Xiwang Sugar Holdings Company Limited
西王糖業控股有限公司 *

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

Stock code 股份代號：2088

Annual Report 2009 年報

Contents

Corporate Information

Board of directors

Executive directors

Mr. WANG Yong *(Chairman)*
Mr. WANG Liang
Dr. LI Wei
Mr. WANG Cheng Qing
Mr. HAN Zhong
Mr. LIU Ji Qiang
Mr. SUN Xinhu

Independent non-executive directors

Mr. SHI Wei Chen
Mr. SHEN Chi
Mr. WONG Kai Ming

Committees

Audit committee

Mr. WONG Kai Ming *(Chairman)*
Mr. SHI Wei Chen
Mr. SHEN Chi

Remuneration committee

Mr. WANG Liang *(Chairman)*
Mr. SHI Wei Chen
Mr. SHEN Chi

Nomination committee

Mr. WANG Liang *(Chairman)*
Mr. SHI Wei Chen
Mr. SHEN Chi

Company secretary

Miss. LAM Wai Lin *(FCCA, CPA)*

Authorised representatives

Mr. WANG Yong
Miss. LAM Wai Lin
Mr. SUN Xinhu *(alternate to Mr. WANG Yong and Miss LAM Wai Lin)*

Registered office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in the PRC

Xiwang Industrial Area
Zouping County
Shandong Province
People's Republic of China

Principal place of business in Hong Kong

Unit 1508-09,15th floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

Principal bankers

Agricultural Bank of China
Bank of China
China Construction Bank
The Hong Kong and Shanghai Banking Corporation Limited
The Bank of East Asia, Limited

Auditor

PricewaterhouseCoopers
Certified Public Accountants
22nd floor, Prince's Building
Central
Hong Kong

Legal advisers

As to Hong Kong law:
Chiu & Partners
40th floor, Jardine House
1 Connaught Place
Hong Kong

As to Bermuda law:
Conyers Dill & Pearman
2901, One Exchange Square
8 Connaught Place
Central
Hong Kong

Principal share registrar and transfer office

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

Hong Kong branch share registrar and transfer office

Tricor Investor Services Limited
26th floor, Tesbury Centre
28 Queen's Road East
Hong Kong

Website

http://www.xiwang-sugar.com

Investor relations and corporate communications

Investor contact:
Xiwang Sugar Holdings Company Limited
Miss Gisele Suen
Tel : (852) 3104 0576
Email : ir@xiwang-sugar.com.hk

Media contact:
iPR Ogilvy Limited
Tel : (852) 2136 6185
Email : info.ipr@iprogilvy.com

Dear Shareholders

On the cover of the September 12, 2008 newspaper was a sorrowful picture: hundreds of worried mothers holding their babies rushing to hospitals, after their children were fed with melamine-contaminated milk powder. Melamine was a chemical harmful to human beings, but the dishonest merchants added it to dairy products to counterfeit the high protein content. The incident severely dampened the whole food chain in China, and spread also to contaminate animal feeds. As our products are the major ingredients to these products, the business performances of the Group's products in 2008 and the first half of 2009 were significantly impaired. Since the incident, the government of China has taken significant steps to remedy the situation. We saw both the PRC and overseas customers gradually regained their confidence in the PRC-made food products.

Wang Yong
Chairman and Executive Director

The market of crystalline glucose in China underwent structural changes. Since the melamine incident, the government adopted policy to prohibit substandard food manufacturers from operations, and subsequently a number of small scale glucose producers faced operation difficulties and left the industry. On the other hand, the demand for crystalline glucose continued to rise, largely driven by food and pharmaceutical sectors under the backdrop of rising living standards and huge population in China. Because of the tight supply of glucose in China, the Group continually increased its selling price in 2009. This was unlike the situation in the previous two years when oversupply limited the room for price adjustment. The increase in the selling price for our crystalline glucose, coupled with the solid recovery of the sales performance of our products since the second quarter of 2009, resulted in sustained improvement of our business performance throughout the course of the Year. The Group recorded a revenue of approximately RMB 2.48 billion and a profit attributable to shareholders of approximately RMB 102 million in 2009.

The Board has recommended a final dividend for the Year of RMB 0.037 per share which was equivalent to a payout ratio of approximately 35% of the profit attributable to shareholders. The dividend will be elected by shareholders to be received wholly or partly in the form of cash or scrip dividend (in lieu of cash payment) to allow for more flexibility. With respect to the payout ratio, the Group has been able to maintain a stable dividend policy since its listing and the 2009 payout ratio was consistent with our historical practices.

The financial turmoil caused severe impact to the credit and loan industry. Many global financial institutions ran short of liquidity, and almost all fund raising activities were frozen by that time. Despite the difficulties in obtaining financing outside China, the Group was capable to obtain a considerable amount of borrowings in China to support its expansion plans for new products. It was a usual practice that bank loans in China were short-term borrowings to be renewable at their maturities. This, coupled with the Group's reliance on the debt market for its capital expenditure since its listing, the gearing level rose to approximately 92% at the end of 2009. In view of this, the Group decided to diversify its funding channel to the equity market. The first step was the top-up placing of the Company's shares which was successfully completed in January 2010. The Group also strived to reduce the amount of borrowings by refinancing and replacing short-term loans with long-term ones. Long-term bank loans were established in 2010, including a seven-year loan with International Finance Corporation in March 2010. It is expected the gearing level will be reduced to around 60% or lower by the end of 2010. The Group will continue to explore different ways in order to lower the gearing to a reasonable level in the near future.

Through years of endeavors, the Group has established a strong foundation and attained a leadership position in the starch sugar industry in China. The Group has set up fully-integrated production facilities to realise circular economy. The Group also has a strong research and development team for new products development. With the mission of enhancing the healthiness and qualities of lives of human-beings, our goal is to become the leading and most popular provider of functional starch sugars, and integrate them to become part of the modern lifestyle. Currently the Group is the largest producer of crystalline glucose and crystalline fructose in China. To enhance the revenue base, the Group has started the production of sodium gluconate and become the largest manufacturer in 2009. In China, in view of the rising disposable income and the

rapid development of medical reform by the government, it is expected that the food and pharmaceutical industries will continue to grow at double-digit rate in the foreseeable future. As our products serve as functional ingredients for these industries, we believe the organic growth of the Group will be firmly supported.

Since our establishment in 2001, we have always received strong support from the Shandong Provincial Government which is instrumental for achieving and maintaining our leadership position in the starch sugars industry. Looking ahead, sustainable development will be an important subject on the government's agenda under rapid economic growth. With the initiatives of promoting ecological concepts and maintaining healthy development of agro-processing sectors, the National Development and Reform Commission published the "Yellow River Delta Efficient Eco-Economic Zone Development Plan" in December 2009, specifying that individual enterprises have to be truly responsible members paying close attention to their resource management and environmental protection. Pilot projects have been started in Shandong, and Xiwang Industrial Area was quoted as a demonstration area of circular economy. The status reflected our strong commitment to high-efficiency, low consumption and low-emission and recognised our shared efforts for building economic prosperity and improving the lives of residence.

The Group focuses on enhancing modern lifestyle while at the same time showing care for the environment and the social communities. We will continue our efforts in creating healthy and functional products. We are dedicated to bringing Xiwang's spirits of "Health, Integrity, Vision and Happiness" into reality.

Wang Yong
Chairman

13 April 2010

1. Company Overview

Xiwang Sugar Holdings Company Limited (the "Company") and its subsidiaries (collectively, the "Group") are principally engaged in the production of a variety of starch sugars and corn co-products, and the distribution and sales of such products within and outside of the People's Republic of China (the "PRC"). Our products are the important ingredients for numerous industries in the world, including food and beverages, fermentation, pharmaceuticals, chemicals and animal nutrition.

The Group was established in 2001 and our headquarters is located in the Zouping County of Shandong Province in the PRC. The Group's production plants are fully integrated, which promotes the efficient use of resource and greatly enhances our ability of lengthening the value chain. The Group is committed to high environmental standards. We have been accredited as the National Environmental Friendly Corporation by the Ministry of Environmental Protection of the PRC since 2005. The Group's Industrial Area is quoted as the demonstration area of circular economy in the "Yellow River Delta Efficient Eco-Economic Zone Development Plan" published by the National Development and Reform Commission of the PRC in 2009.

With the mission to enhance modern living and healthy lifestyle, our strategy is to develop and provide functional starch sugars and to maintain the leadership position in the industry. Currently, the Group is the largest producer of crystalline glucose in the PRC with an annual capacity of 800,000 tonnes. In addition, the Group is the pioneer and the largest provider of crystalline fructose in the PRC with an annual capacity of 50,000 tonnes. The Group has made relentless efforts and will continue to increase the diversity of high value products. In this regard, the Group is awarded as the "Town of Sugar in China" by the China National Food Industry Association and the "Number 1 of the Top 20 Enterprises in the Starch Sugar Industry" by the China Fermentation Industry Association.

Segment Descriptions:

The Group is organized according to national standard in the PRC with two main operating segments:

(1) Starch sugars (named as "sweetener products" in previous reporting) which include crystalline glucose, crystalline fructose and fructose-glucose syrup.

(2) Corn co-products and others which mainly include corn gluten meal, corn gluten feed, corn germ, corn starch and sodium gluconate.

Crystalline glucose, or dextrose monohydrate, is a white, fine-crystalline powder with sweet flavor. It is an important ingredient in many applications. Glucose is a sweetener widely used in a variety of food and beverages. Glucose is a good fermentation substrate for enzymes and it is used industrially for the production of amino acids, alcohols and other fermented goods. Due to its monosaccharide nature, glucose can be easily assimilated by human bodies. It can be used for direct transfusion (injection) or to develop a variety of other pharmaceutical and chemical products.

Crystalline fructose is a white, fine-crystalline powder. Its sweetness is almost double than of cane sugar. Because of the higher sweetness, less amount is required to produce the same level of sweetness, resulting in fewer calories intake. Fructose is recommended for use by diabetics because its Glycemic Index of 19 (which measures the rate of increase in blood glucose after a meal) is the lowest among natural sugars, compared with 68 for cane sugar and 60 for high fructose corn syrup.

Fructose-glucose syrup (or High Fructose Corn Syrup, HFCS) is a syrup of roughly the same amount of fructose and glucose. Fructose-glucose syrup is mainly used as a sweetener for beverages as a substitute to cane sugar. Therefore, its value is limited and it is not the Group's major product. The Group produces fructose-glucose syrup using the syrup left after the production of crystalline fructose.

Corn gluten meal contains high protein content which is used for promoting animal growth. Corn gluten feed also contains protein and fiber, which serves to provide additional nutrients to animals. Both corn gluten meal and corn gluten feed are sold to animal feed manufacturers to produce compound feed products.

Corn germ is a source for producing corn oil. The Group sells corn germ to Xiwang Food Company Limited (a connected company owned by the Group's ultimate controlling shareholder) to produce edible corn oil.

Corn starch is principally used internally for the production of the Group's starch sugars products. The surplus will be sold to the food or paper manufacturers.

Sodium gluconate is largely used to lengthen the solidification process of cement for the construction industry. The Group started to produce sodium gluconate in its fermentation facility in 2009 with an annual capacity of 100,000 tonnes.

2. Review of operating and financial results

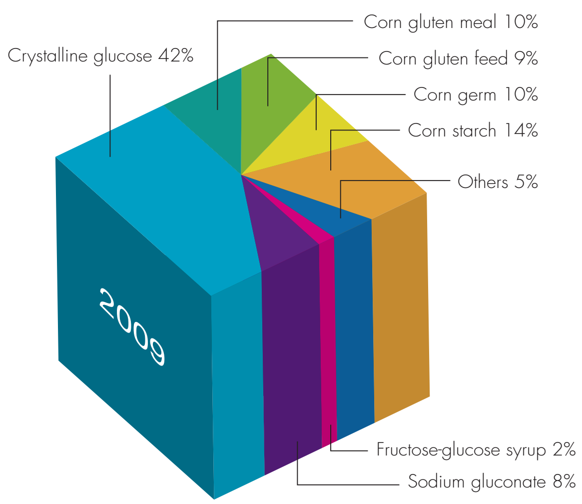
The Group reported a revenue of approximately Renminbi ("RMB") 2.48 billion for the year ended 31 December 2009 (the "Year") and a net profit of approximately RMB 102 million representing an increase of about 59.5% compared with the corresponding period in 2008. In the first half of 2009, the sales performance of the Group continued to suffer from the adverse impact brought by the melamine scandal which broke out in September 2008. The detection of melamine in dairy products and animal feeds has severely dampened the food chain in China. As our major products are the major ingredients to these products, the business performance of the Group was negatively affected. As a result of the various policies and regulations adopted by the government of the PRC since the incident, the market stabilized and a majority of members of the public regained confidence in the PRC-made food products. The Group's business started to recover since the second quarter of 2009 and there was sustained improvement over the course of the rest of the Year. Also, the Group launched several new products in the Year and they contributed to the performance of the Group. Therefore, the financial results of 2009 of the Group have shown significant improvement over the previous year.

Revenue

Revenue by operating segments:

For the year ended	2009 RMB'000	2008 RMB'000	Increase/(Decrease) %
Starch sugars			
Crystalline glucose	1,049,634	1,138,213	(7.8)
Crystalline fructose	5,908	3,839	53.9
Fructose-glucose syrup	59,309	9,307	537.3
	1,114,851	1,151,359	(3.2)
Corn co-products and others			
Corn gluten meal	254,874	256,525	(0.6)
Corn gluten feed	216,804	362,565	(40.2)
Corn germ	233,353	290,229	(19.6)
Corn starch	348,936	180,408	93.4
Sodium gluconate	185,916	–	100.0
Others	126,119	303,306	(58.4)
	1,366,002	1,393,033	(1.9)
	2,480,853	2,544,392	(2.5)

Revenue by Products



Sales volumes of key products:

	2009 Tonnes	2008 Tonnes	Increase/(Decrease) %
Starch sugars			
Crystalline glucose	442,583	485,975	(8.9)
Crystalline fructose	809	426	89.9
Fructose-glucose syrup	33,791	5,646	498.5
Corn co-products and others			
Corn gluten meal	62,229	59,374	4.8
Corn gluten feed	204,725	307,788	(33.5)
Corn germ	88,474	77,965	13.5
Corn starch	204,342	104,422	95.7
Sodium gluconate	48,749	–	–

Average selling prices of key products:

	2009 RMB/tonne		2008 RMB/tonne		Increase/ (Decrease)
	VAT-inclusive	Net of VAT	VAT-inclusive	Net of VAT	%
Starch sugars					
Crystalline glucose	2,775	2,372	2,740	2,342	1.3
Crystalline fructose	8,543	7,302	10,544	9,012	(19.0)
Fructose-glucose syrup	2,053	1,755	1,928	1,648	6.5
Corn co-products and others					
Corn gluten meal	4,792	4,096	5,054	4,320	(5.2)
Corn gluten feed	1,059	1,059	1,178	1,178	(10.1)
Corn germ	2,981	2,638	4,207	3,723	(29.1)
Corn starch	1,998	1,708	2,022	1,728	(1.2)
Sodium gluconate	4,462	3,814	–	–	–

In 2009, the Group reported a revenue of approximately RMB 2.48 billion which declined by 2.5% from 2008. The Group only recorded a revenue of RMB 1.03 billion in the first half of the Year because of the impact of the melamine scandal. As the business environment gradually improved, the sales performance of the Group's key products improved significantly in the second half of the Year.

The revenue of starch sugars was approximately RMB 1,115 million which accounted for 44.9% the total revenue (2008: 45.3%). Revenue of corn co-products and others was approximately RMB 1,366 million which was 55.1% of the total revenue (2008: 54.7%). Among the Group's products, crystalline glucose remained to contribute the largest portion of the total revenue, which accounted for approximately 42.3% (2008: 44.7%).

(1) Starch sugars

1. Crystalline glucose

Apparently, the sales volume of crystalline glucose in 2009 was lower than that in 2008. It was because the Group started to produce sodium gluconate in 2009 which consumed approximately 66,000 tonnes of glucose as raw material. Taking into account this portion, the Group has a higher output of crystalline glucose in the Year compared with the prior year.

In the first half of the Year, the Group upgraded the facilities of our glucose plant for the production of pharmaceutical-grade glucose, leading to a lower utilization rate. As the upgrading of the facilities completed by the middle of the Year, the utilization rate of the plant was brought back to a normal level in the second half.

For year-on-year comparison, there was no significant difference in the average selling price of crystalline glucose. In fact, the second half of the Year's average was about RMB 2,970 per tonne compared with the average of the first half of the Year of about RMB 2,540. The reason for the increase was that the adverse impact of the melamine incident faded out and there was a strong demand for crystalline glucose in various application sectors.

2. Crystalline fructose

The Group commenced commercial production of crystalline fructose in the fourth quarter of 2009. The sales volume was insignificant since the utilization rate of the plant was low during the initial period. In 2008, the sales volume and average selling price only represented the sample sales of crystalline fructose in the pre-commercial production stage.

3. Fructose-glucose syrup

The sales volume of fructose-glucose syrup rose sharply in 2009. It was because the Group started crystalline fructose production in the Year and the Group produced fructose-glucose syrup from the remaining syrup from fructose production. They were sold to satisfy the demand of food and beverages customers.

(2) Corn co-products and others

1. Corn gluten meal

The sales volume of corn gluten meal increased by 4.8% in 2009 compared with 2008 because of the growing demand for animal feed. The fact that sales volume of corn gluten meal in the second half of 2009 was stronger than that in the first half (2H 2009: about 36,100 tonnes vs. 1H 2009: about 26,100 tonnes) reflected the market acceptance of domestically made feed products after the melamine incident.

While the average selling price decreased by 5.2% year-on-year, the average price in the second half of 2009 was about RMB 4,910 per tonne, higher than the first half of the Year of about RMB 4,620 per tonne due to the same reason as mentioned above.

2. Corn gluten feed

The sales volume of corn gluten feed declined in the Year compared with the prior year. The category of corn gluten feed included the amount of corn germ meal the Group produced in 2008 which was ceased in 2009. On the other hand, the sales performance of corn gluten feed was also affected by the melamine scandal since it was also a protein-containing product.

3. Corn germ

The sales volume rose in the Year compared with 2008 as driven by the growing demand for corn oil. However, the average selling price of it was lower in 2009 due to a drop in the price of corn oil after the financial crisis.

4. Corn starch

The sales volume of corn starch increased significantly since our glucose plant was under modification in the first half of 2009, a smaller amount of it was used for our crystalline glucose production, resulting in a higher direct sales. The price of corn starch was relatively stable in 2009 and 2008 as the demand for it in the paper, textiles and modified starch industries was also relatively stable.

5. Sodium gluconate

The Group began the production of sodium gluconate from its fermentation plant in the first quarter 2009 and reached full utilization by the middle of the Year. In China, the demand for sodium gluconate was strong due to the massive construction plans under rapid economic development. Therefore, the selling price was relatively stable.

Revenue by geographical segments:

The Group's two business segments operate in two main geographical areas, the domestic sales within the PRC and the overseas export sales.

	2009		2008		Increase/ (Decrease)
	RMB'000	% of total	RMB'000	% of total	%
The PRC	2,177,903	87.8	2,222,607	87.4	(2.0)
Other countries	302,950	12.2	321,785	12.6	(5.9)
	2,480,853	100.0	2,544,392	100.0	(2.5)

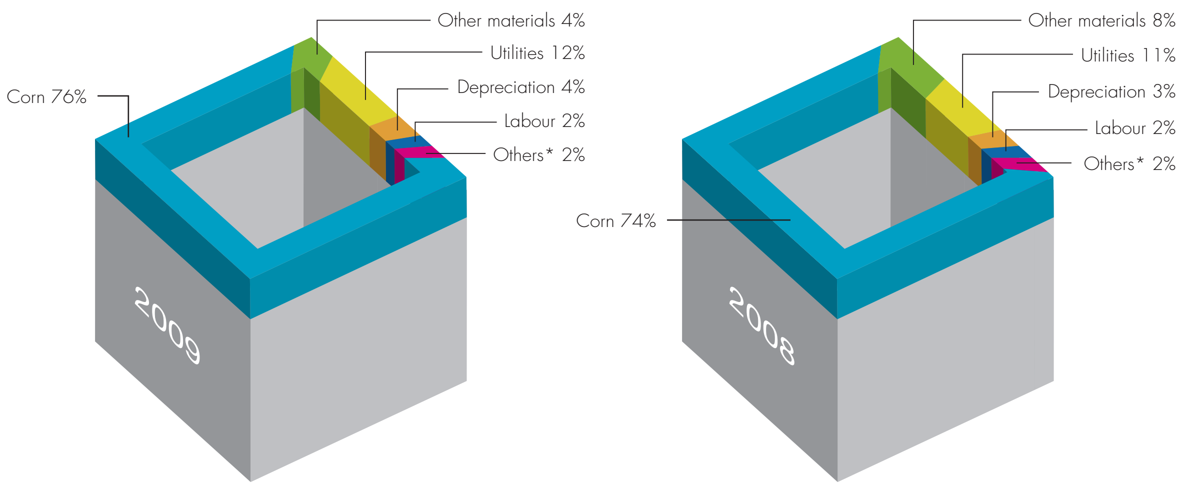
A majority of 87.8% of the Group's revenue was generated within the PRC in 2009 (2008: 87.4%), while the rest was from the sales to overseas customers. The Group's revenue from export dropped by 5.9% in the Year compared with 2008. It was mainly due to the global financial crisis and melamine scandal where overseas countries significantly reduced the imports of the PRC-produced food and feed products in the first half of the Year. The situation was eased in the second half of the Year. During the Year, the Group exported crystalline glucose, corn gluten meal, corn gluten feed and sodium gluconate to countries including Switzerland, Japan, Korea, Indonesia and Australia.

Cost of Sales

The breakdown of cost of goods sold was as followed:

	2009 RMB'000	2008 RMB'000	Increase/(Decrease) %
Corn	1,635,873	1,680,534	(2.7)
Other raw materials	98,588	193,462	(49.0)
Utilities	268,151	238,903	12.2
Depreciation	79,613	61,801	28.8
Labour	39,966	38,285	4.4
Others	41,993	111,614	(62.4)
	2,164,184	2,324,599	(6.9)

Cost of Sales



* The item "Others" in the graph presentation above excluded the amount for impairment provision and inventory write-down.

The Group's cost of goods sold for the Year amounted to RMB 2,164 million, approximately 6.9% less than the same period of 2008. It was mainly due to a reduction of corn and other raw materials costs.

During the Year, the Group had a corn processing volume of approximately 1.15 million tonnes (2008: approximately 1.13 million tonnes) and the average corn cost of approximately RMB 1,600 per tonne which was lower than in the previous year of RMB 1,680 per tonne (both prices were tax inclusive). Corn price in China dropped significantly after the global financial crisis, so the Group has a lower corn production cost of RMB 1,520 per tonne in the first half of the Year. Corn price started to climb up steadily since the second quarter of the Year.

Other materials consists of packaging materials and raw materials other than corn. Other materials cost reduced significantly during the Year as the Group no longer produced corn germ meal in 2009 so no corn germ dreg was purchased for its production.

Utilities cost in the Year was higher than in the year before. It was because of the launch of new products sodium gluconate and crystalline fructose in 2009 which consumed a larger amount of energy during the course of production.

The Group incurred higher depreciation expenses in the Year as certain new plants commenced production. The fermentation plant for sodium gluconate production commenced in first quarter of the Year and the fructose plant commenced in the fourth quarter of the Year.

Other costs included the costs of repair and maintenance, water treatment cost and provision, if any. In 2008, there was a one-time impairment provision for certain facility of RMB 19 million, and also an inventory write-down of RMB 38 million. In 2009, impairment provision for certain facility amounted to RMB 7.4 million and there was no inventory write-down. On the other hand, repair and maintenance and water treatment costs were kept relatively stable over the last two years.

Gross profit margins of key products

	2009 %	2008 %	Increase/(Decrease) Percentage points
Starch sugars			
Crystalline glucose	16.6	12.7	3.9
Crystalline fructose	33.4	–	–
Fructose-glucose syrup	16.7	–	–
Corn co-products and others			
Corn gluten meal	5.0	21.6	(16.6)
Corn gluten feed	14.8	13.4	1.4
Corn germ	5.3	6.8	(1.5)
Corn starch	9.3	2.9	6.4
Sodium gluconate	15.1	–	–
The Group's overall gross profit margin	12.8	8.6	4.2

In general, the Group's products have better gross profit margins in the second half of the Year due to higher selling prices. Accordingly, the Group's overall gross profit margin rose from 7.3% in the first half to approximately 16.0% in the second half of the Year. The Group's overall gross profit margin was 12.8% for 2009 (2008: 8.6%).

Other income

Other income primarily represented the gains on sales of scrap materials (i.e. other than the Group's key products).

Selling and marketing costs

Selling and marketing costs consisted of mainly transportation expenses and incentives for sales staff. Selling and marketing costs reduced in the Year by 8.7%, amounting to approximately RMB 98 million, as a result of the overall lower sales and the significant reduction in the transportation costs and commissions for staff.

Administrative expenses

The Group's administrative expenses included general administrative overheads such as rental expenses, staff cost for management and non-production related staff, and research and development expenditures, etc. Administrative expenses in 2009 amounted to approximately RMB 48 million, compared with RMB 64 million in 2008. The reason of the reduction was that certain new products such as crystalline fructose and sodium gluconate were in their pre-operation stage in 2008, the related staff and overhead costs were included in the administrative expenses. As these products migrated to commercial production in 2009, these costs were reflected in the cost of sales.

Finance income and cost, net

The finance cost of the Group comprised of interest expense and foreign exchange effect. The net finance cost of the Group was approximately RMB 56 million in the Year, compared with a net finance income of RMB 10 million in the prior year.

Interest expense in 2009 increased to approximately RMB 78 million from RMB 53 million in 2008 as the Group obtained a larger amount of bank borrowings. The Group's effective annual interest rate was about 5.2% in 2009, compared with 4.8% in 2008.

The Group recorded a net foreign exchange loss of approximately RMB 3 million in 2009 in contrast to a net foreign exchange gain of approximately RMB 55 million in 2008. It was mainly due to a large reduction of United States Dollars ("USD") denominated borrowings of approximately 14.3% of the total borrowings in the Year (2008: USD loans accounted for approximately 78.8% of the total borrowings), and the Group suffered from the exchange loss from the export sales which were mostly denominated in USD.

Income tax expense

The Group income tax expense was approximately RMB 14 million in 2009 (2008: Nil). The Group was liable to the PRC Corporate Income Tax ("CIT") in the Year. The Group has two main operating subsidiaries in the PRC and they contributed to a substantial portion of revenue and profit. In 2009, both subsidiaries were entitled to 50% reduction of the standard CIT rate of 25%, i.e. 12.5%. The Group's effective tax rate was 12.4% in 2009 (2008: 3.6% before provision).

3. Liquidity, capital resources and gearing ratio

	31 December 2009	31 December 2008
Cash and cash equivalents	778	248
Total borrowings	2,129	869
Net current liabilities	163	287
Total equity	1,473	1,368
Current ratio[1]	0.93	0.78
Gearing ratio[2]	0.92	0.45

1 Current ratio was calculated as total current assets divided by total current liabilities.

2 Gearing ratio was calculated as net debts divided by total equity, of which net debts equals to total borrowings minus cash and cash equivalents.

The Group's cash and cash equivalents at 31 December 2009 amounted to approximately RMB 778 million (31 December 2008: RMB 248 million). During the Year, the Group had net cash outflow from operating activities of RMB 458 million (2008: net cash inflow of RMB 268 million). The Group built a higher level of corn inventory to meet raw material needs due to expanded product mix and to better manage the risk of possible fluctuation in corn price. Also, the Group has a larger sales volume in relation to the new products giving rise to a larger receivables amount. The Group has net cash used in investing activities of RMB 272 million in 2009 (2008: RMB 136 million), of which RMB 283 million was payments for acquisition of land use rights, property and equipment, including construction of the fructose plant and the related facilities, construction of the oligosaccharide production line, upgrading of the glucose plant for pharmaceutical-grade glucose and acquisition of certain land use rights for expanding the corn storage capacity. The Group has net cash generated from financing activities of RMB 1,260 million in 2009 (2008: RMB 227 million) arisen from the newly obtained bank borrowings.

Total borrowings of the Group increased from RMB 869 million at 31 December 2008 to RMB 2,129 million at 31 December 2009. The outbreak of the global financial crisis in 2008 led to significant credit crunch of most of the financial institutions, so the Group obtained a considerable amount of bank loans in China. The significant increase in the Group's bank borrowings increased the gearing ratio to 0.92 at the end of 2009.

It was a usual practice of bank loans obtained in China to be short-term loans to be renewable at their maturities. This led to a net current liabilities position of the Group at 31 December 2008. However, the Group was able to obtain a certain amount of long-term borrowings to finance its business expansion in China in 2009, resulting in the improvement of net current liabilities of RMB 163 million and the current ratio to 0.93 at 31 December 2009.

Subsequent to the financial year end date of 2009, the Group completed the top-up placing of the shares of the Company in January 2010. In addition, the Group established long-term bank loans including one seven-year loan with International Finance Corporation in March 2010 to refinance and replace part of the short-term borrowings. The Group will continue to explore different ways to continue to enhance its financial strength and optimize its financial structure.

Capital investment

The Group's capital investment in 2009 amounted to approximately RMB 269 million (2008: RMB 252 million) mainly for construction of the fructose plant and the related facilities, construction of the oligosaccharide production line, upgrading of the glucose plant for the production of pharmaceutical-grade glucose, and acquisition of certain land use rights for increasing the capacity of corn storage.

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2009 (as at 31 December 2008: Nil).

Foreign exchange risk

The Group's main operation is in China. The functional currency of the Group is RMB. Most of the Group's assets, liabilities, income, payments and cash balances are denominated in RMB, with a minor portion of sales from export and bank loans denominated in USD. Therefore the directors of the Company considered that the risk exposure of the Group to foreign exchange rate fluctuation was minimal.

Human resources

The Group had 3,004 employees as at 31 December 2009 (31 December 2008: 2,616 employees) The Group regularly reviewed the remuneration packages of the directors and employees, with respect to their experience, responsibilities, workload to the Group's business. The Group has established a remuneration committee to determine and review the terms of remuneration packages, bonuses and other compensation payable to the directors and senior management. In addition to basic remuneration packages and discretionary bonuses, share options may also be granted based on individual performance.

4. Outlook and Development

As the business environment continued to improve with solid recovery in 2009, the utilization rate of our production plants and profit margins of the products have returned to normal level by the end of 2009.

Domestic corn processing sector has been under steady and well-regulated development, after the National Reform and Development Commission adopted policy to restrict aggressive investment in September 2007. The policy effectively restricted additional corn processing capacities since then. On the other hand, the goal of the PRC government was to maintain sufficient supply of corn. Government auctions and national reserve aimed to provide incentives for farmers to grow corn. In this way, we are willing to see corn price to move upward in a gentle pace such that it would be more favorable for Group to obtain sufficient raw materials.

With the mission of enhancing healthy lifestyle and the living standards of human beings, the Group focuses on the development of functional starch sugars. The Group is successful in increasing the diversity of its functional starch sugars products not limited to crystalline glucose but also crystalline fructose and pharmaceutical-grade glucose. The Group is developing oligosaccharide which is a direct consumable sugar to enhance the function of human digestive system. With the continued strong demand from the food and pharmaceutical sectors in China, we expect the Group's products to have positive outlook and will generate firm support to our organic growth in the longer term.

DIRECTORS

Executive Directors

WANG Yong (王勇)
Chairman

Aged 59, is our chairman and executive director and is one of the founders of the Group. Mr. WANG was the legal representative of Zouping County Xiwang Social Benefits Oil and Cotton Factory* (鄒平縣西王社會福利油棉廠) from 1986 to 1992 and of Zouping County Xiwang Industrial Head Company* (鄒平縣西王實業總公司) from 1993 to 1996. He was the managing director of Shandong Xiwang Group Company Limited* ("Xiwang Group") (山東西王集團有限公司) from 1996 to 2001. Mr. WANG has been the chairman of the board of directors of Xiwang Group since 2001. Mr. WANG has been assessed by Shandong Province Binzhou Prefecture Professional Title Reform Leading Group* (山東省濱州地區職稱改革領導小組) as an economist. He was awarded as the National Labour Role Model* (全國勞動模範) by the State Council in 2000 and was appointed as the vice president of the third council of China Fermentation Industry Association in 2004.

Mr. WANG was awarded with several prizes and titles, including the National Advanced Worker in Quality Management of Township Enterprise (全國鄉鎮企業質量管理先進工作者) awarded by the Ministry of Agriculture of the PRC (中華人民共和國農業部) in 2000, the Fourth National Township Entrepreneur Award (第四屆全國鄉鎮企業家) and National Advanced Worker in Technological Progress of Township Enterprise of the Eighth Five-year Plan (「八五」全國鄉鎮企業科技進步先進工作者) awarded by the Ministry of Agriculture of the PRC in 2001. Mr. WANG received secondary education in the PRC. Mr. WANG was appointed as our executive director in March 2005. From February 2010, Mr. WANG is also a director and the chairman of Hunan Ginde Development Company Limited, a company publicly listed on the Main Board of the Shenzhen Stock Exchange.

* *For identification*

WANG Liang (王亮)

Executive director

Aged 39, is our chief executive officer and executive director. He is one of the founders of the Group, and is responsible for the overall management of Xiwang Group since 1998. Mr. WANG has been the general manager of Shandong Xiwang Sugar Industry Company Limited* (山東西王糖業有限公司) since 2001. He graduated in 1998 with mechanical engineering at a professional school in the PRC. Mr. WANG was appointed as our executive director in March 2005.

LI Wei (李偉)

Executive director

Aged 33, is our executive director, and is responsible for the manufacturing, production technology and quality control of the Group. Dr. LI obtained a doctorate certificate in food science from Southern Yangtze University (江南大學) in 2003, and has been the chief engineer of the Group since May 2003. Dr. LI is the spouse of Mr. SUN Xinhu who is our executive director. Dr. LI was appointed as our executive director in November 2005.

* *For identification*

WANG Cheng Qing (王呈青)

Executive director

Aged 46, is our executive director and one of the founders. Mr. WANG was the head of the finance department of Handian Construction Company* (韓店建築公司) from 1988 to 1990 and the deputy general manager from 1990 to 1992. He was the head of the finance department of Zouping County Xiwang Industrial Head Company* (鄒平縣西王實業總公司) from 1992 to 1994 and assistant to general manager from 1994 to 1996. Mr. WANG was the deputy general manager of Xiwang Group from 1996 to 2001, and has become a director of Xiwang Group since 2001. He received secondary education in the PRC. Mr. WANG was appointed as our executive director in November 2005.

HAN Zhong (韓忠)

Executive director

Aged 54, is our executive director and one of the founders. Mr. HAN is responsible for the overall financial management of the Group's operation in the PRC. Mr. HAN was the deputy head of the finance department of Zouping County Cotton Mill* (鄒平縣棉紡織廠) from 1980 to 1997 and joined Xiwang Group since 1997. He graduated from Shandong Chinese Accountant's School Zouping* (山東省中華會計函授學校鄒平分校) in 1990 and obtained the accountant's qualification in the PRC in 1992. Mr. HAN was appointed as our executive director in November 2005.

* *For identification*

LIU Ji Qiang（劉紀強）
Executive director

Aged 40, is our executive director responsible for sales management. Mr. LIU joined Xiwang Group in 1994, and was the deputy sales general manager of Shandong Xiwang Starch Company Limited* (山東西王澱粉有限公司) from 2000 to 2001. He has been the deputy sales general manager of the Group since 2001. Mr. LIU was appointed as our executive director in November 2005.

SUN Xinhu（孫新虎）
Executive director

Aged 35, is our executive director and the head of our business development department. Mr. SUN joined the Group since 2003. He had over four years of experience in an international fast food chain in China. Mr. SUN graduated with a bachelor degree in food science from Shandong Institute of Light Industry (山東輕工業學院) in 1997, and a master degree in food science from Southern Yangtze University (江南大學) in 2004. Mr. SUN is the spouse of Dr. LI Wei who is our executive director. Mr. SUN was appointed as our executive director in December 2008. From January 2010, Mr. SUN is also a director of Hunan Ginde Development Company Limited, a company publicly listed on the Main Board of the Shenzhen Stock Exchange.

* *For identification*

Independent Non-executive Directors

SHI Wei Chen（石維忱）

Aged 53, is our independent non-executive director. Mr. SHI is a professor and has been the president of China Fermentation Industry Association since 1999. Mr. SHI was a senior engineer in the Food Industry Department (食品工業司) of the Ministry of Light Industry of the PRC (中國輕工業部), the deputy head of Commission for Economic and Trade of Wulanchabu League of Inner Mongolia* (內蒙古烏蘭察布盟經委) from 1991 to 1992, the deputy head of Administration Office of the Food Processing and Paper Making Department of Food Industry of the Ministry of Light Industry of the PRC* (中國輕工業部食品工業食品造紙部任綜合辦公室) from 1992 to 1998, and the head of Food Management Centre of the China National Bureau of Light Industry* (國家輕工業局食品管理中心) from 1998 to 1999. Mr. SHI was appointed as our independent non-executive director in November 2005.

SHEN Chi（沈篪）

Aged 52, is our independent non-executive director. Mr. SHEN has extensive experience in the food industry in the PRC and currently is the Secretariat of the China National Food Industry Association (中國食品工業協會). Mr. SHEN was the deputy head of the Secretariat of the General Office of the State Commission for Economic and Trade (國家經委辦公廳秘書處) from 1982 to 1984. Mr. SHEN worked in the chief editor's office of China Food News (中國食品報總編室) from 1984 to 1987. Mr. SHEN was the head of the Economic Division of China Enterprise News (中國企業報社經濟部) from 1987 to 1990. From 1990 onwards, Mr. SHEN was the deputy secretariat and secretariat of the China National Food Industry Association (中國食品工業協會) and the deputy head and head of statistics and information division (統計信息部). Mr. SHEN was appointed as our independent non-executive director in February 2007.

WONG Kai Ming（黃啟明）

Aged 55, is our independent non-executive director. Mr. WONG has over 20 years of experience in accounting and finance and is presently the proprietor of Wong Kai Ming, Certified Public Accountant. Mr. WONG holds a higher diploma in accountancy and a bachelor of arts in accountancy degree from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic). He is a fellow member of the Association of Chartered Certified Accountants and a practising member of the Hong Kong Institute of Certified Public Accountants. Mr. WONG was appointed as our independent non-executive director in November 2005.

* *For identification only*

Senior Management

CHUNG Kwok Mo John（鍾國武）

Aged 41, is our chief financial officer since May 2008. Mr. CHUNG has about 18 years of experience in auditing, financial management and corporate finance. Mr. CHUNG was an auditor in an international accounting firm during 1992 to 1999. Since 2000 and prior to joining the Group, Mr. CHUNG had held several senior management positions, including chief financial officer, executive director and independent non-executive director, in listed companies in Hong Kong. Mr. CHUNG has a bachelor degree of Economics from Macquarie University, Australia. He is also a member of Hong Kong Institute of Certified Public Accountants and CPA Australia.

LAM Wai Lin（林惠蓮）

Aged 41, is our company secretary and assistant financial controller. Ms. LAM joined the Group in June 2007 and is responsible for the financial management and company secretarial functions of the Group. Ms. LAM has over 13 years of experience in auditing, accounting and financial management. Prior to joining the Group, Ms. LAM was the finance manager of a media company listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). From 2000 to 2004, she was an assistant manager of KPMG, an international accounting firm in Hong Kong. Ms. LAM graduated from the University of London with a bachelor degree in Economics. She is a fellow member of the Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants.

* *For identification only*

Corporate Governance Practices

The Company has adopted the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange as its own code of corporate governance. The board of directors of the Company (the "Board") consider that during the Year the Company has complied with the code provisions under the CG Code and a majority of the recommended best practices of the CG Code.

The Board is committed to upholding the corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximize the interests of the shareholders. Set out below is a detailed discussion of the major corporate governance practices adopted and observed by the Company during the Year or where applicable, up to the date of this report.

A. Directors' securities transactions

The Company has adopted the Model Code for Securities Transactions by the Board of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own securities dealing code for the directors of the Company. Having made specific enquiry with all the directors of the Company, all the directors confirmed that they had complied with the required standard set out in the Model Code throughout the Year.

B. Board of directors

(i) Board composition

The Board currently comprises a combination of seven executive directors and three independent non-executive directors. As at 31 December 2009, the Board consisted of the following directors:

Executive directors
Mr. WANG Yong *(Chairman)*
Mr. WANG Liang *(Chief executive officer)*
Dr. LI Wei
Mr. WANG Cheng Qing
Mr. HAN Zhong
Mr. LIU Ji Qiang
Mr. SUN Xinhu

Independent non-executive directors
Mr. SHI Wei Chen
Mr. SHEN Chi
Mr. WONG Kai Ming

The executive directors, with the assistance from the senior management, form the core management team of the Company. The executive directors take the overall responsibility for formulating the business strategies and development plan of the Group and the senior management are responsible for supervising and executing the plans of the Group.

(ii) *Board meetings*

During the Year, 7 board meetings were held and prior notices convening the meetings of the Board were dispatched to the Board setting out the matters to be discussed. At the meetings, the Board was provided with the relevant documents to be considered and approved. The company secretary of the Company is responsible for keeping minutes for the meetings of the Board.

(iii) *Attendance record*

The following is the attendance record of the board meetings held by the Board during the Year:

	Attendance at meeting
Executive directors	
Mr. WANG Yong *(Chairman)*	7/7
Mr. WANG Liang *(Chief executive officer)*	7/7
Dr. LI Wei	5/7
Mr. WANG Cheng Qing	6/7
Mr. HAN Zhong	6/7
Mr. LIU Ji Qiang	6/7
Mr. SUN Xinhu	7/7
Independent non-executive directors	
Mr. SHI Wei Chen	4/7
Mr. Shen Chi	4/7
Mr. WONG Kai Ming	7/7

(iv) *Independent non-executive directors*

In compliance with Rule 3.10(1) of the Listing Rules, the Company has appointed three independent non-executive directors. The Board considers that all independent non-executive directors have appropriate and sufficient industry or finance experience and qualifications to carry out their duties so as to protect the interests of shareholders of the Company as a whole. One of the independent non-executive directors, Mr. WONG Kai Ming, has over 20 years experience in the accounting and finance fields and is a fellow member of the Association of Chartered Certified Accountants and a practising member of the Hong Kong Institute of Certified Public Accountants.

Prior to their respective appointment, each of the independent non-executive directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence.

The Company has also received the annual written confirmations from Mr. SHI Wei Chen, Mr. SHEN Chi and Mr. WONG Kai Ming in respect of their independence pursuant to Rule 3.13 of the Listing Rules. Based on such confirmations, the Board considers that all independent non-executive directors are considered to be independent.

(v) Relationship among members of the Board

Each of the executive directors is shareholder of Xiwang Group Company Limited ("Xiwang Group") which is connected person of the Group. Dr. LI Wei, an executive director, is the spouse of Mr. SUN Xinhu, also an executive director. Saved as disclosed, there is no relationship (including financial, business, family or other material/relevant relationship(s)) between any of the directors or chief executive officer.

C. Chairman and chief executive officer

The roles of the chairman and the chief executive officer are segregated. Mr. WANG Yong is the chairman of the Board who is principally responsible for formulation of plans and policies of the Group, while Mr. WANG Liang is the chief executive officer of the Company who is in charge of the supervision for the execution of the plans and policies determined by the Board. The chairman also chairs the Board meetings and briefs the Board members on the issues discussed at the Board meetings.

D. Non-executive directors

The independent non-executive directors were appointed for a specific term. Mr. SHI Wei Chen and Mr. WONG Kai Ming were re-appointed for a term of three years commencing on 6 November 2008 and 18 November 2008 respectively, which may be terminated by either party by giving to the other not less than three months' prior notice in writing. Mr. SHEN Chi was appointed for a term of three years commencing on 14 February 2007 and has been renewed for a term of three years commencing on 14 February 2010. The appointment of Mr. SHEN Chi may also be terminated by either party by giving to the other not less than three months' prior notice in writing.

E. Remuneration of directors

The Company established a remuneration committee with written terms of reference in compliance with the CG Code. During the Year, the remuneration committee comprised Mr. WANG Liang (chairman), Mr. SHI Wei Chen and Mr. SHEN Chi. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the directors and senior management. It is the Company's policy that the remuneration package of each director and senior management shall be determined by reference to the duties, responsibilities, experience and qualifications of each candidate.

The remuneration committee held a meeting, attended by all the members of the committee, during the Year for granting share options to eligible staff.

F. Nomination of directors

The Company established a nomination committee with written terms of reference in compliance with the CG Code. During the Year, the nomination committee comprises Mr. WANG Liang (chairman), Mr. SHI Wei Chen and Mr. SHEN Chi.

The primary duties of the nomination committee are to make recommendations to the Board on the nominees for appointment as directors and senior management of the Group. The selection of candidates is based on their experience and qualification. The nomination committee will then pass their recommendations to the Board for their consideration and approved of the nomination.

There was no appointment or re-appointment of directors and senior management of the Group during the Year.

According to the bye-laws of the Company, one-third of the directors are subject to retirement by rotation or, if the number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from the office and offer themselves for re-election. The directors to be retired by rotation shall be those who have been longest in office since their last appointment. At a full Board meeting held on 13 April 2010, the directors have reviewed the performance of the directors who will retire at the forthcoming annual general meeting of the Company and approved to recommend the re-election of such directors at the forthcoming annual general meeting of the Company.

G. Auditors' remuneration

A breakdown of the remuneration of the Group's external auditor is as follows:

	For the year ended 31December 2009 (RMB'000)
Service rendered	
Annual audit services	
– PricewaterhouseCoopers	3,000
– Others	1
Non-audit services	12

H. Audit committee

The Company has established an audit committee with written terms of reference based upon the provisions and recommended practices of the CG Code. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. During the Year, members of the audit committee comprised Mr. WONG Kai Ming (chairman), Mr. SHI Wei Chen and Mr. SHEN Chi. During the Year, the audit committee held 2 meetings to review the annual results of the Group for the year ended 31 December 2008 and the interim results of the Group for the six months ended 30 June 2009. Except for Mr. SHEN Chi who was absent from the meetings, the other two members had attendance rate of 100%.

I. Directors' and auditors' acknowledgement

All Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2009. The reporting responsibilities of the Company's external auditors, Messrs. PricewaterhouseCoopers, are set out in the Auditors' report on page 54.

J. Internal control

The Board recognizes its responsibility for establishing and maintaining an adequate and sound internal control system. During the Year, the Group has made several improvements on financial and management reporting system. Through regular discussion with management on operational and financial performance and potential risk areas identified, reasonable but not absolute assurance against material misstatement or loss can be attained. The Group is able to manage risks of failure in operational and financial systems and to achieve the Group's objectives.

The Board will continue to review the progress of other improvements and enhancement in order to cope with the development of the Group.

K. Directors' liability insurance

The Company has taken out liability insurance to indemnify its directors and senior management for their liabilities arising out of corporate activities. The insurance coverage is reviewed by the Company on an annual basis.

L. Investor relations

Establishing an active relationship with stakeholders

The Group's investor relations team in Hong Kong is devoted to enabling the most effective communication between the Company, shareholders, financial community and other stakeholders. Since its listing in Hong Kong, we are dedicated to promote the best practice of high transparency and timeliness of disclosure of information, from the view point to enhance the understanding of general public regarding the Company.

Since the financial crisis and the melamine incident, the operating environment for the Group has become challenging. To help our stakeholders to better understand the change of the national policies, industry environment and the Group's strategic focus, the investor relations team took an active role to accommodate almost all requests for meetings, conference calls and site visits as long as the disclosures are in compliance with the Listing Rules. The Group also participated in investment banking conference to reach out to more audience. In addition, the Group developed a new corporate website to enhance its profile and facilitate investors and business partners to obtain timely information of the Group.

Providing updates through corporate communications

The Group communicated with its stakeholders via the following major channels:

1. Annual and interim financial reports, announcements and circulars are released onto the respective websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.xiwang-sugar.com). Annual and interim financial reports are available as printed copies for distribution to our shareholders.

2. Annual general meetings and/or extraordinary general meetings, which are attended by our directors or senior management.

3. Media and investor's briefing at results announcement, ad-hoc meetings, emails or telephone enquiries from time to time. The Group strives to deliver clear messages directly and promptly in these events, and to receive comments and suggestions to help improve our operation performance.

4. Site visits. The Group welcome investors or financial institutions to visit our production base located in Shandong Province of the PRC. The Group is pleased to allow visitors to recognize our scale of production, operation process and management system.

We value the opportunities to establish and maintain the valuable relationships with stakeholders. If stakeholders have enquiries or investor meeting requests they may contact us at ir@xiwang-sugar.com.hk or visit the Company's official website at www.xiwang-sugar.com.

On behalf of the Board

WANG Yong
Chairman

Hong Kong, 13 April 2010

The Board is pleased to present its annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2009.

Principal activities

The Group is principally engaged in refining corn to a variety of starch sugars (named as "sweetener products" in previous reporting) and corn co-products that are widely applied in food and beverage, animal feed, and many other consumer and industrial products. Starch sugars include crystalline glucose and crystalline fructose from the processing of corn starch. Corn co-products include corn gluten meal, corn gluten feed, corn germ, corn starch from the processing of corn. The Group has started the production of sodium gluconate during the Year.

Dividend

The Board recommends the payment of final dividend of RMB 0.037 per share (2008: RMB 0.027 per share) to those shareholders whose names shall appear on the Register of Members of the Company on 3 June 2010. Subject to shareholders' approval at the forthcoming annual general meeting of the Company, the final dividend will be payable on or about 8 July 2010.

The final dividend will be payable in cash but entitled shareholders will be given the option of electing to receive the final dividend in the form of new shares, credited as fully paid, in lieu of cash in respect of part or all of such dividend. The new shares to be issued pursuant to the scrip dividend scheme are subject to their listing being granted by the Listing Committee of the Stock Exchange.

A circular containing details of the scrip dividend scheme will be dispatched to shareholders together with the form of election for scrip dividend on or about 10 June 2010. It is expected that the final dividend warrants and share certificates will be dispatched to shareholders on or about 8 July 2010.

Property, plant and equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 6 to the consolidated financial statements.

Borrowings

Details of the Group's borrowings as at the balance sheet date are set out in note 15 to the consolidated financial statement.

Share capital

Details of movements in the Company's share capital for the year ended 31 December 2009 are set out in note 12 to the consolidated financial statements.

Five year financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 129.

Share option scheme

The Company adopted a share option scheme (the "Scheme") on 6 November 2005. The purpose of the Scheme is to enable the Group to grant options to selected participants as defined in Clause 4 of the Scheme as incentives or rewards for their contribution to the Group.

The principal terms of the Scheme are summarised as follows:

The maximum number of shares of the Company which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Group must not exceed 80,000,000 shares, being 10% of shares in issue on 9 December 2005, being the date of listing of the shares of the Company on the Stock Exchange (the "Listing Date") and 8.27% of Shares in issue as at the date of this report, unless shareholders' approval has been obtained, and which must not in aggregate exceed 30% of the shares in issue from time to time.

The maximum number of shares issued and to be issued upon exercise of the options granted to any eligible person (including exercised and outstanding options) in any 12-month period shall not exceed 1% of the issued shares from time to time.

The subscription price for the shares under the Scheme shall be such price as the Board may in its absolute discretion determine at the time of grant of the option but the subscription price shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of the Board approving the grant of an option, which must be a business day (the "Offer Date"); (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the shares.

An option may be exercised in whole or in part in accordance with the terms of the Scheme at any time during the period commencing immediately after the business day on which the option is deemed to be granted and accepted in accordance with the Scheme (the "Commencement Date") and expiring on such date of the expiry of the option as the Board may in its absolute discretion determine and which shall not exceed ten years from the Commencement Date but subject to the provisions for early termination thereof as set out in the Scheme.

Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company as consideration for the grant.

The Scheme shall be valid and effective for a period of ten years commencing on 6 November 2005 i.e. the date of adoption of the Scheme.

As at 31 December 2009, the outstanding share options were 6,579,000 shares of the Company, details of which are set out in note 12 to the consolidated financial statements and below:

Class of grantee	Date of grant *(Note 2)*	During the year ended 31 December 2009			Outstanding as at 1 January 2009	Outstanding as at 31 December 2009	Exercise price per Share (HKD)	Exercise period
		Granted	Exercised	Cancelled				
Employees *(Note 1)*	26 May 2008	–	–	5,979,000	5,979,000	–	2.95	
	8 May 2009	6,579,000	–	–	–	6,579,000	1.32	*(Note 3)*
		6,579,000	–	5,979,000	5,979,000	6,579,000		

Notes:

1. Employees include employees of the Group (other than the Directors) working under employment contracts with the Group which are regarded as "continuous contracts" for the purpose of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong).

2. The closing prices of the Shares as stated in the Stock Exchange's daily quotations sheet on 23 May 2008 and 7 May 2009, being the trading days immediately preceding the date of grant of options, were HKD2.92 and HKD1.28 per Share respectively.

3. These options can only be exercised by the grantee in the following manner:

Commencing from	Maximum cumulative number of shares under the options that can be subscribed for pursuant to the exercise of the options
8 May 2010	2,193,000
8 May 2011	4,386,000
8 May 2012	6,579,000

4. The value of options is set out in note 12 to the consolidated financial statements.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, 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 listed securities of the Company

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

Reserves

Details of movements in the reserves of the Group during the year are set out in note 13 to the consolidated financial statements and in the consolidated statement of changes in equity.

Major customers and suppliers

Same as last year, sales to the Group's five largest customers accounted for less than 30% of the Group's revenue for the Year.

For the year ended 31 December 2009, the largest supplier accounted for approximately 8.3% (2008:7.5%) of the Group's total cost of purchase and the Group's five largest suppliers accounted for approximately 21.0% (2008: 24.4%) of the Group's total cost of purchase.

Save as disclosed in note 26 to the consolidated financial statements, none of the directors or any of their associate 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 suppliers or the Group's five largest customers during the Year.

Directors and Directors' service contracts

The directors during the Year and up to the date of this report were:

Executive Directors

Mr. WANG Yong
Mr. WANG Liang
Dr. LI Wei
Mr. WANG Cheng Qing
Mr. HAN Zhong
Mr. LIU Ji Qiang
Mr. SUN Xinhu

Independent non-executive Directors:

Mr. SHI Wei Chen
Mr. WONG Kai Ming
Mr. SHEN Chi

In accordance with Bye-Law 87(1) of the Bye-laws of the Company, each of Mr. WANG Yong, Dr. LI Wei, Mr. HAN Zhong and Mr. SHEN Chi will retire as director by rotation at the forthcoming annual general meeting and, being eligible, offer himself/herself for re-election as director.

Each of the executive directors has entered into a service agreement with the Company for a term of three years. Each of these service agreements may be terminated by either party by giving to the other not less than three months' prior notice in writing.

Each of the independent non-executive directors has been appointed for a term of three years. Each of these service agreements may be terminated by either party by giving not less than three months' prior notice in writing.

None of the directors has a service contract with any member of the Group which would not expire or was not determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Company considered all the independent non-executive directors to be independent.

Directors' and senior management's biographies

Biographical details of the directors and the senior management of the Group are set out on pages 26 to 31 of the annual report.

Directors' interests in contracts of significance

Save as disclosed in the paragraph headed "Connected transactions" below and in note 26 to the consolidated financial statements, 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, its holding company or any of its subsidiaries was a party during the Year.

Directors' rights to acquire shares or debentures

Save as disclosed above, at no time during the Year was the Company or any of its subsidiaries or the holding company or a subsidiary of the Company's holding company a party to any arrangements to enable the directors to acquire benefits by means of an acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares, underlying shares and debentures of the Company and it's associated corporations

As at 31 December 2009, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Company/Name of associated corporations	Name of directors	Capacity	Number and class of securities *(Note 1)*	Percentage shareholding in the same class of securities as at 31 December 2009
Company	WANG Yong	Interest of controlled corporations *(Note 2)*	533,580,010 ordinary shares (L) *(Note 3)*	62.97%
Xiwang Holdings Limited ("Xiwang Holdings")	WANG Yong	Beneficial owner	5,931 shares (L)	60.32%
Xiwang Investment Company Limited ("Xiwang Investment (BVI)")	WANG Yong	Interest of a controlled corporation *(Note 2)*	3 shares (L)	100%
Xiwang Holdings	WANG Cheng Qing	Beneficial owner	230 shares (L)	2.30%
Xiwang Holdings	WANG Liang	Beneficial owner	230 shares (L)	2.30%
Xiwang Holdings	HAN Zhong	Beneficial owner	177 shares (L)	1.77%

Company/Name of associated corporations	Name of directors	Capacity	Number and class of securities (Note 1)	Percentage shareholding in the same class of securities as at 31 December 2009
Xiwang Holdings	LI Wei	Beneficial owner	89 shares (L)	0.89%
		Interest of spouse	89 shares (L)	0.89%
Xiwang Holdings	LIU Ji Qiang	Beneficial owner	89 shares (L)	0.89%
Xiwang Holdings	SUN Xinhu	Beneficial owner	89 shares (L)	0.89%
		Interest of spouse	89 shares (L)	0.89%

Notes:

(1) The letter "L" represents the director's interests in the shares.

(2) Mr. WANG Yong holds 60.32% of the issued share capital of Xiwang Holdings which in turn holds 100% interests in Xiwang Investment (BVI).

(3) These shares are registered in the name of Xiwang Investment (BVI). Mr. WANG Yong is deemed to be interested in all shares of the Company in which Xiwang Investment (BVI) is interested.

Substantial shareholders and other persons who are required to disclose their interests pursuant to Part XV of the SFO

(a) Substantial shareholders of the Company

As at 31 December 2009, the following shareholders (other than the directors and chief executive of the Company whose interests and short positions in the shares and underlying shares of the Company are set out above) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of substantial shareholders	Capacity	Number of shares of the Company held *(Note 1)*	Approximate percentage of interest as at 31 December 2009
Xiwang Investment (BVI)	Beneficial owner	533,580,010 ordinary shares (L)	62.97%
Xiwang Holdings	Interest of a controlled corporation *(Note 2)*	533,580,010 ordinary shares (L)	62.97%
ZHANG Shufang	Interest of spouse *(Note 3)*	533,580,010 ordinary shares (L)	62.97%

Notes:

(1) The letter “L” represents the entity’s interests in the shares.

(2) Xiwang Investment (BVI) is a wholly owned subsidiary of Xiwang Holdings. Xiwang Holdings is deemed to be interested In the shares in which Xiwang Investment (BVI) is interested.

(3) Ms. ZHANG Shufang, being the spouse of Mr. WANG Yong, is deemed to be interested in all the shares in which Mr. WANG Yong is deemed to be interested.

(b) Other persons who are required to disclose their interests pursuant to Part XV of the SFO

Save as disclosed in the paragraph headed "Directors' Interests in shares, underlying shares and debentures of the Company and its associated corporations" and paragraph (a) above, as at 31 December 2009, no other person had interests or short positions in the shares and underlying shares of the Company which are required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

Connected transactions

Details of the connected transactions undertaken by the Group during the year ended 31 December 2009 which were subject to reporting requirements under Chapter 14A of the Listing Rules are set out below.

A. Set out below is a brief description of the continuing connected transactions which are non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules and their annual cap amounts and waivers from strict compliance with the announcement and/or independent shareholders' approval requirement have been sought from the Stock Exchange.

			Annual caps	
	Description	For the year ended 31 December 2009	For the year ending 31 December 2010	For the year ending 31 December 2011
1	Sales of corn germs by the Group to Shandong Xiwang Food Company Limited ("Xiwang Food")	RMB 460 million	RMB 510 million	–
2	Sales of glucose syrup by the Group to Shandong Xiwang Leavening Company Limited ("Xiwang Leavening")	RMB 12 million	RMB 13 million	–
3.	Provision of sewage service by the Group to Xiwang Group Company Limited ("Xiwang Group")	RMB 2 million	RMB 4.9 million	RMB 5.9 million

	Description	For the year ended 31 December 2009	Annual caps For the year ending 31 December 2010	For the year ending 31 December 2011
4.	Sale of crystalline fructose by the Group to Xiwang Food	RMB 24 million	RMB 101 million	RMB 223 million
5.	Sale of pharmaceutical-grade glucose by the Group to Xiwang Pharmaceutical Company Limited ("Xiwang Pharmaceutical")	RMB 102 million	RMB 225 million	RMB 250 million
6.	Sale of corn starch by the Group to Xiwang Pharmaceutical	RMB 65 million	RMB 86 million	RMB 94 million
7.	Sale of crystalline glucose by the Group to Xiwang Pharmaceutical	RMB 17 million	RMB 23 million	RMB 25 million
8.	Purchase of packaging bags by the Group from Shandong Fangong Alcohol Company Limited ("Fangong Alcohol")	RMB 94 million	–	–
9.	Purchase of packaging bags by the Group from Xiwang Leavening	RMB 31 million	RMB 62 million	RMB 77 million
10.	Purchase of glucose mother liquid by the Group from Xiwang Pharmaceutical	RMB 7 million	RMB 13 million	RMB 16 million

Xiwang Food and Xiwang Pharmaceutical are wholly owned by Xiwang Group, which is in turn owned as to 60.37% by Mr. Wang Yong, an executive director of the Company. Fanging Alcohol is owned as to approximately 57.98% by Xiwang Group. Xiwang Leavening is owned as to 8.8% by Xiwang Group and as to 90% by Fangong Alcohol. Each of Xiwang Food, Xiwang Leavening, Xiwang Group, Xiwang Pharmaceutical and Fangong Alcohol is an associate of Mr. Wang and therefore a connected person of the Company.

Details of the total transaction amount of each of the above continuing connected transactions and the description of the connection relationship are set out in note 26 to the consolidated financial statements.

The independent non-executive directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(1) in the ordinary course and usual course of business of the Company;

(2) on normal commercial terms or terms no less favourable to the Company than terms available to or from independent third parties; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The transaction amount in respect of each type of the continuing connected transactions above during the Year has not exceeded the annual cap for that transaction.

The Company has received a written confirmation from the auditors. The auditors have confirmed that the continuing connected transactions during the Year compiled with Rule 14A.38, that is, the continuing connected transactions:

(1) have received the approval of the Board;

(2) are in accordance with the pricing policies of the Group, if the transactions involve provision of goods or services by the Group;

(3) have been entered into in accordance with the relevant agreements governing the transactions; and

(4) have not exceeded the caps disclosed in previous announcements.

B. During the year, the Group entered two agreements with Shandong Xiwang Steel Company Ltd ("Xiwang Steel") for the purchase of steel bars for the construction of new plants and renovation of existing production plants. The consideration, in aggregate was RMB 11,312,000, determined after arm's length negotiation among the parties. These transactions were disclosed in an announcement dated 14 August 2009 as accordance with Rule 14A.45 of the Listing Rules.

General disclosure pursuant to rule 13.18 of the Listing Rules

As disclosed in the announcement dated 2 March 2010 made in accordance with Rule 13.18 of the Listing Rules, on 2 March 2010, a subsidiary of the Group (the "Borrower"), the Company and two of its wholly owned subsidiaries, Master Team International Limited and Winning China Limited (the "Guarantors"), entered into a facility agreement with the International Finance Corporation ("IFC") for a seven year term loan facility of USD 20,000,000. ("Facility Agreement"). Pursuant to the Facility Agreement, Mr. WANG Yong ("Mr. Wang"), the chairman ("Chairman") of the Board of directors, entered into an agreement ("Share Retention Agreement") with, among others, the IFC pursuant to which so long as there remains any amount outstanding under the Facility Agreements, Mr. WANG undertakes that he shall directly or indirectly own not less than 30.76% of the shareholdings in each of the Guarantors and the Borrower and keep his shareholding free from any sale, transfer, assignment, lien or disposition.

The Facility Agreement provides (among others) that so long as there remains any amount outstanding under the Facility Agreement:

(1) Mr. WANG should comply with any of his obligations under the Share Retention Agreement;

(2) any representation or warranty made by Mr. WANG in the Share Retention Agreement or in connection with the execution of, or any request under, any other loan document is correct in any material respect;

(3) Mr. WANG, or any of his affiliates or any person or entity acting on his behalf has not been found by a judicial process or other official inquiry to have committed or engaged in any corrupt, fraudulent, coercive, collusive or obstructive practice; and

(4) Mr. WANG and the other shareholders of Xiwang Group collectively hold not less than 51% of the beneficial interest in each Guarantor and the Borrower.

Under the Facility Agreement, a breach of any of the above specific performance obligations would constitute a default under the Facility Agreement. Such default would permit the IFC to accelerate the maturity of the indebtedness under the Facility Agreement. As at the date of this report, the facility has not been drawn down by the Borrower.

As disclosed in the announcement dated 1 April 2010 made in accordance with Rule 13.18 of the Listing Rules, on 1 April 2010, a subsidiary of the Group as borrower entered into a loan agreement with certain financial institutions as lenders for a three year term loan facility of USD 20,000,000 ("Loan Agreement").

The Loan Agreement provides, among others, that all outstanding amounts and the interest accrued under the loan facility may become immediately due and repayable where any of the following events (among others) occurs:

(1) Xiwang Investment cease to hold directly or indirectly at least 45% of the entire issued share capital of the Company;

(2) Xiwang Holdings cease to hold directly or indirectly 100% of the entire issued share capital of Xiwang Investment; or

(3) Mr. WANG cease to:

    (a) be the Chairman and executive Director of the Company;

    (b) have the management and board control of the Company;

    (c) hold, whether directly or indirectly, at least 50% of the entire issued share capital of Xiwang Holdings; or

    (d) remain as the single largest and controlling shareholder of the Company.

Corporate governance

A report on the principal corporate governance practices adopted by the Company is set out on pages 32 to 38 of this annual report.

Audit committee

The Company established an audit committee with written terms of reference based upon the provisions and recommended practices of the Code on Corporate Governance Practices. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. At present, members of the audit committee comprise Mr. WONG Kai Ming (chairman), Mr. SHI Wei Chen and Mr. SHEN Chi, being the three independent non-executive directors.

The Group's consolidated financial statements for the year ended 31 December 2009 have been reviewed by the audit committee, which is of the opinion that such statement complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained sufficient public float of not less than 25% of the total issued share capital as at the date of this report.

Annual general meeting

The forthcoming annual general meeting of the Company will be held on Thursday, 3 June 2010.

Closure of register of members

The register of members of the Company will be closed from Tuesday, 1 June 2010 to Thursday, 3 June 2010, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's transfer office and share registrar in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on Monday, 31 May 2010.

Auditors

There has been no change to the Company's auditors since its incorporation. The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting to re-appoint PricewaterhouseCoopers as auditors of the Company.

On behalf of the Board

WANG Yong
Chairman

Hong Kong, 13 April 2010

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong

To the shareholders of Xiwang Sugar Holdings Company Limited

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Xiwang Sugar Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 56 to 128, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda 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 as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 financial statements.

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

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 2009 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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 13 April 2010

Consolidated Balance Sheet

As At 31 December

	Note	2009 RMB'000	2008 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**1,577,500**	1,488,214
Land use rights	*7*	**244,722**	160,251
Deferred income tax assets	*16*	**3,236**	7,054
		1,825,458	1,655,519
Current assets			
Inventories	*9*	**377,659**	326,483
Trade and other receivables	*10*	**949,919**	453,172
Current income tax receivable		**–**	5,485
Amounts due from related parties	*26(d)*	**79,025**	8,130
Cash and cash equivalents	*11*	**777,664**	248,158
		2,184,267	1,041,428
Total assets		**4,009,725**	2,696,947
EQUITY			
Attributable to equity holders of the Company			
Share capital	*12*	**87,953**	86,455
Share premium	*12*	**24,036**	471,853
Other reserves	*13*	**769,916**	247,269
Retained earnings			
– Proposed final dividend	*22*	**35,532**	22,420
– Others		**554,890**	539,689
		1,472,327	1,367,686
Minority interest		**280**	520
Total equity		**1,472,607**	1,368,206

	Note	2009 RMB'000	2008 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	15	**190,000**	–
Current liabilities			
Trade and other payables	*14*	**402,396**	451,391
Current income tax liabilities		**206**	–
Amounts due to related parties	*26(d)*	**4,352**	7,940
Borrowings	*15*	**1,939,122**	869,410
Derivative financial instruments		**1,042**	–
		2,347,118	1,328,741
Total liabilities		**2,537,118**	1,328,741
Total equity and liabilities		**4,009,725**	2,696,947
Net current liabilities		**162,851**	287,313
Total assets less current liabilities		**1,662,607**	1,368,206

The notes on pages 64 to 128 are an integral part of these consolidated financial statements.

The financial statements on pages 56 to 128 were approved by the Board of Directors on 13 April 2010 and were signed on its behalf.

WANG Yong	**WANG Liang**
Director	*Director*

Balance Sheet

As At 31 December

	Note	2009 RMB'000	2008 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**44**	18
Investment in a subsidiary	*8*	**–**	–
Amount due from a subsidiary	*8*	**697,169**	697,169
		697,213	697,187
Current assets			
Trade and other receivables	*10*	**1,090**	3,815
Amount due from a subsidiary	*8*	**178,488**	633,901
Amount due from other related parties	*26(d)*	**16,255**	27,357
Dividend receivable	*26(d)*	**185,094**	149,014
Cash and cash equivalents	*11*	**2,157**	2,280
		383,084	816,367
Total assets		**1,080,297**	1,513,554
EQUITY			
Attributable to equity holders of the Company			
Share capital	*12*	**87,953**	86,455
Share premium	*12*	**24,036**	471,853
Other reserves	*13*	**623,295**	151,442
Retained earnings			
– Proposed final dividend	*22*	**35,532**	22,420
– Others		**19,782**	46,293
Total equity		**790,598**	778,463

	Note	2009 RMB'000	2008 RMB'000
LIABILITIES			
Current liabilities			
Amount due to related parties	*26(d)*	**125,864**	1,211
Trade and other payables	*14*	**3,213**	4,470
Borrowings	*15*	**160,622**	729,410
		289,699	735,091
Total liabilities		**289,699**	735,091
Total equity and liabilities		**1,080,297**	1,513,554
Net current assets		**93,385**	81,276
Total assets less current liabilities		**790,598**	778,463

The notes on pages 64 to 128 are an integral part of these consolidated financial statements.

The financial statements on pages 56 to 128 were approved by the Board of Directors on 13 April 2010 and were signed on its behalf.

WANG Yong
Director

WANG Liang
Director

Consolidated Statement Of Comprehensive Income

Year Ended 31 December

	Note	2009 RMB'000	2008 RMB'000
Turnover	5	**2,480,853**	2,544,392
Cost of goods sold	17	**(2,164,184)**	(2,324,599)
Impairment loss on property, plant and equipment	6	**(7,350)**	(18,539)
Provision for inventory written down to net realisable value	9	**–**	(37,896)
Others		**(2,156,834)**	(2,268,164)
Gross profit		**316,669**	219,793
Other income – net	18	**1,569**	1,932
Selling and marketing costs	17	**(97,905)**	(107,282)
Administrative expenses	17	**(48,145)**	(63,955)
Operating profit		**172,188**	50,488
Interest income	20	**8,696**	8,999
Finance (costs)/income	20	**(65,042)**	1,300
Finance (costs)/income – net	20	**(56,346)**	10,299
Profit before income tax		**115,842**	60,787
Income tax (expense)/credit	21	**(14,323)**	2,862
Profit for the year		**101,519**	63,649
Other comprehensive income for the year, net of tax		**–**	–
Total comprehensive income for the year		**101,519**	63,649

	Note	2009 RMB'000	2008 RMB'000
Attributable to:			
Equity holders of the Company		**101,759**	63,778
Minority interest		**(240)**	(129)
		101,519	63,649
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)			
– basic	*23*	**0.120**	0.075
– diluted	*23*	**0.120**	0.075
Dividend	*22*	**35,532**	22,420

The notes on pages 64 to 128 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Year Ended 31 December

	Attributable to equity holders of the Company					
	Share Capital RMB'000 *(Note 12)*	Share premium RMB'000 *(Note 12)*	Other Reserves RMB'000 *(Note 13)*	Retained earnings RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
Balance at 1 January 2008	**86,375**	**468,998**	**236,570**	**632,517**	**–**	**1,424,460**
Comprehensive income						
Profit/(loss) for the year	–	–	–	63,778	(129)	63,649
Transactions with owners						
Employee share option scheme						
– value of services provided	–	1,063	–	–	–	1,063
Proceeds from share option exercised	80	1,792	–	–	–	1,872
Contribution from a minority equity holder	–	–	–	–	649	649
Appropriation to reserves	–	–	10,699	(10,699)	–	–
Dividend relating to 2007 *(Note 22)*	–	–	–	(123,487)	–	(123,487)
Total transaction with owners	**80**	**2,855**	**10,699**	**(134,186)**	**649**	**(119,903)**
Balance at 31 December 2008	**86,455**	**471,853**	**247,269**	**562,109**	**520**	**1,368,206**
Balance at 1 January 2009	**86,455**	**471,853**	**247,269**	**562,109**	**520**	**1,368,206**
Comprehensive income						
Profit/(loss) for the year	–	–	–	101,759	(240)	101,519
Transactions with owners						
Employee share option scheme						
– value of services provided	–	2,882	–	–	–	2,882
Appropriation to reserves	–	–	50,794	(50,794)	–	–
Transfer from share premium to reserves	–	(471,853)	471,853	–	–	–
Dividend relating to 2008 *(Note 22)*	1,498	21,154	–	(22,652)	–	–
Total transaction with owners	**1,498**	**(447,817)**	**522,647**	**(73,446)**	**–**	**2,882**
Balance at 31 December 2009	**87,953**	**24,036**	**769,916**	**590,422**	**280**	**1,472,607**

The notes on pages 64 to 128 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

Year ended 31 December

	Note	2009 RMB'000	2008 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	*24*	**(375,066)**	341,855
Interest paid		**(77,993)**	(53,435)
Income tax paid		**(4,814)**	(20,175)
Net cash (used in)/generated from operating activities		**(457,873)**	268,245
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(194,399)**	(144,810)
Acquisition of land use right		**(88,301)**	–
Proceeds from disposal of property, plant and equipment		**4,034**	–
Contributions from a non-controlling equity holder		**–**	649
Interest received		**6,333**	8,134
Net cash used in investing activities		**(272,333)**	(136,027)
Cash flows from financing activities			
Proceeds from the issuance of ordinary shares		**–**	1,872
Proceeds from borrowings		**1,938,500**	30,000
Repayments of borrowings		**(678,788)**	(135,530)
Dividend paid		**–**	(123,487)
Net cash generated from/(used in) financing activities		**1,259,712**	(227,145)
Net increase/(decrease) in cash and cash equivalents		**529,506**	(94,927)
Cash and cash equivalents at beginning of the year		**248,158**	343,085
Cash and cash equivalents at end of the year		**777,664**	248,158

The notes on pages 64 to 128 are an integral part of these consolidated financial statements.

1. General information

Xiwang Sugar Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the manufacture, distribution and sales of a variety of starch sugars and corn co-products within and outside of the People's Republic of China (the "PRC"). Details of the principal subsidiaries of the Group are set out in Note 8 to the consolidated financial statements.

The Company is a limited liability company incorporated in Bermuda on 21 February 2005. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Company has been listed on The Stock Exchange of Hong Kong Limited since 9 December 2005.

The English names of the PRC companies referred to in the consolidated financial statements represent management's direct translation of the Chinese names of these companies as these companies have not adopted formal English names.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 13 April 2010.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments).

2. Summary of significant accounting policies (continued)

2.1 Basis of presentation (continued)

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

As at 31 December 2009, the Group reported net current liabilities of approximately RMB 162,851,000 (2008: RMB 287,313,000). Subsequent to 2009 on 18 January 2010, the Company obtained additional funding through a share placement with certain institutional investors in the amount of HK$292 million (equivalent to approximately RMB 257 million). In addition, the Group had obtained long-term bank borrowing facilities, amounting to US$ 40 million (equivalent to approximately RMB 272 million) for replacing its existing short-term bank borrowings (Note 28). Taking into account the above measurements, the directors are confident that the Group has sufficient funds to pay its liabilities when they fall due and meet its obligations at least for a period of 12 months from 31 December 2009. As a result, the directors consider that it is appropriate to present the 2009 financial statements on a going concern basis.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The Group has adopted the following new and amended HKFRSs as of 1 January 2009:

- HKFRS 7 "Financial instruments – disclosures" (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the revised standard only results in additional disclosures, there is no impact on earnings per share.

2. Summary of significant accounting policies (continued)

2.1 Basis of presentation (continued)

Changes in accounting policy and disclosures (continued)

(a) New and amended standards adopted by the group (continued)

- HKAS 1 (revised). "Presentation of financial statements" – effective 1 January 2009. The revised standard requires "non-owner changes in equity" to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the adoption of the revised standard only impacts presentation aspects, there is no impact on earnings per share.

- HKFRS 8, "Operating segments" (effective 1 January 2009) and amendment (effective 1 January 2010). The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. The adoption of the HKFRS 8 does not cause significant change to the disclosure of segments.

- HKFRS 2 (amendment), 'Share-based payment' (effective 1 January 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to the grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. Based on the existing terms of share options granted by the Company, the amendment does not have a material impact on the Group's or Company's financial statements.

2. Summary of significant accounting policies (continued)

2.1 Basis of presentation (continued)

Changes in accounting policy and disclosures (continued)

(a) New and amended standards adopted by the group (continued)

- HKAS 23 (Revised) "Borrowing costs" – effective 1 January 2009. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The amendment does not have any impact on the Group's financial statements since the Group's previous accounting treatment is consistent with the revised standard.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

- HK(IFRIC) 17 "Distribution of non-cash assets to owners" (effective on or after 1 July 2009). The Group and Company will apply HK(IFRIC) 17 from 1 January 2010. It is not expected to have a material impact on the Group's or Company's financial statements.

2. Summary of significant accounting policies (continued)

2.1 Basis of presentation (continued)

Changes in accounting policy and disclosures (continued)

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

- HKAS 27 (revised), "Consolidated and separate financial statements", (effective from 1 July 2009). The Group will apply HKAS 27 (revised) prospectively to transactions with minority interest from 1 January 2010.

- HKFRS 3 (revised), "Business combinations" (effective from 1 July 2009). The Group will apply IFRS/HKFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

- HKAS 38 (amendment), "Intangible assets" (effective from 1 July 2009). The amendment will not result in a material impact on the Group's or Company's financial statements.

- HKFRS 5 (amendment), "Measurement of non-current assets (or disposal groups) classified as held for sale". It is not expected to have a material impact on the Group's or Company's financial statements.

- HKAS 1 (amendment), "Presentation of financial statements". It is not expected to have a material impact on the Group's or Company's financial statements.

- IFRS/HKFRS 2 (amendments), "Group cash-settled share-based payment transactions" (effective from 1 January 2010). The new guidance is not expected to have a material impact on the Group's and the Company's financial statements.

2. Summary of significant accounting policies (continued)

2.2 Consolidation

(a) Subsidiaries

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

Subsidiaries are entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investment in a subsidiary is stated at cost less provision for impairment losses (Note 2.8). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2. Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests in connection with equity interests in a subsidiary as transactions with parties external to the Group. Disposals of equity interests in a subsidiary owned by the Group to minority interests result in gains and losses for the Group that are recorded in the profit and loss. Purchases of equity interests in a subsidiary not already owned by the Group from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

2. Summary of significant accounting policies (continued)

2.4 Foreign currency translation (continued)

(b) Transactions and balances (continued)

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within "finance income or cost". All other foreign exchange gains and losses are presented in the statement of comprehensive income within "other (losses)/income – net".

(c) Group's entities

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a. assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

b. income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

c. all resulting exchange differences are recognised as a separate component of equity.

2. Summary of significant accounting policies (continued)

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate costs of the assets to their residual values over their estimated useful lives as follows:

Buildings	40 years
Plant and machinery	15 years
Equipment and motor vehicles	5-10 years

The assets' residual values ranged from 5% to 10% of their costs. Their residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included within "other income/(losses) – net" in the statement of comprehensive income.

2. Summary of significant accounting policies (continued)

2.6 Construction in progress

Construction in progress ("CIP") represents plants and properties under construction and machinery pending installation or testing. CIP is stated at cost which includes all expenditures and other direct costs, site restoration costs, prepayments and deposits attributable to the installation and borrowing costs arising from borrowings used to finance the construction during the construction period. CIP is not depreciated until such time as the assets are completed and ready for their intended use. When the assets concerned are brought into use, the costs are transferred to respective property, plant and equipment and depreciated in accordance with the policy as stated above.

2.7 Land use rights

Land use rights are up-front payments to acquire a long-term interest in land, which are regarded as operating leases. These payments are stated at cost and amortised over their respective lease terms on a straight-line basis, net of accumulated impairment charge.

2.8 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortisation or depreciation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2. Summary of significant accounting policies (continued)

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. Management determines the classification of its financial assets at initial recognition. The Group only holds "loans and receivables" in the balance sheet.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" (Note 2.12), "amounts due from related parties" and "cash and cash equivalents" in the balance sheet (Note 2.13).

2.9.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.9.3 Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2. Summary of significant accounting policies (continued)

2.9 Financial assets (continued)

2.9.3 Impairment of financial assets carried at amortised cost (continued)

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

2. Summary of significant accounting policies (continued)

2.9 Financial assets (continued)

2.9.3 Impairment of financial assets carried at amortised cost (continued)

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) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2.10 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designed as a hedging instrument, and if so, the nature of the item being hedged. The Group has not designed any derivative as hedging instrument. Accordingly, the Group's derivative instruments are not qualified for hedge accounting. Change in the fair value of these derivative instruments is recognised immediately in the consolidated statement of comprehensive income within "other income/(losses) – net".

2. Summary of significant accounting policies (continued)

2.11 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

A production process may result in more than one product being produced simultaneously. When the costs of conversion of each product are not separately identifiable, they are allocated based on the relative sales value of each product.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or option are shown in equity as a deduction, net of tax, from the proceeds.

2. Summary of significant accounting policies (continued)

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed as incurred.

2.17 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. Summary of significant accounting policies (continued)

2.17 Current and deferred income tax (continued)

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. Summary of significant accounting policies (continued)

2.18 Employee benefits

(a) Retirement benefits scheme

The Group participates in defined contribution retirement schemes organised by the local government authorities in the PRC. Employees are entitled to an annual pension equivalent to a fixed portion of their basic salaries at their retirement dates. The Group is required to make contributions to the retirement schemes at a rate of 18% (2008:18%) of the standard salary of those employees and have no further obligation for post-retirement benefits.

The Group contributes to a defined contribution retirement plan in Hong Kong which is available to all employees based in Hong Kong, the assets of which are held in separate trustee-administered funds. The retirement plan is funded by payments from the employees and the Group. The contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions are not allowed to be used to reduce the Group's contributions. The Group has no further payment obligations once the contributions have been paid.

The contributions are charged to the profit or loss of the Group as they become payable in accordance with the rules of the schemes/plan.

(b) Share-based compensation

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense and credited to share premium. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2. Summary of significant accounting policies (continued)

2.19 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Revenue recognition

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates of sales recognition on historical results taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is presented in the statement of comprehensive income net of value-added tax, returns, rebates and discounts and after elimination of sales transacted within the Group. Revenue is recognised as follows:

(a) Sales of goods

Sales of goods are recognised when the Group's entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

2. Summary of significant accounting policies (continued)

2.20 Revenue recognition (continued)

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivables is recognised using the original effective interest rate.

2.21 Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for acquiring land use rights, are charged to the profit or loss on a straight-line basis over the period of the lease.

2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the Finance Department.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. As at 31 December 2009, the Group had no significant assets denominated in foreign currencies other than the functional currency, while there were significant bank borrowings denominated in US dollars ("US$") and Hong Kong dollars ("HK$"). Accordingly, the foreign exchange risk of the Group mainly arises from these foreign currency denominated loans.

According to various external analysis and media reports, there may be a high likelihood of appreciation of RMB against US$ and HK$ in the near future. The market expectation on the appreciation is within a range up to 2%. As at 31 December 2009, if RMB had weakened/strengthened by 2% (2008: 5%) against HK$, with all other variables held constant, profit for the year would have been approximately RMB 784,000 (2008: RMB 2,200,000) lower/higher, mainly arising from net foreign exchange losses/gains on translation of HK$-denominated borrowings.

As at 31 December 2009, if RMB had weakened/strengthened by 2% (2008: 5%) against the US$, with all other variable held constant, profit for the year would have been approximately RMB 5,528,000 (2008: RMB 33,249,000) lower/higher, arising from foreign exchange losses/gains on translation of US$-denominated borrowings.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Price risk

Corn kernels are the major raw materials of the products of the Group and they are subject to commodity price changes in the commodity market. During the year, management did not use any commodity futures to control the exposure of the Group to the price fluctuations of corn kernel purchases.

(iii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets except for cash and cash equivalents, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk mainly arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. As at 31 December 2009, about 50% of the Group's bank borrowings were at floating rates, while the remaining 50% were at fixed rates.

As of December 2009, a substantial portion of the outstanding bank borrowings of the Group were obtained from domestic banks in Mainland China; while most borrowings were due to banks outside the Mainland China as at 31 December 2008. In 2009, if the interest rates on bank borrowings had decreased/increased by 27 basis points (2008: 5%), the usual interest adjustment scale imposed by the People's Bank of China during the year with all other variables held constant, profit for the year would have been approximately RMB 5,161,000 (2008: RMB 2,672,000) higher/lower mainly as a result of lower/higher interest expense on bank borrowings.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

Credit risk of the Group is mainly arising from cash and cash equivalents, trade and other receivables and amounts due from related companies.

The Group's bank deposits are mainly placed with banks with high credit ratings which are either listed or state-owned. The table below shows the bank balance of the deposits of the major counterparties of the Group as at 31 December 2009 and 2008:

	2009	2008
	RMB'000	RMB'000
Counterparty:		
State-owned or listed banks	**773,188**	245,581
Other banks	**4,472**	2,559
	777,660	248,140

For trade and other receivables and amounts due from related parties, the credit quality of the counterparties is assessed by taking into account their financial position, credit history and other economic factors. Individual credit limits are set based on the assessment of the credit quality. Given the trade and credit history of the parties who had maintained receivable balances due to the Group as at 31 December 2009, the directors are of the opinion that the risk of default by these counterparties is not significant. In addition, the Group has no significant concentration of credit risk from customers.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by arranging banking facilities and other external financing.

The table below sets out an analysis of the Group's financial liabilities based on their maturity as at the respective balance sheet dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 1 year equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year RMB'000	**Between 1 and 2 years** RMB'000	**Between 2 and 5 years** RMB'000
Group			
At 31 December 2009			
Borrowings	1,939,122	–	218,378
Trade and other payables	402,396	–	–
Amount due to related parties	4,352	–	–
At 31 December 2008			
Borrowings	869,410	–	–
Trade and other payables	451,391	–	–
Amount due to related parties	7,940	–	–
Company			
At 31 December 2009			
Borrowings	160,622	–	–
Trade and other payable	3,213	–	–
Amount due to related parties	125,864	–	–
At 31 December 2008			
Borrowings	729,410	–	–
Trade and other payable	4,470	–	–
Amount due to related parties	1,211	–	–

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

As at 31 December 2009, the Group recorded net current liabilities amounting to RMB 162,851,000. The directors have closely monitored the cash flow from operations and financing activities and its capital expenditure investment plans through preparing rolling cash flow forecasts. They have also obtained adequate available banking facilities and raised fund from capital market to meet cash demands. Because of the reasons as stated at Note 2.1, the directors are of the opinion that the Group could properly mitigate the liquidity risks.

3.2 Capital risk management

The Group's objectives when managing capital (which comprises of total equity) are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with other industry players, the Group monitors its capital to debt position based on its gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents.

3. Financial risk management (continued)

3.2 Capital risk management (continued)

The Group's strategy is maintaining a gearing ratio below 70%. The gearing ratio of the Group as at 31 December 2009 and 2008 are as follows:

	Note	**2009** RMB'000	2008 RMB'000
Total borrowings	*15*	**2,129,122**	869,410
Less: Cash and cash equivalents	*11*	**(777,664)**	(248,158)
Net debt		**1,351,458**	621,252
Total equity		**1,472,607**	1,368,206
Gearing ratio		**92%**	45%

The significant increase in gearing ratio from 45% in 2008 to 92% in 2009 was primarily due to new bank borrowing facilities obtained and drawn down during the current year in order to finance its working capital. Subsequent to 31 December 2009, the gearing ratio was reduced because of the share placement mentioned in Note 28.

3.3 Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of fair value measurement hierarchy.

As at 31 December 2009, the Group had only one insignificant financial instruments which was an ineffective foreign exchange forward contract. It had been stated at its fair value.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

Impairment of property, plant and equipment

Due to the fact that the Group has been actively exploring new business growth opportunities and developing new products to meet market's changing demands, certain property, plant and equipment designated for the production of certain specific products no longer under production, with an aggregate net book value of RMB 7,350,000 as at 31 December 2009, after a provision of impairment loss of approximately RMB 18,539,000 set up in the prior years, were left unutilised with the Group. There had not been a plan to utilise them in the future operations of the Group and there is no available market to resell the equipment. Accordingly, the management considered to fully write off the carrying amount of these equipments. As a result, an additional impairment charge of RMB 7,350,000 was recognised in 2009 in order to fully provide for the carrying amount of the equipment.

5. Revenue and segment information

The chief operating decision-maker has been identified as the chief executive officer. The chief executive officer reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The chief executive officer assesses the performance of the operating segments based on a measure of operating profit. This measurement basis excludes the effects of non-recurring expenditure from the operating segments, such as restructuring costs, legal expenses and impairments when the impairment is the result of an isolated, non-recurring event. Interest income and expenditure are not included in the result for each operating segment that is reviewed by the chief executive officer. Other information provided to the chief executive officer is measured in a manner consistent with that in the financial statements.

The turnover of the Group represents sales of goods.

Year ended 31 December 2009

	Note	**Starch sugars** RMB'000	**Corn co-products and others** RMB'000	**Group** RMB'000
Gross segment sales		1,114,851	1,464,857	2,579,708
Inter-segment sales		–	(98,855)	(98,855)
Sales from external customers		1,114,851	1,366,002	2,480,853
Operating profit/Segment results		106,996	65,192	172,188
Finance income – net	*20*			(56,346)
Profit before income tax				115,842
Income tax expense	*21*			(14,323)
Profit for the year				101,519
Capital expenditure	*6, 7*	152,829	116,207	269,036
Depreciation	*6*	50,141	29,469	79,610
Amortisation	*7*	3,039	791	3,830
Impairment loss on property, plant and equipment	*6*	–	7,350	7,350

5. Revenue and segment information (continued)

Year ended 31 December 2008

	Note	Starch sugars RMB'000	Corn co-products and others RMB'000	Group RMB'000
Gross segment sales		1,151,359	2,430,575	3,581,934
Inter-segment sales		–	(1,037,542)	(1,037,542)
Sales from external customers		1,151,359	1,393,033	2,544,392
Operating profit/Segment results		39,767	10,721	50,488
Finance income – net	*20*			10,299
Profit before income tax				60,787
Income tax credit	*21*			2,862
Profit for the year				63,649
Capital expenditure	*6, 7*	216,663	35,376	252,039
Depreciation	*6*	40,959	39,296	80,255
Amortisation	*7*	3,039	406	3,445
Write-down of inventories to net realisable value	*9*	8,432	29,464	37,896
Impairment loss on property, plant and equipment	*6*	–	18,539	18,539

Total revenue derived from external customers in the PRC is RMB 2,177,903,000 for the year ended 31 December 2009 (2008: RMB 2,222,607,000), and the total of revenue derived from external customers from other countries is RMB 302,950,000 (2008: RMB 321,785,000).

Inter-segment transfers or transactions are entered into under the terms and conditions agreed by both parties.

Because the chief executive officer reviews the financial position of the Group as a whole, no segment assets/liabilities were disclosed.

Capital expenditure comprises additions to property, plant and equipment, land use rights and construction in progress (Notes 6 and 7).

6. Property, plant and equipment – Group

	Buildings RMB'000	Plant and machinery RMB'000	Equipment and motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2008					
Cost	191,371	1,259,428	2,032	43,737	1,496,568
Accumulated depreciation	(12,983)	(139,161)	(702)	–	(152,846)
Net book amount	178,388	1,120,267	1,330	43,737	1,343,722
Year ended 31 December 2008					
Opening net book amount	178,388	1,120,267	1,330	43,737	1,343,722
Additions	469	3,114	456	248,000	252,039
Transfers from construction in progress	33,967	207,114	–	(241,081)	–
Disposal	(900)	(7,853)	–	–	(8,753)
Depreciation charge	(4,866)	(75,060)	(329)	–	(80,255)
Impairment charge	(1,758)	(16,781)	–	–	(18,539)
Closing net book amount	**205,300**	**1,230,801**	**1,457**	**50,656**	**1,488,214**
At 31 December 2008					
Cost	224,832	1,453,899	2,488	50,656	1,731,875
Accumulated depreciation	(17,774)	(206,317)	(1,031)	–	(225,122)
Accumulated impairment	(1,758)	(16,781)	–	–	(18,539)
Net book amount	**205,300**	**1,230,801**	**1,457**	**50,656**	**1,488,214**
Year ended 31 December 2009					
Opening net book amount	205,300	1,230,801	1,457	50,656	1,488,214
Additions	186	10,172	2,758	167,619	180,735
Transfers to construction in progress	19,962	76,932	12,137	(109,031)	–
Transfers from construction in progress	–	(151,320)	–	151,320	–
Disposal	–	(4,489)	–	–	(4,489)
Depreciation charge	(4,377)	(74,005)	(1,228)	–	(79,610)
Impairment charge	–	(7,350)	–	–	(7,350)
Closing net book amount	**221,071**	**1,080,741**	**15,124**	**260,564**	**1,577,500**
At 31 December 2009					
Cost	244,980	1,383,366	17,382	260,564	1,906,292
Accumulated depreciation	(22,151)	(278,494)	(2,258)	–	(302,903)
Accumulated impairment	(1,758)	(24,131)	–	–	(25,889)
Net book amount	**221,071**	**1,080,741**	**15,124**	**260,564**	**1,577,500**

6. Property, plant and equipment – Group (continued)

Due to the fact that the Group has been actively exploring new business growth opportunities and developing new products to meet market's changing demands, certain property, plant and equipment designated for the production of certain specific products no longer under production, with an aggregate net book value of RMB 7,350,000 as at 31 December 2009, after a provision of impairment loss of approximately RMB18,539,000 set up in the prior years, were left unutilised with the Group. There had not been a plan to utilise them in the future operations of the Group and there is no available market to resell the equipment. Accordingly, the management considered to fully write off the carrying amount of these equipments. As a result, an additional impairment charge of RMB 7,350,000 was recognised in 2009 in order to fully provide for the carrying amount of the equipment.

Construction in progress mainly comprises construction costs incurred for construction of a new oligosaccharide production line. Borrowing costs amounting to RMB 16,097,000 (2008: Nil) had been capitalised as part of construction costs of the construction in progress at rates ranging from 3.53% to 5.18%.

7. Land use rights – Group

It mainly represents prepaid operating lease payments associated with parcels of land located in the PRC. The remaining unexpired lease periods range between 10 to 50 years.

	2009	2008
	RMB'000	RMB'000
Year ended 31 December		
Opening net book amount	**160,251**	163,696
Addition	**88,301**	–
Amortisation charge	**(3,830)**	(3,445)
Closing net book amount	**244,722**	160,251
At 31 December		
Cost	**258,177**	169,876
Accumulated amortisation	**(13,455)**	(9,625)
Net book amount	**244,722**	160,251

8. Investment in and amount due from a subsidiary – Company

(a) Investment in a subsidiary

Investment in a subsidiary represents the Company's equity investment in Master Team International Limited ("Master Team") amounting to US$1 (equivalent to approximately RMB 8).

The Group's subsidiaries are all limited liability companies. Particulars of the principal subsidiaries of the Group as at 31 December 2009 are as follows:

Name	Place of incorporation	Issued share and fully paid-up capital	Principal activities and place of operations	Interest held
Held directly:				
Master Team International Limited ("Master Team")	British Virgin Islands (the "BVI")	US$1	Investment holding, the BVI	100%
Held indirectly:				
Winning China Limited	Hong Kong	HK$1	Investment holding, Hong Kong	100%
Shandong Xiwang Sugar Industry Co., Ltd. ("Xiwang Sugar")	The PRC	RMB 518,000,000	Manufacture and sale of starch sugars and corn co-products, the PRC	100%
Shandong Xiwang Bio-Chem Technology Co., Ltd. ("Xiwang Technology")	The PRC	RMB 571,000,000	Manufacture and sale of starch sugars and corn co-products, the PRC	100%
Shandong Xiwang Functional Sugar Co., Ltd. ("Xiwang Functional") (Subsidiary of Xiwang Technology)	The PRC	RMB 50,000,000	Manufacture and sale of starch sugars and corn co-products, the PRC	100%
Xiwang Sugar (Hong Kong) Limited ("Xiwang Sugar HK")	Hong Kong	HK$ 1,000	Export trading of starch sugars and corn co-products, Hong Kong	100%
Xiwang Int'l Company Korea Ltd ("Xiwang Korea") (Subsidiary of Xiwang Sugar HK)	Korea	Korean Won 300,000,000	Import trading and selling of starch sugars and corn co-products, Korea	71%

8. Investment in and amount due from a subsidiary – Company (continued)

(b) Amount due from a subsidiary

	Note	2009 RMB'000	2008 RMB'000
Amount due from Master Team			
– quasi-equity	*(i)*	**697,169**	697,169
– advance	*(ii)*	**178,488**	633,901
		875,657	1,331,070
Less: non-current portion		**(697,169)**	(697,169)
Current portion – advance	*(ii)*	**178,488**	633,901

(i) The directors of the Company consider the balance is quasi-equity in nature and therefore have no intention to demand for a repayment in the foreseeable future. The balance is unsecured, non-interest bearing and denominated in HK$.

(ii) The advance to Master Team is unsecured, non-interest bearing, repayable on demand and denominated in HK$.

9. Inventories – Group

	2009 RMB'000	2008 RMB'000
Raw materials	**250,426**	199,173
Work in progress	**63,668**	44,530
Finished goods	**63,565**	82,780
	377,659	326,483

The cost of inventories recognised as expenses and included in cost of goods sold amounted to approximately RMB 2,156,834,000 for the year ended 31 December 2009 (2008: RMB 2,306,060,000).

During the year ended 31 December 2009, the provision for net realisable value amounting to RMB 37,896,000 set up in 2008 had been offset against the gross costs of the related inventory items when these items were sold.

10. Trade and other receivables – Group and Company

		Group		Company	
		2009	2008	**2009**	2008
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Trade receivables – gross and net	*(a)*	**178,629**	135,819	**–**	–
Bills receivable	*(b)*	**393,330**	205,964	**–**	–
Advance to suppliers	*(c)*	**355,570**	75,067	**–**	–
Other receivables		**22,390**	36,322	**1,090**	3,815
		949,919	453,172	**1,090**	3,815

(a) Certain major customers are granted credit periods ranging from 30 to 180 days while most sales of goods made with other customers are on cash on delivery basis, or with prepayments covering the full sales amounts be made before goods delivery.

(b) Bills receivable are received from customers under the ordinary course of business. All of them are bank acceptance bills with maturity period within 6 months.

(c) Such advance payments were made by the Group in order to ensure stable supplies of corn kernels and electricity and steam at more favourable price.

An ageing analysis of the Group's gross trade receivables, presented according to the invoice date, is as follows:

	2009	2008
	RMB'000	RMB'000
0 -30 days	**93,015**	65,273
31-60 days	**34,550**	9,102
61-90 days	**31,177**	19,865
Over 90 days	**19,887**	41,579
	178,629	135,819

Trade receivables that are less than three months past due are not considered impaired. As at 31 December 2009, the trade receivables that were past due but not impaired were insignificant. These were mainly receivables due from a number of independent customers for whom there was no recent history of default.

10. Trade and other receivables– Group and Company (continued)

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**864,531**	441,013	**–**	–
US$	**82,781**	11,666	**–**	3,815
HK$	**2,381**	346	**1,090**	–
WON	**226**	147	**–**	–
	949,919	453,172	**1,090**	3,815

As at 31 December 2009 and 2008, the fair values of trade and other receivables of the Group and the Company approximate to their carrying amounts. The maximum exposure to credit risk at the reporting date is the fair value of the receivable balances mentioned above. The Group does not hold any collateral as security.

11. Cash and cash equivalents – Group and Company

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and on hand	**467,023**	27,270	**2,157**	2,280
Short-term bank deposits	**310,641**	220,888	**–**	–
	777,664	248,158	**2,157**	2,280

11. Cash and cash equivalents – Group and Company (continued)

The maximum exposure to credit risk at the reporting date is the carrying amounts of cash and cash equivalents.

The effective weighted average rate of these short-term deposits was 1.84% (2008: 1.89%) per annum. These deposits have an average maturity of 305 days (2008: 180 days) but they could be withdrawn anytime without any restriction. As a result, the directors consider that they meet the criteria be presented as cash and cash equivalents.

The Group's cash and cash equivalents denominated in RMB are deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The carrying amounts of the Group's and the Company's cash and cash equivalents as at 31 December 2009 are denominated in the following currencies:

	Group		**Company**	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**762,195**	230,252	**–**	–
US$	**11,725**	12,569	**139**	263
HK$	**3,161**	4,003	**2,018**	2,017
Won	**583**	1,334	**–**	–
	777,664	248,158	**2,157**	2,280

12. Share capital and share premium – Group and Company

		Number of shares in issue (thousands)	Share capital RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2008		829,552	86,375	468,998	555,373
Proceeds from share options exercised		800	80	1,792	1,872
Employee share option scheme-value of services provided	*(c)*	–	–	1,063	1,063
At 31 December 2008		830,352	86,455	471,853	558,308
Employee share option scheme-value of services provided	*(c)*	–	–	2,882	2,882
Scrip dividends	*(a)*	17,024	1,498	21,154	22,652
Transfer to other reserves *(Note 13)*	*(b)*	–	–	(471,853)	(471,853)
At 31 December 2009		847,376	87,953	24,036	111,989

The total authorised number of ordinary shares is 2,000 million ordinary shares (2008: 2,000 million shares) with a par value of HK$0.1 per share (2008: HK$0.1 per share). All issued shares are fully paid.

(a) Scrip dividends

17,024,406 shares were allocated and issued under the scrip dividend scheme approved in the annual general meeting held on 26 June 2009.

(b) Transfer to other reserves

According to a resolution passed at the special general meeting held on 26 June 2009, the Company transferred all its share premium as at 31 December 2008 to other reserves in order to increase the distributable reserves of the Company.

12. Share capital and share premium – Group and Company (continued)

(c) Employee share options

A share option scheme was approved and adopted by the Company according to a written resolution of the board of directors of the Company passed on 6 November 2005 (the "Scheme"). The Scheme is made to enable the Group to grant options to selected participants as incentives or rewards for their contribution made to the Group. The total number of shares that may be issued upon exercise of all outstanding options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 80,000,000 shares in aggregate.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2009		2008	
	Average exercise price in HK$ per share	**Options (in thousands)**	Average exercise price in HK$ per share	Options (in thousands)
At 1 January	**2.95**	**5,979**	3.69	6,592
Granted	**1.32**	**6,579**	2.95	5,979
Exercised	**–**	**–**	2.50	(800)
Forfeited	**–**	**–**	3.86	(5,792)
Cancelled	**2.95**	**(5,979)**	–	–
At 31 December	**1.32**	**6,579**	2.95	5,979

There were no options that were exercisable as at 31 December 2009 (2008: Nil), and no options were exercised during 2009 (2008: 800,000 shares exercised).

Share options outstanding as of the end of the year have the following expiry date and exercise price.

12. Share capital and share premium – Group and Company (continued)

(c) Employee share options (continued)

Expiry date	Exercise price HK$ per share	Number of options (in thousands) 2009	2008
25 May 2018	2.95	**–**	5,979
7 May 2019	1.32	**6,579**	–
		6,579	5,979

During 2009, 5,979,000 share options with exercise price of HK$2.95 were cancelled and replaced by new share options in the same quantity with exercise price of HK$1.32. The replacement was regarded as a modification made to the original share options granted and this modification resulted in an increase in fair value of these share options amounting to HK$941,000, equivalent to RMB 828,000. The amount has been included in the measurement of the amount recognised for expected services received from the employee grantee over a period from the modification date until the date when the modified share options vest. The fair value of the original share options was continued to be recognised for the service of the respective grantees over the original expected service period.

The fair value of options granted in 2009 determined using the Binomial Option Pricing Model was approximately RMB 3,909,000 (2008: RMB 5,397,000). The significant inputs into the model were share price of HK$1.32 (2008: HK$2.95) at the grant date, the exercise price shown above; volatility of 62.72% (2008: 56.68%); dividend yield of 2.55% (2008: 5.66%); an expected average option life of 3,650 days (2008: 2,008 days to 2,373 days); and annual risk-free interest rate of 2.199% (2008: 2.66% to 2.74%). The expected volatility was based on the historical volatility of the share prices of the Company over a period that is equal to the contractual life of the share options.

13. Other reserves – Group and Company

Group

		Capital reserve RMB'000	Statutory reserve RMB'000	Discretionary reserve RMB'000	Contributed surplus RMB'000	Total RMB'000
Balance at 1 January 2008		117,023	119,547	–	–	236,570
Appropriation to statutory reserves	*(a)*	–	10,699	–	–	10,699
Balance at 31 December 2008		117,023	130,246	–	–	247,269
Appropriation to statutory reserves	*(a)*	–	14,225	–	–	14,225
Appropriation to discretionary reserves	*(b)*	–	–	36,569	–	36,569
Transferred from share premium *(Note 12b)*		–	–	–	471,853	471,853
Balance at 31 December 2009		117,023	144,471	36,569	471,853	769,916

Company

		Capital reserve RMB'000	Contributed surplus RMB'000	Total RMB'000
Balance at 1 January and 31 December 2008	*(c)*	151,442	–	151,442
Transferred from share premium *(Note 12b)*		–	471,853	471,853
Balance at 31 December 2009		151,442	471,853	623,295

13. Other reserves – Group and Company (continued)

(a) In accordance with the relevant government regulations in the PRC and the provisions of the articles of association of Xiwang Sugar and Xiwang Technology, the PRC subsidiaries are required to appropriate at each year end a 10% of their profit for the year after offsetting any accumulated losses brought forward (based on figures reported in the statutory financial statements) to a statutory surplus reserve account. Xiwang Sugar and Xiwang Technology had made appropriations at 10% to these statutory surplus reserve account for the year ended 31 December 2009. These reserves are required to be retained for designated usages.

(b) In April 2009, the directors of Xiwang Sugar and Xiwang Technology resolved that amounts totalling RMB 36,569,000 be set aside from the profits earned in 2008 by these two companies to a discretionary reserve which is designated for future expansion of operations of these subsidiaries.

In April 2010, the directors of Xiwang Sugar and Xiwang Technology resolved that RMB 128,025,000 be set aside from retained profits earned in 2009 by these two companies to its discretionary reserves for the same purpose. Such appropriations have not been reflected in these financial statements but will be dealt with in retained earnings for the year ending 31 December 2010.

(c) The amount arose from a group reorganisation undertaken in 2005.

14. Trade and other payables – Group and Company

	Group		**Company**	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**135,689**	200,648	**–**	–
Other payables	**224,961**	236,039	**3,213**	4,470
Other taxes payables	**4,188**	2,163	**–**	–
Deposits and advance from customers	**37,558**	12,541	**–**	–
	402,396	451,391	**3,213**	4,470

14. Trade and other payables – Group and Company (continued)

An ageing analysis of the trade payables is as follows:

	2009	2008
	RMB'000	RMB'000
0 – 30 days	**97,488**	95,172
31 – 60 days	**2,531**	26,398
61 – 90 days	**11,567**	36,324
Over 90 days	**24,103**	42,754
	135,689	200,648

Approximately RMB 176,562,000 (2008: RMB 206,323,000) of other payables as at 31 December 2009 represents payables for purchases of property, plant and equipment in relation to the construction of the new fructose plant and the new oligosaccharide production line of the Group.

The carrying amounts of trade and other payables are primarily denominated in RMB. The carrying amounts of the Group's and Company's trade and other payables approximate their fair values.

15. Borrowings – Group and Company

		Group		Company	
		2009	2008	**2009**	2008
		RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current					
Bank borrowings – unsecured	*(a)*	**190,000**	–	**–**	–
		190,000	–	**–**	–
Current					
Bank borrowings – unsecured:					
– Short term bank borrowings	*(a)*	**1,822,500**	74,000	**44,000**	44,000
– Current portion of long term bank borrowings	*(a), (b)*	**116,622**	795,410	**116,622**	685,410
		1,939,122	869,410	**160,622**	729,410
		2,129,122	869,410	**160,622**	729,410

(a) As at 31 December 2009, bank borrowings amounting to RMB 220,000,000 were guaranteed by two unrelated companies in the PRC which are business associate of the Group without any cross-guarantee offered by the Group. In addition, bank borrowings amounting to RMB 1,689,122,000 were guaranteed by companies within the Group.

(b) The amount represents the outstanding balance drawn down by the Group for a long term loan facility, which the Group had breached certain financial covenants in 2008 and had been reclassified as current liabilities. The lending bank had not demanded for repayment during 2009.

15. Borrowings – Group and Company (continued)

The maturity of the borrowings as of 31 December 2009 is as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**1,939,122**	869,410	**160,622**	729,410
1 to 2 years	**–**	–	**–**	–
2 to 5 years	**190,000**	–	**–**	–
	2,129,122	869,410	**160,622**	729,410

The weighted average effective interest rates of the floating rate borrowings at the balance sheet date were as follows:

	Group		Company	
	2009	2008	**2009**	2008
Bank borrowings	**5.174%**	4.791%	**1.752%**	4.158%

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates are within one year.

15. Borrowings – Group and Company (continued)

The carrying amounts of current borrowings approximate their fair values. The carrying amounts of non-current borrowings also approximate their fair value since they are at floating interest rate.

The carrying amounts of the borrowings are denominated in the following currencies:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**1,780,000**	140,000	**–**	–
US$	**305,122**	685,410	**116,622**	685,410
HK$	**44,000**	44,000	**44,000**	44,000
	2,129,122	869,410	**160,622**	729,410

Subsequent to 31 December 2009 and up to the date of approval of the financial statements, the Group had repaid part of the bank borrowings amounting to approximately RMB 316,622,000.

16. Deferred income tax assets – Group

Deferred income tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to the same fiscal authority. No amounts were offset during 2008 and 2009.

	2009	2008
	RMB'000	RMB'000
Deferred tax assets to be recovered after more than 12 Months	**–**	2,317
Deferred tax assets to be recovered within 12 months	**3,236**	4,737
	3,236	7,054

16. Deferred income tax assets – Group (continued)

The movement in deferred tax assets are as follows:

	Note	**Inventory written down to net realisable values** RMB'000	**Impairment charge on property, plant and equipment** RMB'000	**Total** RMB'000
At 1 January 2008		–	–	–
Credited to profit or loss	*21*	4,737	2,317	7,054
At 31 December 2008		4,737	2,317	7,054
(Charged)/credited to profit or loss	*21*	(4,737)	919	(3,818)
At 31 December 2009		–	3,236	3,236

There were no material temporary differences which would lead to recognition of deferred tax liabilities as at 31 December 2009 (2008: Nil).

17. Expenses by nature

	Note	2009 RMB'000	2008 RMB'000
Changes in inventories of finished goods and work in progress		**77**	(6,868)
Raw materials and consumables used		**1,734,399**	1,875,838
Utility expenses		**268,191**	247,896
Depreciation and amortisation	*6, 7*	**83,440**	83,700
Carriage outwards expense		**81,405**	68,992
Employee benefit expenses	*19*	**71,771**	58,824
Inventory net realisable value provision		**–**	37,896
Undeductible input value-added tax charged to cost of goods sold		**25,860**	27,379
Impairment loss on property, plant and equipment		**7,350**	18,539
Auditor's remuneration		**3,000**	3,282
Other expenses		**34,741**	80,358
Total		**2,310,234**	2,495,836
Representing:			
Cost of goods sold		**2,164,184**	2,324,599
Selling and marketing costs		**97,905**	107,282
Administrative expenses		**48,145**	63,955
		2,310,234	2,495,836

18. Other income – net

	2009	2008
	RMB'000	RMB'000
Gains on sales of scrap materials	**980**	9,935
Fair value loss on derivative financial instruments	**(1,042)**	(807)
Loss on disposal of property, plant and equipment	**(455)**	(8,753)
Others	**2,086**	1,557
	1,569	1,932

19. Employee benefit expenses

	2009	2008
	RMB'000	RMB'000
Wages, salaries and other staff benefits	**63,271**	54,542
Pension costs – defined contribution plans	**5,618**	3,219
Share options granted to employees	**2,882**	1,063
	71,771	58,824

19. Employee benefit expenses (continued)

(a) Directors' emoluments

The remuneration of each director of the Company for the year ended 31 December 2009:

Name of Director	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Inducement fees RMB'000	Other benefits RMB'000	Employer's contribution to pension scheme RMB'000	Compensation for loss of office as director RMB'000	Total RMB'000
Mr. Wang Yong	–	96	–	–	–	–	–	96
Mr. Wang Liang	–	48	–	–	–	4	–	52
Mr. Wang Chengqing	–	48	–	–	–	–	–	48
Mr. Han Zhong	–	48	–	–	–	4	–	52
Ms. Li Wei	–	48	–	–	–	4	–	52
Mr. Liu Jiqiang	–	48	–	–	–	4	–	52
Mr. Sun Xinhu	–	48	–	–	–	–	–	48
Mr. Shi Weichen	–	100	–	–	–	–	–	100
Mr. Wong Kaiming	–	132	–	–	–	–	–	132
Mr. Shen Chi	–	100	–	–	–	–	–	100

19. Employee benefit expenses (continued)

(a) Directors' emoluments (continued)

The remuneration of each director of the Company for the year ended 31 December 2008:

Name of Director	Fees	Salary	Discretionary bonuses	Inducement fees	Other benefits	Employer's contribution to pension scheme	Compensation for loss of office as director	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Wang Yong	–	96	–	–	–	–	–	96
Mr. Wang Liang	–	48	–	–	–	3	–	51
Mr. Wang Chengqing	–	48	–	–	–	3	–	51
Mr. Liu Hengfang	–	24	–	–	–	–	–	24
Mr. Han Zhong	–	48	–	–	–	3	–	51
Ms. Li Wei	–	48	–	–	–	3	–	51
Mr. Liu Jiqiang	–	48	–	–	–	3	–	51
Mr. Sun Xinhu	–	–	–	–	–	–	–	–
Mr. Shi Weichen	–	100	–	–	–	–	–	100
Mr. Wong Kaiming	–	137	–	–	–	–	–	137
Mr. Shen Chi	–	100	–	–	–	–	–	100

Seven directors waived emoluments amounting to RMB 990,000 in aggregate during 2009 (2008: 990,000).

19. Employee benefit expenses (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group in 2009 include no director (2008: Nil). The emoluments payable to these five individuals in 2009 (2008: five) are as follows:

	2009 **RMB'000**	2008 RMB'000
Basic salaries, share options and benefits in kind	**3,463**	2,935
Pensions	**42**	70
	3,505	3,005

The emoluments fell within the following band:

	Number of individuals	
	2009	2008
Emolument bands		
Nil – RMB 880,000 (Nil – HK$1,000,000)	**4**	5
RMB 880,001 – RMB 1,760,000 (HK$1,000,001 – HK$2,000,000)	**1**	–
RMB 1,760,001 – RMB 2,640,000 (HK$ 2,000,001 – HK$3,000,000)	**–**	–
	5	5

20. Finance income and costs

	2009 RMB'000	2008 RMB'000
Interest expenses – bank borrowings	**(77,993)**	(53,435)
Less: amount capitalised in construction in progress *(Note 6)*	**16,097**	–
	(61,896)	(53,435)
Net exchange (loss)/gains	**(3,146)**	54,735
Finance (costs)/income	**(65,042)**	1,300
Interest income on bank balances	**8,696**	8,999
Net finance (costs)/income	**(56,346)**	10,299

21. Income tax expense

Pursuant to the rules and regulations of Bermuda and the BVI, the Group was not subject to any income tax in Bermuda and the BVI during 2009 (2008: Nil).

No Hong Kong profits tax was provided for as the Group had no estimated assessable profit arising in or derived from Hong Kong during 2009 (2008: Nil).

Pursuant to the PRC Corporate Income Tax ("CIT"), all PRC enterprises are subject to a standard enterprise income tax rate of 25%, except for enterprises under specific preferential policies and provisions. Xiwang Sugar and Xiwang Technology are production enterprises with foreign investments, and therefore they are eligible to enjoy certain CIT preferential treatments in accordance with the new CIT Law and tax regulation. The applicable tax rate of both Xiwang Sugar and Xiwang Technology in 2009 was 12.5% (2008: 12.5% for Xiwang Sugar and Nil for Xiwang Technology). The applicable tax rate of Functional Sugar in 2009 was 25%.

21. Income tax expense (continued)

In addition, according to Zouguoshuihan (2007) No. 66 issued by the National Tax Bureau of Zouping County, Xiwang Technology was approved to be exempted from corporate income tax amounting to maximum RMB 41,121,000 for 7 years in aggregate, starting from 2007. The concession was granted because of Xiwang Technology's purchase of domestically manufactured equipment.

Pursuant to the new CIT Law and relevant regulations, withholding tax is levied on dividends paid to foreign investors from PRC enterprises relating to profit earned after 1 January 2008. The directors of the Company consider that both its subsidiaries in the PRC, Xiwang Sugar and Xiwang Technology, will not distribute their profits earned after 1 January 2008 in the foreseeable future, accordingly, no deferred tax had been recognised for the undistributed retained earnings.

	2009	2008
	RMB'000	RMB'000
Current tax		
– PRC corporate income tax	**10,505**	4,192
Deferred tax		
– Reversal/(origination) of deferred tax assets recognised on originating temporary differences *(Note 16)*	**3,818**	(7,054)
Income tax expense/(credit)	**14,323**	(2,862)

21. Income tax expense (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using weighted average tax rate applicable to profits of the group companies as follows:

	2009	2008
	RMB'000	RMB'000
Profit before tax	**115,842**	60,787
Calculated at applicable tax rate of 25% (2008: 25%)	**28,961**	15,197
Effect of tax preferential treatment	**(19,398)**	(18,059)
Adjustment in respect of prior years	**4,760**	–
Income tax expense/(credit)	**14,323**	(2,862)

22. Dividend

The dividend in respect of the year ended 31 December 2008 was RMB 0.027 per share or RMB 22,420,000 in aggregate. It was satisfied by allotment of new ordinary shares of the Company, credited as fully paid, by way of scrip dividend, at HK$25,741,000 or RMB 22,652,000 translated at the exchange rate prevailing at the actual payment date.

At a board of directors meeting held on 13 April 2010, the directors of the Company proposed a final dividend of RMB 0.037 per share, which will be paid in cash with a scrip dividend alternative. Such dividend is to be approved by the shareholders at the forthcoming annual general meeting of the Company to be held on 3 June 2010. This proposed dividend has not been reflected as a dividend payable in these financial statements but will be reflected as an appropriation of retained earnings for the year ending 31 December 2010.

The amount of proposed final dividend for 2009 was based on 967,376,406 shares in issue as at the date of this report.

23. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. The new shares issued during 2009 as a result of the scrip dividend were deemed to have been issued since 1 January 2008.

	2009	2008 (restated)
Profit attributable to the equity holders of the Company (RMB'000)	**101,759**	63,778
Weighted average number of ordinary shares in issue (thousands)	**847,376**	847,369
Basic earnings per share (RMB per share)	**0.120**	0.075

(b) Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of share options. For the share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the issued share options.

23. Earnings per share (continued)

(b) Diluted (continued)

	2009	2008 (restated)
Profit attributable to the equity holders of the Company (RMB'000)	**101,759**	63,778
Weighted average number of ordinary shares in issue (thousands)	**847,376**	847,369
Adjustments for share options (thousands)	**1,214**	–
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**848,590**	847,369
Diluted earnings per share (RMB per share)	**0.120**	0.075

24. Cash generated from operations

(a) Reconciliation of profit before income tax to cash (used in)/generated from operations is as follows:

	Note	**2009 RMB'000**	2008 RMB'000
Profit before income tax		**115,842**	60,787
Adjustments for:			
– Depreciation	*6*	**79,610**	80,255
– Amortisation	*7*	**3,830**	3,445
– Share-based payments	*19*	**2,882**	1,063
– Impairment loss on property, plant and equipment	*6*	**7,350**	18,539
– Loss on disposal of property, plant and equipment	*18*	**455**	8,753
– Interest income	*20*	**(8,696)**	(8,999)
– Foreign exchange gains		**–**	(54,456)
– Interest expenses	*20*	**61,896**	53,435
– Fair value loss on financial instruments		**1,042**	1,446
Changes in working capital:			
– Inventories		**(51,176)**	3,479
– Trade and other receivables		**(494,384)**	56,868
– Amounts due from related parties		**(70,895)**	79,312
– Trade and other payables		**(19,234)**	34,794
– Amounts due to related parties		**(3,588)**	3,134
Cash (used in)/generated from operations		**(375,066)**	341,855

24. Cash generated from operations (continued)

(b) In the consolidated cash flow statement, proceeds from sale of property, plant and equipment comprise:

	Note	2009 RMB'000	2008 RMB'000
Net book value disposed	*6*	**4,489**	8,753
Loss on disposal of property, plant a and equipment	*18*	**(455)**	(8,753)
Proceeds from disposal of property, plant and equipment		**4,034**	–

25. Commitments

Capital commitment

Capital expenditure committed at the balance sheet date but not yet incurred is as follows:

	2009 RMB'000	2008 RMB'000
Property, plant and equipment		
– Contracted but not provided for	**34,974**	12,977
– Authorised but not contracted for	**12,540**	–
	47,514	12,977

25. Commitments (continued)

Operating lease commitments

The Group leases offices premises in Hong Kong under non-cancellable operating lease agreements. The lease terms are within 2 years, and the majority of these lease agreements are renewable at the end of the period at the prevailing market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2009	2008
	RMB'000	RMB'000
No later than 1 year	**1,112**	1,353
Later than 1 year and no later than 5 years	**1,020**	–
	2,132	1,353

26. Related party transactions

The Group is controlled by the Xiwang Investment Company Limited (incorporated in BVI), which owns about 63% of the Company's shares. The remaining about 37% of the shares are widely held. The ultimate holding company of the Group is Xiwang Group Company Limited ("Xiwang Group"). The directors consider Mr. Wang Yong to be the ultimate controlling party of the Group.

On 18 January 2010, Xiwang Investment Company Limited entered a placing agreement for the sale of the Company's shares and also subscribed new shares of the Company. After the transaction Xiwang Investment Company Limited owns about 54% of the Company's shares.

26. Related party transactions (continued)

During the year ended 31 December 2009, the Group had undertaken transactions with the following related companies:

English Name	Chinese Name	Relationship with the Company
Shandong Xiwang Food Company Limited ("Xiwang Food")	山東西王食品有限公司	Fellow subsidiary
Shandong Fangong Wine Industry Co., Ltd. ("Fangong Wine")	山東范公酒業有限公司	Fellow subsidiary
Shandong Xiwang Leavening Co., Ltd ("Xiwang Leavening")	山東西王酵母有限公司	Fellow subsidiary
Zouping Xiwang Construction Co., Ltd ("Xiwang Construction")*	鄒平西王建築有限公司	Fellow subsidiary
Shandong Xiwang Steel Structure Co., Ltd ("Xiwang Steel Structure")*	山東西王鋼結構有限公司	Fellow subsidiary
Xiwang Investment Company Limited ("Xiwang Investment")	西王投資有限公司	Fellow subsidiary
Shandong Xiwang Pharmaceutical Company Limited ("Xiwang Pharmaceutical")	山東西王藥業有限公司	Fellow subsidiary
Shandong Xiwang Steel Company Limited ("Xiwang Steel")	山東西王鋼鐵有限公司	Fellow subsidiary

* These companies ceased to be related parties in 2009 since Xiwang Group disposed of its equity interests held in these companies.

26. Related party transactions (continued)

In addition to the related party transactions as disclosed in other notes to these financial statements, the Group had the following significant transactions carried out with related parties during the year ended 31 December 2009:

(a) Sales of goods and provision of services

	2009	2008
	RMB'000	RMB'000
Sales of corn germs		
– Xiwang Food	**233,383**	290,229
Sales of glucose syrup		
– Xiwang Leavening	**1,825**	2,245
Sales of corn starch		
– Xiwang Pharmaceutical	**63,939**	–
Sales of crystalline glucose		
– Xiwang Pharmaceutical	**15,975**	–
Sales of crystalline fructose		
– Xiwang Food	**882**	–
Provision of sewage services		
– Xiwang Group	**381**	–
	316,385	292,474

The pricing of these transactions was determined based on mutual negotiation and agreement reached between the Group and the related parties on each individual transaction.

26. Related party transactions (continued)

(b) Purchases of goods and services

	2009 **RMB'000**	2008 RMB'000
Purchase of corn germ dregs		
– Xiwang Food	**2,778**	31,485
Purchase of packaging materials		
– Fangong Wine	**16,885**	51,873
Purchase of packaging materials		
– Xiwang Leavening	**17,964**	–
Construction of property, plant and equipment		
– Xiwang Steel Structure	**–**	8,364
Purchase of glucose mother liquid		
– Xiwang Pharmaceutical	**4,346**	–
Purchase of steel bars		
– Xiwang Steel	**3,906**	–
Sewage services		
– Xiwang Group	**1,798**	2,067
	47,677	93,789

The pricing of these transactions was determined based on mutual negotiation and agreement reached between the Group and the related parties on each individual transaction.

During the year, Xiwang Group undertook to take up certain bank acceptance bills received by the Group from customers which had not yet reached the respective maturity dates. Xiwang Group paid to the Group cash consideration at approximately RMB 97,187,000 (2008: RMB 398,298,000), equal to the face value of these bills, resulting in no gain or losses reported by the Group.

During the year, Xiwang Group also undertook to coordinate certain goods delivery transportation services for the Group at no consideration.

26. Related party transactions (continued)

(c) Key management compensation

	2009 RMB'000	2008 RMB'000
Basic salaries and benefits in kind	**2,723**	2,079
Pensions	**38**	55
Share-based payments	**2,882**	1,063
	5,643	3,197

The key management include directors (executive and non-executive) and senior management and there are in total 12 (2008: 14) key management personnel of the Group.

26. Related party transactions (continued)

(d) Balances due from/to related parties

Group

	2009 RMB'000	2008 RMB'000
Receivables (ii)		
Amounts outstanding, end of the year		
– Xiwang Pharmaceutical	**13,486**	–
– Xiwang Food	**11,212**	7,178
– Xiwang Group (iii)	**54,181**	–
– Xiwang Construction	**–**	424
– Fangong Wine	**–**	308
– Xiwang Investment	**146**	136
– Xiwang Leavening	**–**	84
	79,025	8,130
Maximum amounts outstanding during the year		
– Xiwang Pharmaceutical	**19,166**	–
– Xiwang Food	**82,075**	69,783
– Xiwang Group	**54,181**	–
– Xiwang Investment	**536**	136
– Xiwang Steel Structure	**–**	5,986
– Fangong Wine	**–**	5,421
– Xiwang Leavening	**–**	431
– Xiwang Construction	**–**	426
Payables: (ii)		
– Xiwang Steel Structure	**–**	5,344
– Xiwang Group	**2,164**	2,564
– Wang Yong	**8**	32
– Xiwang Leavening	**2,180**	–
	4,352	7,940

26. Related party transactions (continued)

(d) Balances due from/to related parties (continued)

Company

	2009	2008
	RMB'000	RMB'000
Receivables (ii)		
Amounts outstanding, end of the year		
– Xiwang Sugar HK	**8,317**	16,928
– Xiwang Sugar	**5,587**	8,073
– Xiwang Investment	**31**	
– Xiwang Technology	**2,320**	2,356
– Master Team		
– Advance *(Note 8)*	**875,657**	1,331,070
– Dividend receivable	**185,094**	149,014
	1,077,006	1,507,441
Payables: (ii)		
– Winning China	**124,353**	–
– Xiwang Group	**1,511**	1,211
	125,864	1,211

(i) The related parties are all under the control of Mr. Wang Yong, chairman and director of the Company.

(ii) Except for the advance due from the Company to Master Team as disclosed in Note 8, all the current accounts maintained with related parties were aged within one year as at 31 December 2009 and 2008. They are interest-free, unsecured and repayable on demand.

(iii) The balance arose from an assignment of a current account balance due from a related party as at 31 December 2009.

27. Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB 9,255,000 (2008: RMB 62,297,000).

28. Events after the balance sheet date

Saved as disclosed in other notes to the financial statements, the Group had the following post balance sheet events:

(i) On 18 January 2010, the Company obtained additional funding amounting to RMB 257 million (HK$292 million) through a share placement of its shares with certain institutional investors.

(ii) Xiwang Sugar HK was disposed in January 2010 to an independent third party. The disposal resulted in no material adverse impact on the consolidated financial statements of the Group.

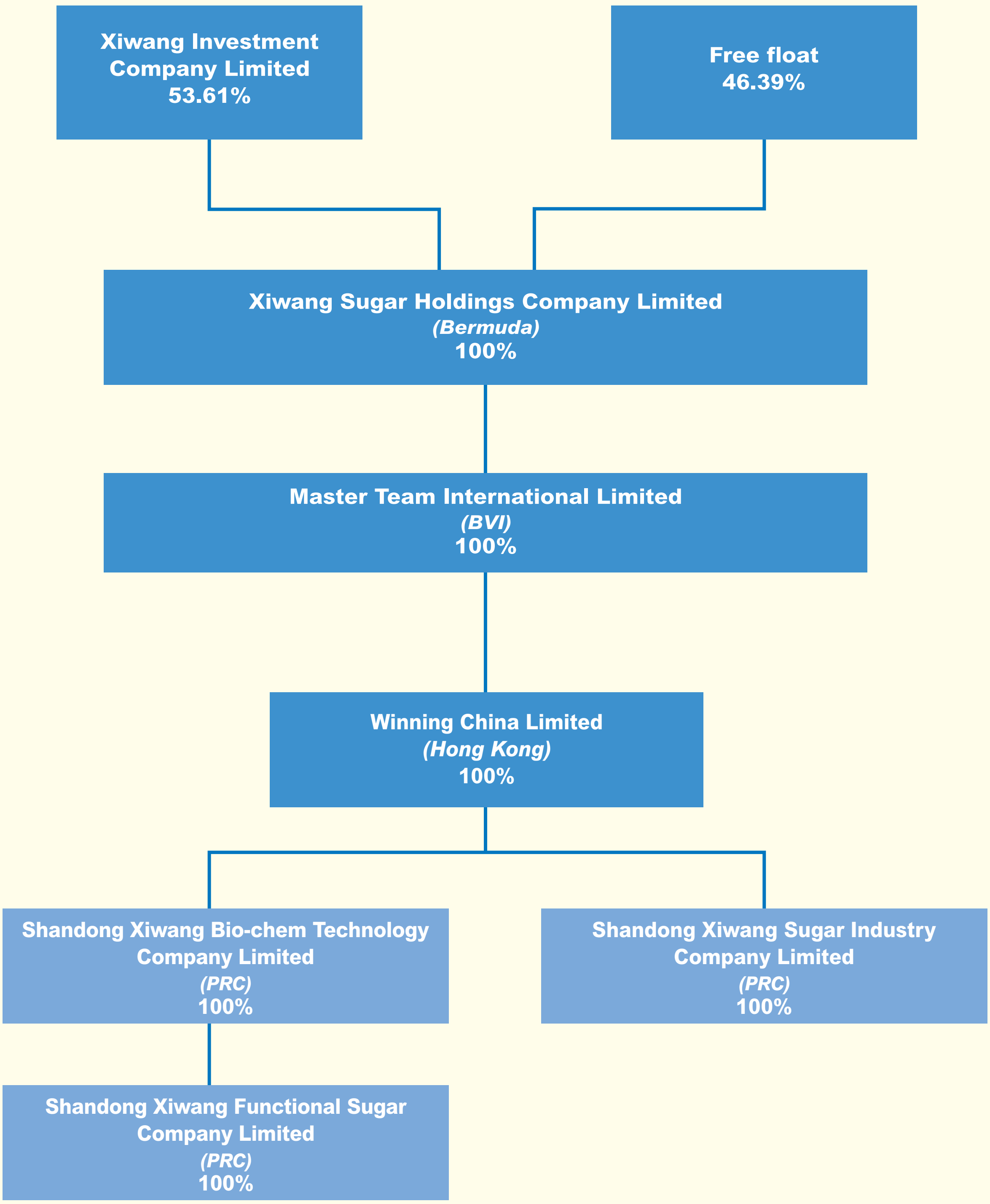
(iii) In March and April 2010, Xiwang Technology entered into loan agreements with financial institutions in respect of long-term loan facilities with total principal amount of US$40 million (equivalent to approximately RMB 272 million).

Five-year Financial Summary

	2009	2008	2007	2006	2005
For the year (RMB million)					
Revenue	**2,481**	2,544	2,062	1,385	1,038
Gross profit	**317**	220	464	365	261
EBITDA	**269**	216	521	357	255
Operating profit	**172**	50	406	312	228
Net profit	**102**	64	361	290	210
As at December 31 (RMB million)					
Current assets	**2,184**	1,041	1,271	910	692
Non-current assets	**1,826**	1,656	1,507	1,285	696
Total assets	**4,010**	2,697	2,778	2,195	1,388
Current liabilities	**2,347**	1,329	507	360	312
Non-current liabilities	**190**	–	847	664	235
Total liabilities	**2,537**	1,329	1,354	1,024	547
Total equity	**1,473**	1,368	1,424	1,171	841
Total liabilities and equity	**4,010**	2,697	2,778	2,195	1,388
Per share (RMB)					
Basic earnings per share	**0.12**	0.075	0.435	0.356	0.365
Dividends per share	**0.037**	0.027	0.150	0.140	0.0087
Financial and performance ratios					
Gross profit margin (%)	**12.8**	8.6	22.5	26.4	25.2
Operating profit margin (%)	**6.9**	2.0	19.7	22.5	22.0
Net profit margin (%)	**4.1**	2.5	17.5	21.0	20.2
Current ratio	**0.93**	0.78	2.51	2.53	2.22
Net debts to equity	**0.92**	0.45	0.48	0.18	N.A
Average inventory turnover days	**59**	55	53	38	28
Average debtor turnover days	**23**	18	14	12	13
Average creditor turnover days	**28**	27	18	10	11

Organization Structure

At this date of annual report:



Corporate calendar

Announcement of 2009 annual results and final dividend	13 April 2010 (Tuesday)
Ex-dividend date for final dividend	28 May 2010 (Friday)
Last day to register for final dividend 2009	31 May 2010 (Monday)
Book close dates for final dividend	1 June 2010 (Tuesday) to 3 June 2010 (Thursday) (Both days inclusive)
Record date for final dividend	3 June 2010 (Thursday)
Annual general meeting	3 June 2010 (Thursday)
Despatch of scrip dividend circular and form of election	on or about 10 June 2010 (Thursday)
Despatch of final dividend warrants and share certificates for the scrip shares (expected)	on or about 8 July 2010 (Thursday)
Commencement of dealings of the scrip shares on the Stock Exchange (expected)	on or about 13 July 2010 (Tuesday)

Website

www.xiwang-sugar.com

Stock code

The Stock Exchange of Hong Kong:	2088
Bloomberg:	2088 HK EQUITY
Reuters:	2088.HK

Board lot

2000 shares

Financial year-end date

31 December

As at 31 December 2009

Market Value:	HKD 2,313 million
Issued shares:	847,376,406 shares
Closing market price:	HKD 2.73 per share

Information for Shareholders

Annual report

This annual report is printed in English and Chinese and available on the respective websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.xiwang-sugar.com).

Closure of register of members

The register of members of the Company will be closed from Tuesday, 1 June 2010 to Thursday, 3 June 2010 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch registrar in Hong Kong, *Tricor Investor Services Limited* at 26th floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 31 May 2010.

Annual general meeting

The annual general meeting of the Company will be held on Thursday, 3 June 2010. A notice convening the annual general meeting will be published on the respective websites of the Stock Exchange (www.hkex.com.hk) and the company (www.xiwang-sugar.com). The proxy form together with the annual report will be dispatched to shareholders on or around 28 April 2010.

Principal share registrar and transfer office

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

Hong Kong branch share registrar and transfer office

Tricor Investor Services Limited
26th floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Miscellaneous

In the event of inconsistency, the English texts of this annual report shall prevail over the Chinese texts.

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Xiwang Sugar Holdings Company Limited

西王糖業控股有限公司 *

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

** For identification purpose only 僅供識別*