Painting a healthy future ...

畫出健康將來 ...

Annual Report 2010 年報

Xiwang Sugar Holdings Company Limited

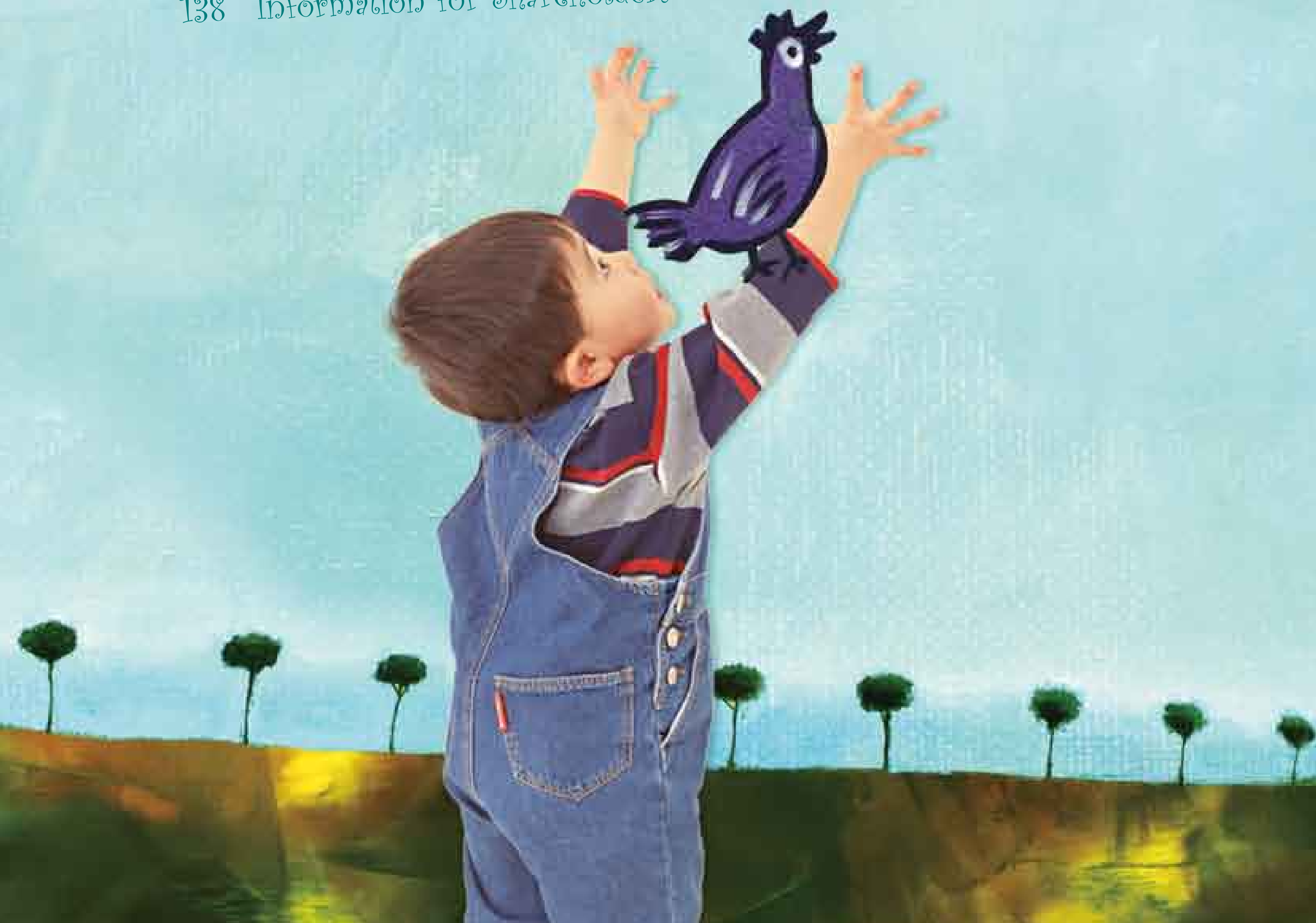
西 王 糖 業 控 股 有 限 公 司 *

(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

Contents



Corporate Information

Board of Directors

Executive Directors

Mr. WANG Yong *(Chairman)*
Mr. WANG Liang
(resigned on 30 November 2010)
Dr. ZHANG Yan
(appointed on 30 November 2010)
Mr. WANG Di
(appointed on 30 November 2010)
Mr. WANG Cheng Qing
(resigned on 30 November 2010)
Dr. LI Wei
Mr. SONG Jie
(appointed on 30 November 2010)
Mr. HAN Zhong
Mr. LIU Ji Qiang
(resigned on 30 November 2010)
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)*
(resigned on 30 November 2010)
Dr. ZHANG Yan *(Chairman)*
(appointed on 30 November 2010)
Mr. SHI Wei Chen
Mr. SHEN Chi

Nomination committee

Mr. WANG Liang *(Chairman)*
(resigned on 30 November 2010)
Dr. ZHANG Yan *(Chairman)*
(appointed on 30 November 2010)
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
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

Investor Relations and Corporate Communications
Ms. Gisele Suen
Tel : (852) 3104 0576
Email : ir@xiwang-sugar.com.hk

Company Website
http://www.xiwang-sugar.com

Cautionary Statement Regarding Forward-Looking Statements

This annual report contains certain forward-looking statements and opinions with respect to the operations and businesses of Xiwang Sugar Holdings Company Limited (the "**Company**"). These forward-looking statements and opinions relate to, among other things, our objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates and are generally indicated by the use of forward-looking terminology such as believe, expect, anticipate, estimate, plan, project, target, may, will, would or other results of actions that may or are expected to occur in the future. You should not place undue reliance on these forward-looking statements and opinions, which apply only as of the date of this annual report. These forward-looking statements are based on the Company's own information and on information from other sources which the Company believes to be reliable. Our actual results may be materially less favorable than those expressed or implied by these forward-looking statements and opinions which could affect the market price of our shares. Neither the Company nor its directors and employees assume any liability in the event that any forward-looking statements or opinions does not materialize or turns out to be incorrect. Subject to the requirements of the Hong Kong Listing Rules, the Company does not undertake to update any forward-looking statements or opinions contained in this annual report.

Chairman's Statement

Dear Shareholders

While reading the financial report of 2010, I am not surprised with the satisfactory results. Our profitability was significantly enhanced with a better performance of our products and a larger contribution of new products. In fact, we have undergone a lot of changes over these years. Since the time of listing, we have been a leading corn processor and the largest crystalline glucose supplier in China. In few years, we further become the largest provider of crystalline fructose and sodium gluconate in China. Now, moving from a stage of capacity expansion, we put our focus to improve the overall efficiency of the circular economy production process. The aim is to maximize the output of high-value products. Looking at the changes in revenue mix, we know our earlier endeavor has started to pay off.

The Group recorded revenue of approximately RMB 3.26 billion in the Year, a growth of 31.3% compared with 2009, and profit attributable to equity holders of the Company of approximately RMB 210 million, an increase of 106.3%.

Our mission is to become a leading functional starch sugar provider in China. We continue to diversify healthy starch sugar products, which have specific niches in the market. For example, glucose can provide a fine sweetness to food and enhance the texture of food. Fructose is the sweetest monosaccharide with fewer calories. It is a type of natural sugar suitable for diabetics. Oligosaccharide has a beneficial effect on our digestive system.

Because of the climate problems, sugar cane experienced poor harvest in many parts of the world. There were lower outputs from Brazil, India and Australia, the world's largest sugar countries, resulting in the international sugar price to hit 30-year high in early 2011. The world inventory level of sugar has reached historical low and it is expected that the world's sugar market would remain at a relatively tight level of supply. These situations have caused the international sugar price to have risen dramatically.

In China, the growth of sugar cane was affected by the continual cold weather in Guangxi province. The consensus on white sugar supply was reduced to slightly below 12 million tonnes in 2011. Annual output of solid starch sugars is around 2 million tonnes. With the demand exceeded 14 million tonnes, obviously the overall domestic market is in tight supply. It is the main reason for the continual increase in white sugar price in China, which showed an approximate 40% increase from the beginning of last year to the end of last year. We expect the situations of strong demand and tight supply of sugar in China will continue to support the upward trend of sugar price.

In contrast, corn supply in China has been stable with slight expansion. In the last few years, the national output was kept at above 160 million tonnes, and is expected to reach 168 million tonnes in 2011, which is sufficient to meet the domestic consumption of about 160 million tonnes. Due to the overall inflationary environment in China, corn price increased by about 15% to 20% year-on-year over the last couples of years. While in the bull market of soft commodities, we found this magnitude was relatively gentle compared to many other agricultural products. Indeed, the price increment of corn has provided the farmers with reasonable incentives to grow corn, which ensures a steady raw material supply. Thus, the conditions of sugar market and corn market as a whole are providing a favorable operating environment for the Group.

In the next stage, fructose is our major focus. The national standard of crystalline fructose will be published soon this year. The standard represents a formal definition and classification of this new product, and our fructose would be a product manufactured in China meeting the standard. We believe this will enhance our importance in the marketplace and will be highly positive for our ongoing development. The Group's first production line has been operating smoothly. The Group will add further production capacity of fructose in the foreseeable future.

No final dividend was proposed by the Board in respect of the Year. The Group will have further development plans for its new products including crystalline fructose and oligosaccharide in 2011. Given the current upward trend of the borrowing interest rates in both China and overseas, the Board considered it would be more favorable for the Group to retain sufficient funding as a means to reduce the reliance

on debt financing. In January 2011, the Board proposed a bonus issue of warrants to the shareholders. On the basis of the maximum number of warrants to be issued and based on the subscription price per warrant share, gross proceeds of approximately HKD 428 million will be raised upon full exercise of the subscription rights attached to the warrants. The Group can use such proceeds towards its general working capital or for other purposes as the Board may consider necessary, such as to further pay down the debts or for new products development at times appropriate.

In November 2010, we had some changes in the composition of our Board. Three previous executive directors were replaced by three new executive directors. The previous directors resigned to work in other business units of Xiwang Group Company Limited, the controlling shareholder of the Company, which include the steel business and the edible oil business. Among the three new executive directors, one of them is also our new Chief Executive Officer who has excellent experience in corporate management. Another two new directors possess sales and marketing expertise. The change in the Board mix is in line with the change in our development focus.

As such, we began to disclose our operational performance on a quarterly basis, starting the third quarter of 2010. The purpose is to provide more up-to-date information between interim results and annual results so as to enable the investors to keep better track of our performance. Such initiative has increased the awareness of the Company in the stock market and we have received excellent feedback.

My deepest thanks to all the shareholders, customers and staff for all their invaluable support to the Company. We expect we will move forward together to another year of great success.

Wang Yong
Chairman
30 March 2011

Management Discussion & Analysis

1. Introduction

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 in the People's Republic of China ("**China**" or the "**PRC**"), and the distribution and sale of such products within and outside the PRC. The Group's products are important ingredients for many industries in the world, including food and beverage, fermentation, pharmaceutical, chemical and animal nutrition.

The Group was established in 2001 and has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since December 2005. Headquartered in the Zouping County of Shandong Province in the PRC, the Group's production facilities are fully integrated, which promotes the efficient use of resource and greatly enhances the ability of lengthening the corn value chain. Currently, the Group has an annual corn processing capacity of 1.5 million tonnes. The Group is the largest producer of crystalline glucose in the PRC with an annual capacity of 800,000 tonnes, and is the pioneer and the largest provider of crystalline fructose in the PRC with an annual capacity of 50,000 tonnes. In addition, the Group is the largest producer of sodium gluconate in the PRC with an annual capacity of 120,000 tonnes.

The Group is regarded as the Number 1 of the Top 20 Enterprises in the Starch Sugar Industry by the China Fermentation Industry Association since 2006 and the Town of Sugar in China by the China National Food Industry Association since 2007. The Group is highly committed to environmental safety. The Group has been accredited as the National Environmental Friendly Corporation by the Ministry of Environmental Protection of the PRC since 2005. In 2009, 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 by the National Development and Reform Commission of the PRC.

Segment Description:

The Group refines corn and has organized its business into two operating segments:

(1) Starch sugars which include crystalline glucose, crystalline fructose and fructose-glucose syrup.

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

(1) Starch Sugars

Crystalline glucose, or dextrose monohydrate, is a monosaccharide in white, fine-crystalline form, with relative sweetness of 0.7[1]. Glucose serves to enhance the taste and texture of many food products, such as ice-cream or crackers. It is also widely used industrially as fermentation intermediate for the production of various pharmaceuticals, food and feed ingredients. Glucose can be directly assimilated by human circulation system so it is often used for medical transfusion. The Group produces crystalline glucose from corn starch.

Crystalline fructose is a monosaccharide in white, fine-crystalline form. It has a sweet fruity flavor and the highest relative sweetness of 1.3[1] to 1.8[1] among all natural sugars. As a result, a smaller amount of fructose can be used to achieve the same sweet taste. Fructose is commonly used in making low caloric food such as cereals and sports drinks. Fructose has a Glycemic Index **(GI)**[2] value of 19 which is the lowest among all natural sugars. Low GI diets (GI value less than 55) are suggested for people with diabetes. The Group produces crystalline fructose from crystalline glucose.

Fructose-glucose syrup refers to a family of mixture of varying amount of fructose and glucose. Fructose-glucose syrup has a relative sweetness of 1.0[1] to 1.2[1], and is mainly used for sweetening purpose. Although fructose-glucose syrup is widely used in beverages and food, its application is relatively limited since the product is in syrup form which restricts its distribution distance.

Notes:

1 Based on the relative sweetness of sucrose (constituent of white sugar) of 1.0.

2 Glycemic Index measures the rate of blood glucose increase after the intake of food, ranking on a scale of 0 to 100. Glucose has a GI value of 100 (as reference) and sucrose has a GI value of 65.

(2) Corn co-products and others

Corn gluten meal is a high-protein ingredient with natural yellow pigment which is also known as yellow powder. It is commonly used in animal feed for providing rich protein to promote the growth of animals such as pig, chicken, pet and fish. Corn gluten meal is extracted from corn kernel after the larger part of starch and germ are separated during the basic refinery process.

Corn gluten feed is a source of protein, energy and fiber. It is used as a multi-nutrient ingredient for cattle, pig, poultry and pet. Corn gluten feed is obtained from corn kernel after starch, germ and gluten have been extracted. Corn gluten meal and corn gluten feed are collectively categorized as the Group's "corn feed products".

Corn germ is the embryo part of a corn kernel, and is rich in oil. The Group sells all the corn germ to a nearby connected company which is engaged in the production of edible corn oil. The transactions are based on market prices.

Corn starch constitutes approximately 70% of the major part of a corn kernel. The Group uses corn starch principally for the production of crystalline glucose and sodium gluconate, so corn starch is not the Group's development focus. The surplus of it will be sold to food or paper manufacturers.

Sodium gluconate appears as white, granular to fine powder. Sodium gluconate is largely used as a set retarder of concrete in construction industry. It is also used as a detergent for bottle washing and utensil cleansing.

2. Review of Financial Results

A highlight of the financial results of the Group for the year ended 31 December 2010 (the "**Year**"), together with the comparative figures of the corresponding period in 2009, is as follow:

For the year ended	2010 RMB'000	2009 RMB'000	Increase %
Revenue	3,257,459	2,480,853	31.3
Gross profit	471,970	316,669	49.0
Operating profit	292,665	172,188	70.0
Net profit	209,886	101,519	106.7
Gross profit margin	14.5%	12.8%	1.7% points
Operating profit margin	9.0%	6.9%	2.1% points
Net profit margin	6.4%	4.1%	2.3% points

The Group recorded substantial growth in revenue and profits and profit margins during the Year when compared with 2009.

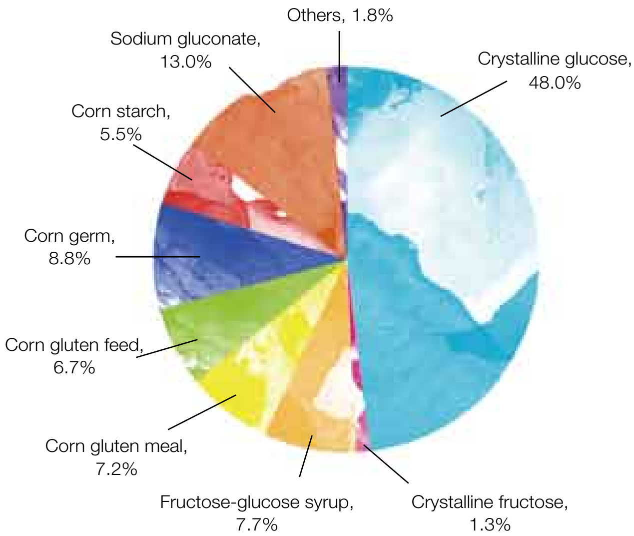
The satisfactory results was mainly driven by the strong performance of our starch sugar products and sodium gluconate. During the Year, the Group was engaged in improving the production process such that a larger amount high-value products of starch sugars and sodium gluconate were produced from corn starch. It was reflected by the strong growth in the sales volumes of crystalline glucose, fructose-glucose syrup and sodium gluconate by approximately 17.0%, 254.9% and 104.7% respectively. Furthermore, although the major production cost, average corn cost, rose by approximately 19%, the average selling price of our crystalline glucose increased significantly by approximately 27% and that of fructose-glucose syrup increased by approximately 19%. Therefore, even though the performance of our corn feed products was weak due to the slow recovery of animal feed market in China, the Group still achieved a significant improvement in the overall results.

Revenue

Revenue by operating segments:

For the year ended	2010 RMB'000	2009 RMB'000	Increase/(Decrease) %
Starch sugars:			
Crystalline glucose	1,562,819	1,049,634	48.9
Crystalline fructose	42,412	5,908	617.9
Fructose-glucose syrup	249,397	59,309	320.5
	1,854,628	1,114,851	66.4
Corn co-products and others:			
Corn gluten meal	234,861	254,874	(7.9)
Corn gluten feed	217,876	216,804	0.5
Corn germ	286,666	233,353	22.8
Corn starch	179,349	348,936	(48.6)
Sodium gluconate	424,770	185,916	128.5
Others	59,309	126,119	
	1,402,831	1,366,002	2.7
	3,257,459	2,480,853	31.3

Revenue by Products:



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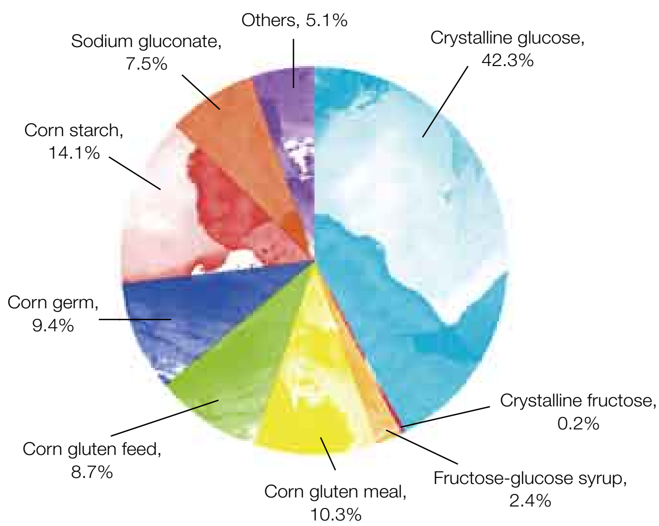


2009

Sales volume of key products:

For the year ended	2010 Tonnes	2009 Tonnes	Increase/(Decrease) %
Starch sugars:			
Crystalline glucose	517,801	442,583	17.0
Crystalline fructose	6,636	809	720.3
Fructose-glucose syrup	119,919	33,791	254.9
Corn co-products and others:			
Corn gluten meal	56,851	62,229	(8.6)
Corn gluten feed	184,839	204,725	(9.7)
Corn germ	96,149	88,474	8.7
Corn starch	83,692	204,342	(59.0)
Sodium gluconate	99,793	48,749	104.7

Average selling prices of key products:

For the year ended	2010 RMB/ tonne		2009 RMB/ tonne		Increase/ (Decrease)
	Tax-inclusive	Tax-exclusive	Tax-inclusive	Tax-exclusive	%
Starch sugars:					
Crystalline glucose	3,531	3,018	2,775	2,372	27.2
Crystalline fructose	7,477	6,391	8,543	7,302	(12.5)
Fructose-glucose syrup	2,434	2,080	2,053	1,755	18.5
Corn co-products and others:					
Corn gluten meal	4,833	4,131	4,792	4,096	0.9
Corn gluten feed	1,179	1,179	1,059	1,059	11.3
Corn germ	3,369	2,981	2,981	2,638	13.0
Corn starch	2,507	2,143	1,998	1,708	25.5
Sodium gluconate	4,981	4,257	4,462	3,814	11.6

During the Year, revenue of starch sugars was approximately Renminbi ("**RMB**") 1,855 million (2009: RMB 1,115 million) which accounted for approximately 56.9% of the total revenue (2009: 44.9%). Revenue of corn co-products and others was approximately RMB 1,403 million (2009: RMB 1,366 million) which accounted for 43.1% of the total revenue (2009: 55.1%).

1. Crystalline glucose

   The Group achieved strong growth in both sales volume and average selling price of crystalline glucose in the Year when compared with 2009. Firstly, it was due to the strong demand for and the tight supply of crystalline glucose in China. Secondly, the continual increase in white sugar price in China has further supported the rise in price of crystalline glucose.

2. Crystalline fructose

   The supply of crystalline fructose in China is dependent on import. Therefore, our aim is to substitute the import in order to capture the market share. As part of our development of fructose market in China, we needed to provide more discounts to customers to attract them to use our product.

   The Group began the commercial production of the fructose plant in late 2009. Thus, the production output of crystalline fructose gradually increased during the Year.

3. Fructose-glucose syrup

   Apart from the production of crystalline fructose, the Group utilized the fructose plant for the production of fructose-glucose syrup. The proportion of output of crystalline fructose and fructose-glucose syrup depended on the relative demand for the two products during that period of time.

   During the Year, the sales volume and average selling price of fructose-glucose syrup of the Group were strong due to the strong demand for it in the food and beverage industry.

4. Corn feed products

The sales performance of corn feed products depends largely on the supply and demand dynamics of the animal feed market in China which is in turn sensitive to pork price in China. As there was oversupply of pigs in the first half of 2010, the demand for animal feed reduced. The Chinese government began to collect frozen pork since the middle of the Year. Though recovery of the animal feed market was seen in the second half of the Year, the momentum was not strong enough to cause a significant rebound of the performance of our corn feed products.

5. Corn germ

The growth in sales volume and average selling price of corn germ in the Year was driven by the higher consumption of edible corn oil in China. In particular, the price of corn oil rose significantly during the fourth quarter of 2010, which drove the selling price of corn germ to increase substantially at that time.

6. Corn starch

During the Year, because of the strong market demand for crystalline glucose and sodium gluconate, a larger volume of corn starch was used internally for converting to crystalline glucose and sodium gluconate. As a result, the sales of corn starch reduced significantly.

7. Sodium gluconate

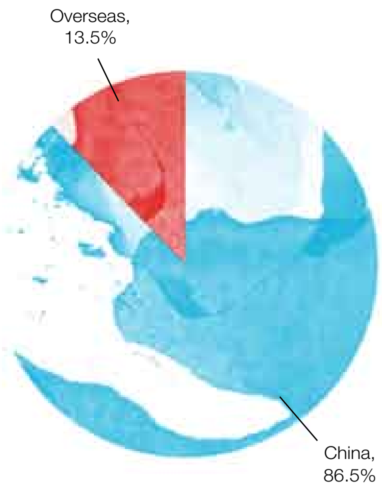
The Group has upgraded the efficiency and capacity of the production facility for sodium gluconate in the first half of the Year. The upgrade was aimed at meeting the increasing market demand of this product.

During the Year, we recorded satisfactory performance of sodium gluconate with sales volume doubled and a double-digit growth in average selling price, as the demand for this product in both China and overseas continued to be strong.

Revenue by geographical segments:

The Group conducts its business in both China and overseas countries.

For the year ended	2010 RMB'000	2009 RMB'000	Increase %
China	**2,817,110**	2,177,903	29.3
Other countries	**440,349**	302,950	45.4
	3,257,459	2,480,853	31.3



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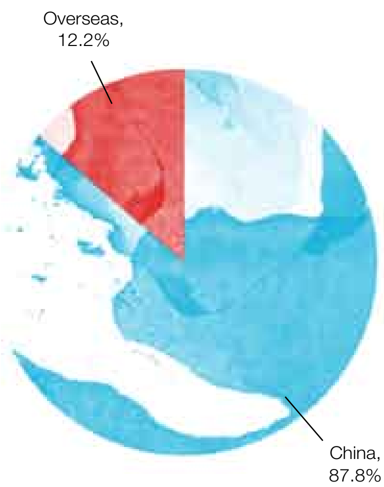


2009

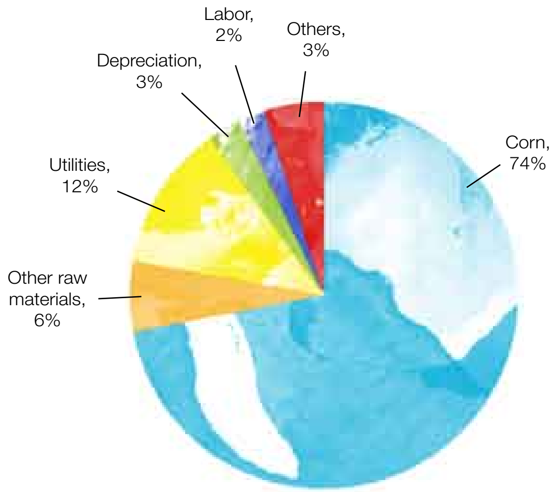
During the Year, the Group generated a majority of sales in China. Revenue from domestic sales accounted for approximately 86.5% (2009: 87.8%) of the total sales. The rest of approximately 13.5% came from oversea countries (2009: 12.2%)

During the Year, the Group recorded strong growth in both domestic sales and export sales, with a relatively stronger growth from the export sales. Export recorded an approximate 45.4% growth, while the domestic sales recorded an approximately 29.3% growth. During the Year, products that were exported included crystalline glucose, sodium gluconate and corn feed products. On top of that, the Group began to export crystalline fructose to Europe, North America and south-east Asia regions.

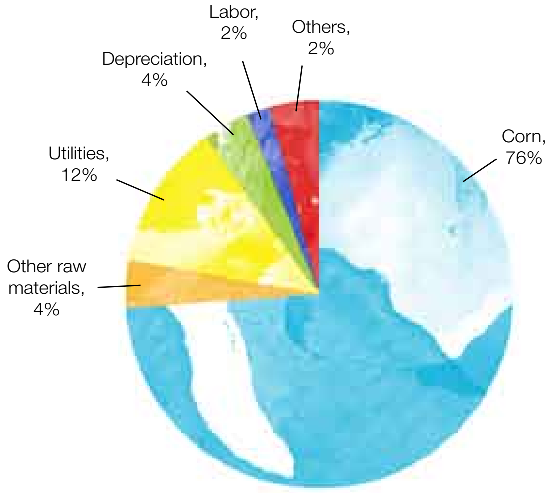
Cost of goods sold

The breakdown of cost of goods sold was as follows:

For the year ended	2010	2009	Increase/(Decrease)
	RMB'000	RMB'000	%
Corn	2,052,157	1,635,873	25.4
Other raw materials	165,710	98,588	68.1
Utilities	338,387	268,151	26.2
Depreciation	89,023	79,613	11.8
Labor	59,256	39,966	48.3
Others	80,956	41,993	92.8
	2,785,489	2,164,184	28.7



2010



2009

The Group's total cost of goods sold for the Year amounted to approximately RMB 2,785 million (2009: RMB 2,164 million), an increment of approximately 28.7% compared with 2009, which was in line with the revenue growth. The increase in production cost was resulted from the Group's overall larger production volume, in particular for the high-value products. The component costs in the cost of goods sold generally rose mainly due to the inflationary environment in China.

Corn cost represented approximately 74% of the total cost of goods sold in the Year (2009: 76%). During the Year, the Group processed approximately 1.23 million tonnes of corn (2009: 1.15 million tonne), an increase of approximately 7% year-on-year. The average corn cost (tax-inclusive) of the Group during the Year was approximately RMB 1,910 per tonne (2009: RMB 1,600 per tonne), which rose by approximately 19.4% from that of the previous year.

Gross profit margins

Gross profit margins of key products and the Group's overall gross profit margin were:

For the year ended	2010	2009	Increase/(Decrease)
	%	%	in Percentage points
Starch sugars:			
Crystalline glucose	20.6	16.6	4.0
Crystalline fructose	24.0	33.4	(9.4)
Fructose-glucose syrup	13.9	16.7	(2.8)
Corn co-products and others:			
Corn gluten meal	(12.0)	5.0	(17.0)
Corn gluten feed	6.5	14.8	(8.3)
Corn germ	5.1	5.3	(0.2)
Corn starch	9.7	9.3	0.4
Sodium gluconate	17.6	15.1	2.5
The Group's overall gross profit margin:	14.5	12.8	1.7

During the Year, even though the performance of corn feed products was weak, the sales performance in terms of both sale volumes and average selling prices, of crystalline glucose and sodium gluconate were strong enough to outpace the rise in production cost. Therefore, the Group's overall profitability improved and the Group's overall gross profit margin increased to 14.5% (2009: 12.8%).

Other income

The amount of other income - net was approximately RMB 1 million mainly from the sale of scrap materials (i.e. others than the Group's key products).

Selling and marketing costs

Selling and marketing costs consisted of mainly transportation expenses and commission for sales staff. Selling and marketing costs during the Year amounted to approximately RMB 120 million, which increased by about 22.6% compared with the previous year. This was in line with the increase in sales.

The Group's selling and marketing costs represented approximately 3.7% of the total revenue during the Year (2009: 3.9%).

Administrative expenses

The Group's administrative expenses included general administrative overheads, staff cost for management and non-production staff, research and development expenditure, etc.. Administrative expense during the Year amounted to approximately RMB 61 million (2009: RMB 48 million).

The Group had good control of its selling, marketing and administrative expenses, which altogether represented approximately 5.5% of the total revenue of the Year (2009: 5.9%).

Finance costs

The net finance costs of the Group comprised of interest expense and foreign exchange effect. The net finance cost of the Group was approximately RMB 77 million in the Year (2009: RMB 56 million).

Interest expense in the Year increased to approximately RMB 104 million (2009: RMB 78 million) because of a larger average loan principal in the Year (although this level came down by the end of the Year) and also a higher interest rate. The Group's effective annual interest rate was about 5.7% in the Year (2009: 5.2%).

During the Year, the Group recorded a net exchange gain of approximately 2 million (2009: net exchange loss of RMB 3 million) mainly from the Group's United States Dollars ("**USD**") bank borrowings.

Income tax expense

The Group's income tax expense was approximately RMB 5 million during the Year (2009: RMB 14 million). The Group has two main operating subsidiaries in the PRC, namely Shandong Xiwang Bio-Chem Technology Co., Ltd. ("**Xiwang Technology**") and Shandong Xiwang Sugar Industry Co., Ltd. ("**Xiwang Sugar**"). Both of these subsidiaries are production enterprises with foreign investments, and therefore they are entitled to two years of full exemption and three years of 50% reduction of the standard enterprise income tax rate of the PRC Corporate Income Tax Law ("**CIT**") of 25%, i.e. 12.5% thereafter ("**CIT Tax Holidays**"). The CIT Tax Holidays of Xiwang Sugar has ended in 2009, while Xiwang Technology will have its CIT Tax Holidays ended by the end of 2011. During the Year, Xiwang Sugar was subject to CIT rate of 25% and Xiwang Technology was subject to CIT rate of 12.5%.

Xiwang Technology was approved to be exempted from CIT amounting to a maximum of RMB 41 million for 7 years, in aggregate, starting from 2007 ("**CIT Exemption**"). The CIT Exemption was granted to Xiwang Technology because of its purchase of certain special domestically manufactured equipments. During the Year, Xiwang Technology has utilized the remaining balance of the CIT Exemption of approximately RMB 27 million. Since the majority of the Group's taxable profit was contributed by Xiwang Technology during the Year, the Group's effective tax rate was reduced significantly to approximately 2.5% (2009: 12.4%).

Liquidity, capital resources and gearing ratio:

	31 December 2010 RMB million	31 December 2009 RMB million
Cash and cash equivalents	549	778
Total borrowings	1,565	2,129
Net current assets / (liabilities)	792	(163)
Total equity	1,966	1,473
Current ratio[3]	1.67	0.93
Gearing ratio[4]	0.52	0.92

Notes:

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

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

The Group's cash and cash equivalents as at 31 December 2010 amounted to approximately RMB 549 million (31 December 2009: RMB 778 million). During the Year, the Group had net cash inflow from operating activities of approximately RMB 329 million (2009: net cash outflow of RMB 458 million). The Group has net cash used in investing activities of approximately RMB 276 million in the Year (2009: RMB 272 million), mainly used for the upgrade of fructose plant and the production facility for sodium gluconate and the construction of oligosaccharide production line. The Group has net cash outflow from financial activities of approximately RMB 283 million during the Year (2009: net cash inflow of RMB 1,260 million), mainly arisen from the net proceeds of issuance of ordinary shares of approximately RMB 294 million and a net repayment of the Group's borrowings of approximately RMB 564 million.

Total borrowings of the Group reduced significantly to approximately RMB 1,565 million as at 31 December 2010 (31 December 2009: RMB 2,129 million). During the Year, the Group reduced short-term borrowings by approximately RMB 1,213 million of which a portion of them were replaced with long-term loans. Short-term borrowings represented approximately 39% of the total borrowings at 31 December 2010 (31 December 2009: 86%). As a result, the Group has improved from a net current liabilities position as at 31 December 2009 to a net current asset position as at 31 December 2010. The current ratio also increased to 1.67 at 31 December 2010 (31 December 2009: 0.93).

During the Year, the Group completed equity placements with certain institutional investors in January 2010 for Hong Kong Dollars ("**HKD**") 292 million and with International Finance Corporation ("**IFC**") in July 2010 for HKD 38.8 million. Adding the net profit earned during the Year, the Group's total equity increased to RMB 1,966 million as at 31 December 2010 (2009: RMB 1,473 million).

The Group's effort in lowering the debt level and raising the shareholder's equity value has strengthened the financial position by lowering the net gearing ratio from 0.92 as at 31 December 2009 to 0.52 as at 31 December 2010.

Capital investment

The Group's capital investment during the Year was approximately RMB 287 million (2009: RMB 269 million) mainly for the upgrade of fructose plant and the production facility for sodium gluconate and the construction of oligosaccharide production line.

Contingent liabilities

As of 31 December 2010, the Company has been involved in an arbitration proceedings whereby the Company is not a party to it.

The proceedings involves a dispute arisen from two contracts for sale and purchase of crystalline glucose signed by a third party Korean company (the "**Claimant**") and Xiwang Sugar (Hong Kong) Limited (the "**Respondent**") back in September and November 2009.

The respondent used to be a subsidiary of the Company until 19 January 2010. According to the Claimant's case, it was alleged that the Company was in fact in control of the Respondent and the Company was directly involved in all the matters in relation to the dispute. The Claimant therefore claimed that the Company should be bound by the arbitration clause and be liable to the alleged breach of contracts by the Respondent in the amount of approximately US$4.6 million (approximately RMB 31 million), which was the claim made by the claimant against the Respondent but not the Company (the "**Claim**").

Despite the Company's numerous clarifications, the Claimant insists to invite the Tribunal to make an award against both the Respondent and the Company on the evidence submitted by it earlier.

In order to protect the interest of the Company, the Company has no alternative but to write and inform the Tribunal that the Company shall make submissions on the issue of jurisdiction (informing the Tribunal should not have jurisdiction over the Company) as a non-party to the proceedings. The Company is now in the course of preparing such submissions.

According to the advice of the Company's legal counsel, based on the materials available so far, there was a fair chance that the Company would not be bound by the arbitration agreement as contained in the relevant contracts. The directors of the Company agree with the advice from counsel and consider that the Company has a fair chance that it would not be bound by the arbitration agreements.

The directors of the Company therefore consider that it is not probable for the Company to be liable to the Claim. Accordingly, no provision had been made in the consolidated financial statements.

Foreign exchange risk

The Group's main operation is in the PRC. The function currency of the Group is RMB. The majority 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 fluctuation of foreign exchange rate was minimal.

Human resources

The Group had 3,047 employees as at 31 December 2010 (31 December 2009: 3,004). The Group regularly reviewed the remuneration packages of the directors and employees, with respect to their experience and responsibilities 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 the basic remuneration packages and discretionary bonuses, share options may also be granted based on individual performance.

3. Outlook and Development

In China, sugar consumption is mainly represented by fast growth of the food-processing industry. According to the government statistics, the production of sugar-containing food was about 9.5 million tonnes in 2010, which increased by about 20% over 2009. Types of food that made most use of sugar include beverages, snacks and dairy products, which many of them exhibited double-digit growth rates. In China, sugar cane and sugar beet are the main raw materials for white sugar and corn is the main raw material for starch sugars. As agricultural land for expansion is limited and there are unexpected weather interruptions, it is expected that the possibility of a large increase in the supply of sugar in a short period of time will be minimal. Furthermore, the Chinese government has placed further stringent measures for ensuring corn is not used irregularly and there is enough corn for feed and food purposes. As such, the fundamentals of sugar market and corn market will be positive.

White sugar and high-fructose corn syrup are two most common sweeteners in food. However, health problems associated with them are numerous. One of the biggest issues is obesity. In certain cities in China, the overweighted population has accounted for more than 20% of the city population. In fact, rate of obesity has doubled in ten years, and is showing a fast upward trend. Over-consuming of sugar is dangerous in that it would also cause certain type of diabetes. Currently, diabetes has become a major epidemic in China. As an analogy, one in ten adults in China is being diagnosed with this disease, and China has overtaken India to be the largest country having the largest population of diabetics. Thus, we expect people will be more concerned about their diets and they will be more eager to look for healthy sugars as substitutes.

The Group has foreseen the opportunity of the healthy starch sugar market in China. We have launched crystalline fructose and will launch oligosaccharide soon in 2011. As part of our marketing campaign, the Group will be active in motivating large food companies to use our products to open new food products. We are also dedicated to supply these products directly to the consumer markets. The Group has also a new product called crystalline fructose-glucose. As the name suggests, it is made up of crystalline fructose and crystalline glucose. Its relative sweetness is about 1.1[1]. With this sweetness it can be used as an alternative to traditional white sugar. The national standards of crystalline fructose and crystalline fructose-glucose would be promulgated soon in 2011. We believe this will enhance our recognition and facilitate our development in the market.

Board of Directors and Senior Management

DIRECTORS

Executive Directors

WANG Yong 王勇 Chairman and Executive Director

Aged 60, is the Chairman and Executive Director of the Company 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 Xiwang Group Company Limited* ("**Xiwang Group**") (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 the Executive Director of the Company in March 2005. Mr. WANG is also a director and the chairman of Xiwang Foodstuffs Co. Ltd. (previously named as Hunan Ginde Development Company Limited) ("**Xiwang Foodstuffs**"), a company publicly listed on the Main Board of the Shenzhen Stock Exchange since February 2010 and is effectively held as to 52.08% by Xiwang Group.

* *For identification*

WANG Liang 王亮
CEO and Executive Director
(resigned on 30 November 2010)

Aged 40, is the previous Chief Executive Officer and Executive Director of the Company. 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 resigned as the Executive Director and Chief Executive Officer of the Company on 30 November 2010.

ZHANG Yan 張研
CEO and Executive Director
(appointed on 30 November 2010)

Aged 46, is the Chief Executive Officer and Executive Director of the Company. Dr. ZHANG obtained his doctorate degree in Economics from The School of Finance of Renmin University of China (中國人民大學財政金融學院). Dr. ZHANG is experienced in the corporate strategic management and had held several senior management positions, including general manager and subsequently the chairman in a listed company in Shanghai. Dr. ZHANG joined Xiwang Group in July 2010. Dr. ZHANG is also a director of Xiwang Foodstuffs, a company publicly listed on the Main Board of the Shenzhen Stock Exchange and is effectively held as to 52.08% by Xiwang Group. Dr. ZHANG has been appointed as the Chief Executive Officer and Executive Director of the Company on 30 November 2010.

* *For identification*

WANG Di 王棣
Executive Director
(appointed on 30 November 2010)

Aged 27, is an Executive Director of the Company. Mr. WANG is the deputy chairman of Xiwang Group and Head of Sales and Marketing of the Group. Mr. WANG attended the bachelor's degree course of Information Conflict from the Electronic Engineering Institute of the Chinese People's Liberation Army (中國人民解放軍電子工程學院) from 2001 to 2005. Mr. WANG joined Xiwang Group in August 2005 and the Group in January 2006. He has been in charge of the international trading business of the Group and Xiwang Group for more than five years. Mr. WANG is also a director of Xiwang Foodstuffs, a company publicy listed on the Main Board of The Shenzhen Stock Exchange and is effectively held as to 52.08% by Xiwang Group. Mr. WANG was appointed as an Executive Director of the Company on 30 November 2010. Mr. WANG is the son of Mr. WANG Yong, the Chairman of the Company.

LI Wei 李偉
Executive Director

Aged 34, is an Executive Director of the Company, 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 an Executive Director of the Company. Dr. LI was appointed as an Executive Director of the Company in November 2005.

* *For identification*

SONG Jie 宋捷

Executive Director
(appointed on 30 November 2010)

Aged 43, is an Executive Director of the Company. Mr. SONG is the Marketing Director of the Group since April 2010. Mr. SONG obtained a bachelor's degree in Medicine from Shandong Medical University (山東醫科大學); and a master degree in Business Administration from China Europe International Business School (中歐國際工商學院). Mr. SONG joined Xiwang Group in April 2010. Mr. SONG is experienced in health products marketing in the marketplace of the PRC, and had worked in several established enterprises in the PRC. Mr. SONG was appointed as the Executive Director of the Company on 30 November 2010.

WANG Cheng Qing 王呈青

Executive Director
(resigned on 30 November 2010)

Aged 47, is a previous Executive Director of the Company and one of the founders of the Group. 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 resigned as an Executive Director of the Company in November 2010.

* *For identification*

HAN Zhong 韓忠
Executive Director

Aged 55, is an Executive Director of the Company and one of the founders of the Group. 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 an Executive Director of the Company in November 2005.

LIU Ji Qiang 劉紀強
Executive Director
(resigned on 30 November 2010)

Aged 41, is a previous Executive Director of the Company responsible for sales management of the Group. 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 resigned as the Executive Director of the Company in November 2010.

* *For identification*

SUN Xinhu 孫新虎
Executive Director

Aged 36, is an Executive Director of the Company and the Head of the Business Development Department of the Group. 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 an Executive Director of the Company. Mr. SUN is also a director of Xiwang Foodstuffs, a company publicly listed on the Main Board of the Shenzhen Stock Exchange and is effectively held as to 52.08% by Xiwang Group, Mr. SUN was appointed as an Executive Director of the Company in December 2008.

* *For identification*

Independent Non-Executive Directors

SHI Wei Chen（石維忱）

Aged 54, is an Independent Non-Executive Director of the Company. 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. From January 2011, Mr. SHI is an independent director of Mei Hua Holdings Group Co., Ltd. a company publicly listed on the Shanghai Stock Exchange and is not a related party of the Group. Mr. SHI was appointed as an Independent Non-Executive Director of the Company in November 2005.

SHEN Chi（沈篪）

Aged 53, is an Independent Non-Executive Director of the Company. 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 an Independent Non-Executive Director of the Company in February 2007.

WONG Kai Ming（黃啟明）

Aged 56, is an Independent Non-Executive Director of the Company. 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 an Independent Non-Executive Director of the Company in November 2005.

* *For identification*

Senior Management

CHUNG Kwok Mo John（鍾國武）

Aged 42, is the Chief Financial Officer of the Company since May 2008. Mr. CHUNG has about 19 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 Company, 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 42, is the Company Secretary and Financial Controller of the Company. Ms. LAM joined the Company in June 2007 and is responsible for the financial management and company secretarial functions of the Group. Ms. LAM has over 14 years of experience in auditing, accounting and financial management. Prior to joining the Company, Ms. LAM was the finance manager of a media company listed on the Main Board of the Stock Exchange. From 2000 to 2004, she was an auditor of 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*

Corporate Governance Report

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 Directors 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. 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. During the year and up to the date of this annual report, the Board consisted of the following directors:

Executive directors
Mr. WANG Yong *(Chairman)*
Dr. ZHANG Yan *(Chief executive officer)* (appointed on 30 November 2010)
Mr. WANG Liang (resigned on 30 November 2010)
Mr. WANG Di (appointed on 30 November 2010)
Mr. SONG Jie (appointed on 30 November 2010)
Dr. LI Wei
Mr. WANG Cheng Qing (resigned on 30 November 2010)
Mr. HAN Zhong
Mr. LIU Ji Qiang (resigned on 30 November 2010)
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, 13 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)*	13/13
Dr. ZHANG Yan *(Chief executive officer)* (appointed on 30 November 2010)	1/1
Mr. WANG Liang (resigned on 30 November 2010)	12/12
Mr. WANG Di (appointed on 30 November 2010)	1/1
Mr. SONG Jie (appointed on 30 November 2010)	1/1
Dr. LI Wei	13/13
Mr. WANG Cheng Qing (resigned on 30 November 2010)	10/12
Mr. HAN Zhong	13/13
Mr. LIU Ji Qiang (resigned on 30 November 2010)	11/12
Mr. SUN Xinhu	13/13
Independent non-executive directors	
Mr. SHI Wei Chen	12/13
Mr. SHEN Chi	13/13
Mr. WONG Kai Ming	13/13

(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 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.

The Company has received their annual written confirmations from Mr. SHI Wei Chen, Mr. SHEN Chi and Mr. WONG Kai Ming in respect of their independence. 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, except Dr. ZHANG Yan and Mr. SONG Jie, 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. Mr. WANG Di, an executive director is the son of Mr. WANG Yong, the chairman. 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 Dr. ZHANG Yan 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. On 30 November 2010, Mr. WANG Liang resigned and Dr. ZHANG Yan was appointed as the chairman of the remuneration committee. Mr. SHI Wei Chen and Mr. SHEN Chi were the members of the remuneration committee during the Year. 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, with all the members of the committee attended, during the Year for reviewing and determining the terms of remuneration packages of the executive directors newly joined during the Year.

F. Nomination of directors

The Company established a nomination committee with written terms of reference in compliance with the CG Code. On 30 November 2010, Mr. WANG Liang resigned and Dr. ZHANG Yan was appointed as the chairman of the nomination committee. Mr. SHI Wei Chen and Mr. SHEN Chi were the members of the nomination committee during the Year.

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 approval of the nomination.

The nomination committee held a meeting, with all the members of the committee attended, during the Year for recommending the appointment of the executive directors 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 30 March 2011, 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 2010 (RMB'000)
Service rendered	
Annual audit services	
– PricewaterhouseCoopers	3,000
– Others	–
Non-audit services	–

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 2009 and the interim results of the Group for the six months ended 30 June 2010. Except for Mr. SHI Wei Chen who was absent from one meeting, 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 2010. The reporting responsibilities of the Company's external auditors, Messrs. PricewaterhouseCoopers, are set out in the Auditors' report on page 58.

J. Internal control

All directors acknowledge their 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 on 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 and Corporate Communications

(i) Enabling an active relationship with our shareholders and investors

Maintaining transparency and regular communications with the investment community has always been an important subject in our investor relations strategy. During the Year, the Group continued an active approach to better enhance the understanding and relationship with them.

During the Year, the Company has received a total of 250 requests for company visits from the institutional investors, and has accommodated 235 of them. There were also several requests for visiting our production base in Shandong in the PRC. As a result, our team further organized site visits to accommodate these needs.

Apart from this, the Company received numerous invitations from investment banks for attending their corporate days. These corporate days shared a common feature of getting interested investors from all over the world at one location. The idea is to invite listed companies to present the Company's business and prospects and to share their views with the investors through discussions in one-on-one meetings and group presentation. The Company finds participating in such corporate days is particularly effective as these conferences have always a focused theme and a dedicated research. Ongoing the Company will maximize its exposure in these activities to provide more opportunities for the investors to know more about the Company.

The conferences that have been taken part during the Year were:

February	J.P. Morgan HK & China Small & Mid Cap Corporate Access Day (Hong Kong)
May	The 8th BOCI (BOC International) Investor Conference (Qingdao, China)
June	Standard Chartered's Emerging Growth Companies Corporate Access Days (Hong Kong)
July	CICC (China International Capital Corporation) Corporate Day 2010 (Shanghai, China)
July	Bank of America Merrill Lynch Asia Agriculture Corporate Day (Hong Kong)
November	Bank of America Merrill Lynch China Investment Summit 2010 (Beijing, China)
November	Standard Chartered Equities Emerging Companies Corporate Access Week (Hong Kong)
November	China Merchants Securities Investment Conference 2011 (Shenzhen, China)

(ii) Providing updates through corporate communications

The Company is committed to the best practices of corporate governance by making regular updates regarding to development to the public. Information disseminating from the Company includes the annual and interim reports, announcements, circulars and corporate presentations etc. As long as it is appropriate and in compliance with the Listing Rules, the Company would try to accommodate all the enquiries, either from the meetings, conference calls or emails.

Timeliness of disclosure is a matter to the friendliness of investors nowadays. In this regard, the Company began to publish the quarterly operational performance announcement after the end of each quarter, beginning the third quarter of the Year. The announcement includes key operational data and a management commentary about the performance during the relevant period. In addition, the Company has made the market prices of corn kernel and the major products available on its website on a weekly basis. These actions aim to facilitate the analysts and investors to keep track of the Company's development more accurately.

To allow investors to get better informed with our business model, the Company will make use of corporate presentations for discussions in the meetings. The information in the presentations is comprehensive including the general background information, the change of industry environment, our strategic focus and a brief financial review. We prepare both English and Chinese versions to fulfill the need of the audience. We also use simple languages and diagrams for illustration whenever possible so that the material itself is self-explanatory.

The investor relations department is in Hong Kong where the company is listed. It would be conveniently accessed during normal business hour by phone (Telephone: 3188 4518) or email (ir@xiwang-sugar.com). Interest parties can also visit the Company's website (www.xiang-sugar.com) for the information they may need.

On behalf of the Board

WANG Yong
Chairman

Hong Kong, 30 March 2011

Directors' Report

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 2010.

Principal activities

The Group is principally engaged in refining corn to a variety of starch sugars 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 direct processing of corn. Sodium gluconate is produced from corn starch.

Dividend

No final dividend was proposed by the Board in respect of the year ended 31 December 2010 (2009: RMB0.037 per share).

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 end of the reporting period 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 2010 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 136.

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 the date of listing of the shares on the Stock Exchange (the "**Listing Date**") and approximately 7.95% of Shares in issue as at the date of this report 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 share 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 share 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 share.

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 2010, the outstanding share options were 4,386,000 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 2010 Granted	Exercised	Cancelled	Outstanding as at 1 January 2010	Outstanding as at 31 December 2010	Exercise price per Share *(HKD)*	Exercise period
Employees *(Note 1)*	8 May 2009	–	2,193,000	–	6,579,000	4,386,000	1.32	*(Note 3)*

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 price of the Shares as stated in the Stock Exchange's daily quotations sheet on 7 May 2009, being the trading days immediately preceding the date of grant of options, was HKD1.28 per Share.

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 2011	2,193,000
8 May 2012	4,386,000

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 under review.

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 2010, the largest supplier accounted for approximately 8.0% (2009:8.3%) of the Group's total cost of purchase and the Group's five largest suppliers accounted for approximately 33.3% (2009: 21.0%) of the Group's total cost of purchase. During the year, 鄒平頂峰熱電有限公司 is the largest supplier of the Group. As of the date of this report, it is 9.7% effectively held by Mr. WANG Yong; 0.3% effectively held by each of Mr. WANG Di and Mr. Han Zhong respectively; and 0.1% effectively held by each of Dr. LI Wei and Mr. SUN Xinhu respectively.

Save as disclosed in note 27 to the consolidated financial statements and save as disclosed above, 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 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
Dr. ZHANG Yan (appointed on 30 November 2010)
Mr. WANG Liang (resigned on 30 November 2010)
Mr. WANG Di (appointed on 30 November 2010)
Mr. SONG Jie (appointed on 30 November 2010)
Dr. LI Wei
Mr. WANG Cheng Qing (resigned on 30 November 2010)
Mr. HAN Zhong
Mr. LIU Ji Qiang (resigned on 30 November 2010)
Mr. SUN Xinhu

Independent non-executive Directors:

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

Each of Dr. ZHANG Yan, Mr. WANG Di and Mr. SONG Jie will retire as director and, being eligible, offer himself for re-election as director at the forthcoming annual general meeting in accordance with Bye-law 86(2) of the Bye-laws of the Company.

In accordance with Bye-Law 87(1) of the Bye-laws of the Company, each of Mr. SUN Xinhu, Mr. SHI Wei Chen and Mr. WONG Kai Ming will retire as director by rotation at the forthcoming annual general meeting and, being eligible, offer himself 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 any existing 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).

Save as disclosed above, none of the directors has a service contract with the Company or any of its subsidiaries is not determinable by 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 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 33 of the annual report.

Directors' interests in contracts of significance

Save as disclosed in the paragraph headed "**Connected transactions**" below and in note 27 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 its associated corporations

As at 31 December 2010, 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)*	Approximate percentage shareholding in the same class of securities as at 31 December 2010
Company	WANG Yong	Interest of a controlled corporation *(Note 2)*	556,734,077 ordinary shares (L) *(Note 3)*	55.32%
Xiwang Holdings Limited ("**Xiwang Holdings**")	WANG Yong	Beneficial owner	5,931 shares (L)	2.97%
		Interest of controlled corporations *(Note 2)*	190,000 shares (L)	95%
Xiwang Investment Company Limited ("**Xiwang Investment**")	WANG Yong	Interest of controlled corporations *(Note 2)*	3 shares (L)	100%
Xiwang Holdings	WANG Di	Beneficial owner	177 shares (L)	0.09%
Xiwang Holdings	HAN Zhong	Beneficial owner	177 shares (L)	0.09%
Xiwang Holdings	LI Wei	Beneficial owner	89 shares (L)	0.04%
Xiwang Holdings	SUN Xinhu	Beneficial owner	89 shares (L)	0.04%

Notes:

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

(2) Xiwang Investment is a wholly-owned subsidiary of Xiwang Holdings which in turn directly and beneficially owned as to 2.97% by Mr. WANG Yong and as to 95% by Xiwang Hong Kong Limited ("**Xiwang HK**"), a wholly-owned subsidiary of Xiwang Group. Xiwang Group is held as to approximately 64.36% by Mr. WANG Yong. Mr. WANG Yong is therefore deemed to be interested in the 95% interest in Xiwang Holdings and the entire issued share capital in Xiwang Investment.

Xiwang Group is directly and beneficially owned as to 64.36% by Mr. WANG Yong, 1.77% by each of Mr. WANG Di and Mr. HAN Zhong respectively and 0.89% by each of Dr. LI Wei and Mr. SUN Xinhu respectively.

(3) These shares are registered in the name of Xiwang Investment. Mr. WANG Yong is deemed to be interested in all shares of the Company in which Xiwang Investment 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 2010, 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 2010
Xiwang Investment	Beneficial owner	556,734,077 ordinary shares (L)	55.32%
Xiwang Holdings	Interest of a controlled corporation *(Note 2)*	556,734,077 ordinary shares (L)	55.32%
ZHANG Shufang	Interest of spouse *(Note 3)*	556,734,077 ordinary shares (L)	55.32%

Notes:

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

(2) Xiwang Investment is a wholly owned subsidiary of Xiwang Holdings. Xiwang Holdings is deemed to be interested in the shares in which Xiwang Investment 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 2010, 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 2010 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 2010	For the year ending 31 December 2011	For the year ending 31 December 2012
1	Sales of corn germs by the Group to Shandong Food Company Limited ("**Xiwang Food**")	RMB 510 million	RMB 313 million	RMB 344 million
2.	Sale of pharmaceutical-grade glucose by the Group to Xiwang Pharmaceutical Company Limited ("**Xiwang Pharmaceutical**")	RMB 225 million	RMB 250 million	–

	Description	Annual caps For the year ended 31 December 2010	For the year ending 31 December 2011	For the year ending 31 December 2012
3.	Sale of crystalline fructose by the Group to Xiwang Food	RMB101 million	RMB223 million	–
4.	Sale of corn starch by the Group to Xiwang Pharmaceutical	RMB 86 million	RMB 248 million	RMB 272 million
5.	Sale of crystalline glucose by the Group to Xiwang Pharmaceutical	RMB 23 million	RMB 418 million	RMB 460 million
6.	Sales of glucose syrup by the Group to Shandong Xiwang Leavening Company Limited ("**Xiwang Leavening**")	RMB 13 million	–	–
7.	Provision of sewage service by the Group to Xiwang Group Company Limited ("**Xiwang Group**")	RMB 4.9 million	RMB 5.9 million	–
8.	Purchase of packaging bags by the Group from Xiwang Leavening	RMB 62 million	RMB 77 million	–
9.	Purchase of mother liquid by the Group from Xiwang Pharmaceutical	RMB 13 million	RMB 16 million	–

Xiwang Food is a wholly owned subsidiary of Xiwang Foodstuffs Co., Ltd (previously named as Hunan Ginde Development Company Limited) ("**Xiwang Foodstuffs**") since December 2010. Xiwang Foodstuffs is a company publicly listed on the Main Board of the Shenzhen Stock Exchange and is effectively held as to 52.08% by Xiwang Group. Xiwang Pharmaceutical is wholly owned by Xiwang Group, Xiwang Group is owned as to 64.36% by Mr. Wang Yong, an executive director of the Company. Xiwang Leavening was owned as to 8.8% by Xiwang Group and as to 90% by Shandong Fangong Wine Industry Co., Ltd. ("**Fangong Wine**"), a company which was owned as to approximately 57.98% by Xiwang Group. Xiwang Group disposed all of its equity interest in Fangong Wine and Xiwang Leavening during the Year. Each of Xiwang Food and Xiwang Pharmaceutical is an associate of Mr. Wang and therefore a connected person of the Company. Each of Fangong

Wine and Xiwang Leavening was an associate of Mr. Wang and therefore a connected person of the Company before the disposal of all of the equity interest in each of Fangong Wine and Xiwang Leavening by Xiwang Group during the Year.

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 27 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;

(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 an agreement with Shandong Xiwang Steel Company Ltd ("**Xiwang Steel**") for the purchase of steel bars for the renovation of existing production plants. The total contracted quantity of purchase was within 750 tonnes, with the consideration not exceed RMB 3,750,000, determined after arm's length negotiation among the parties. This transaction was disclosed in an announcement dated 9 December 2010 in 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 for a seven year term loan facilities of USD 20,000,000 with the International Finance Corporation ("**IFC**"). ("**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 Agreement, 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 Agreements. Such default would permit the lender to accelerate the maturity of the indebtedness under the Facility Agreement. There was no breach of the above specific performance as at the date of the report.

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 ceases to hold directly or indirectly at least 45% of the entire issued share capital of the Company;

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

(3) Mr. WANG ceases 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 34 to 42 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 2010 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 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 Tuesday, 31 May 2011.

Closure of register of members

The register of members of the Company will be closed from Friday, 27 May 2011 to Tuesday, 31 May 2011, 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 Thursday, 26 May 2011.

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, 30 March 2011

Independent Auditor's Report

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 60 to 135, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

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

Opinion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2011

Consolidated Statement of Financial Position

As at 31 December

	Note	2010 RMB'000	2009 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,760,168**	1,577,500
Land use rights	7	**239,510**	244,722
Deferred income tax assets	16	**5,512**	3,236
		2,005,190	1,825,458
Current assets			
Inventories	9	**560,570**	377,659
Trade and other receivables	10	**766,898**	949,919
Prepaid current income tax		**13,264**	–
Amounts due from related parties	27(d)	**86,535**	79,025
Cash and cash equivalents	11	**548,502**	777,664
		1,975,769	2,184,267
Total assets		**3,980,959**	4,009,725
EQUITY			
Attributable to equity holders of the Company			
Share capital	12	**101,896**	87,953
Share premium	12	**328,531**	24,036
Other reserves	13	**921,492**	769,916
Retained earnings			
– Proposed final dividend	22	**–**	35,532
– Others		**613,586**	554,890
Non-controlling interest		**–**	280
Total equity		**1,965,505**	1,472,607

	Note	2010 RMB'000	2009 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	15	**831,549**	190,000
Current liabilities			
Trade and other payables	14	**420,636**	402,396
Current income tax liabilities		**–**	206
Amounts due to related parties	27(d)	**29,910**	4,352
Borrowings	15	**733,359**	1,939,122
Derivative financial instruments		**–**	1,042
		1,183,905	2,347,118
Total liabilities		**2,015,454**	2,537,118
Total equity and liabilities		**3,980,959**	4,009,725
Net current assets/(liabilities)		**791,864**	(162,851)
Total assets less current liabilities		**2,797,054**	1,662,607

The notes on pages 68 to 135 are an integral part of these consolidated financial statements.

The financial statements on pages 60 to 135 were approved by the Board of Directors on 30 March 2011 and were signed on its behalf.

WANG Yong	**ZHANG Yan**
Director	*Director*

Statement of Financial Position

As at 31 December

	Note	2010 RMB'000	2009 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**428**	44
Investment in a subsidiary	8	**–**	–
Amounts due from a subsidiary	8(b), 27(d)	**697,169**	697,169
		697,597	697,213
Current assets			
Trade and other receivables	10	**1,177**	1,090
Amounts due from a subsidiary	8(b), 27(d)	**116,299**	178,488
Amounts due from other related parties	27(d)	**82,649**	16,255
Dividend receivable	27(d)	**202,186**	185,094
Cash and cash equivalents	11	**2,741**	2,157
		405,052	383,084
Total assets		**1,102,649**	1,080,297
EQUITY			
Attributable to equity holders of the Company			
Share capital	12	**101,896**	87,953
Share premium	12	**328,531**	24,036
Other reserves	13	**623,295**	623,295
Retained earnings			
– Proposed final dividend	22	**–**	35,532
– Others		**29,542**	19,782
Total equity		**1,083,264**	790,598

	Note	2010 RMB'000	2009 RMB'000
LIABILITIES			
Current liabilities			
Amounts due to related parties	27(d)	**18,750**	125,864
Trade and other payables	14	**635**	3,213
Borrowings	15	**–**	160,622
		19,385	289,699
Total liabilities		**19,385**	289,699
Total equity and liabilities		**1,102,649**	1,080,297
Net current assets		**385,667**	93,385
Total assets less current liabilities		**1,083,264**	790,598

The notes on pages 68 to 135 are an integral part of these consolidated financial statements.

The financial statements on pages 60 to 135 were approved by the Board of Directors on 30 March 2011 and were signed on its behalf.

WANG Yong
Director

ZHANG Yan
Director

Consolidated Statement of Comprehensive Income

Year ended 31 December

	Note	2010 RMB'000	2009 RMB'000
Turnover	5	**3,257,459**	2,480,853
Cost of goods sold	17	**(2,785,489)**	(2,164,184)
Gross profit		**471,970**	316,669
Other income – net	18	**1,315**	1,569
Selling and marketing costs	17	**(120,012)**	(97,905)
Administrative expenses	17	**(60,608)**	(48,145)
Operating profit		**292,665**	172,188
Finance income	20	**4,178**	8,696
Finance costs	20	**(81,484)**	(65,042)
Finance costs – net	20	**(77,306)**	(56,346)
Profit before income tax		**215,359**	115,842
Income tax expense	21	**(5,473)**	(14,323)
Profit for the year		**209,886**	101,519
Other comprehensive Income for the year, net of tax		**–**	–
Total comprehensive income for the year		**209,886**	101,519

	Note	**2010** **RMB'000**	2009 RMB'000
Attributable to:			
Equity holders of the Company	28	**209,886**	101,759
Non-controlling interest		**–**	(240)
		209,886	101,519
Earnings per share for profit attributable to the equity holders of the Company			
(expressed in RMB per share)			
– basic	23	**0.21**	0.12
– diluted	23	**0.21**	0.12
Dividend	22	**–**	35,532

The notes on pages 68 to 135 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					
	Note	Share capital RMB'000 *(Note 12)*	Share premium RMB'000 *(Note 12)*	Other reserves RMB'000 *(Note 13)*	Retained earnings RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
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		1,498	21,154	–	(22,652)	–	–
Total transactions 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**
Balance at 1 January 2010		**87,953**	**24,036**	**769,916**	**590,422**	**280**	**1,472,607**
Comprehensive income							
Profit for the year		–	–	–	209,886	–	209,886
Transactions with owners							
Proceeds from issuance of ordinary shares		12,500	279,080	–	–	–	291,580
Employee share option scheme							
– value of services provided		–	1,638	–	–	–	1,638
Appropriation to reserves		–	–	151,576	(151,576)	–	–
Proceeds from share options exercised		186	2,274	–	–	–	2,460
Dividend relating to 2009	22	1,257	21,503	–	(35,146)	–	(12,386)
Disposal of subsidiaries		–	–	–	–	(280)	(280)
Total transactions with owners		**13,943**	**304,495**	**151,576**	**(186,722)**	**(280)**	**283,012**
Balance at 31 December 2010		**101,896**	**328,531**	**921,492**	**613,586**	**–**	**1,965,505**

The notes on pages 68 to 135 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December

	Note	2010 RMB'000	2009 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	24(a)	**453,985**	(375,066)
Interest paid		**(103,513)**	(77,993)
Income tax paid		**(21,219)**	(4,814)
Net cash generated from/(used in) operating activities		**329,253**	(457,873)
Cash flows from investing activities			
Disposal of subsidiaries	24(c)	**(565)**	–
Acquisition of property, plant and equipment		**(279,468)**	(194,399)
Acquisition of land use right		**–**	(88,301)
Proceeds from disposal of property, plant and equipment	24(b)	**–**	4,034
Interest received		**4,178**	6,333
Net cash used in investing activities		**(275,855)**	(272,333)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**294,040**	–
Proceeds from borrowings		**1,524,908**	1,938,500
Repayment of borrowings		**(2,089,122)**	(678,788)
Dividend paid		**(12,386)**	–
Net cash (used in)/generated from financing activities		**(282,560)**	1,259,712
Net (decrease)/increase in cash and cash equivalents		**(229,162)**	529,506
Cash and cash equivalents at beginning of the year		**777,664**	248,158
Cash and cash equivalents at end of the year		**548,502**	777,664

The notes on pages 68 to 135 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 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 30 March 2011.

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.

Changes in accounting policies and disclosures

(a) New and amended standards and interpretations mandatory for the first time for the financial year beginning 1 January 2010:

- HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The adoption of the new standards did not have material impact to the Group's financial statements.

- HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. HKAS 27 (revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

2. Summary of significant accounting policies (continued)

2.1 Basis of presentation (continued)

Changes in accounting policies and disclosures (continued)

(a) New and amended standards and interpretations mandatory for the first time for the financial year beginning 1 January 2010 (continued):

- HKAS 17 (amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortised over the lease term. The adoption of the new standards did not have material impact to the Group's financial statements.

- HK(IFRIC) 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation was published in November 2008. The adoption of the new standards did not have material impact to the Group's financial statements.

- HK(IFRIC) 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. The adoption of the new standards did not have material impact to the Group's financial statements.

- HK(IFRIC) 9, 'Reassessment of embedded derivatives and HKAS 39, Financial instruments: Recognition and measurement', effective 1 July 2009. The adoption of the new standards did not have material impact to the Group's financial statements.

- HK(IFRIC) 16, 'Hedges of a net investment in a foreign operation', effective 1 July 2009. The adoption of the new standards did not have material impact to the Group's financial statements.

2. Summary of significant accounting policies (continued)

2.1 Basis of presentation (continued)

Changes in accounting policies and disclosures (continued)

(a) New and amended standards and interpretations mandatory for the first time for the financial year beginning 1 January 2010 (continued):

- HKAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. The adoption of the new standards did not have material impact to the Group's financial statements.

- HKAS 36 (amendment), 'Impairment of assets', effective 1 January 2010. The adoption of the new standards did not have material impact to the Group's financial statements.

- HKFRS 2 (amendments), 'Group cash-settled share-based payment transactions', effective form 1 January 2010. In addition to incorporating HK(IFRIC) 8, 'Scope of HKFRS 2', and HK(IFRIC) 11, 'HKFRS 2 - Group and treasury share transactions', the amendments expand on the guidance in HK(IFRIC) 11 to address the classification of group arrangements that were not covered by that interpretation. The adoption of the new standards did not have material impact to the Group's financial statements.

- HKFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The adoption of the new standards did not have material impact to the Group's financial statements.

2. Summary of significant accounting policies (continued)

2.1 Basis of presentation (continued)

Changes in accounting policies 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

The group's and parent entity's assessment of the impact of these new standards and interpretations is set out below:

- HKFRS 9, 'Financial instruments', issued in November 2009. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group did not early adopt HKFRS 9 during the year ended 31 December 2010. It is not expected to have a material impact on the Group's financial statements.

- Revised HKAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes HKAS 24, 'Related party disclosures', issued in 2003. HKAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. The Group will apply the revised standard from 1 January 2011. When the revised standard is applied, the Group and the parent entity will need to disclose any transactions between its subsidiaries and its associates.

- 'Classification of rights issues' (amendment to HKAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with HKAS 8 'Accounting policies, changes in accounting estimates and errors'. The Group will apply the amended standard from 1 January 2011.

2. Summary of significant accounting policies (continued)

2.1 Basis of presentation (continued)

Changes in accounting policies 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)

- HK (IFRIC) – Int 19, 'Extinguishing financial liabilities with equity instruments', effective 1 July 2010. The Group will apply the interpretation from 1 January 2011. It is not expected to have any impact on the Group or the parent entity's financial statements.

- 'Prepayments of a minimum funding requirement' (amendments to HK (IFRIC) – Int 14). The amendments correct an unintended consequence of HK (IFRIC) - Int 14, 'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The Group will apply these amendments for the financial reporting period commencing on 1 January 2011.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all 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.

2. Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

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.

2. Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

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. Summary of significant accounting policies (continued)

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.

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 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 statement of financial position presented are translated at the closing rate at the end of the reporting period;

2. Summary of significant accounting policies (continued)

2.4 Foreign currency translation (Continued)

(c) Group's entities (Continued)

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.

2.5 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 the 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 the end of each reporting period.

2. Summary of significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

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 – net" in the statement of comprehensive income.

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 expenditure 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 cost 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 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 cost to sell and value in use. For the purpose 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

(a) *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 statement of financial position.

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 comprises "trade and other receivables" (Note 2.12), "amounts due from related parties" and "cash and cash equivalents" in the statement of financial position (Note 2.13).

(b) *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.

(c) *Impairment of financial assets carried at amortised cost*

The Group assess 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 of group of financial assets that can be reliably estimated.

2. Summary of significant accounting policies (continued)

2.9 Financial assets (continued)

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

The criteria that the Group uses to determine that there is objective evidence of the 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)

(c) 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 as 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 consoldiated statement of comprehensive income.

2.10 Derivate 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 statement of comprehensive income within "other income – net".

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.

2. Summary of significant accounting policies (continued)

2.11 Inventories (continued)

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 statement of financial position.

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.

2.15 Trade payables

Trade payables are obligations to pay for good 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 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. Summary of significant accounting policies (continued)

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 statement of comprehensive income 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 end of the reporting period.

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 related 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 end of the reporting period in the countries where the Group operate and generate 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 substantially enacted by the end of the reporting period 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 when there is an intention to settle the balances on a net basis.

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 20% (2009: 18%) of the standard salary of those employees and have no further obligation for post-retirement benefits.

2. Summary of significant accounting policies (continued)

2.18 Employee benefits (continued)

(a) Retirement benefits scheme (continued)

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 the end of each reporting period, 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 collectability 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 leases

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 and the Company'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.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(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 2010, 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$**"). Accordingly, foreign exchange risk of the Group mainly results from these foreign currency denominated loans.

As at 31 December 2010, if RMB had weakened/strengthened by 2% (2009: 2%) against the US$, with all other variable held constant, profit for the year would have been approximately RMB 4,814,000 (2009: RMB 5,528,000) lower/higher, arising from foreign exchange losses/gains on translation of US$-denominated borrowings.

(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 2010, about 67% of the Group's bank borrowings were at floating rates, while the remaining 33% were at fixed rates.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk (continued)

As of 31 December 2010 and 31 December 2009, a substantial portion of the outstanding bank borrowings of the Group were obtained from domestic banks in Mainland China. In 2010, if the interest rates on bank borrowings had decreased/increased by 27 basis points (2009: 27 basis points), 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 4,881,000 (2009: RMB 5,161,000) higher/lower mainly as a result of lower/higher interest expense on bank borrowings.

(b) Credit risk

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

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 balance of the bank deposits in the principal banks of the Group as at 31 December 2010 and 2009:

	2010	2009
	RMB'000	RMB'000
Principal banks		
State-owned or listed banks	**548,155**	773,188
Other banks	**340**	4,472
	548,495	777,660

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

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. Based on the trade and credit history of the parties having receivable balances due to the Group as at 31 December 2010, 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.

(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 end of respective reporting periods. 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.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
Group				
At 31 December 2010				
Borrowings	733,359	506,359	294,623	30,567
Trade and other payables	420,636	–	–	–
Amounts due to related parties	29,910	–	–	–
At 31 December 2009				
Borrowings	1,939,122	–	190,000	–
Trade and other payables	402,396	–	–	–
Amounts due to related parties	4,352	–	–	–
Company				
At 31 December 2010				
Borrowings	–	–	–	–
Trade and other payables	635	–	–	–
Amounts due to related parties	18,750	–	–	–
At 31 December 2009				
Borrowings	160,622	–	–	–
Trade and other payables	3,213	–	–	–
Amounts due to related parties	125,864	–	–	–

3. Financial risk management (continued)

3.2 Capital risk management

The Group's objectives when managing capital (which comprises 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 statement of financial position) less cash and cash equivalents.

The Group's strategy is maintaining a gearing ratio below 70%. The gearing ratio of the Group as at 31 December 2010 and 2009 are as follows:

	Note	**2010** **RMB'000**	2009 RMB'000
Total borrowings	15	**1,564,908**	2,129,122
Less: Cash and cash equivalents	11	**(548,502)**	(777,664)
Net debt		**1,016,406**	1,351,458
Total equity		**1,965,505**	1,472,607
Gearing ratio		**52%**	92%

The decrease in gearing ratio from 92% in 2009 to 52% in 2010 was primarily due to refinancing achieved by the placement of ordinary shares and retention of cash through distribution of scrip dividend during the year.

3. Financial risk management (continued)

3.3 Fair value estimation

Financial instruments are measured in the statement of financial position at fair value, which requires disclosure of fair value measurements by level of fair value measurement hierarchy. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2010, the Group had no financial instrument which had been stated at 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.

4. Critical accounting estimates and judgements (continued)

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 specific products with an aggregate net book value of RMB 12,927,000 as at 31 December 2010 were no longer under production and they were left unutilised. 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 equipment. As a result, an impairment charge of RMB 12,927,000 had been recognised in 2010 in order to fully provide for the carrying amount of these equipment.

5. Revenue and segment information

The chief operating decision-maker has been identified as the Chief Executive Officer of the Company. 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. Other information provided to the Chief Executive Officer is measured in a manner consistent with that in the financial statements.

5. Revenue and segment information (continued)

The turnover of the Group represents sales of goods.

Year ended 31 December 2010

	Note	Starch sugars RMB'000	Corn co-products and others RMB'000	Total RMB'000
Segment sales		1,854,628	2,728,594	4,583,222
Inter-segment sales		–	(1,325,763)	(1,325,763)
Sales from external customers		**1,854,628**	**1,402,831**	**3,257,459**
Operating profit/ Segment results		250,326	42,339	292,665
Finance costs – net	20			(77,306)
Profit before income tax				**215,359**
Income tax expense	21			(5,473)
Profit for the Year				**209,886**
Capital expenditure	6	228,902	58,262	287,164
Depreciation	6	58,034	33,254	91,288
Amortisation	7	2,981	2,231	5,212
Impairment loss on property, plant and equipment	6			12,927

5. Revenue and segment information (continued)

Year ended 31 December 2009

	Note	Starch sugars RMB'000	Corn co-products and others RMB'000	Total RMB'000
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 costs – 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

5. Revenue and segment information (continued)

Total revenue derived from external customers in the PRC is RMB 2,817,110,000 for the year ended 31 December 2010 (2009: RMB 2,177,903,000), and the total of revenue derived from external customers from other countries is RMB 440,349,000 (2009: RMB 302,950,000).

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

	Note	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 2009						
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 from construction in progress		19,962	76,932	12,137	(109,031)	–
Transfers to construction in progress		–	(151,320)	–	151,320	–
Disposals		–	(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)

	Note	Buildings RMB'000	Plant and machinery RMB'000	Equipment and motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2010						
Opening net book amount		221,071	1,080,741	15,124	260,564	1,577,500
Additions		1,475	20,279	2,758	262,652	287,164
Transfers from construction in progress		55,370	137,973	7,213	(200,556)	–
Disposals		–	(245)	–	–	(245)
Disposal of subsidiaries	24(c)	–	–	(36)	–	(36)
Depreciation charge		(6,103)	(83,371)	(1,814)	–	(91,288)
Impairment charge		–	(12,927)	–	–	(12,927)
Closing net book amount		**271,813**	**1,142,450**	**23,245**	**322,660**	**1,760,168**
At 31 December 2010						
Cost		301,825	1,478,671	27,263	322,660	2,130,419
Accumulated depreciation		(28,254)	(299,163)	(4,018)	–	(331,435)
Accumulated impairment		(1,758)	(37,058)	–	–	(38,816)
Net book amount		**271,813**	**1,142,450**	**23,245**	**322,660**	**1,760,168**

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 specific products with an aggregate net book value of RMB 12,927,000 as at 31 December 2010 were no longer under production and they were left unutilised. 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 equipment. As a result, an impairment charge of RMB 12,927,000 had been recognised in 2010 in order to fully provide for the carrying amount of these equipment.

Construction in progress mainly comprises construction costs incurred for construction of the oligosaccharide production line. Borrowing costs amounting to RMB 20,147,000 (2009: RMB 16,097,000) had been capitalised as part of its construction costs at rates ranging from 5.90% to 6.86%.

Bank borrowings are secured by buildings and machinery of the Group with an aggregate carrying value of RMB 506,115,000 as of 31 December 2010 (Note 15).

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.

	2010 RMB'000	2009 RMB'000
Year ended 31 December		
Opening net book amount	**244,722**	160,251
Additions	**–**	88,301
Amortisation charge	**(5,212)**	(3,830)
Closing net book amount	**239,510**	244,722
At 31 December		
Cost	**258,177**	258,177
Accumulated amortisation	**(18,667)**	(13,455)
Net book amount	**239,510**	244,722

Bank borrowings are secured by land use rights of the Group with an aggregate carrying value of RMB156,972,000 as of 31 December 2010 (Note 15).

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 2010 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	British Virgin Islands (the "**BVI**")	US$1	Investment holding, the BVI	100%
Held indirectly:				
Winning China Limited ("**Winning China**")	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 641,000,000	Manufacture and sale of starch sugars and corn co-products, the PRC	100%
Xiwang Sugar (Beijing) Co., Ltd.* ("**Xiwang Sugar (Beijing)**")	The PRC	RMB 10,000,000	Sale of starch sugars, the PRC	100%

* Xiwang Sugar (Beijing) was incorporated in 2010 and is a subsidiary of Xiwang Technology.

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

(a) Investment in a subsidiary (continued)

During the year ended 31 December 2010, Xiwang Sugar (Hong Kong) Limited and its subsidiary, Xiwang Int'l Company Korea Ltd., were disposed; Shandong Xiwang Functional Sugar Co., Ltd ("**Functional Sugar**"), which was a wholly owned subsidiary of Xiwang Technology, was dormant since incorporation and was then de-registered in 2010.

(b) Amount due from a subsidiary

	Note	**2010** **RMB'000**	2009 RMB'000
Amount due from Master Team			
– quasi-equity	(i)	**697,169**	697,169
– advances	(ii)	**116,299**	178,488
		813,468	875,657
Less: non-current portion		**(697,169)**	(697,169)
Current portion – advances	(ii)	**116,299**	178,488

(i) The directors of the Company have no intention to demand for repayment in the foreseeable future and consider the balance is quasi-equity in nature. 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

	2010 RMB'000	2009 RMB'000
Raw materials	**392,365**	250,426
Work in progress	**78,156**	63,668
Finished goods	**90,049**	63,565
	560,570	377,659

The cost of inventories recognised as expenses and included in cost of goods sold amounted to approximately RMB 2,772,562,000 for the year ended 31 December 2010 (2009: RMB 2,156,834,000).

10. Trade and other receivables – Group and Company

		Group		Company	
	Note	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Trade receivables					
– gross and net	(a)	**66,458**	178,629	**–**	–
Bills receivables	(b)	**359,642**	393,330	**–**	–
Advance to suppliers	(c)	**322,069**	355,570	**–**	–
Other receivables		**18,729**	22,390	**1,177**	1,090
		766,898	949,919	**1,177**	1,090

(a) Certain major customers are granted with 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 receivables 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 prices.

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

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

	2010 RMB'000	2009 RMB'000
0-30 days	**35,326**	93,015
31-60 days	**10,602**	34,550
61-90 days	**3,203**	31,177
Over 90 days	**17,327**	19,887
	66,458	178,629

Trade receivables that are less than three months past due are not considered impaired. As at 31 December 2010, 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.

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

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
RMB	**742,432**	864,531	**–**	–
US$	**23,939**	82,781	**877**	–
HK$	**527**	2,381	**300**	1,090
WON	**–**	226	**–**	–
	766,898	949,919	**1,177**	1,090

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

As at 31 December 2010 and 2009, 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	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and on hand	**448,502**	467,023	**2,741**	2,157
Short-term bank deposits	**100,000**	310,641	**–**	–
	548,502	777,664	**2,741**	2,157

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 2.07% (2009: 1.84%) per annum. These deposits have an average maturity of 240 days (2009: 305 days) but they could be withdrawn anytime without 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 rules and regulations of foreign exchange controls promulgated by the PRC government.

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

The carrying amounts of the Group's and the Company's cash and cash equivalents as at 31 December 2010 are denominated in the following currencies:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**544,506**	762,195	**–**	–
US$	**123**	11,725	**27**	139
HK$	**3,873**	3,161	**2,714**	2,018
WON	**–**	583	**–**	–
	548,502	777,664	**2,741**	2,157

12. Share capital and share premium – Group and Company

	Note	**Number of shares in issue (thousands)**	**Share capital** RMB'000	**Share premium** RMB'000	**Total** RMB'000
At 1 January 2009		**830,352**	**86,455**	**471,853**	**558,308**
Employee share option scheme–value of services provided	(c)	–	–	2,882	2,882
Scrip dividends	(b)	17,024	1,498	21,154	22,652
Transfer to other reserves *(Note 13)*		–	–	(471,853)	(471,853)
At 31 December 2009		**847,376**	**87,953**	**24,036**	**111,989**
Employee share option scheme-value of services provided	(c)	–	–	1,638	1,638
Issuance of ordinary shares in private placements	(a)	142,296	12,500	279,080	291,580
Scrip dividends	(b)	14,438	1,257	21,503	22,760
Proceeds from employee share option exercised	(c)	2,193	186	2,274	2,460
At 31 December 2010		**1,006,303**	**101,896**	**328,531**	**430,427**

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

The total authorised number of ordinary shares is 2,000 million ordinary shares (2009: 2,000 million shares) with a par value of HK$0.1 per share (2009: HK$0.1 per share). All issued shares are fully paid.

Notes:

(a) Issuance of ordinary shares in private placements of shares

In January 2010, the Company completed a transaction of placing new ordinary shares issued by the Company to certain institutional investors. As a result, 120,000,000 new ordinary shares were allotted and issued at a price of HK$2.51 per share.

In June 2010, 22,296,000 additional new ordinary shares were alloted and issued to International Finance Corporation ("**IFC**") at a price of HK$1.74 per share pursuant to a subscription agreement dated 29 June 2010.

(b) Scrip dividends

14,438,050 ordinary shares were allotted and issued under the scrip dividend scheme approved in the annual general meeting held on 3 June 2010. (2009: 17,024,406 shares)

(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.

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

Notes: (continued)

(c) Employee share options (continued)

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

	2010		2009	
	Average exercise price in HK dollar per share	Options (in thousands)	Average exercise price in HK dollar per share	Options (in thousands)
At 1 January	**1.32**	**6,579**	2.95	5,979
Granted	**–**	**–**	1.32	6,579
Cancelled	**–**	**–**	2.95	(5,979)
Exercised	**1.32**	**(2,193)**	–	–
At 31 December	**1.32**	**4,386**	1.32	6,579

Options exercised in 2010 resulted in 2,193,000 shares (2009: nil) being issued at HK$1.32 each (2009: Nil). The related weighted average share price at the time of exercise was HK$2.70 (2009: Nil) per share. There were no outstanding options that were exercisable as at 31 December 2010 (2009: Nil).

There was no share option granted during 2010.

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

		Number of options (in thousands)	
Expiry date	**Exercise price HK$ per share**	**2010**	2009
7 May 2019	1.32	**4,386**	6,579

13. Other reserves – Group and Company

Group

		Capital reserve RMB'000	Statutory reserves RMB'000	Discretionary reserve RMB'000	Contributed surplus RMB'000	Total RMB'000
Balance at 1 January 2009		**117,023**	**130,246**	**–**	**–**	**247,269**
Appropriation to statutory reserves	(a)	–	14,225	–	–	14,225
Appropriation to discretionary reserves		–	–	36,569	–	36,569
Transferred from share premium *(Note 12)*	(d)	–	–	–	471,853	471,853
Balance at 31 December 2009		**117,023**	**144,471**	**36,569**	**471,853**	**769,916**
Appropriation to statutory reserves	(a)	–	23,552	–	–	23,552
Appropriation to discretionary reserves	(b)	–	–	128,024	–	128,024
Balance at 31 December 2010		**117,023**	**168,023**	**164,593**	**471,853**	**921,492**

Company

		Capital reserve RMB'000 *Note (c)*	Contributed surplus RMB'000	Total RMB'000
Balance at 1 January 2009		**151,442**	**–**	**151,442**
Transferred from share premium *(Note 12)*	(d)	–	471,853	471,853
Balance at 31 December 2009 and 31 December 2010		**151,442**	**471,853**	**623,295**

(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 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 for the year ended 31 December 2010. These reserves are required to be retained for designated usages.

13. Other reserves – Group and Company (continued)

(b) In April 2010, the directors of Xiwang Sugar and Xiwang Technology resolved that amount totalling RMB 128,024,000 be set aside from profits earned in 2009 by these two companies to discretionary reserves which are designated for future expansion of operations of these subsidiaries.

In March 2011, the directors of Xiwang Sugar and Xiwang Technology also resolved that amounts totalling RMB 211,972,000 be set aside from profits earned in 2010 by these two companies to the discretionary reserves for the same purpose. The 2010 appropriations had not been reflected in these financial statements but will be dealt with in retained earnings for the year ending 31 December 2011.

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

(d) 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.

14. Trade and other payables – Group and Company

	Group		**Company**	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**124,191**	135,689	**–**	–
Other payables	**238,123**	224,961	**635**	3,213
Other taxes payables	**4,341**	4,188	**–**	–
Deposits and advance from customers	**53,981**	37,558	**–**	–
	420,636	402,396	**635**	3,213

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

Ageing analysis of the trade payables is as follows:

	2010 RMB'000	2009 RMB'000
0-30 days	**32,697**	97,488
31-60 days	**24,996**	2,531
61-90 days	**30,638**	11,567
Over 90 days	**35,860**	24,103
	124,191	135,689

Approximately RMB 164,111,000 (2009: RMB 176,562,000) of other payables as at 31 December 2010 represents payables for purchases of property, plant and equipment in relation to the construction of the fructose plant and the 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 as at 31 December 2010 approximate their fair values.

15. Borrowings – Group and company

		Group		Company	
		2010	2009	**2010**	2009
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Non-current					
Bank borrowings – secured	(a),(b)	**279,472**	–	**–**	–
Bank borrowings – unsecured	(a)	**440,000**	190,000	**–**	–
Other borrowing – secured	(a),(b),(c)	**112,077**	–	**–**	–
		831,549	190,000	**–**	–
Current					
Bank borrowings – secured:					
– Short term bank borrowings	(a),(b)	**–**	–	**–**	–
– Current portion of long term bank borrowings	(a),(b)	**52,982**	–	**–**	–
Bank borrowings – unsecured:					
– Short term bank borrowings	(a)	**610,000**	1,822,500	**–**	44,000
– Current portion of long term bank borrowings	(a)	**50,000**	116,622	**–**	116,622
Other borrowings – secured					
– Current portion of long term other borrowing	(a),(b),(c)	**20,377**	–	**–**	–
		733,359	1,939,122	**–**	160,622
		1,564,908	2,129,122	**–**	160,622

15. Borrowings – Group and Company (continued)

(a) As at 31 December 2010, all borrowings were guaranteed by companies within the Group.

(b) As at 31 December 2010, borrowings amounting to RMB 464,908,000 (2009: Nil) were secured by the Group's property, plant and equipment (Note 6) and land use rights (Note 7) of the Group.

(c) Other borrowing represented a seven year term loan facilities of USD 20,000,000 from IFC.

The maturity of the borrowings as of 31 December 2010 is as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**733,359**	1,939,122	**–**	160,622
1-2 years	**506,359**	–	**–**	–
2-5 years	**294,623**	190,000	**–**	–
Over 5 years	**30,567**	–	**–**	–
	1,564,908	2,129,122	**–**	160,622

The weighted average annual effective interest rates at the end of each reporting period were as follows:

	Group		Company	
	2010	2009	**2010**	2009
Bank borrowings	**5.696%**	5.174%	**–**	1.752%
Other borrowings	**4.757%**	–	**–**	–

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

15. Borrowings – Group and Company (continued)

As at 31 December 2010, the carrying amounts of current borrowings approximate their fair values. The carrying amounts of non-current borrowings also approximate their fair values since interests are levied at floating rate. The carrying amounts of the borrowings are denominated in the following currencies:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**1,300,000**	1,780,000	**–**	–
US$	**264,908**	305,122	**–**	116,622
HK$	**–**	44,000	**–**	44,000
	1,564,908	2,129,122	**–**	160,622

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 2009 and 2010.

	2010	2009
	RMB'000	RMB'000
Deferred tax assets to be recovered after more than 12 months	**5,051**	–
Deferred tax assets to be recovered within 12 months	**461**	3,236
	5,512	3,236

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 2009		**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
Credited to profit or loss	21	–	2,276	2,276
At 31 December 2010		–	5,512	5,512

There were no material temporary differences which would lead to recognition of deferred tax liabilities as at 31 December 2010 (2009: Nil).

17. Expenses by nature

	Note	2010 RMB'000	2009 RMB'000
Changes in inventories of finished goods and work in progress	9	**(40,972)**	77
Raw materials and consumables used		**2,258,629**	1,734,399
Utility expenses		**351,696**	268,191
Depreciation and amortisation	6,7	**96,500**	83,440
Carriage outwards expense		**101,158**	81,405
Employee benefit expenses	19	**107,307**	71,771
Undeductible input value-added tax charged to cost of goods sold		**36,246**	25,860
Impairment loss on property, plant and equipment	6	**12,927**	7,350
Auditors' remuneration		**3,000**	3,000
Other expenses		**39,618**	34,741
Total		**2,966,109**	2,310,234
Representing:			
Cost of goods sold		**2,785,489**	2,164,184
Selling and marketing costs		**120,012**	97,905
Administrative expenses		**60,608**	48,145
		2,966,109	2,310,234

18. Other income – net

	2010 RMB'000	2009 RMB'000
Gains on sales of scrap materials	**1,675**	980
Fair value loss on derivative financial instruments	**–**	(1,042)
Loss on disposal of property, plant and equipment	**(245)**	(455)
Loss on disposal of subsidiaries	**(473)**	–
Other gains	**358**	2,086
	1,315	1,569

19. Employee benefit expenses

	2010 RMB'000	2009 RMB'000
Wages, salaries and other staff benefits	**99,506**	63,271
Pension costs – defined contribution plans	**6,163**	5,618
Share options granted to employees	**1,638**	2,882
	107,307	71,771

19. Employee benefit expenses (continued)

(a) Director's emoluments

The remuneration of each director of the Company for the year ended 31 December 2010 is set out below:

Name of Director	Note	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		–	173	–	–	–	–	–	173
Mr. Wang Liang	(i)	–	125	–	–	–	5	–	130
Dr. Zhang Yan	(ii)	–	21	–	–	–	–	–	21
Mr Wang Di	(ii)	–	12	–	–	–	5	–	17
Mr Song Jie	(ii)	–	10	–	–	–	–	–	10
Mr. Wang Chengqing	(i)	–	104	–	–	–	5	–	109
Mr. Han Zhong			114	–	–	–	–	–	114
Dr. Li Wei		–	114	–	–	–	5	–	119
Mr. Liu Jiqiang	(i)	–	85	–	–	–	5	–	90
Mr Sun Xinhu		–	136	–	–	–	5	–	141
Mr. Shi Weichen		–	100	–	–	–	–	–	100
Mr. Wong Kaiming		–	130	–	–	–	–	–	130
Mr. Shen Chi		–	100	–	–	–	–	–	100

(i) Mr. Wang Liang, Mr. Wang Chenqing and Mr. Liu Jiqiang resigned as executive directors on 30 November 2010.

(ii) Dr. Zhang Yan, Mr. Wang Di and Mr. Song Jie were appointed as executive directors on 30 November 2010.

19. Employee benefit expenses (continued)

(a) Director's emoluments (continued)

The remuneration of each director of the Company for the year ended 31 December 2009 is set out below:

Name of Director	Note	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
Dr. Li Wei		–	48	–	–	–	4	–	52
Mr. Liu Jiqiang		–	48	–	–	–	4	–	52
Mr. Shi Weichen		–	100	–	–	–	–	–	100
Mr. Wong Kaiming		–	132	–	–	–	–	–	132
Mr. Shen Chi		–	100	–	–	–	–	–	100

Nine directors waived emoluments amounting to RMB 465,500 in aggregate during 2010 (2009: RMB 990,000).

19. Employee benefit expenses (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group in 2010 include no director (2009: Nil). The emoluments paid and payable to these five individuals in 2010 (2009: five) are as follows:

	2010 RMB'000	2009 RMB'000
Basic salaries, share options and benefits in kind	4,565	3,463
Pensions	43	42
	4,608	3,505

The emoluments fell within the following bands:

	Number of individuals	
	2010	2009
Emolument bands		
Nil – RMB 865,000 (Nil – HK$1,000,000)	4	4
RMB 1,297,501 – RMB 1,730,000 (HK$1,500,001 – HK$2,000,000)	–	1
RMB 2,595,001 – RMB 3,027,500 (HK$3,000,001 – HK$3,500,000)	1	–
	5	5

20. Finance income and costs

	Note	2010 RMB'000	2009 RMB'000
Interest expenses – borrowings		**(103,513)**	(77,993)
Less: amount capitalised in construction in progress	6	**20,147**	16,097
		(83,366)	(61,896)
Net exchange gains/(loss)		**1,882**	(3,146)
Finance costs		**(81,484)**	(65,042)
Interest income on bank balances		**4,178**	8,696
Net finance costs		**(77,306)**	(56,346)

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 2010 (2009: 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 2010 (2009: Nil).

Pursuant to the PRC Corporate Income Tax Law ("**CIT**"), all PRC enterprises are subject to a standard enterprises 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 CIT Law and tax regulation ("**CIT Tax Holiday**"). The CIT Tax Holidays of Xiwang Sugar and Xiwang Technology commenced in 2005 and 2007 respectively. The CIT Tax Holiday of Xiwang Sugar finished in 2009 while Xiwang Technology enjoyed its fourth CIT Tax Holiday in 2010. In 2010, the applicable tax rate of Xiwang Technology was 12.5% (2009: 12.5%), while the applicable tax rate of Xiwang Sugar, Functional Sugar and Xiwang Sugar (Beijing) was 25% (2009: 12.5% for Xiwang Sugar, 25% for Functional Sugar and not applicable for Xiwang Sugar (Beijing)).

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 CIT amounting to a maximum of RMB 41,121,000 for 7 years in aggregate, starting from 2007. The concession was granted because of purchase of domestically manufactured equipment by Xiwang Technology. During the year, Xiwang Technology has utilized the concession.

In November 2010, Xiwang Technology was recognised as the enterprise with "**New and Advanced Technology**" by the relevant authorities in the PRC. Xiwang Technology is therefore eligible to enjoy relief of CIT from 25% to 15% from January 2011 onwards.

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, would 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 as at 31 December 2010.

21. Income tax expense (continued)

	Note	2010 RMB'000	2009 RMB'000
Current tax			
– PRC corporate income tax		**7,749**	10,505
Deferred tax	16		
– (Origination) / reversal of deferred tax assets recognised on originating temporary differences		**(1,681)**	3,818
– Impact of change in tax rate		**(595)**	–
Income tax expense		**5,473**	14,323

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:

	2010 RMB'000	2009 RMB'000
Profit before tax	**215,359**	115,842
Tax calculated at statutory tax rate of 25% (2009: 25%)	**53,840**	28,961
Tax effects of:		
– Effect of tax concessions	**(50,115)**	(19,398)
– Adjustment in respect of prior years	**–**	4,760
– Re-measurement of deferred tax arising from change in tax rate	**(595)**	–
– Expenses not deductible for tax purpose	**2,343**	–
Income tax expense	**5,473**	14,323

22. Dividend

Pursuant to a resolution of the directors of the Company and approved by the shareholders in the 2009 annual general meeting, the dividend in respect of the year ended 31 December 2009 was RMB 0.037 per share (or RMB 35,532,000 in aggregate) for shareholders holding 967,376,406 ordinary shares of the Company. Shareholders holding 622,899,163 shares were satisfied by the allotment of 14,438,050 new ordinary shares of the Company at HK$ 1.812 per share in the form of scrip dividends amounting to HK$ 26,162,000 (equivalent to RMB 22,760,000 translated at the exchange rate prevailing at the date of distribution). Shareholders holding 344,477,243 shares were satisfied by cash dividends settled in cash amounting to HK$ 14,467,000 (equivalent to RMB 12,386,000, translated at the exchange rate prevailing at the actual payment date).

No final dividend was proposed in respect of the year ended 31 December 2010.

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.

	2010	2009
Profit attributable to the equity holders of the Company *(RMB'000)*	**209,886**	101,759
Weighted average number of ordinary shares in issue *(thousands)*	**976,615**	847,376
Basic earnings per share *(RMB per share)*	**0.21**	0.12

23. Earnings per share (continued)

(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.

	2010	2009
Profit attributable to the equity holders of the Company *(RMB'000)*	**209,886**	101,759
Weighted average number of ordinary shares in issue *(thousands)*	**976,615**	847,376
Adjustments for share options *(thousands)*	**2,726**	1,214
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**979,341**	848,590
Diluted earnings per share *(RMB per share)*	**0.21**	0.12

24. Cash generated from operations

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

	Note	2010 RMB'000	2009 RMB'000
Profit before income tax		**215,359**	115,842
Adjustments for:			
– Depreciation	6	**91,288**	79,610
– Amortisation	7	**5,212**	3,830
– Share-based payments	19	**1,638**	2,882
– Impairment loss on property, plant and equipment	6	**12,927**	7,350
– Loss on disposal of property, plant and equipment	18	**245**	455
– Interest income	20	**(4,178)**	(8,696)
– Loss on disposal of subsidiaries		**473**	–
– Interest expenses	20	**83,366**	61,896
– Fair value loss on financial instruments		**–**	1,042
Changes in working capital:			
– Inventories		**(182,911)**	(51,176)
– Trade and other receivables		**181,193**	(494,384)
– Amounts due from related parties		**(7,510)**	(70,895)
– Trade and other payables		**32,367**	(19,234)
– Amounts due to related parties		**25,558**	(3,588)
– Derivative financial instruments		**(1,042)**	–
Cash generated from/(used in) operations		**453,985**	(375,066)

24. Cash generated from operations (continued)

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

	Note	2010 RMB'000	2009 RMB'000
Net book value disposed	6	**245**	4,489
Loss on disposal of property, plant and equipment	18	**(245)**	(455)
Proceeds from disposal of property, plant and equipment		**–**	4,034

(c) In the consolidated statement of cash flows, net cash out flow from disposal of subsidiaries comprise:

	2010 RMB'000
Cash	**583**
Other current assets	**1,828**
Non-current assets	**36**
Current liabilities	**(1,676)**
Non-controlling interest	**(280)**
Net assets disposed	**491**
Loss on disposal of subsidiaries	**(473)**
Proceed from disposal of subsidiaries	**18**
Less: Cash and cash equivalents in the subsidiaries disposed	**(583)**
Net cash outflow on disposal of subsidiaries for the year 2010	**(565)**

25. Contingencies

As of 31 December 2010, the Company has been involved in an arbitration proceedings whereby the Company is not a party to it.

The proceedings involves a dispute arisen from two contracts for sale and purchase of crystalline glucose signed by a third party Korean company (the "**Claimant**") and Xiwang Sugar (Hong Kong) Limited (the "**Respondent**") back in September and November 2009.

The respondent used to be a subsidiary of the Company until 19 January 2010. According to the Claimant's case, it was alleged that the Company was in fact in control of the Respondent and the Company was directly involved in all the matters in relation to the dispute. The Claimant therefore claimed that the Company should be bound by the arbitration clause and be liable to the alleged breach of contracts by the Respondent in the amount of approximately US$4.6 million (approximately RMB31 million) which was the claim made by the Claimant against the Respondent but not the Company (the "**Claim**").

Despite the Company's numerous clarifications, the Claimant insists to invite the Tribunal to make an award against both the Respondent and the Company on the evidence submitted by it earlier.

In order to protect the interest of the Company, the Company has no alternative but to write and inform the Tribunal that the Company shall make submissions on the issue of jurisdiction (informing the Tribunal should not have jurisdiction over the Company) as a non-party to the proceedings. The Company is now in the course of preparing such submissions.

According to the advice from the counsel engaged by the Company in relation to the Claim, based on the materials available so far, there was a fair chance that the Company would not be bound by the arbitration agreement as contained in the relevant contracts. The directors of the Company agree with the advice from counsel and consider that the Company has a fair chance that it would not be bound by the arbitration agreements.

The directors of the Company therefore consider that it is not probable for the Company to be liable to the Claim. Accordingly, no provision had been made in the consolidated financial statements.

26. Commitments

Capital commitments

Capital expenditure committed at the end of the reporting period but not yet incurred is as follows:

	2010 RMB'000	2009 RMB'000
Property, plant and equipment		
– Contracted but not provided for	**125,877**	34,974
– Authorised but not contracted for	**486**	12,540
	126,363	47,514

Operating lease commitments

The Group leases offices under non-cancellable operating lease agreements. The lease terms are within 3 years, and 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:

	2010 RMB'000	2009 RMB'000
No later than 1 year	**1,531**	1,112
Later than 1 year and no later than 5 years	**600**	1,020
	2,131	2,132

27. Related party transactions

The Group is controlled by the Xiwang Investment Company Limited (incorporated in BVI), which owns about 55% of the Company's shares at the year ended 31 December 2010. The remaining about 45% 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.

27. Related party transactions (continued)

During the year ended 31 December 2010, the Group had undertaken transactions with the following related parties:

English Name	Chinese Name	Relationship with the Company
Xiwang Group Company Limited ("**Xiwang Group**")	西王集團有限公司	Ultimate holding company
Shandong Xiwang Food Co Ltd ("**Xiwang Food**") (i)	山東西王食品有限公司	Fellow subsidiary
Shandong Xiwang Pharmaceutical Co., Ltd ("**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
Shandong Xiwang Leavening Co., Ltd ("**Xiwang Leavening**") (ii)	山東西王酵母有限公司	Fellow subsidiary
Xiwang Hong Kong Company Limited ("**Xiwang Hong Kong**")	西王香港有限公司	Fellow subsidiary
Xiwang Investment Company Limited ("**Xiwang Investment**")	西王投資有限公司	Fellow subsidiary

(i) Xiwang Food is a wholly owned subsidiary of Xiwang Foodstuffs Co., Ltd. (previously named as Hunan Ginde Development Company Limited) ("**Xiwang Foodstuffs**") since December 2010. Xiwang Foodstuffs is a company publicly listed on the Main Board of the Shenzhen Stock Exchange and is effectively held as 52.08% by Xiwang Group.

(ii) This company ceased to be related party in 2010 since Xiwang Group disposed of its equity interests held in this company.

27. Related party transactions (continued)

(a) Sales of goods and provision of services

	2010 RMB'000	2009 RMB'000
Sales of corn germs		
– Xiwang Food	**286,666**	233,383
Sales of corn starch		
– Xiwang Pharmaceutical	**38,349**	63,939
Sales of crystalline glucose		
– Xiwang Pharmaceutical	**10,017**	15,975
Sales of pharmaceutical grade glucose		
– Xiwang Pharmaceutical	**222,869**	–
Sales of glucose syrup		
– Xiwang Leavening	**376**	1,825
Sales of crystalline fructose		
– Xiwang Food	**50**	882
Provision of sewage services		
– Xiwang Group	**1,491**	381
	559,818	316,385

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 pursuant to the guidance laid down in the relevant framework agreements executed.

27. Related party transactions (continued)

(b) Purchases of goods and services

	2010	2009
	RMB'000	RMB'000
Purchase of packaging materials		
– Xiwang Leavening	**10,310**	17,964
Purchase of glucose mother liquid		
– Xiwang Pharmaceutical	**1,377**	4,346
Purchase of steel bars		
– Xiwang Steel	**3,602**	3,906
Purchase of corn germ dregs		
– Xiwang Food	**–**	2,778
Purchase of packaging materials		
– Shandong Fangong Wine Industry Co., Ltd (Fangong Wine)*	**–**	16,885
Sewage services		
– Xiwang Group	**–**	1,798
	15,289	47,677

* Fangong Wine was a fellow subsidiary of the Group in 2009 and ceased to be a related party in 2010 since Xiwang Group disposed all of its equity interests held in it.

The pricing of these transactions was determined based on mutual negotiation and agreement reached between the Group and the related parties upon occurrence of 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 44,919,000 (2009: RMB 97,187,000), equal to the face value of these bills, resulting in no gain or losses reported by the Group.

27. Related party transactions (continued)

(c) Key management compensation

	2010 RMB'000	2009 RMB'000
Basic salaries and benefits in kind	**3,202**	2,723
Pensions	**48**	38
Share-based payments	**1,638**	2,882
	4,888	5,643

The key management include directors (executive and non-executive) and senior management and there are in total 15 (2009: 12) key management personnel of the Group.

(d) Balances due from/to related parties

Group

	2010 RMB'000	2009 RMB'000
Receivables		
Amounts outstanding, end of the year		
– Xiwang Group	**–**	54,181
– Xiwang Pharmaceutical	**85,277**	13,486
– Xiwang Food	**–**	11,212
– Xiwang Investment	**192**	146
– Xiwang Hong Kong	**1,066**	–
	86,535	79,025
Maximum amounts outstanding during the year		
– Xiwang Group	**54,181**	54,181
– Xiwang Pharmaceutical	**100,326**	19,166
– Xiwang Food	**67,139**	82,075
– Xiwang Investment	**192**	536
– Xiwang Hong Kong	**1,066**	–
Payables		
– Xiwang Group	**1,726**	2,164
– Xiwang Leavening	**–**	2,180
– Xiwang Food	**24,553**	–
– Xiwang Steel	**3,623**	–
– Wang Yong	**8**	8
	29,910	4,352

27. Related party transactions (continued)

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

Company

	Note	2010 RMB'000	2009 RMB'000
Receivables			
Amounts outstanding, end of the year			
– Xiwang Holdings		**25**	–
– Xiwang Investment		**–**	31
– Winning China		**80,348**	–
– Xiwang Technology		**2,276**	2,320
– Xiwang Sugar		**–**	5,587
– Xiwang Sugar HK		**–**	8,317
– Master Team			
– Advance	8	**813,468**	875,657
– Dividend receivable		**202,186**	185,094
		1,098,303	1,077,006
Payables:			
– Winning China		**–**	124,353
– Xiwang Group		**2,240**	1,511
– Xiwang Sugar		**16,510**	–
		18,750	125,864

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

(ii) Except for the advance 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 2010. They are interest-free, unsecured and repayable on demand.

28. Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the consolidated financial statements of the Company to the extent of RMB 9,373,000 (2009: RMB 9,255,000).

29. Events after the end of reporting period

(a) Bonus issue of warrants

On 21 January 2011, the board of the Company proposed the bonus issue of warrants on the basis of one warrant for every six shares. As a result, an aggregate of 167,717,242 warrants shares were issued in 23 February 2011. The registered holders of the warrants will have the right, which may be exercised in whole or in part to subscribe for fully paid shares before 22 February 2012, at price of HK$2.55 per share, subject to adjustment.

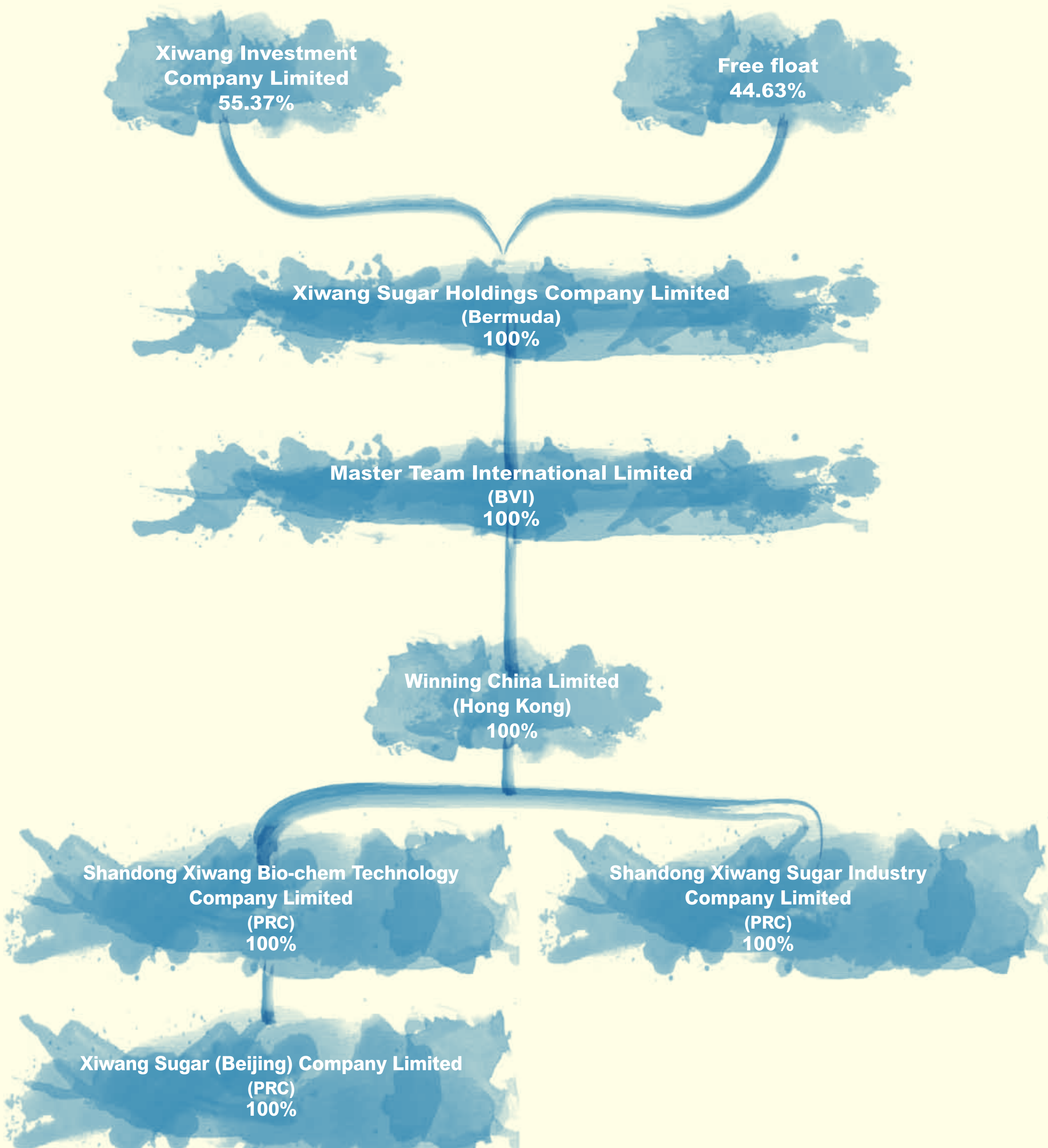
(b) Merger of Xiwang Sugar and Xiwang Technology

As approved by the Commerce Bureau of Shandong Province, in January 2011, Xiwang Technology will merge through absorption with Xiwang Sugar with Xiwang Technology as the surviving company. Both Xiwang Technology and Xiwang Sugar are wholly owned subsidiaries of the Company and the directors do not expect any material adverse impact to the consolidated financial statement of the Group. The merger process is expected to be completed by the middle of 2011.

Five-year Financial Summary

	2010	2009	2008	2007	2006
For the year (RMB million)					
Revenue	**3,257**	2,481	2,544	2,062	1,385
Gross profit	**472**	317	220	464	365
EBITDA	**395**	269	216	521	357
Operating profit	**293**	172	50	406	312
Net profit	**210**	102	64	361	290
As at December 31 (RMB million)					
Current assets	**1,976**	2,184	1,041	1,271	910
Non-current assets	**2,005**	1,826	1,656	1,507	1,285
Total assets	**3,981**	4,010	2,697	2,778	2,195
Current liabilities	**1,184**	2,347	1,329	507	360
Non-current liabilities	**831**	190	–	847	664
Total liabilities	**2,015**	2,537	1,329	1,354	1,024
Total equity	**1,966**	1,473	1,368	1,424	1,171
Total liabilities and equity	**3,981**	4,010	2,697	2,778	2,195
Per share (RMB)					
Basic earnings per share	**0.21**	0.12	0.08	0.44	0.36
Dividends per share	**Nil**	0.037	0.027	0.150	0.140
Financial and performance ratios					
Gross profit margin (%)	**14.5**	12.8	8.6	22.5	26.4
Operating profit margin (%)	**9.0**	6.9	2.0	19.7	22.5
Net profit margin (%)	**6.4**	4.1	2.5	17.5	21.0
Current ratio	**1.67**	0.93	0.78	2.51	2.53
Net debts to equity	**0.52**	0.92	0.45	0.48	0.18
Average inventory turnover days	**61**	59	55	53	38
Average debtor turnover days	**14**	23	18	14	12
Average creditor turnover days	**15**	28	27	18	10

At of the date of the annual report:



Corporate calendar

Announcement of 2010 annual results	30 March 2011 (Wednesday)
Annual general meeting	31 May 2011 (Tuesday)

Website

www.xiwang-sugar.com

Stock code

The Stock Exchange of Hong Kong Limited:	2088
Bloomberg:	2088 HK EQUITY

Board lot

2000 shares

Financial year-end date

31 December

As at 31 December 2010

Market Value:	HKD 2,476 million
Issued shares:	1,006,303,456 shares
Closing market price:	HKD 2.46 per share

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 Friday, 27 May 2011 to Tuesday, 31 May 2011 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for attending the annual general meeting, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 26 May 2011.

Annual general meeting

The annual general meeting of the Company will be held on Tuesday, 31 May 2011. 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 Monday, 11 April 2011.

Principal share registrar and transfer office

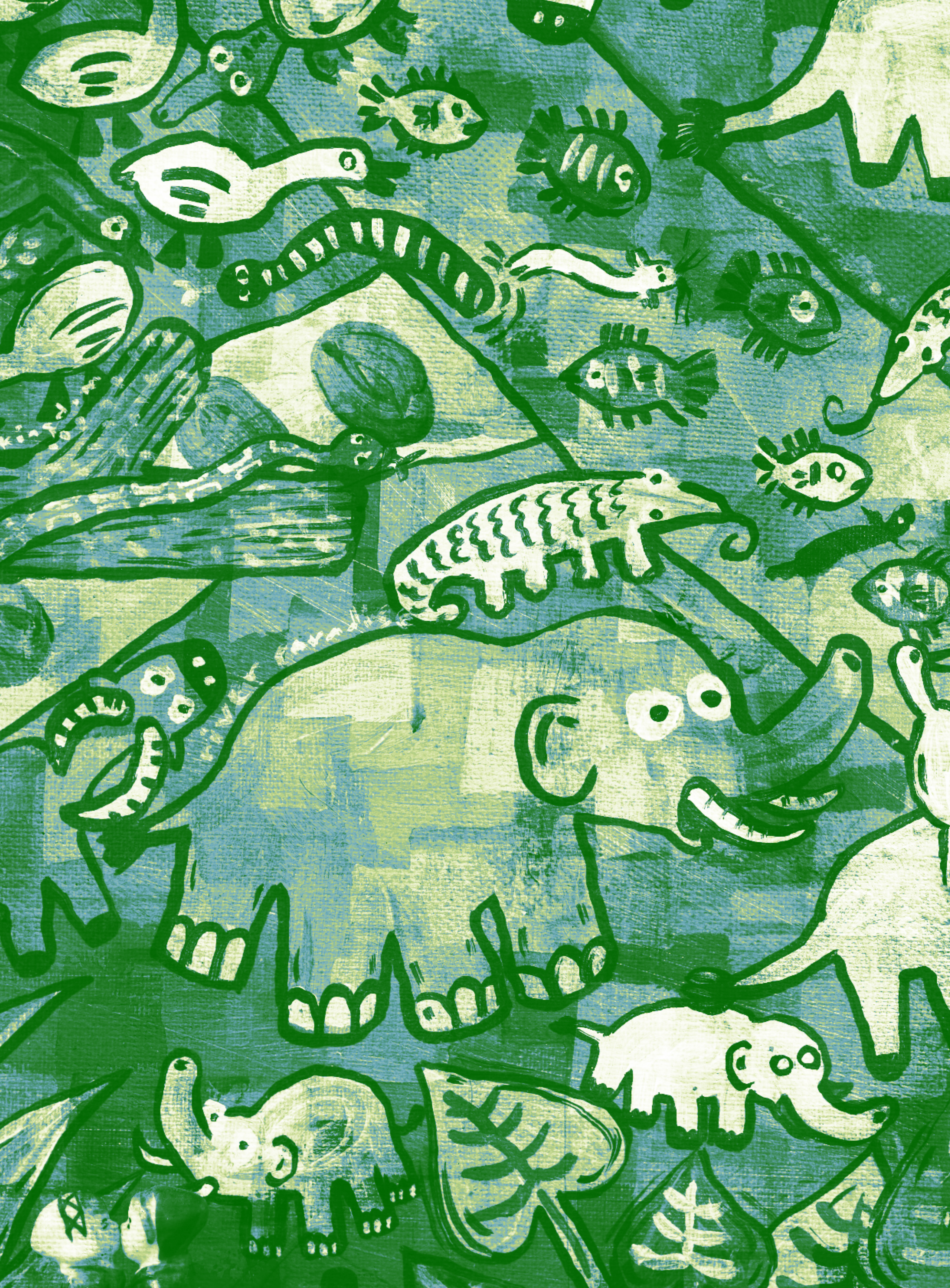
Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

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.



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

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