aged analysis of the trade nature portions of amounts due to fellow subsidiaries as at 31 December 2010 and 31 December 2009, respectively.

	Group	
	2010	2009
	HK$'000	HK$'000
Trade nature		
Amounts due to fellow subsidiaries:		
Within 3 months	**32,331**	151,678
Over 1 year	**60,255**	690
Total	**92,586**	152,368

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

	2010	2009
	HK$'000	HK$'000
Short term employee benefits	**8,940**	8,540
Post-employment benefits	**24**	13
Total compensation paid to key management personnel	**8,964**	8,553

34. FINANCIAL INSTRUMENTS BY CATEGORY

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

	Group	
Financial assets	**2010 Loans and receivables HK$'000**	2009 Loans and receivables HK$'000
Trade and bills receivables	**503,246**	428,972
Financial assets included in prepayments, deposits and other receivables	**23,237**	30,979
Due from jointly controlled entities	**3,110**	484
Due from the immediate holding company	**21,086**	22,230
Due from fellow subsidiaries	**172,085**	53,380
Cash and cash equivalents	**377,559**	296,556
Total	**1,100,323**	832,601

	Group	
Financial liabilities	**2010 Financial liabilities at amortised cost HK$'000**	2009 Financial liabilities at amortised cost HK$'000
Trade payables	**122,850**	48,831
Financial liabilities included in other payables and accruals	**57,790**	74,015
Interest-bearing bank borrowings	**879,311**	801,123
Due to fellow subsidiaries	**128,466**	174,884
Due to the ultimate holding company	**3,417**	3,189
Due to jointly controlled entities	**17,299**	101
Total	**1,209,133**	**1,102,143**

34. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

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

	Company	
Financial assets	**2010 Loans and receivables HK$'000**	2009 Loans and receivables HK$'000
Financial assets included in prepayments, deposits and other receivables	**71**	246
Due from the ultimate holding company	**81,800**	81,800
Due from subsidiaries	**1,139,458**	1,074,637
Cash and cash equivalents	**210,538**	77,853
Total	**1,431,867**	1,234,536

	Company	
Financial liabilities	**2010 Financial liabilities at amortised cost HK$'000**	2009 Financial liabilities at amortised cost HK$'000
Due to subsidiaries	**358,360**	310,191
Interest-bearing bank borrowings	**100,000**	100,000
Financial guarantee contracts	**4,942**	2,827
Total	**463,302**	413,018

35. FAIR VALUE

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

Financial assets

Group

	Carrying amounts		Fair values	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade and bills receivables	**503,246**	428,972	**503,246**	428,972
Financial assets included in prepayments, deposits and other receivables	**23,237**	30,979	**23,237**	30,979
Due from jointly controlled entities	**3,110**	484	**3,110**	484
Due from the immediate holding company	**21,086**	22,230	**21,086**	22,230
Due from fellow subsidiaries	**172,085**	53,380	**172,085**	53,380
Cash and cash equivalents	**377,559**	296,556	**377,559**	296,556
	1,100,323	832,601	**1,100,323**	832,601

Company

	Carrying amounts		Fair values	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets included in prepayments, deposits and other receivables	**71**	246	**71**	246
Due from the ultimate holding company	**81,800**	81,800	**81,800**	81,800
Due from subsidiaries	**1,139,458**	1,074,637	**1,139,458**	1,074,637
Cash and cash equivalents	**210,538**	77,853	**210,538**	77,853
	1,431,867	1,234,536	**1,431,867**	1,234,536

35. FAIR VALUE *(continued)*

Financial liabilities

Group

	Carrying amounts		Fair values	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables	122,850	48,831	122,850	48,831
Financial liabilities included in other payables and accruals	57,790	74,015	57,790	74,015
Interest-bearing bank borrowings	879,311	801,123	879,311	801,123
Due to fellow subsidiaries	128,466	174,884	128,466	174,884
Due to the ultimate holding company	3,417	3,189	3,417	3,189
Due to jointly controlled entities	17,299	101	17,299	101
	1,209,133	1,102,143	1,209,133	1,102,143

Company

	Carrying amounts		Fair values	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Due to subsidiaries	358,360	310,191	358,360	310,191
Interest-bearing bank borrowings	100,000	100,000	100,000	100,000
Financial guarantee contracts	4,942	2,827	4,942	2,827
	463,302	413,018	463,302	413,018

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

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

Interest rate risk

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

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

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

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

	Group			Company	
	Increase/ (decrease) in interest rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity	Increase/ (decrease) in interest rate	Increase/ (decrease) in equity
	%	HK$'000	HK$'000	%	HK$'000
2010					
Hong Kong dollar	**1**	**(5,390)**	**(4,184)**	**1**	**(1,000)**
Hong Kong dollar	**(1)**	**5,390**	**4,184**	**(1)**	**1,000**
2009					
Hong Kong dollar	1	(3,955)	(3,203)	1	(1,800)
Hong Kong dollar	(1)	3,955	3,203	(1)	1,800

Credit risk

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

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, trade receivables, amounts due from related parties and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 21 and 22 to the financial statements.

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

Liquidity risk

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

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

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

Year ended 31 December 2010 — The Group

	On demand	Less than 3 months	3 to 12 months	1 to 5 Years	More than 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables	122,850	—	—	—	—	122,850
Other payables	57,790	—	—	—	—	57,790
Interest-bearing bank borrowings	100,000	67,228	478,865	270,201	—	916,294
Due to fellow subsidiaries	128,466	—	—	—	—	128,466
Due to the ultimate holding company	3,417	—	—	—	—	3,417
Due to jointly controlled entities	17,299	—	—	—	—	17,299
	429,822	67,228	478,865	270,201	—	1,246,116

Year ended 31 December 2009 – The Group (Restated)

	On demand	Less than 3 months	3 to 12 months	1 to 5 Years	More than 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables	48,831	—	—	—	—	48,831
Other payables	74,015	—	—	—	—	74,015
Interest-bearing bank borrowings	100,000	10,068	596,257	125,802	—	832,127
Due to fellow subsidiaries	174,884	—	—	—	—	174,884
Due to the ultimate holding company	3,189	—	—	—	—	3,189
Due to jointly controlled entities	101	—	—	—	—	101
	401,020	10,068	596,257	125,802	—	1,133,147

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

Liquidity risk *(continued)*

Year ended 31 December 2010 — The Company

	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Due to subsidiaries	358,360	—	—	—	—	358,360
Financial guarantee contracts	—	57,471	342,529	264,368	—	664,368
Interest-bearing bank borrowings	100,000	—	—	—	—	100,000
	458,360	57,471	342,529	264,368	—	1,122,728

Year ended 31 December 2009 — The Company (Restated)

	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Due to subsidiaries	310,191	—	—	—	—	310,191
Financial guarantee contracts	—	56,180	242,697	121,348	—	420,225
Interest-bearing bank borrowings	100,000	—	—	—	—	100,000
	410,191	56,180	242,697	121,348	—	830,416

Note:

Included in interest-bearing bank borrowings are a term loan and a revolving loan both in the amount of HK$50,000,000 (2009: both HK$50,000,000). Each of the loan agreement contains a repayment on-demand clause giving the bank the unconditional right to call the loan at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

Notwithstanding the above clause, the directors do not believe that the loan will be called, in its entirety or in part, within 12 months, except they consider that the loan will be repaid in accordance with the maturity dates as set out in the loan agreement. This evaluation was made considering: the financial position of the Group at the date of approval of these financial statements; the Group's compliance with the loan covenants; the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time. In accordance with the terms of the loan, the contractual undiscounted payments at 31 December 2010 will be HK$52,400,000 in 2011 and HK$50,746,000 in 2012.

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

Capital management

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

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

The Group monitors capital using a gearing ratio, which is net debt divided by equity. The Group's policy is to maintain the gearing ratio at no more than 50%. Net debt represents interest-bearing bank borrowings less cash and cash equivalents. Capital represents equity attributable to equity holders of the Company. The gearing ratios at ends of the reporting periods were as follows:

31 December	Group		Company	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Interest bearing bank borrowings	879,311	801,123	100,000	100,000
Less: Cash and cash equivalents	(377,559)	(296,556)	(210,538)	(77,853)
Net debt	501,752	504,567	(110,538)	22,147
Equity	1,919,536	1,630,079	1,464,405	1,311,501
Gearing ratio	26%	31%	-8%	2%

37. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of the new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2011.

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

For the years ended 31 December 2006, the Group was regarded as a continuing entity resulting from the reorganisation under common control. Accordingly, the consolidated financial statements of the Group for the year ended 31 December 2006 have been prepared as if the current group had been in existence throughout the year. The combined financial information of the Group has been presented on the principle of merger accounting such that the Company was treated as the holding company of its subsidiaries from the beginning of the year presented rather than from the subsequent date of its acquisition of the subsidiaries on 24 August 2007.

	Year ended 31 December				
	2010	2009	2008	2007	2006
	HK$'000 Consolidated	HK$'000 Consolidated	HK$'000 Consolidated	HK$'000 Combined	HK$'000 Combined
RESULTS					
REVENUE	**3,356,264**	2,668,767	1,693,975	1,471,122	1,035,007
Cost of sales	**(2,978,038)**	(2,361,562)	(1,411,543)	(1,155,610)	(814,444)
Gross profit	**378,226**	307,205	282,432	315,512	220,563
Other income and gains	**28,556**	18,624	30,896	18,607	4,516
Excess over the cost of a business combination	**—**	—	23,703	—	—
Selling and distribution costs	**(157,608)**	(108,877)	(70,427)	(38,176)	(37,447)
Administrative expenses	**(70,406)**	(75,928)	(58,911)	(33,463)	(11,893)
Other expenses	**(3,517)**	(3,259)	1,779	(17,953)	(3,760)
Finance costs	**(51,617)**	(34,232)	(39,237)	(24,264)	(12,689)
Share of profits of jointly controlled entities	**1,196**	3,312	5,677	8,758	17,399
PROFIT BEFORE TAX	**124,830**	106,845	175,912	229,021	176,689
Income tax expense	**(33,768)**	(20,643)	(21,542)	(35,355)	(19,956)
PROFIT FOR THE YEAR	**91,062**	86,202	154,370	193,666	156,733
Attributable to:					
Owners of the Company	**89,402**	85,681	154,370	193,666	156,733
Non-controlling interests	**1,660**	521	—	—	—
	91,062	86,202	154,370	193,666	156,733
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**3,274,321**	2,853,882	2,677,196	2,157,877	1,281,971
TOTAL LIABILITIES	**(1,347,409)**	(1,218,087)	(1,151,672)	(877,409)	(924,519)
NON-CONTROLLING INTERESTS	**(7,376)**	(5,716)	—	—	—
	1,919,536	1,630,079	1,525,524	1,280,468	357,452

BOARD OF DIRECTORS

Executive Directors

Kong Zhanpeng *(Chairman)*
Zhang Fazheng
Xu Zhouwen (Appointed on 28 October 2010)
Lee Chi Yung
Wang Guifeng (Resigned on 29 September 2010)

Independent non-executive Directors

Chan Yuk Tong
Gao Yunchun
Ho Lic Ki

COMPANY SECRETARY

Lee Chi Yung, ACCA, HKICPA

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Certified Public Accountants
18/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

LEGAL ADVISERS

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

PRINCIPAL BANKER

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

Bank of China (Hong Kong)
Bank of China Tower
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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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