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GLOBAL SWEETENERS HOLDINGS LIMITED

大成糖業控股有限公司 *

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 03889)

ANNOUNCEMENT OF THE FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

FINANCIAL HIGHLIGHTS

	2013	2012	Change %
Revenue (HK\$'Mn)	4,200	4,520	(7.1)
Gross profit (HK\$'Mn)	138	351	(60.7)
Loss before tax from continuing operations (HK\$'Mn)	(304)	(109)	N/A
Loss for the year from a discontinued operation (HK\$'Mn)	(5)	(120)	N/A
Net loss from ordinary activities attributable to shareholders (HK\$'Mn)	(320)	(247)	N/A
Loss per share (HK cents)	(20.9)	(16.2)	N/A
Loss per share from continuing operations (HK cents)	(20.6)	(8.8)	N/A
Proposed final dividend per share (HK cents)	—	—	N/A

The board (“Board”) of directors (“Directors”) of Global Sweeteners Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2013 (the “Year”), together with the comparative figures in the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2013

	<i>Notes</i>	2013 HK\$’000	2012 HK\$’000
CONTINUING OPERATIONS			
REVENUE	4	4,200,019	4,520,146
Cost of sales		<u>(4,062,266)</u>	<u>(4,169,239)</u>
Gross profit		137,753	350,907
Other income and gains	4	46,113	49,581
Selling and distribution expenses		(237,843)	(255,812)
Administrative expenses		(113,273)	(108,830)
Other expenses		(39,201)	(15,773)
Finance costs	6	(97,255)	(127,749)
Share of losses of joint ventures		<u>—</u>	<u>(1,324)</u>
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	5	(303,706)	(109,000)
Income tax expense	7	<u>(11,126)</u>	<u>(24,756)</u>
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		(314,832)	(133,756)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	9	<u>(5,397)</u>	<u>(119,819)</u>
LOSS FOR THE YEAR		<u>(320,229)</u>	<u>(253,575)</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements of operations outside Hong Kong		<u>44,494</u>	<u>25,747</u>
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Loss on property revaluation		(14,714)	—
Income tax effect		<u>3,678</u>	<u>—</u>
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods		<u>(11,036)</u>	<u>—</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<u>33,458</u>	<u>25,747</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(286,771)</u>	<u>(227,828)</u>

	<i>Notes</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Loss attributable to:			
Owners of the parent		(319,959)	(247,494)
Non-controlling interests		(270)	(6,081)
		<u>(320,229)</u>	<u>(253,575)</u>
Total comprehensive loss attributable to:			
Owners of the parent		(286,354)	(222,196)
Non-controlling interests		(417)	(5,632)
		<u>(286,771)</u>	<u>(227,828)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	<i>11</i>		
Basic			
— For loss for the year		<u>HK\$(0.209)</u>	<u>HK\$(0.162)</u>
— For loss from continuing operations		<u>HK\$(0.206)</u>	<u>HK\$(0.088)</u>
Diluted			
— For loss for the year		<u>HK\$(0.209)</u>	<u>HK\$(0.162)</u>
— For loss from continuing operations		<u>HK\$(0.206)</u>	<u>HK\$(0.088)</u>

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,576,123	1,612,495
Prepaid land lease payments		194,837	223,864
Deposits paid for acquisition of property, plant and equipment		4,774	23,810
Goodwill		183,538	183,538
Other intangible assets		3,243	3,243
Deferred tax assets		2,240	2,022
Total non-current assets		1,964,755	2,048,972
CURRENT ASSETS			
Inventories		1,068,806	1,065,427
Trade and bills receivables	12	699,329	1,004,389
Prepayments, deposits and other receivables		180,323	296,504
Due from the immediate holding company		21,709	21,408
Due from fellow subsidiaries		91,823	239,091
Non-current assets held for sale		5,500	—
Financial asset at fair value through profit or loss		22,658	—
Pledged deposits		5,703	—
Cash and cash equivalents		407,207	557,551
Total current assets		2,503,058	3,184,370
CURRENT LIABILITIES			
Trade and bills payables	13	427,013	489,072
Other payables and accruals		221,588	177,675
Interest-bearing bank borrowings		1,320,421	1,478,642
Due to fellow subsidiaries		258,344	277,682
Due to the ultimate holding company		30,482	26,739
Tax payable		28,216	27,729
Total current liabilities		2,286,064	2,477,539
NET CURRENT ASSETS		216,994	706,831
TOTAL ASSETS LESS CURRENT LIABILITIES		2,181,749	2,755,803

	<i>Notes</i>	2013 HK\$'000	2012 HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,181,749</u>	<u>2,755,803</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		37,185	323,025
Deferred tax liabilities		107,381	107,696
Deferred income		<u>—</u>	<u>1,128</u>
Total non-current liabilities		<u>144,566</u>	<u>431,849</u>
Net assets		<u><u>2,037,183</u></u>	<u><u>2,323,954</u></u>
EQUITY			
Equity attributable to owners of the parent			
Issued capital	<i>14</i>	152,759	152,759
Reserves		<u>1,890,619</u>	<u>2,176,973</u>
		2,043,378	2,329,732
Non-controlling interests		<u>(6,195)</u>	<u>(5,778)</u>
Total equity		<u><u>2,037,183</u></u>	<u><u>2,323,954</u></u>

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 13 June 2006. The principal activity of the Company is investment holding. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Unit 2403, Admiralty Centre, Tower 2, No. 18 Harcourt Road, Hong Kong. The Group was principally engaged in the manufacture and sale of corn refined products and corn based sweetener products.

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 certain property, plant and equipment with periodic remeasurement at fair value as further explained in the financial statements. These financial statements are presented in Hong Kong dollars (“HK\$”).

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2013. 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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. 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, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES 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 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities</i>
HKFRS 10	<i>Consolidated Financial Statements</i>
HKFRS 11	<i>Joint Arrangements</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — <i>Transition Guidance</i>
HKFRS 13	<i>Fair Value Measurement</i>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income</i>
HKAS 19 (2011)	<i>Employee Benefits</i>
HKAS 27 (2011)	<i>Separate Financial Statements</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets (early adopted)</i>
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
<i>Annual Improvements 2009-2011 Cycle</i>	<i>Amendments to a number of HKFRSs issued in June 2012</i>

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 13, HKFRS 7 Amendments, HKAS 1 Amendments, HKAS 36, and certain amendments included in *Annual Improvements 2009-2011 Cycle*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

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

- (a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

- (b) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended.
- (c) The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32.
- (d) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

(e) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.

(f) *Annual Improvements 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of standards. 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 have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- *HKAS 1 Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- *HKAS 32 Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

The Group's revenue is derived from customers based in Mainland China and in regions other than Mainland China. Another basis on which the Group reports its segment information is by geographical region.

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

Year ended 31 December 2013	Corn refined products HK\$'000	Corn based sweetener products HK\$'000	Total HK\$'000
Segment revenue:			
Sales to external customers	2,166,103	2,033,916	4,200,019
Intersegment sales	550,285	—	550,285
	<u>2,716,388</u>	<u>2,033,916</u>	<u>4,750,304</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			(550,285)
Revenue from continuing operations			<u>4,200,019</u>
Segment results	(165,515)	(54,733)	(220,248)
<i>Reconciliation:</i>			
Bank interest income			2,502
Unallocated gains			24,832
Corporate and other unallocated expenses			(13,537)
Finance costs			(97,255)
Loss before tax from continuing operations			<u>(303,706)</u>
Segment assets	1,995,541	1,839,707	3,835,248
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(91,290)
Cash and cash equivalents and pledged deposits			412,910
Corporate and other unallocated assets			304,614
Assets related to a discontinued operation			6,331
Total assets			<u>4,467,813</u>
Segment liabilities	504,345	293,202	797,547
<i>Reconciliation:</i>			
Elimination of intersegment payables			(91,290)
Interest-bearing bank borrowings			1,357,606
Corporate and unallocated liabilities			365,578
Liabilities related to a discontinued operation			1,189
Total liabilities			<u>2,430,630</u>
Other segment information:			
Capital expenditure*	81,429	16,064	97,493
Depreciation	78,164	69,081	147,245
Gain on resumption of land	—	18,779	18,779
Amortisation of prepaid land lease payments	5,406	2,258	7,664
Impairment/(write-back) of trade and bills receivables	(6,350)	625	(5,725)
Write-off other receivables	12,415	—	12,415
Write-down of inventories to net realisable value	29,266	16,975	46,241

Included in corn refined products segment were non-current assets held for sale amounted to HK\$5,500,000, reclassified from properties, plant and equipment.

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

Year ended 31 December 2012	Corn refined products HK\$ '000	Corn based sweetener products HK\$ '000	Total HK\$ '000
Segment revenue:			
Sales to external customers	1,875,841	2,644,305	4,520,146
Intersegment sales	551,844	—	551,844
	<u>2,427,685</u>	<u>2,644,305</u>	<u>5,071,990</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(551,844)</u>
Revenue from continuing operations			<u><u>4,520,146</u></u>
Segment results	(69,226)	75,910	6,684
<i>Reconciliation:</i>			
Bank interest income			2,989
Unallocated gains			22,241
Corporate and other unallocated expenses			(13,165)
Finance costs			<u>(127,749)</u>
Loss before tax from continuing operations			<u><u>(109,000)</u></u>
Segment assets	2,298,973	2,049,536	4,348,509
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(123,110)
Cash and cash equivalents			557,551
Corporate and other unallocated assets			443,707
Assets related to a discontinued operation			<u>6,685</u>
Total assets			<u><u>5,233,342</u></u>
Segment liabilities	626,678	276,000	902,678
<i>Reconciliation:</i>			
Elimination of intersegment payables			(123,110)
Interest-bearing bank borrowings			1,801,667
Corporate and unallocated liabilities			326,991
Liabilities related to a discontinued operation			<u>1,162</u>
Total liabilities			<u><u>2,909,388</u></u>
Other segment information:			
Share of losses of joint ventures	—	(1,324)	(1,324)
Capital expenditure*	70,672	89,225	159,897
Depreciation	79,528	62,560	142,088
Amortisation of prepaid land lease payments	5,299	2,172	7,471
Impairment of trade and bills receivables	7,002	3,762	10,764
Write-down/(write-back) of inventories to net realisable value	(132)	1,087	955

Geographical information

(a) Revenue from external customers

	2013 HK\$'000	2012 HK\$'000
Mainland China	3,948,175	4,290,111
Regions other than Mainland China	251,844	230,035
	<u>4,200,019</u>	<u>4,520,146</u>

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

(b) Non-current assets

	2013 HK\$'000	2012 HK\$'000
Mainland China	1,959,044	2,043,298
Regions other than Mainland China	3,471	3,652
	<u>1,962,515</u>	<u>2,046,950</u>

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

Information about a major customer

Revenue from continuing operations of approximately HK\$310,619,000 (2012: HK\$663,183,000) and HK\$194,609,000 (2012: HK\$21,470,000) during the year ended 31 December 2013 was derived from sales by the corn based sweetener products segment and the corn refined products segment, respectively, to group companies of the ultimate holding company.

4. REVENUE, OTHER INCOME AND GAINS

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

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

	Group	
	2013	2012
	HK\$'000	HK\$'000
Revenue		
Sale of goods	4,200,019	4,520,146
Other income		
Bank interest income	2,502	2,989
Net profit arising from sale of packing materials and by-products	16,556	15,230
Government grants*	6,191	2,823
Exchange gain	105	—
Others	1,980	4,188
	27,334	25,230
Gains		
Gain on resumption of land**	18,779	—
Gain on bargain purchase	—	13,479
Exchange differences reclassified from reserves when the joint ventures became subsidiaries	—	12,582
Fair value loss of investments in joint ventures	—	(1,710)
	18,779	24,351
	46,113	49,581

* Government grants represented the rewards to certain subsidiaries of the Company located in Mainland China.

** Gain on resumption of land arose from the compensation granted by the local government for the resumption of a parcel of land located in Mainland China.

5. LOSS BEFORE TAX

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

	Group	
	2013	2012
	HK\$'000	HK\$'000
Cost of inventories sold	3,379,860	3,451,397
Depreciation	147,245	142,088
Amortisation of prepaid land lease payments	7,664	7,471
Auditors' remuneration	3,082	3,081
Employee benefit expenses (excluding Directors' remuneration)		
Wages and salaries	66,014	55,351
Pension scheme contributions	8,797	6,590
	74,811	61,941
Foreign exchange differences, net	(105)	600
Gain on bargain purchase*	—	(13,479)
Exchange differences reclassified from reserves when the joint ventures became subsidiaries	—	(12,582)
Fair value loss of investments in joint ventures	—	1,710
Write-down of inventories to net realisable value [#]	46,241	955
Impairment/(write back) of trade and bills receivables	(5,725)	10,764
Write off of other receivables	12,415	—
Loss on disposal of items of property, plant and equipment	3,272	2,375

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

[#] Included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

6. FINANCE COSTS

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

	Group	
	2013	2012
	HK\$'000	HK\$'000
Interest on bank loans wholly repayable within five years	99,994	128,205
Finance costs for discounting bills receivables	<u>—</u>	<u>4,480</u>
Total interest expense on financial liabilities not at fair value through profit or loss	99,994	132,685
Less: interest capitalised	<u>(2,739)</u>	<u>(4,936)</u>
	<u>97,255</u>	<u>127,749</u>

7. INCOME TAX

No Hong Kong profits tax has been provided as the Group had no assessable profits arising in Hong Kong. Taxes on profits assessable in Mainland China 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	
	2013	2012
	HK\$'000	HK\$'000
Current — Hong Kong	<u>—</u>	<u>—</u>
Current — Mainland China	9,504	20,402
Deferred	<u>1,622</u>	<u>4,354</u>
Total tax charge for the year	<u>11,126</u>	<u>24,756</u>

A reconciliation of the tax expense applicable to 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 — 2013	Hong Kong		Mainland China		Total	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Loss before tax from continuing operations	<u>(20,782)</u>		<u>(282,924)</u>		<u>(303,706)</u>	
Tax at the statutory rate	(3,429)	16.5	(70,731)	25.0	(74,160)	24.4
Tax losses utilised from previous periods	—	—	(599)	0.2	(599)	0.2
Adjustments in respect of current tax of previous periods	—	—	(1,830)	0.6	(1,830)	0.6
Unrecognised tax losses	3,070	(14.8)	61,215	(21.6)	64,285	(21.2)
Temporary differences not recognised	—	—	19,461	(6.9)	19,461	(6.4)
Income not subject to tax	(148)	0.7	—	—	(148)	0.1
Expenses not deductible for tax	<u>507</u>	<u>(2.4)</u>	<u>3,610</u>	<u>(1.3)</u>	<u>4,117</u>	<u>(1.4)</u>
Tax charge at the Group's effective rate	<u>—</u>	<u>—</u>	<u>11,126</u>	<u>(3.9)</u>	<u>11,126</u>	<u>(3.7)</u>
Group — 2012	Hong Kong		Mainland China		Total	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Loss before tax from continuing operations	<u>(489)</u>		<u>(108,511)</u>		<u>(109,000)</u>	
Tax at the statutory rate	(81)	16.5	(27,128)	25.0	(27,209)	25.0
Tax losses utilised from previous periods	—	—	(287)	0.3	(287)	0.3
Adjustments in respect of current tax of previous periods	—	—	3,922	(3.6)	3,922	(3.6)
Unrecognised tax losses	3,124	(638.9)	40,031	(36.9)	43,155	(39.6)
Temporary differences not recognised	—	—	5,613	(5.2)	5,613	(5.2)
Income not subject to tax	(3,848)	786.9	—	—	(3,848)	3.5
Expenses not deductible for tax	<u>805</u>	<u>(164.5)</u>	<u>2,605</u>	<u>(2.4)</u>	<u>3,410</u>	<u>(3.1)</u>
Tax charge at the Group's effective rate	<u>—</u>	<u>—</u>	<u>24,756</u>	<u>(22.8)</u>	<u>24,756</u>	<u>(22.7)</u>

The statutory tax rate for all subsidiaries of the Company in Mainland China was 25% for the current year (2012: 25%).

8. LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated loss attributable to owners of the parent for the year ended 31 December 2013 includes a loss of HK\$20,876,000 (2012: profit of HK\$46,084,000) which has been dealt with in the financial statements of the Company.

9. DISCONTINUED OPERATION

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

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

	2013 HK\$'000	2012 HK\$'000
Revenue	—	4,968
Cost of sales	—	(5,193)
Other revenue	37	3
Selling and distribution expenses	—	(486)
Administrative expenses	(3,889)	(8,731)
Other expenses	(1,545)	(110,380)
	<u> </u>	<u> </u>
Loss before tax from the discontinued operation	(5,397)	(119,819)
Income tax	—	—
	<u> </u>	<u> </u>
Loss for the year from the discontinued operation	<u>(5,397)</u>	<u>(119,819)</u>

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

	2013 HK\$'000	2012 HK\$'000
Operating activities	48	(6,531)
Investing activities	—	(7)
Financing activities	—	1,270
	<u> </u>	<u> </u>
Net cash inflow/(outflow)	<u>48</u>	<u>(5,268)</u>
Loss per share:		
Basic, from the discontinued operation	HK\$(0.003)	HK\$(0.075)
Diluted, from the discontinued operation	<u>HK\$(0.003)</u>	<u>HK\$(0.075)</u>

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

	2013	2012
Loss attributable to ordinary equity holders of the parent from the discontinued operation	HK\$(5,127,000)	HK\$(113,828,000)
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation (<i>note 11</i>)	1,527,586,000	1,527,586,000
Weighted average number of ordinary shares used in the diluted loss per share calculation (<i>note 11</i>)	<u>1,527,586,000</u>	<u>1,527,586,000</u>

10. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2013 (2012: Nil).

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

The calculation of the basic loss per share is based on the consolidated loss for the year attributable to ordinary equity holders of the parent of approximately HK\$319,959,000 (2012: HK\$247,494,000) and the weighted average number of ordinary shares in issue throughout the year of 1,527,586,000 (2012: 1,527,586,000).

As the exercise price of the share options was higher than the average market price of the Company's ordinary shares during the years ended 31 December 2013 and 2012, no shares were assumed to have been issued on the deemed exercise of the Company's outstanding share options during the years ended 31 December 2013 and 2012. Therefore, the diluted loss per share amounts were equal to the basic loss per share amounts for the years ended 31 December 2013 and 2012.

12. TRADE AND BILLS RECEIVABLES

	Group	
	2013	2012
	HK\$'000	HK\$'000
Trade receivables	576,307	899,656
Bills receivable	201,583	186,938
Impairment	<u>(78,561)</u>	<u>(82,205)</u>
	<u>699,329</u>	<u>1,004,389</u>

The Group normally allows credit terms of 90 days to established customers, and credit terms of 180 days were allowed to one major customer with long term business relationships and good credit history. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Trade and bills receivables are non-interest-bearing. Significant concentration of risk exists where the Group has material exposures to trade and bills receivables from three customers located in Mainland China which accounted for 30% of the total trade and bills receivables as at 31 December 2013 (2012: three customers accounted for 26%).

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	
	2013	2012
	HK\$'000	HK\$'000
Within 1 month	267,017	287,436
1 to 2 months	106,142	237,847
2 to 3 months	30,326	158,103
Over 3 months	295,844	321,003
	699,329	1,004,389

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

	2013	2012
	HK\$'000	HK\$'000
At 1 January	82,205	12,703
Impairment losses recognised	837	69,376
Impairment losses reversed	(6,562)	(31)
Exchange realignment	2,081	157
	78,561	82,205

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade and bills receivables of HK\$78,561,000 (2012: HK\$82,205,000) with a carrying amount before provision of HK\$91,938,000 (2012: HK\$95,877,000).

The individually impaired trade and bills receivables relate to customers that were in financial difficulties and the receivables are expected to be unrecoverable.

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

	Group	
	2013	2012
	HK\$'000	HK\$'000
Neither past due nor impaired	513,438	743,390
Less than 1 month past due	21,629	62,251
1 to 3 months past due	38,107	69,879
Over 3 months past due	112,778	115,197
	685,952	990,717

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.

Transferred financial assets that are derecognised in their entirety

At 31 December 2013, the Group endorsed certain bills receivable accepted by banks in the Mainland China (the “Derecognised Bills”) to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of HK\$433,685,000 (2012: HK\$193,778,000). The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the “Continuing Involvement”). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2013, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

Included in the Group’s trade receivables are amounts due from the Group’s fellow subsidiaries of HK\$126,883,000 (2012: HK\$406,804,000) which are repayable on similar terms to those offered to the major customers of the Group.

As at 31 December 2013, two subsidiaries have pledged bills receivables of approximately HK\$105,091,000 (2012: Nil) to secure bank loans.

13. TRADE AND BILLS PAYABLES

	Group	
	2013	2012
	HK\$'000	HK\$'000
Trade payables	421,310	489,072
Bills payables	5,703	—
	<u>427,013</u>	<u>489,072</u>

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

An aged analysis of the trade payables as at the end of the reporting period, based on the receipt of goods purchased, is as follows:

	Group	
	2013	2012
	HK\$'000	HK\$'000
Within 1 month	174,741	65,423
1 to 2 months	12,863	12,693
2 to 3 months	7,392	4,594
Over 3 months	232,017	406,362
	<u>427,013</u>	<u>489,072</u>

Included in the Group's trade payables are amounts due to the Group's fellow subsidiaries of HK\$218,442,000 (2012: HK\$411,054,000) which are repayable on similar credit terms to those offered by fellow subsidiaries to their major customers.

As at 31 December 2013, the Group's bills payables were secured by time deposits of HK\$5,703,000.

14. SHARE CAPITAL

Shares

	2013	2012
	HK\$'000	HK\$'000
Authorised:		
100,000,000,000 (31 December 2012: 100,000,000,000)		
ordinary shares of HK\$0.10 each	<u>10,000,000</u>	<u>10,000,000</u>
Issued and fully paid:		
1,527,586,000 (31 December 2012: 1,527,586,000)		
ordinary shares of HK\$0.10 each	<u>152,759</u>	<u>152,759</u>

15. COMPARATIVE AMOUNTS

The trade nature portions of amounts due from fellow subsidiaries of HK\$406,804,000 as at 31 December 2012 (1 January 2012: HK\$428,358,000) were reclassified from amounts due from fellow subsidiaries to trade receivables, and the trade nature portions of amounts due to fellow subsidiaries of HK\$411,054,000 as at 31 December 2012 (1 January 2012: HK\$452,043,000) were reclassified from amounts due to fellow subsidiaries to trade payables. In the opinion of the Directors, such reclassification provides better presentation as to the nature of the transaction and accords with the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Global Sweeteners Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the production and sale of corn refined products and corn sweeteners, categorised into upstream and downstream products. The Group's upstream products include corn starch, gluten meal, corn oil and other corn refined products. Corn starch is then refined downstream to produce various corn sweeteners which are classified into two categories: corn syrup (glucose syrup, maltose syrup, high fructose corn syrup and sorbitol) and corn syrup solid (crystallised glucose and maltodextrin). The Group is also engaged in the corn procurement business, which corn kernels are purchased directly from farmers via corn origination silos for cost savings.

BUSINESS ENVIRONMENT

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

Due to favourable climate conditions, corn harvest in the United States of America (“US”) outperformed expectations in 2013. Consequently international corn price has reached to a year low of 406 US cents per bushel, and remained at lower level during 2013. While in China, according to the China National Grain and Oils Information Centre, the corn harvest in the People's Republic of China (the “PRC”) in 2013/14 is estimated to exceed 215 million metric tonnes (“MT”) (2012/13: approximately 208 million MT), representing a 3.4% increase comparing to the corresponding period last year. Notwithstanding the increased supply of corn kernels, as the demand for corn kernel remained strong in China, the average purchase price of corn kernels remained at approximately RMB2,029 per MT (2012: RMB2,027 per MT) for the year ended 31 December 2013 (the “Year”).

The operating environment for the Group has been challenging during the Year. Economic growth in the PRC remains flat at a rate of 7.7% for the Year as a result of the rise in production costs, tightened property policy and weakened export. Sentiment among buyers and manufacturers stayed conservative as reflected in China's Purchasing Managers Index. The outbreak of H7N9 bird flu earlier this year has also put the feed industry deep in the mire. In addition, the market is flooded with abundant supply of corn starch as a consequence of drastic expansions of corn refineries since

2009. The average selling price of corn starch hit the record low at approximately RMB2,700 per MT (2012: RMB2,800 per MT) by the end of the Year, putting the Group's upstream business under pressure.

In respect of sugar price movement, after three consecutive years of declining cane sugar production since 2009, the production volume of cane sugar in China finally rebounded in 2013. As a result, the price of cane sugar, a substitute of the Group's corn sweetener products, dropped to approximately RMB5,000 per MT (2012: RMB5,800 per MT) by the end of the Year. On the other hand, international sugar price dropped to 16.4 US cents per pound by the end of 2013 as a result of increased production in various sugarcane producing regions. The discrepancy between domestic and international sugar prices gave rise to the influx of imported sugar, which further pressured the prices of the Group's sweeteners products.

Despite the increasing challenging operating environment for the Group, the Board is of the view that the upstream industry is merely undergoing a transitional period. The Group will continue to strengthen its market position leveraging on its brand name and further improving operation efficiency through continuous R&D efforts to lower operating cost. In addition, the Group will take the opportunity of relocating its production facilities to Xinglongshan, Changchun to re-adjust its product mix and capacity to adapt to market changes.

FINANCIAL PERFORMANCE

The Group's consolidated revenue for the Year decreased by 7.1% to approximately HK\$4,200 million (2012: HK\$4,520 million) while gross profit decreased by 60.7% to approximately HK\$138 million (2012: HK\$351 million) when compared to the corresponding period last year. The revenue decrease was mainly attributable to the decrease in sales volume of sweeteners and selling prices of upstream products. The decrease in gross profit was due to high production costs and weak market selling prices. As a result, the Group's net loss attributable to shareholders of the Company for the Year amounted to approximately HK\$320 million (2012: HK\$247 million).

Upstream products

(Sales amount: HK\$2,166 million (2012: HK\$1,876 million))

(Gross loss: HK\$21 million (2012: gross profit HK\$49 million))

During the Year, the revenue and gross profit of corn procurement business amounted to approximately HK\$148 million and HK\$5 million (2012: HK\$155 million and HK\$10 million) respectively. No internal consumption of corn kernels were provided for upstream production (2012: 74,000 MT).

During the Year, the sales volume of corn starch and other corn refined products were approximately 350,000 MT (2012: 270,000 MT) and 315,000 MT (2012: 294,000 MT) respectively. Internal consumption of corn starch was approximately 181,000 MT (2012: 181,000 MT), which was used as raw material for production in the Group's Changchun, Jinzhou and Shanghai production sites.

The average selling prices of corn starch decreased by approximately 2.9% to HK\$3,300 per MT (2012: HK\$3,400 per MT) while other corn refined products increased by 3.6% to HK\$2,900 per MT (2012: HK\$2,800 per MT) as compared to the corresponding period last year. On the other hand, cost of sales increased by approximately 21.5% which was mainly attributable to the increase in raw material costs and other manufacturing costs as a result of inflationary pressure in the PRC and lower utilisation rate of the production facilities. Consequently, the corn starch segment recorded a gross profit margin of approximately 2.1% (2012: 9.6%) while other corn refined products segment recorded a gross loss margin of approximately 5.7% (2012: 6.0%) during the Year.

The Group's upstream business has been hammered by the slowdown of China's economic growth, weak export and excess supply in the market since the fourth quarter of 2011. This situation is expected to continue in 2014. As such, the Group has decided to halt its production of upstream products in Changchun for a period of approximately nine months from the date of this announcement pending its relocation of production facilities to Xinglongshan, Changchun.

Since the upstream industry is under the process of consolidation, the management of the Company believes the industry operating environment will gradually recover by the end of 2014.

Corn syrup

(Sales amount: HK\$1,380 million (2012: HK\$1,824 million))

(Gross profit: HK\$103 million (2012: HK\$231 million))

During the Year, revenue of high fructose corn syrup ("HFCS") increased by 78.9% to approximately HK\$229 million (2012: HK\$127 million) which was mainly attributable to the increase in sales volume by 86.2% to approximately 59,500 MT (2012: 31,800 MT). As a result, gross profit increased by 52.4% to approximately HK\$32 million (2012: HK\$21 million). However, the gross profit margin dropped to approximately 14.0% (2012: 16.4%) owing to the decline in average selling price by 3.5% during the Year.

During the Year, the average selling price of glucose syrup decreased by 3.9% while the sales volume decreased to approximately 158,000 MT (2012: 302,000 MT) as compared to the corresponding period last year. Consequently, the revenue of glucose syrup dropped by 49.9% to approximately HK\$436 million (2012: HK\$870 million).

The average selling price of maltose syrup during the Year remained flat while the sales volume decreased by approximately 13.7% to 202,000 MT (2012: 234,000 MT) as compared to the corresponding period last year. As a result, the revenue of maltose syrup decreased by approximately 13.5% to HK\$715 million (2012: HK\$827 million).

Internal consumption of glucose syrup for downstream production during the Year decreased to approximately 45,000 MT (2012: 164,000 MT) which was mainly attributable to the decrease in production volume of crystallised glucose.

As a result of the lower utilisation rate of the production facilities in Changchun, production cost increased by 5.8% as compared to the corresponding period last year. Gross profit margins of glucose syrup and maltose syrup segments decreased to approximately 8.3% (2012: 12.1%) and 4.8% (2012: 12.7%) respectively.

During the Year, the Group sold approximately 123,000 MT (2012: 235,000 MT) of glucose syrup to Global Bio-Chem Technology Group Company Limited (“GBT”) and its subsidiaries (other than members comprising the Group, the “GBT Group”).

Corn syrup solid

(Sales amount: HK\$654 million (2012: HK\$820 million))

(Gross profit: HK\$56 million (2012: HK\$71 million))

The revenue of corn syrup solid decreased by 20.1% during the Year. It was mainly attributable to the decrease in sales volume of crystallised glucose. The average selling price of crystallised glucose increased by 1.8% while sales volume decreased by 66.2% to approximately 22,000 MT (2012: 65,000 MT). Consequently, the revenue of crystallised glucose decreased by 65.1% to approximately HK\$89 million (2012: HK\$255 million).

During the Year, the average selling price and sales volume of maltodextrin remained at approximately HK\$3,600 per MT (2012: HK\$3,600) and 156,000 MT (2012: 156,000 MT). As a result, the revenue of maltodextrin remained at approximately HK\$565 million (2012: HK\$565 million).

Due to the drop in sales volumes and the rise in production cost during the Year, crystallised glucose segment recorded a gross profit of approximately HK\$0.2 million (2012: HK\$15 million) with a gross profits margin of 0.2% (2012: 5.8%); while maltodextrin segment recorded a gross profit of approximately HK\$56 million (2012: HK\$56 million) with a gross profit margin of 10.0% (2012: 10.0%).

During the Year, the Group sold approximately 350 MT (2012: 8,000 MT) of crystallised glucose to the GBT Group.

Export sales

During the Year, the Group exported approximately 76,000 MT (2012: 73,000 MT) of upstream corn refined products and approximately 19,000 MT (2012: 15,000 MT) of corn sweeteners; their export sales amounted to approximately HK\$172 million (2012: HK\$166 million) and HK\$80 million (2012: HK\$64 million) respectively, together representing approximately 6.0% (2012: 5.1%) of the total revenue of the Group.

As announced by the Company on 6 June 2013, the Group has entered into distribution agreement with Archer Daniels Midland Company (“ADM”), a company incorporated in Delaware, USA, for the distribution of certain sweetener products.

During the Year, there was no export transaction done via the ADM sales channels due to the weak international sugar price.

Other income, operating expenses, finance costs and income tax

Other income

During the Year, other income of the Group decreased by 7.0% to approximately HK\$46 million (2012: HK\$50 million). Such decrease was a result of the gain on bargain purchase arising from the acquisition of the remaining shareholding interests in the joint ventures of the Company which amounted to approximately HK\$13 million and exchange differences reclassified from reserve when the joint ventures became subsidiaries of the Company in the year 2012, which were not applicable for the Year.

Selling and distribution costs

During the Year, the selling and distribution costs representing 5.7% (2012: 5.7%) of the Group’s revenue decreased by 7.0% to approximately HK\$238 million (2012: HK\$256 million) which was mainly attributable to the decrease in sales volume of the Group.

Administrative expenses

During the Year, the administrative expenses increased by 4.1% to approximately HK\$113 million (2012: HK\$109 million), representing 2.7% (2012: 2.4%) of the Group’s revenue. Such increase was attributable to the increase in staff salary as a result of inflationary pressure in the PRC.

Other operating expenses

During the Year, other operating expenses of the Group increased by 148.5% to approximately HK\$39 million (2012: HK\$16 million). Such increase was attributable to the reallocation of depreciation from cost of sales as a result of the idle capacity of the Changchun production facilities which amounted to approximately HK\$30 million.

Finance costs

During the Year, finance costs of the Group decreased to approximately HK\$97 million (2012: HK\$128 million) as a result of the reduction in bank borrowings of approximately HK\$444 million.

Income tax

Although the Group recorded a net loss during the Year, certain members of the Group in the PRC incurred net profit and were subject to PRC enterprise income tax. As a result, income tax expense amounted to approximately HK\$11 million was incurred (2012: HK\$25 million).

Net loss attributable to shareholders

As a result of the high production costs, weaker than expected market selling prices and decrease in sales volume of sweetener products, the Group recorded a net loss of approximately HK\$320 million (2012: HK\$247 million) during the Year.

IMPORTANT TRANSACTIONS

Resumption of land and relocation of production facilities

Reference is made to the announcement of the Company dated 7 January 2014. In response to the call of the local government to industrial companies to move their factories away from the central districts of the city which has been developed rapidly, the Group has decided to accept the resumption proposal and enter into compensation agreements relating to the resumption of a piece of land with an approximate area of 70,000 square metres located on the west side of Xihuancheng Road, Chanchun, the PRC (“GSH Land”), and buildings and fixtures erected on the GSH Land.

On 30 December 2013, the Group entered into a compensation agreement (the “Land Compensation Agreement”) with the Changchun Land Reserve Centre (長春市土地儲備中心) (the “Land Reserve Centre”) pursuant to which the Group has agreed to the resumption of the GSH Land. Under the Land Compensation Agreement, the Group shall warrant that the GSH Land has no title defect and shall deliver the land use rights certificate in respect of the GSH Land to the Land Reserve Centre within five days of the signing of the Land Compensation Agreement, and the Land Reserve Centre shall make a compensation of RMB35,320,000 (approximately to HK\$44,709,000) to the Group within 30 days after completion of the procedure for the transfer of the title of the land.

On 31 December 2013, the Group entered into a compensation agreement (the “Assets Compensation Agreement”, together with the Land Compensation Agreement, the “Compensation Agreements”) with the Land Reserve Centre pursuant to which the Group has agreed to the resumption of the buildings and fixtures erected on the GSH Land with an aggregate gross floor area of approximately 32,000 square metres. Under the Assets Compensation Agreement, the Group shall warrant that the buildings and fixtures have no title defect and shall demolish such buildings and fixtures in accordance with the requirement of the Land Reserve Centre. The Group and the Land Reserve Centre shall enter into ancillary agreements in relation to the demolition of the buildings and fixtures and handover of the GSH Land. The Land Reserve Centre shall make a compensation of RMB86,480,000 (approximately to HK\$109,468,000) to the Group at such time to be agreed between the parties. Such amounts have been fully received by the Group in the first quarter of 2014.

The Board considers that the terms of the Compensation Agreements are fair and reasonable and in the interests of the shareholders of the Company as a whole. The production facilities of the Group currently located on the GSH Land and the east side of Xihuancheng Road, Changchun, the PRC will be relocated to Xinglongshan, Changchun, the PRC. It is expected that the Group shall commence construction of the production facilities and installation of new equipment in Xinglongshan in the second quarter of 2014. Commercial production of its downstream production facilities at the new site in Xinglongshan shall commence by the first half of 2015. The Board has decided to halt its production of corn starch and by-products such as gluten meal, corn steep liquor and corn oil at the production facilities in Changchun. Depending on the then market environment, the Group will reassess whether to re-commence the production of these upstream products after its relocation of production facilities to Xinglongshan or continue to source corn starch externally for its downstream production.

As of the date of this announcement, the remaining part of the Group's production site in Changchun has an aggregate area of approximately 257,290 square metres and the production facilities erected thereon are pending for relocation. The negotiation between the Group and the local government in relation to the compensation for the relocation is still on-going. The management of the Company is of the opinion that certain assets included in the Group's property, plant and equipment will not be relocated to the new production site and will be retained at the old production site, and a goodwill has therefore been allocated to those assets. The management considered that these could be recovered through the relocation compensation. As a result, no impairment was made in relation to the above assets and goodwill.

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

The Group's net borrowings decreased by 23.6% to approximately HK\$950 million (31 December 2012: HK\$1,244 million) as at 31 December 2013 as a result of the Group's concerted efforts in reducing the bank borrowings of approximately HK\$444 million.

Turnover days, liquidity ratios and gearing ratios

Credit terms, normally 90 days, are granted to customers, depending on their credit worthiness and business relationships with the Group. During the Year, the trade receivables turnover days decreased to approximately 61 days (31 December 2012: 81 days) which was mainly attributable to the stringent control on credit terms that has been applied.

During the Year, trade payables turnover days decreased to approximately 38 days (31 December 2012: 43 days) as part of the cash flow management.

As of 31 December 2013, the inventory level remained at approximately HK\$1,069 million (31 December 2012: HK\$1,065 million). However, with the decrease in cost of sales to approximately HK\$4,062 million, the inventory turnover days increased slightly to approximately 96 days for the Year (31 December 2012: 94 days).

The current ratio as at 31 December 2013 decreased to approximately 1.10 (31 December 2012: 1.29) and quick ratio decreased to approximately 0.63 (31 December 2012: 0.86) due to the decrease in current assets of approximately HK\$681 million. Gearing ratio in terms of net debts (i.e. net balance between bank borrowings and cash and cash equivalents) to equity was approximately 51.8% (31 December 2012: 53.5%). The decrease in gearing ratio was due to the reduction in bank borrowings of approximately HK\$444 million during the Year. The loss before interest, taxes, depreciation and amortisation for continuing operation amounted to approximately HK\$52 million (2012: Earnings before interest, taxes, depreciation and amortisation for continuing operation HK\$169 million).

Structure of interest bearing borrowings

As at 31 December 2013, the Group's bank borrowings amounted to approximately HK\$1,358 million (31 December 2012: HK\$1,802 million), of which approximately 1.9% (31 December 2012: 2.4%) was denominated in US dollars, 4.4% (31 December 2012: 3.9%) was denominated in Hong Kong dollars while the remainder was denominated in Renminbi. The average interest rate during the Year decreased to approximately 5.9% (2012: 6.3%) per annum as a result of the decrease in the PRC interest rate.

The percentage of interest bearing borrowings wholly repayable within one year or on demand and in the second to the fifth years were approximately 97.3% (31 December 2012: 82.1%) and 2.7% (31 December 2012: 17.9%) respectively. The change in repayment pattern was mainly due to reallocation of long term bank borrowings to short term bank borrowings during the Year.

Considering the management's continuous efforts to monitor the cash flow of the Company and to maintain good relationships with banks, the Group has not experienced any difficulties in renewing the existing banking facilities and/or obtaining further financing with its banks as of the date of this announcement. As such, the Board is of the view that the Group is able to maintain a healthy level of working capital.

FOREIGN EXCHANGE EXPOSURE

Since most of the operations of the Group were carried out in the PRC in which transactions were denominated in Renminbi, the Directors consider that there is no material unfavourable exposure to foreign exchange fluctuation. Therefore, the Group does not intend to hedge its exposure to foreign exchange fluctuations in Renminbi. However, the Group will constantly review the economic situation, development of business segments and overall foreign exchange risk profile, and will consider appropriate hedging measures in future when necessary.

FUTURE PLANS AND PROSPECTS

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

The Group will adopt a prudent approach in face of the current challenging operating environment. In the short run, the Group will capture the opportunity of the relocation of its production facilities to the Xinglongshan site to re-adjust its product mix and capacity to adapt to market changes, and at the same time, enhance operation efficiency through continuous R&D efforts to lower operating cost. In the long run, the Group will continue to strengthen its market position leveraging on its brand name and add value to current product mix through the introduction of new high value-added products.

EXPANSION OF PRODUCTION CAPACITY

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

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2013, the Group has approximately 1,520 (2012: 1,600) full time employees in Hong Kong and the PRC. The Group appreciates the correlation between human resources and its success, hence has placed great emphasis on the recruitment of qualified and experienced personnel to enhance Group's production capability and products innovation. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis, which is in line with industrial practice. Staff benefits provided by the Group include mandatory fund, insurance schemes and performance related commissions.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 16 May 2014 to Tuesday, 20 May 2014, both days inclusive, during which period no transfer of shares will be registered, in order to determine the shareholders' entitlements to the attendance at the annual general meeting.

Shareholders are reminded that in order to qualify for the attendance at the annual general meeting, they must ensure that all transfers accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 15 May 2014.

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

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

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES AND MODEL CODE

The Company has complied with all code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2013.

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"). 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 of the Company regarding their securities' transactions during the Year.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established in accordance with the requirements of the CG Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls with written terms of reference in compliance with the CG Code provisions. During the Year, 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. On 3 March 2014, Mr. Gao ceased to be a member of the Audit Committee, due to his resignation as an independent non-executive Director, and Mr. Lo Kwing Yu was appointed as a member of the Audit Committee.

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 four meetings in 2013.

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 2013.

ANNUAL GENERAL MEETING

The 2013 annual general meeting of the Company will be held on Tuesday, 20 May 2014 at 10:30 a.m.. Notice of the 2013 annual general meeting will be published and issued to shareholders of the Company in due course.

FULL DETAILS OF FINANCIAL INFORMATION

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

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

Hong Kong, 31 March 2014

As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. KONG Zhanpeng, Mr. ZHANG Fazheng, Mr. LEE Chi Yung, Ms. WANG Guifeng and Mr. NIE Zhiguo; and three independent non-executive Directors, namely, Mr. CHAN Yuk Tong, Mr. HO Lic Ki and Mr. LO Kwing Yu.

* *For identification purposes only*