Annual Report 2011 年報

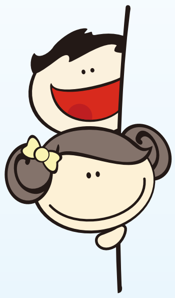
Smile for a Great Future!
開心迎接未來!

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)*
Dr. ZHANG Yan
Mr. WANG Di
Dr. LI Wei
Mr. SONG Jie
(retired on 31 May 2011)
Mr. HAN Zhong
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. WONG Kai Ming *(Chairman)*
(appointed on 30 March 2012)
Dr. ZHANG Yan *(Chairman)*
(resigned on 30 March 2012)
Mr. SHI Wei Chen
Mr. SHEN Chi

Nomination Committee

Mr. WONG Kai Ming *(Chairman)*
(appointed on 30 March 2012)
Dr. ZHANG Yan *(Chairman)*
(resigned on 30 March 2012)
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

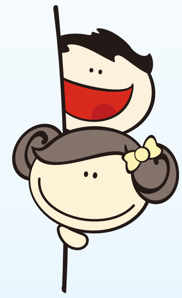
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

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 2110, 21/F
Harbour Centre
25 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

Auditors

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 Communication

Ms. Gisele Suen
Tel : (852) 3104 0576
Email : ir@xiwang-sugar.com.hk

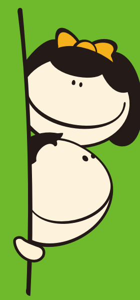
Company Website

www.xiwang-sugar.com

Chairman's Statement

Wang Yong

Chairman and Executive Director

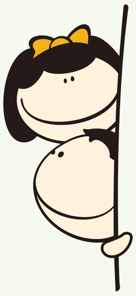


DEAR SHAREHOLDERS

If you asked do I feel disappointed about the deterioration of financial results, I would reply, “apparently, but it has yet shown to you the change in product mix with promising prospects.” Last year the Japanese Earthquake and the Euro Crisis made the global economy unstable, which affected the business environment. We inevitably reported slower growth in revenue and decrease in net profit. However, if you look closer to the product mix, you can notice that for the Year ended 31 December 2011 (the “**Year**”), our high value-added downstream products, which are starch sugars and sodium gluconate, generated more than 70% of the revenue. This means we are successful in moving further downstream enhancing the value chain. Furthermore, we launched our crystalline fructose in the consumer market, which is certainly a remarkable development for our company.

In 2011, we reported revenue increment of 11.5% when compared with 2010 to approximately RMB 3.63 billion, and decreases in operating profit and profit attributable to equity holders of 12.5% and 14.6% to approximately RMB 256 million and RMB 179 million respectively. The board of directors of the Company (the “**Board**”) proposed a final dividend for the Year of RMB 2.8 cents per ordinary share and a final dividend for the Year of RMB 3.8 cents per convertible preference share. The final dividends represent a payout ratio of approximately 35%.

Crystalline glucose has been our major product contributing about half of our revenue. We are the largest provider in the People‘s Republic of China (the “**PRC**“ or “**China**”), capturing around one-third of the domestic market share. However, as far as some of our discussions with investors, they would relate glucose to be the same product as white sugar. While both of them are sweetening ingredients for food and beverages, glucose has a niche market as it provides unique taste and flavor to food. In fact, glucose is a functional ingredient and can be further applied to fermentation and chemical industries. In China, the organic growth of these industries would continue, this will support a solid demand for glucose.



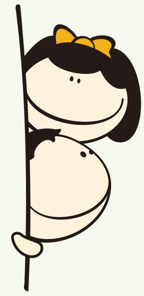
Chairman's Statement

The increasing problems of diabetes and overweight are threats to our country. China has a population of about 1.4 billion. Diabetic population has risen to 92 million and people with overweight problem amounted to 325 million. These people need fructose to replace ordinary white sugar for their diets. Domestic sugar market is at around 14 million tonnes. If these people change their eating habit, fructose consumption will boost significantly. We have started our capacity at 50,000 tonnes. With such a prospect there is strong motive for us to quickly expand our capacity.

As a leading starch sugar provider in China, we are the first one to develop fructose. Same as what we did for crystalline glucose in 2007, we were largely involved in encouraging the setting up of national standards for crystalline fructose and our new product crystalline fructose-glucose. On 20 July 2011, the General Administration of Quality Supervision, Inspection and Quarantine of the PRC and the Standardization Administration of the PRC jointly released the national standards for crystalline fructose and crystalline fructose-glucose, which have become effective since 1 February 2012. The standards specify the definition, technical requirement and inspection method for the two products, which help to distinguish them from other sweeteners in the market. We believe currently we are the only one in China that conforms to these standards.

With the foreseeable vast potential of healthy food market in China, many food and beverage companies have started to develop low calories and low Glycemic Index[1] ("**GI**") food. They are looking for natural and healthy sweetening ingredient for their products. Our fructose is a desirable ingredient and we shall serve as a large and reputable supplier to them. Given the increasing health concern, consumers are also looking for healthy sugar in their everyday diets. We have our Yoho fruit sugar (悠活果糖), which is the brand of our fructose in small packages, to cater their needs. We expect the development of fructose in both B2B and B2C will significantly raise our profile in the industry. Exploring a new market certainly takes a lot of commitment, but we will enjoy the fruitful result of enterprise value when the market takes off.

All our starch sugar products and sodium gluconate come from corn starch. Our existing annual corn starch output is about 880,000 tonnes. As demand for our downstream products is expected to grow, we will consume more starch and our upstream capacity will reach bottleneck soon. Therefore, we will acquire from 西王藥業有限公司 (an unofficial translation being Xiwang Pharmaceutical Company Limited ("**Xiwang Pharmaceutical**")) corn starch production lines with a total capacity of 750,000 tonnes per annum. This will immediately increase our upstream capacity by about 80%. We will also acquire maltodextrin production lines, which will enrich our product mix. The total consideration of the acquisition is approximately RMB 825 million, which was approved by our shareholders to be funded by open offer of the issue of convertible preference shares. This also provides our shareholders an opportunity to further participate in the future development of the Group.



The Government is highly supportive towards the long-term development of starch sugar industry. As stated in its Development Plan of Corn Deep Processing Industry in 2007, Shandong Province should become the backbone for the country's supply of starch and starch sugars. As a leading enterprise in this sector, our strategic focus and future plans have always been, and will be in alignment with, the Government's policy. In recent years, the Government has put substantial emphasis on agricultural modernization, rural development and farmers right. The objectives are boosting corn production, securing national inventory and improving farmers income. With farmers planting 6.1% more land than in 2011 compared with 2010, corn output in China has reached a record high in 2011. Corn is our major raw material. Having a stable and reliable raw material supply is of utmost importance in ensuring our production is uninterrupted at all.

I hereby express my deepest thanks to all the shareholders, customers and staff for their invaluable support to the Company. I hope everyone is like the theme of this annual report, Smile for a Great Future!

Wang Yong

Chairman

30 March 2012

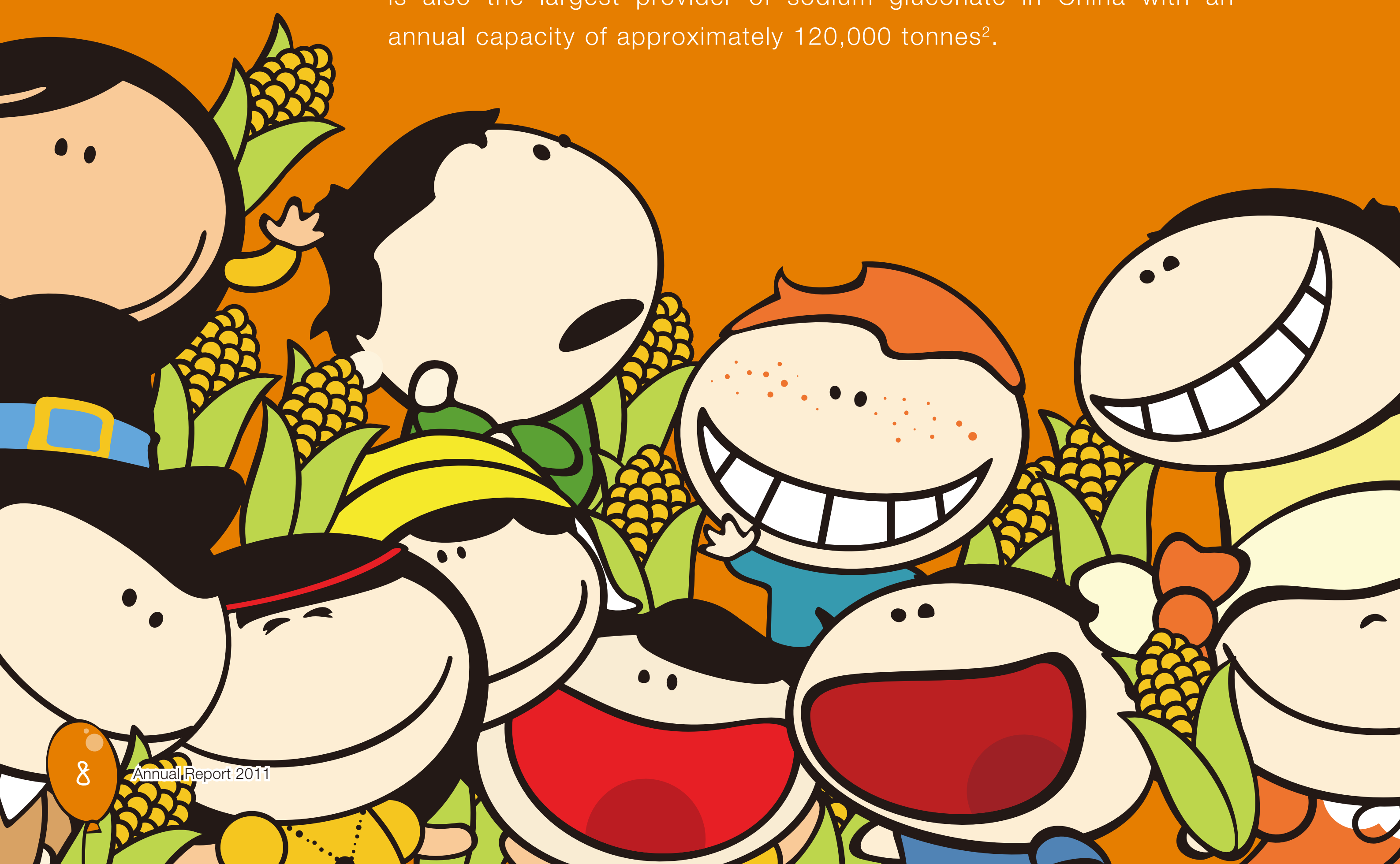
1 Glycemic Index ("**GI**") is an index which represents the rate of blood glucose increase after the intake of food, ranking from 0 to 100. Glucose takes a value of 100 which means it is absorbed immediately.

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 starch sugars and corn co-products in China, and the distribution and the sale of such products within and outside China. The Group's products are functional ingredients which are mainly applied to food and beverage, fermentation, pharmaceutical, chemical, animal feed and construction industries.

The Group was established in 2001 and was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in December 2005. Our headquarters is located in Zouping County, Shandong Province of the PRC. The Group's corn processing facilities are vertically integrated, which maximizes the use of resources and greatly enhances the operational efficiency. Currently, the Group has an annual corn processing capacity of approximately 1.5 million tonnes[2]. The Group is the largest provider of crystalline glucose in China with an annual capacity of approximately 800,000 tonnes[2]. The Group is the largest provider of crystalline fructose in China with an annual capacity of approximately 50,000 tonnes[1]. The Group is also the largest provider of sodium gluconate in China with an annual capacity of approximately 120,000 tonnes[2].



The Group has been recognized as one of the Top 20 Enterprises in the Starch Sugar Industry by the China Fermentation Industry Association since 2006 and is awarded as one of the Top 10 enterprises of Fermentation Industry in China in 2010. The Group has been regarded as the Town of Sugar in China by the China National Food Industry Association since 2007. The Group is highly committed to environmental safety. We have been accredited as the National Environmental Friendly Corporation by the Ministry of Environmental Protection of the PRC since 2005. Further, the industrial park in which the Group's production facilities are located has been accredited as the Demonstration Enterprise of Circular Economy in the Yellow River Delta Efficient Eco-Economic Zone Development Plan by the National Development and Reform Commission of the PRC in 2009.

2 These are designed capacities based on 365 days of operation. The utilization depends on the actual days of operation which may vary according to production needs or repair and maintenance requirements.

Management Discussion & Analysis

Our major raw material is corn kernels. We refine corn into corn starch and other corn co-products which include corn gluten meal, corn gluten feed and corn germ. We further process corn starch into a series of starch sugars which include crystalline glucose, crystalline fructose, crystalline fructose-glucose and fructose-glucose syrup, and other products such as sodium gluconate.

The Group organizes its key products into two business segments:

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

(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 in the form of white, crystalline solid and soluble in water. With a natural sweet taste, glucose is used to enhance the flavor of food such as snacks and biscuit. In addition, it helps to improve the texture and retain the moisture of dairy products, particularly for ice-cream. Glucose is the basic unit of many complex compounds. It is widely used in fermentation by which a number of products such as vitamin C and antibiotics can be synthesized. It can also be combined with other compounds to form different chemicals such as oxalic acid, citric acid or sorbitol. Crystalline glucose can be used to make glucose anhydrous which is largely used for medical transfusion.

Crystalline fructose is in white, fine-crystalline form, and is highly soluble in water. Fructose and glucose are both six-carbon compounds, however, since their chemical bondings are different, their properties and functions are different. Fructose is the sweetest sugar among all the natural sugars, therefore the amount to be used and hence the calorie value in food is largely reduced. In addition, the fruity fragrance of fructose gives a great sensation to mouth. Fructose has the lowest GI among all the natural sugars, which is suggested for people with diabetes. Because of the various functions, crystalline fructose is used to make healthy and high-end food products, such as cereals, sports drinks, cakes and milk powder.

Crystalline fructose-glucose is in white, fine-crystalline form and soluble in water. Crystalline fructose-glucose is a solid mixture of crystalline fructose and crystalline glucose, in a proportion of 4:6. Crystalline fructose-glucose has the same sweetness as white sugar, which can be used as a sweetener in a number of food and beverage products. As the product is in a solid form, it can be conveniently stored and transported.

Fructose-glucose syrup, also known as high fructose corn syrup, is sweet, colorless liquid which is viscous in texture. It is a collective name of various mixtures of fructose and glucose in different proportion. The most common one is F42, which has approximately 42% fructose content (The Group's fructose-glucose syrup also includes pure glucose syrup). Fructose-glucose syrup is typically used as a sweetener in soft drinks, baked goods and condiments. As fructose-glucose syrup is in syrup form, the product is ready to be used by the customers. The Group uses the residual sugar syrup from the crystallization processes of crystalline glucose and crystalline fructose to produce fructose-glucose syrup.

The following table shows a comparison of the most commonly used sugars:

Name of sugar	Raw material	Basic unit(s)	Relative sweetness	GI	Chemical grouping
Crystalline glucose	Corn (natural)	Glucose	0.7	100	Monosaccharide
Crystalline fructose	Corn (natural)	Fructose	1.3 – 1.8	19	Monosaccharide
Fructose-glucose syrup (F42)	Corn (natural)	Glucose and fructose	1.0	62	Mixture
White sugar	Sugar cane (natural)	Sucrose	1.0	65	Disaccharide
Aspartame	Chemicals (artificial)	Amino acids	200	0	Non-saccharide

(2) Corn co-products and others

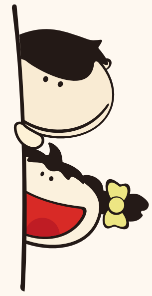
Corn gluten meal is in the form of yellow fine powder, so it is commonly known as yellow powder. It is a feed ingredient highly rich in protein (about 60%) which is used to enhance animal growth. Corn gluten meal is mainly applied to feed pigs, chickens and ducks. It is also used for making pet food.

Corn gluten feed is a yellowish powder. It contains mostly fiber, some protein (about 20-25%) and starch. Corn gluten feed is an excellent feed ingredient as it provides digestive fiber and energy to the animals. The Group's corn gluten meal and corn gluten feed are collectively named as "corn feed products".

Corn germ is the embryo part of a corn kernel. Corn germ is very rich in corn oil, which is extracted and refined to become edible corn oil.

Corn starch is the major part of corn, approximately 70%. Corn starch is white, tasteless in either slurry or powder form. Starch consists of long chains of glucose units linked together (i.e. polysaccharide). The chains can be broken or altered to develop into specific substances with different properties. Therefore, corn starch is widely applied to make starch sugars, food, paper, textile etc..

Sodium gluconate appears as white and odorless powder. It is non-corrosive and non-toxic. Sodium gluconate is a highly efficient set retarder used in construction. It is mixed with concrete and mortar for modifying the solidification for the construction industry. Sodium gluconate can also be used to clean metal and glass, with applications such as bottle washing, utensil cleansing and food processing equipment cleansing. Sodium gluconate has the advantage of being biodegradable, thus is more environmental-friendly.



2. Review of Financial Results

A summary of the unaudited financial results of the Group for the Year, together with the comparative figures of the corresponding period in 2010, is as follow:

For the year ended	2011 RMB'000	2010 RMB'000	Increase/(Decrease) %
Revenue	3,632,861	3,257,459	11.5
Gross Profit	456,022	471,970	(3.4)
Operating Profit	256,044	292,665	(12.5)
Net Profit	179,281	209,886	(14.6)
Gross profit margin	12.6%	14.5%	(1.9% points)
Operating profit margin	7.0%	9.0%	(2.0% points)
Net profit margin	4.9%	6.4%	(1.5% points)

During the Year, the Group recorded revenue growth which was mainly driven by its high value-added products. The Group continued to convert more corn starch into starch sugars and sodium gluconate, resulting in a higher revenue contribution from these products. During the Year, the average selling prices of crystalline glucose and sodium gluconate increased by approximately 16.1% and 10.0% year-on-year, but corn cost increased by approximately 16.5%. In addition, our corn feed products have yet experienced a strong rebound. Therefore, the overall profitability of the Group was weakened. Net profit for the Year decreased by 14.6% and overall gross profit margin decreased by 1.9 percentage point to 12.6% (2010: 14.5%).

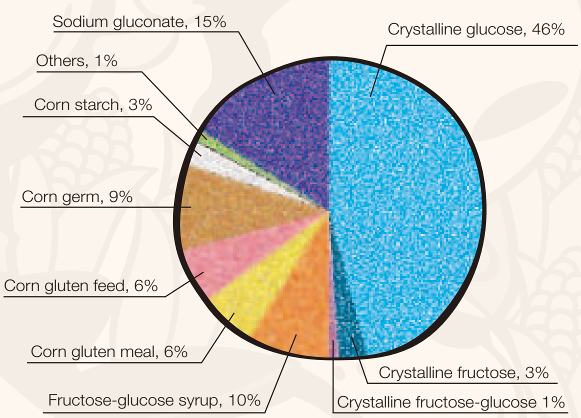
Management Discussion & Analysis

Revenue

Revenue by products:

For the year ended	2011 RMB'000	2010 RMB'000	Increase/(Decrease) %
Starch sugars:			
Crystalline glucose	1,663,847	1,562,819	6.5
Crystalline fructose	92,841	42,412	118.9
Crystalline fructose-glucose	23,691	–	N.A.
Fructose-glucose syrup	348,720	249,397	39.8
	2,129,099	1,854,628	14.8
Corn co-products and others:			
Corn gluten meal	230,607	234,861	(1.8)
Corn gluten feed	227,521	217,876	4.4
Corn germ	347,792	286,666	21.3
Corn starch	90,930	179,349	(49.3)
Sodium gluconate	561,461	424,770	32.2
Others	45,451	59,309	(23.4)
	1,503,762	1,402,831	7.2
	3,632,861	3,257,459	11.5

Revenue contribution by products:



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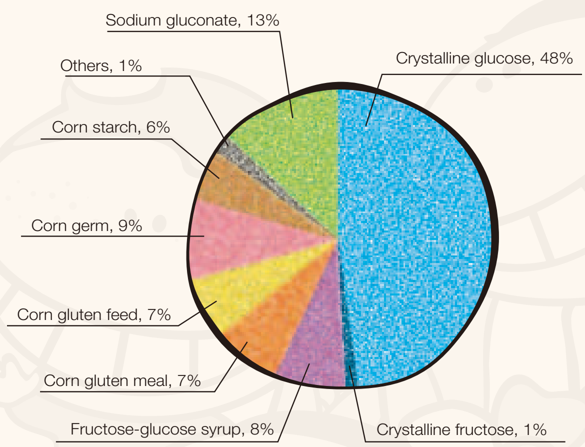


2010

During the Year, revenue of starch sugars was approximately RMB 2,129 million (2010: RMB 1,855 million) which accounted for approximately 59% of the total revenue (2010: 57%). Revenue of corn co-products and others was approximately RMB 1,504 million (2010: RMB 1,403 million) which accounted for 41% of the total revenue (2010: 43%).

Sales volume of key products:

For the year ended	2011 Tonnes	2010 Tonnes	Increase/(Decrease) %
Starch sugars:			
Crystalline glucose	474,665	517,801	(8.3)
Crystalline fructose	12,933	6,636	94.9
Crystalline fructose-glucose	4,700	–	N.A.
Fructose-glucose syrup	157,380	119,919	31.2
Corn co-products and others:			
Corn gluten meal	59,271	56,851	4.3
Corn gluten feed	184,992	184,839	0.1
Corn germ	97,631	96,149	1.5
Corn starch	36,096	83,692	(56.9)
Sodium gluconate	119,942	99,793	20.2

Average selling prices of key products:

For the year ended	2011 RMB per tonne		2010 RMB per tonne		Increase/ (Decrease)
	Tax-inclusive	Tax-exclusive	Tax-inclusive	Tax-exclusive	%
Starch sugars:					
Crystalline glucose	4,101	3,505	3,531	3,018	16.1
Crystalline fructose	8,399	7,179	7,477	6,391	12.3
Crystalline fructose-glucose	5,897	5,040	–	–	N.A.
Fructose-glucose syrup	2,593	2,216	2,434	2,080	6.5
Corn co-products and others:					
Corn gluten meal	4,552	3,891	4,833	4,131	(5.8)
Corn gluten feed	1,230	1,230	1,179	1,179	4.3
Corn germ	4,025	3,562	3,369	2,981	19.5
Corn starch	2,947	2,519	2,507	2,143	17.5
Sodium gluconate	5,477	4,681	4,981	4,257	10.0

Management Discussion & Analysis

1. Crystalline glucose

   During the Year, the market demand for crystalline glucose was stable, which mainly came from food and beverage and fermentation sectors. The tight supply and demand situation of crystalline glucose in China supported the increase in average selling price.

   During the Year, the Group converted part of its crystalline glucose output to produce its crystalline fructose and crystalline fructose-glucose.

2. Crystalline fructose

   During the Year, we mainly supplied our crystalline fructose to food and beverage companies. With our efforts in sales and marketing, the sales volume of our crystalline fructose achieved meaningful growth. As fructose becomes more familiar in China, we did not give out as much discount as the previous year.

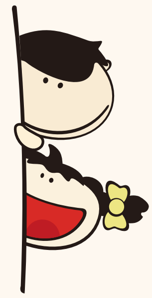
3. Crystalline fructose-glucose

   The Group launched crystalline fructose-glucose as a new product in the Year. During the Year, price of white sugar in China rose sharply to its 30-year high level, thus many food and beverage companies wanted to switch to alternative sweetening ingredient. As our crystalline fructose-glucose has the same sweetness as white sugar, our product can substitute the use of white sugar for these food and beverage customers.

4. Fructose-glucose syrup

   As discussed above, because of the surge of white sugar price in China, many food and beverage companies wanted to switch to other sweetening ingredient. Fructose-glucose syrup is a good substitute as it has the same sweetness as white sugar and is ready to be used. This drove up our sales volume. The strong demand also drove the increase in the average selling price of fructose-glucose syrup.

   In response to the increasing needs for fructose-glucose syrup and crystalline fructose-glucose in the market, it was clear that the Group could take the initiative to adjust its production and sales mix to satisfy the market demand.



5. Corn feed products

Pork price in China has started to rise since May 2011. This generated higher profitability for the pig raising industry. When it was more profitable, pig raising activity would increase, which in turn drove for higher consumption of feed products. Therefore the performance of our corn feed products improved in the second half of 2011. However, the overall magnitude of recovery was yet strong to cause a significant rebound to the feed products.

6. Corn germ

The selling price of corn germ increased significantly during the Year, which was largely driven by a higher selling price and demand growth for corn oil in China.

7. Corn starch

During the Year, the sales volume of corn starch reduced significantly as the Group converted more corn starch to crystalline glucose (and then crystalline fructose) and sodium gluconate.

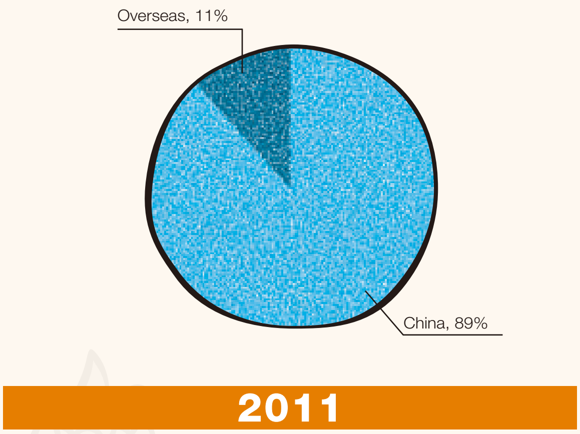
8. Sodium gluconate

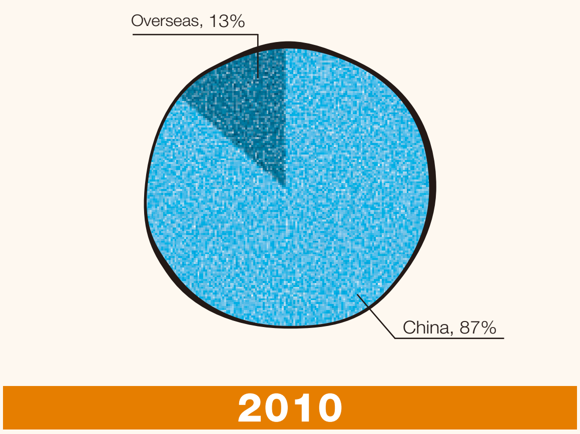
During the Year, the market demand for sodium gluconate in the construction industry continued to be strong, so we recorded increases in both sales volume and average selling price. However, given the continued tightened measures on property sector by the Chinese government in the second half of the Year, the growth of the construction industry has slowed down. This limited the increase in the selling price of our sodium gluconate.

Revenue by geographical segments:

The Group conducts its business in both the PRC and the overseas countries.

For the year ended	2011 RMB'000	2010 RMB'000	Increase/(Decrease) %
The PRC	3,218,086	2,817,110	14.2
Other countries	414,775	440,349	(5.8)
	3,632,861	3,257,459	11.5





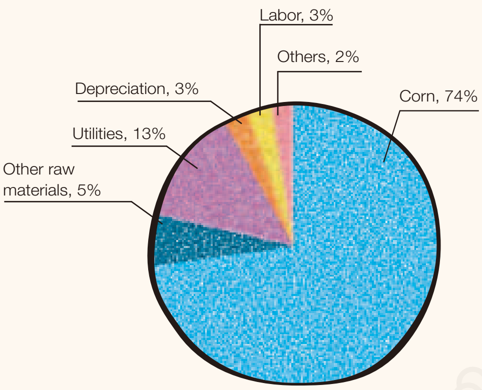
During the Year, the Group generated a majority of revenue from domestic sales. Revenue from China accounted for approximately 89% (2010: 87%). Revenue from other countries accounted for approximately 11% (2010: 13%)

During the Year, global economic environment was unstable, which slowed down the demand growth in both domestic market and overseas market. While China was still relatively stronger, our export sales were affected to a larger extent. During the Year, our sales in domestic market recorded a growth of 14.2% while export sales recorded a decrease of 5.8%.

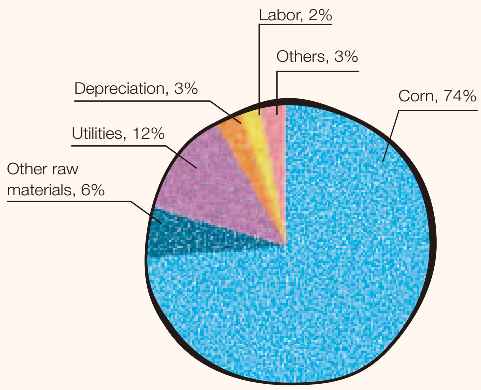
Cost of goods sold

The breakdown of cost of goods sold was as follows:

For the year ended	2011 RMB'000	2010 RMB'000	Increase/(Decrease) %
Corn	2,354,038	2,052,157	14.7
Other raw materials	174,756	165,710	5.5
Utilities	403,527	338,387	19.3
Depreciation	91,115	89,023	2.3
Labour	79,542	59,256	34.2
Others	73,861	80,956	(8.8)
	3,176,839	2,785,489	14.0



2011



2010

The Group's total cost of goods sold for the Year amounted to approximately RMB 3,177 million (2010: RMB 2,785 million), an increment of approximately 14% compared with 2010, which was relatively in line with the revenue growth.

Corn cost represented the major portion of our cost of goods sold. It accounted for approximately 74% in the Year (2010: 74%). During the Year, the Group processed approximately 1.25 million tonnes of corn (2010: 1.23 million tonnes). This is equivalent to a utilization rate[3] of our corn processing facility of 83% (2010: 82%). The average corn cost for the Year was approximately RMB 2,226 per tonne – tax inclusive or RMB 1,970 per tonne – tax exclusive, which rose by approximately 16.5% from the previous year (2010: RMB 1,910 per tonne – tax inclusive or RMB 1,690 per tonne – tax exclusive).

Other raw materials included auxiliary material for production and packaging materials. The prices of such raw materials increased during the Year.

Utilities were mainly steam and electricity. During the Year, the Group increased the production volume for high value-added products, which consumed more energy. In addition, the unit cost of steam and electricity rose in accordance to the inflationary environment in China.

Labor cost in the Year increased as the general wages in China increased.

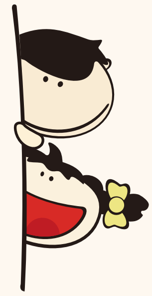
3 *Utilization rate is based on actual processing volume of corn over the designed capacity.*

Gross profit margins

Gross profit margins of key products and overall gross profit margin:

For the year ended	2011 %	2010 %	Increase/(Decrease) % points
Starch sugars:			
Crystalline glucose	18.7	20.6	(1.9)
Crystalline fructose	18.9	24.0	(5.1)
Crystalline fructose-glucose	20.3	–	N.A.
Fructose-glucose syrup	11.1	13.9	(2.8)
Corn co-products and others:			
Corn gluten meal	(32.3)	(12.0)	(20.3)
Corn gluten feed	(5.4)	6.5	(11.9)
Corn germ	11.7	5.1	6.6
Corn starch	7.5	9.7	(2.2)
Sodium gluconate	17.2	17.6	(0.4)
The Group's gross profit margin:	12.6	14.5	(1.9)

In general, the Group's starch sugars and sodium gluconate have higher gross profit margins, as they are further downstream products from corn starch which are of higher values. However, as the performance of the Group's corn feed products was weak, resulting in their negative profit margins and lowered the overall gross profit margin. During the Year, the Group's gross profit margin decreased by 1.9% points to approximately 12.6%.



Other income

The amount of other income – net was approximately RMB 2.6 million, mainly recorded from the sales of scrap products.

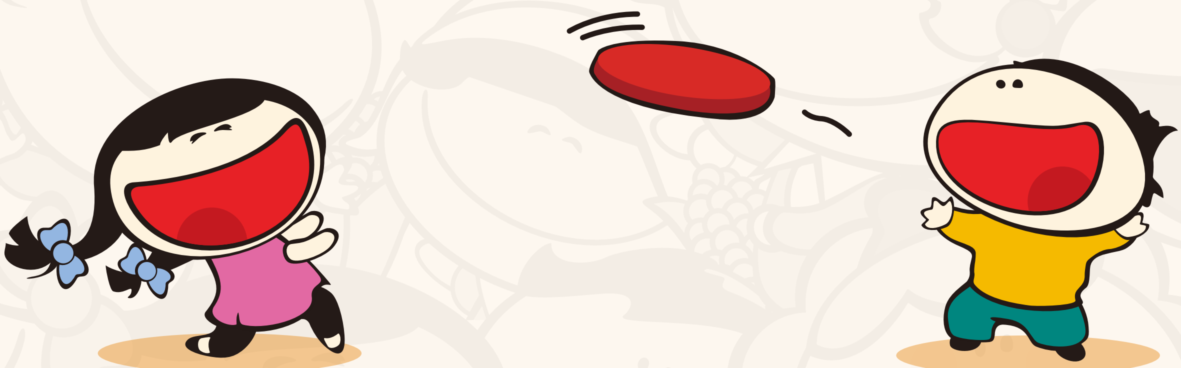
Selling and marketing costs

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 128 million, which increased by about 6.9% when compared with 2010. It was caused by the increase in marketing cost for launching on crystalline fructose in the retail market and increased staff commission for that.

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 expenses during the Year was approximately RMB 74 million (2010: RMB 61 million) which was due to the increase in research and development expenditure for the upgrade of the sewage treatment facility.

During the Year, the Group's selling, marketing and administrative expenses altogether represented approximately 5.6% of the total revenue (2010: 5.5%).



Management Discussion & Analysis

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 44 million in the Year (2010: RMB 77 million).

Interest expense for the Year reduced to approximately RMB 54 million (2010: RMB 83 million) as a result of a smaller average loan principal during the Year. The Group's effective interest rate of bank borrowings and other borrowings for the Year were about 6.2% and 4.7% respectively (2010: 5.7% and 4.8%).

The Group recorded a net exchange gain of approximately RMB 7 million (2010: RMB 2 million) which mainly came from the devaluation of borrowings that were denominated in United States Dollars ("**USD**").

The Group recorded an interest income of approximately RMB 3 million during the Year (2010: RMB 4 million).

Income tax expense

The Group's income tax expense was approximately RMB 33 million during the Year (2010: RMB 5 million).

Pursuant to the PRC Corporate Income Tax ("**CIT**"), all PRC enterprise are subject to a standard enterprise income tax rate of 25%, except for the enterprises specific preferential policies and provision. During the Year, the applicable tax rates for each of Shandong Xiwang Sugar Industry Co., Ltd. ("**Xiwang Sugar**") and Xiwang Sugar (Beijing) Co., Ltd ("**Xiwang Sugar (Beijing)**") was 25% (2010: 25%).

Shandong Xiwang Bio-chem Technology Co., Ltd ("**Xiwang Technology**") is a production enterprise with foreign investments, therefore it was eligible to enjoy CIT preferential treatments in accordance with the new CIT Law and tax regulation ("**CIT Tax Holiday**"). The CIT Tax Holiday of Xiwang Technology commenced in 2007. The applicable tax rate for Xiwang Technology in 2010 was 12.5%.

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

During the Year, the Commerce Bureau of Shandong Province approved Xiwang Technology to merge through absorption with Xiwang Sugar, with Xiwang Technology remained as the surviving company. The merger was completed during the Year. In view of the merger and the CIT preferential treatment granted to Xiwang Technology, the applicable tax rate for Xiwang Technology in 2011 was 15% (2010: 12.5%).

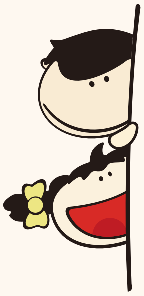
During the Year, since the majority of the Group's taxable profit was contributed by Xiwang Technology, the Group's effective tax rate was approximately 15.6 % (2010: 2.5%).

Liquidity, capital resources and gearing ratio:

	31 December 2011 RMB million	31 December 2010 RMB million
Cash and cash equivalents	232	549
Total borrowings	1,432	1,565
Net current assets	404	792
Total equity	2,149	1,966
Current ratio[3]	1.24	1.67
Gearing ratio[4]	0.56	0.52

3 Current ratio is calculated as total current assets divided by total current liabilities

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



Management Discussion & Analysis

The Group's cash and cash equivalents as at 31 December 2011 amounted to approximately RMB 232 million (31 December 2010: RMB 549 million). During the Year, the Group had net cash outflow from operating activities of approximately RMB 51 million (2010: net cash inflow of RMB 329 million). The Group has a larger amount of trade and bill receivables and advance to suppliers. The Group has net cash used in investing activities of approximately RMB 135 million (2010: net cash outflow of RMB 276 million) which is mainly used for the construction of oligosaccharide production line. The Group has net cash outflow from financial activities of approximately RMB 130 million during the Year (2010: net cash outflow of RMB 283 million), mainly arisen from a net repayment of the Group's borrowings of approximately RMB 133 million.

Total borrowings of the Group reduced to approximately RMB 1,432 million as at 31 December 2011 (31 December 2010: RMB 1,565 million). During the Year, the Group has a net repayment of bank borrowings of approximately RMB 133 million. Short-term borrowings represented approximately 57% of the total borrowings at 31 December 2011 (31 December 2010: 39%). Total equity increased from RMB 1,966 million as at 31 December 2010 to RMB 2,149 million as at 31 December 2011 mainly as a result of addition of net profit earned during the Year.

Because of the reduction of cash and cash equivalents and increase in short-term borrowings, current ratio as at 31 December 2011 decreased to 1.24 (as at 31 December 2010: 1.67). The reduction of cash and cash equivalents level also caused the gearing ratio to increase, which became 0.56 as at 31 December 2011 (as at 31 December 2010: 0.52)

Capital investment

The Group's capital investment during the Year was approximately RMB 163 million (2010: RMB 287 million), which was mainly for the construction of oligosaccharide production line. This production line underwent the research and development for oligosaccharide and maltodextrin during the Year.

Contingent liabilities

In 2010, the Company was involved in an arbitration proceedings whereby the Company was not a party to it.

The proceedings involved a dispute arisen from two contracts for sale and purchase of crystalline glucose signed by a third party Korean company 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.

On 23 September 2011, ruling of the tribunal was made and the Company was not liable in this arbitration.

As at 31 December 2011, the Group had no material contingent liabilities.

Foreign exchange risk

The Group's main operation is in the PRC. The functional currency of the Group is RMB. During the Year, majority of the Group's assets, liabilities, incomes, payments and cash balances were denominated in RMB, the rest were sales from export and bank loans which were denominated in USD. Therefore, the directors of the Company believed that the risk exposure of the Group to fluctuation of foreign exchange rate was not significant as a whole.

Human resources

The Group had approximately 3,226 employees as at 31 December 2011 (31 December 2010: 3,047). The Group regularly reviews 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 be granted based on individual performance.

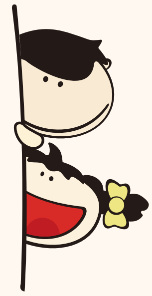
3. Outlook and development

Sugar is mainly consumed in food and beverage. According to the National Bureau of Statistics, food manufacturing industry and beverage manufacturing industry recorded satisfactory growth of 17.3% and 18.9% respectively in 2011 over the previous year. As stated in Twelve Five-year Plan (2011-2015) for Sugar Industry (published from the National Development and Reform Committee and the Ministry of Industry and Information Technology of the PRC in 2011), current China's sugar consumption is 10.6 kg per capita, which is much lower than the world average of 24.5 kg per capita. There is a huge potential for consumption to boost.

On the other hand, supply of sugar comes from white sugar, which is produced from sugar cane and sugar beet, and starch sugar, which is produced from corn. According to China Sugar Association, the weather in Guangxi Province was normal and the annual white sugar output for 2011/2012 is estimated to be around 12 million tonnes. China's starch sugar (crystalline) output is kept at around 2 million tonnes. It is expected that national consumption is slightly over 14 million tonnes. We believe the tight balance in demand and supply will support the prices of white sugar and starch sugar in the near future.

Corn in China is mainly used for feed (68%) and deep processing (25%), which is mostly satisfied by domestic corn production. Last few years because of a faster growth in demand than supply, domestic corn price rose year-on-year at steady rate. It is estimated that 2011/2012 China's corn output will reach 190 million tonnes, versus the consumption at about 184 million tonnes. So we expect the price increment will slow down. Corn market in China is relatively free. The PRC Government does not have a pricing policy, but will regulate the market from time to time through administrating corn inventory, imposing restriction on speculation and the import. All these motives aim for stabilising corn price movement.

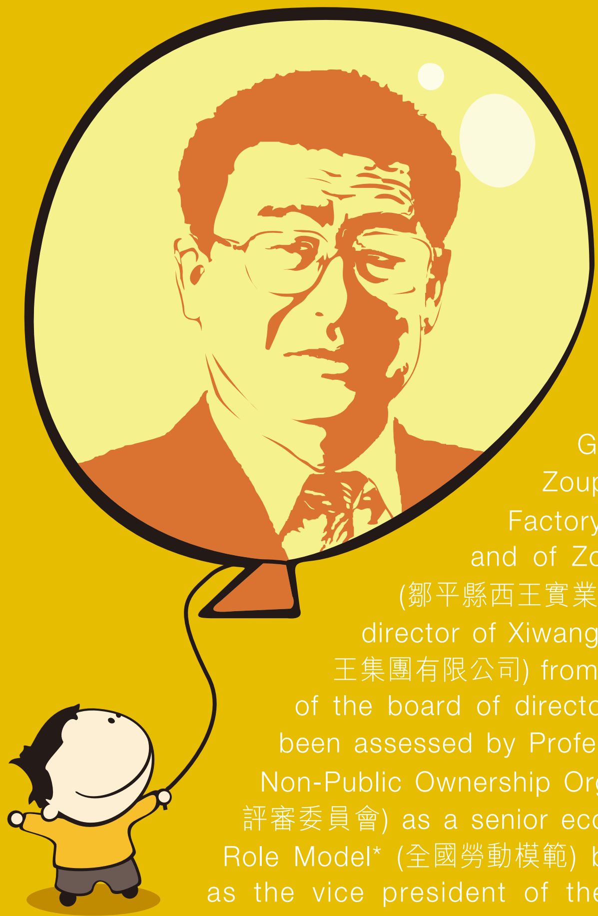
Fructose will be our key development focus in the next couple of years. In B2B channel, several domestic and international reputable food companies have intention to launch healthy food products using fructose. They have begun product development. Our fructose has passed their testing which facilitated their setting up of new product prototypes. These products include fructose liquid milk, milk powder and canned soups. In B2C channel, we have our brand Yoho fruit sugar (悠活果糖) for our small packages. It has already become available in chain supermarkets in Shangdong and Beijing. We have an experienced sales team for the entire expansion plan in China. We plan to extend the sales channels to coffee shops, hotels and airlines and geographically to Jiangsu and Zhejiang in 2012 and 2013.



The brand new production line of starch with 600,000 tonnes annual capacity[2], which we acquired from Xiwang Pharmaceutical, will begin production in the second quarter of 2012. This will increase our availability of corn starch, which will be used to support the increasing production for our downstream products. Another production line of starch with 150,000 tonnes annual capacity[2] has already been in operation. The starch produced from this line is principally used for the two production lines of maltodextrin with a total annual capacity of 120,000 tonnes[2], which are included in the acquisition as well. Maltodextrin is a useful ingredient widely used in instant drink concentrates such as coffee, tea and milk powder. Maltodextrin can help thickening the texture of food like sauces and salad dressings, and stabilizing the foam for beer and cocktails. With the increasing production of different kinds of food and beverage products in China, we expect that the market demand for maltodextrin will continue its solid growth.

Board of Directors and Senior Management

DIRECTORS
Executive Directors

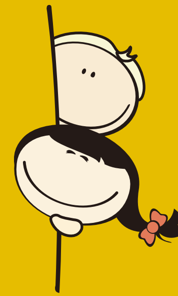


WANG Yong 王勇
Chairman and Executive Director

Aged 61, is the Chairman and Executive Director of the Company. He 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 Professional Position Evaluation Committee of Binzhou Non-Public Ownership Organisations* (濱州市非公有制經濟組織專業技術職務評審委員會) as a senior 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 (中國發酵工業協會) 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.

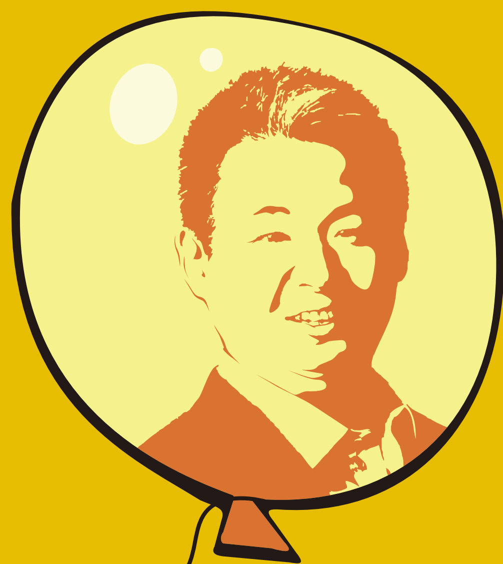
Mr. WANG has held several positions in listed companies. Mr. WANG is a director of Xiwang Foodstuffs Co. Ltd. ("**Xiwang Foodstuffs**") (a company publicly listed on the Main Board of the Shenzhen Stock Exchange in February 2010 and is effectively held as to 52.08% by Xiwang Group). He is also a non-executive director of Xiwang Special Steel Company Limited ("**Xiwang Special Steel**") (a company publicly listed on the Main Board of The Stock Exchange in February 2012 and is effectively held as to 75% by Xiwang Holdings Company Limited ("**Xiwang Holdings**"), the ultimate holding company of the Company). Mr. WANG was appointed as the Executive Director of the Company in March 2005. Mr. WANG is father of Mr. WANG Di, who is an Executive Director of the Company.



ZHANG Yan 張研

CEO and Executive Director

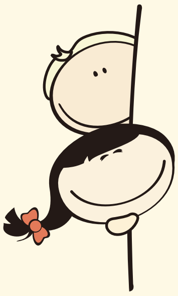
Aged 47, is the Chief Executive Officer and Executive Director of the Company. Dr. ZHANG obtained his doctorate degree in Economics from The School of Finance of Renmin University of China (中國人民大學財政金融學院). Dr. ZHANG is experienced in the corporate strategic management and had held several senior management 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. Dr. ZHANG has been appointed as the Chief Executive Officer and Executive Director of the Company on 30 November 2010.



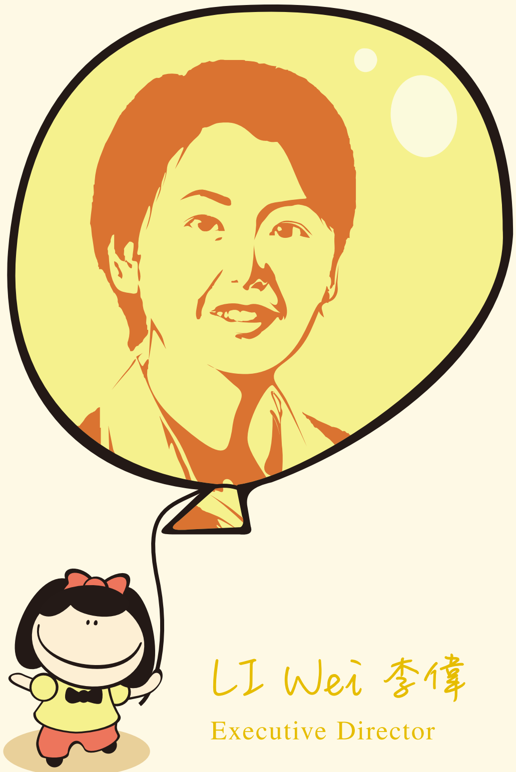
WANG Di 王棣

Executive Director

Aged 28, is an Executive Director of the Company. Mr. WANG is the deputy chairman of Xiwang Group and Head of Branding 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 six years. Mr. Wang has been granted with various awards and honors, including outstanding worker for enterprise education and training of Shandong Province in 2006, labour model of Binzhou city, labour model of Shandong Province and outstanding entrepreneur in food industry of Shandong Province. Mr. WANG is the chairman of Xiwang Foodstuffs, and a non-executive director of Xiwang Special Steel. Mr. WANG was appointed as an Executive Director of the Company on 30 November 2010. Mr. WANG is the son of Mr. WANG Yong, who is the Chairman of the Company.



Board of Directors and Senior Management



LI Wei 李偉

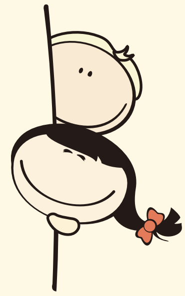
Executive Director

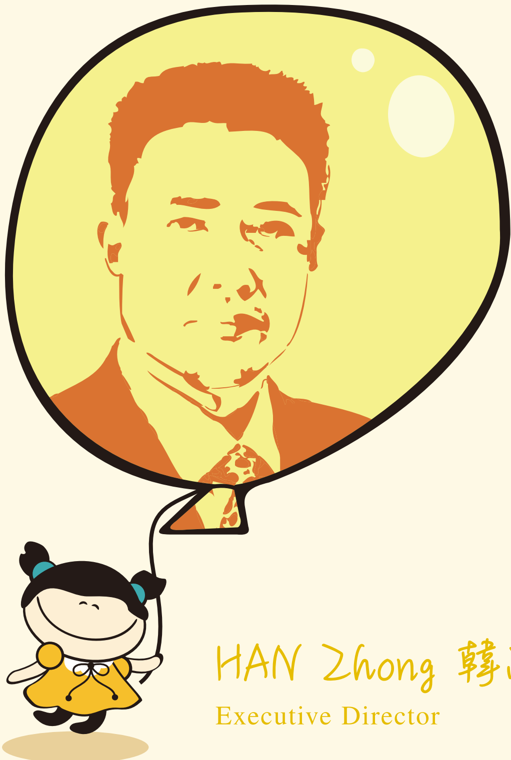
Aged 35, is an Executive Director of the Company, and is responsible for the manufacturing, production technology and quality control of the Group. Dr. LI obtained a doctorate certificate in food science from Southern Yangtze University (江南大學) in 2003, and has been the chief engineer of the Group since 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.

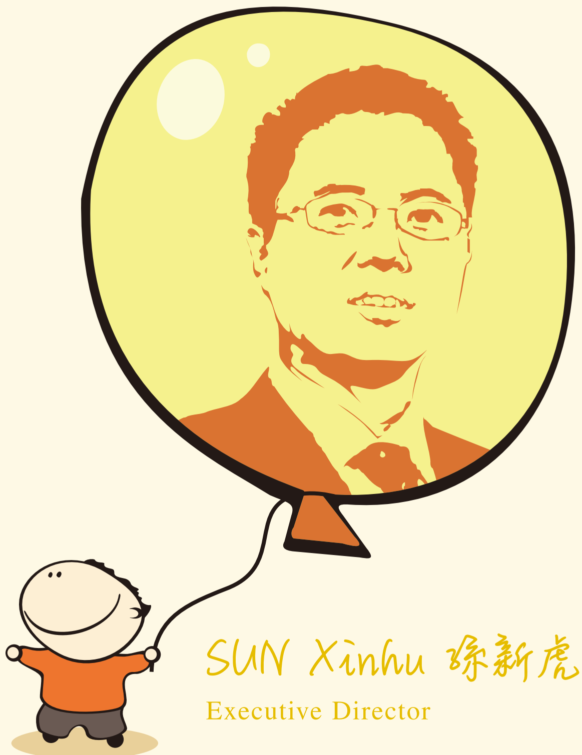
SONG Jie 宋捷

Executive Director
(retired on 31 May 2011)

Aged 44, is a previous Executive Director of the Company. Mr. SONG was the Marketing Director of the Group from April 2010 to 31 May 2011. 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 from April 2010 to May 2011. 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 retired as the Executive Director of the Company on 31 May 2011.







HAN Zhong 韓忠

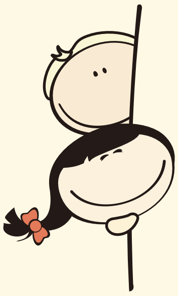
Executive Director

Aged 56, 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.

SUN Xinhu 孫新虎

Executive Director

Aged 37, 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 and secretary of Xiwang Foodstuffs, and a non-executive director of Xiwang Special Steel. Mr. SUN was appointed as an Executive Director of the Company in December 2008.



Board of Directors and Senior Management

Independent Non-Executive Directors

SHI Wei Chen (石維忱)

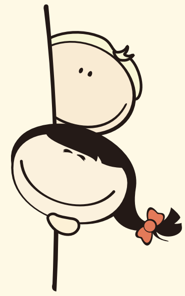
Aged 55, is an Independent Non-Executive Director of the Company. Mr. SHI is a professor and has been the president of China Fermentation Industry Association since 1999. Mr. SHI was a senior engineer in the Food Industry Department (食品工業司) of the Ministry of Light Industry of the PRC (中國輕工業部), the deputy 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 (沈馳)

Aged 54, 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 vice chairman 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 57, is an Independent Non-Executive Director of the Company. Mr. WONG has over 21 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 practicing 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.



Senior Management

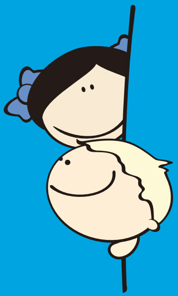
CHUNG Kwok Mo John（鍾國武）

Aged 43, was the Chief Financial Officer of the Company from May 2008 to September 2011 and has been appointed as the Financial Consultant of the Company since September 2011. Mr. CHUNG is the Chief Financial Officer of Xiwang Special Steel since September 2011. In addition, he is an independent non-executive director of Zhengye International Holdings Company Limited, a company publicly listed on the Stock Exchange since March 2011. Mr. CHUNG has about 20 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 43, is the Financial Controller and Company Secretary 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 15 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 has been appointed as the company secretary of Special Steel since 2 June 2011. 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

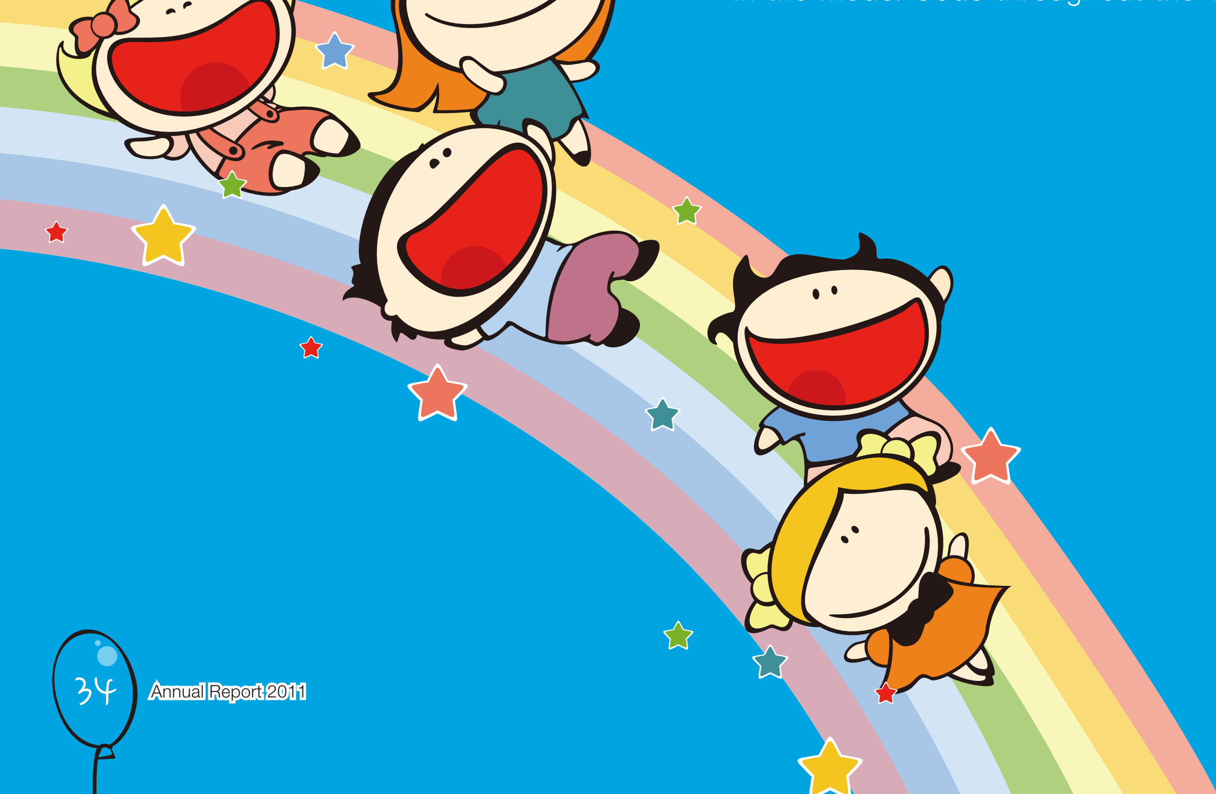
Corporate Governance Practices

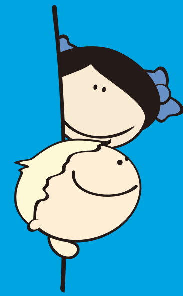
The Company has adopted the Code on Corporate Governance Practices (the "**CG Code**") as set out in Appendix 14 to the Rules (the "**Listing Rules**") governing the listing of securities on the Stock Exchange as its own code of corporate governance. The board of directors of the Company (the "**Board**") 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 six 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)*
Mr. WANG Di
Mr. SONG Jie *(retired on 31 May 2011)*
Dr. LI Wei
Mr. HAN Zhong
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.

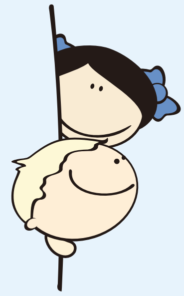
(ii) Board meetings

During the Year, 8 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)*	6/8
Dr. ZHANG Yan *(Chief executive officer)*	3/8
Mr. WANG Di	4/8
Mr. SONG Jie (retired on 31 May 2011)	1/8
Dr. LI Wei	2/8
Mr. HAN Zhong	5/8
Mr. SUN Xinhu	7/8
Independent non-executive directors	
Mr. SHI Wei Chen	2/8
Mr. SHEN Chi	0/8
Mr. WONG Kai Ming	2/8



(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 21 years in the accounting and finance fields and is a fellow member of the Association of Chartered Certified Accountants and a practicing 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, is shareholder of 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 ("**Chief Executive Officer**") are segregated. Mr. WANG Yong is the Chairman of the Board ("**Chairman**") 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 commencing on 5 November 2011, with no fixed term of employment, and 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.

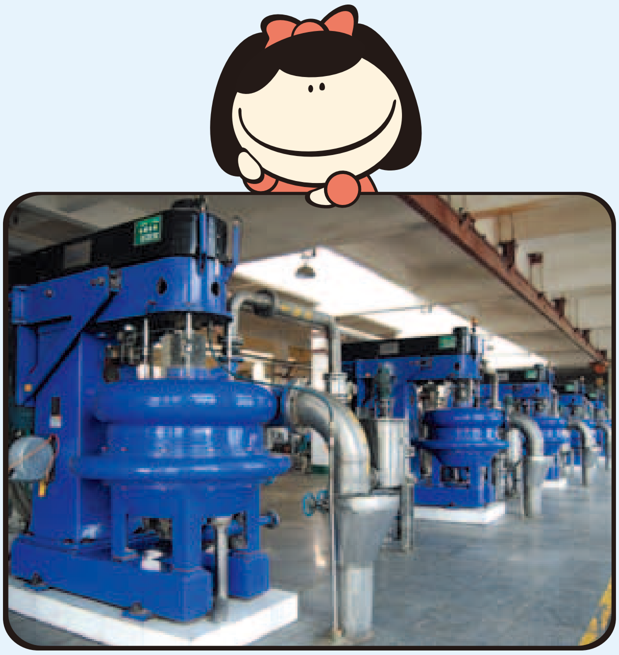
E. Remuneration of directors

The Company established a remuneration committee with written terms of reference in compliance with the CG Code. Dr. ZHANG Yan was appointed as the chairman of the remuneration committee on 30 November 2010 and resigned on 30 March 2012. Mr. WONG Kai Ming was appointed as the chairman of the remuneration committee on 30 March 2012. 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.

During the Year, the remuneration committee held one meeting (with all the members of the committee attended) for reviewing and determining the terms of remuneration package of financial consultant.

F. Nomination of directors

The Company established a nomination committee with written terms of reference in compliance with the CG Code. Dr. ZHANG Yan was appointed as the chairman of the nomination committee on 30 November 2010 and resigned on 30 March 2012. Mr. WONG Kai Ming was appointed as the chairman of the remuneration committee on 30 March 2012. 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.

During the Year, the nomination committee held one meeting (with all the members of the committee attended) for recommending the re-appointment of the executive directors and the appointment of financial consultant.

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 2012, 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.

Corporate Governance Report

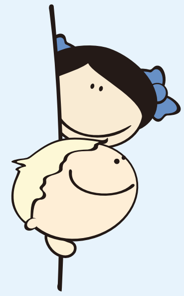
G. Auditors' remuneration

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

	For the year ended 31December 2011 (RMB'000)
Service rendered	
Annual audit services	
– PricewaterhouseCoopers	2,200
– Others	–
Non-audit services	250

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 2010 and the interim results of the Group for the six months ended 30 June 2011. Except for Mr. SHEN Chi who was absent from the meetings, the other two members had attendance rate of 100%.



I. Directors' and auditors' acknowledgement

All directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2011. The reporting responsibilities of the Company's external auditors, Messrs. PricewaterhouseCoopers, are set out in the Auditors' report on page 60.

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 communication

(i) Enabling an active relationship with shareholders and investors

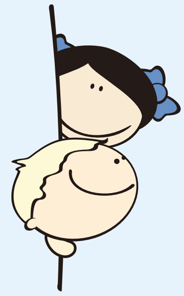
Maintaining transparency has always been an important subject in the Company's investor relations strategy. During the Year, we continued an active approach in investor relations, with a purpose to enhance the understanding of the financial market about the Company's business and prospects.

During the Year, our investor relations team carried out numerous one-on-one meetings and conference calls with the shareholders, financial analysts and institutional investors. In addition, we received several requests for visiting our production base in China. We have organized many site visits accordingly.

(ii) Providing updates through corporate communication

The Company is committed to provide regular updates with the investment community. We publish annual reports, interim reports, announcements, circulars and corporate presentation as means of corporate communication. Furthermore, the Company will try its best to answer all the enquiries from the investors as long as it is appropriate and in compliance with the Listing Rules.

Timeliness of disclosure is a matter to the friendliness of investors nowadays. In this regard, we publish quarterly operational performance after the end of each quarter. The quarterly statement contains key operational data and a management commentary about the business. We also made frequent updates about the market prices of corn and the selling prices of the major products on our website. These actions aim to facilitate the analysts and investors to keep track of the Company's performance.



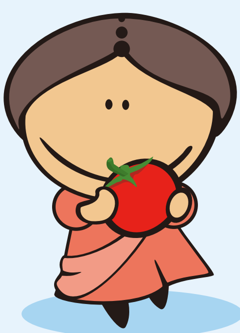
To allow investors to get better informed with our business model, we make use of corporate presentation in investor meetings. Information in the presentation is comprehensive which includes background of the industry, business environment, the Company's strategic focus and financial summary. We prepare both English and Chinese versions to fulfill the need of the audience. We also use simple languages and diagrams so that they are easy to understand.

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

On behalf of the Board

WANG Yong
Chairman

Hong Kong, 30 March 2012



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 2011.

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, crystalline fructose, crystalline fructose-glucose and fructose-glucose syrup 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.

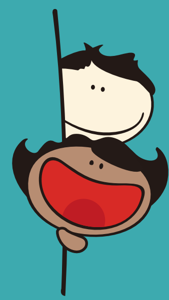
Dividend

At a Board of directors' meeting held on 30 March 2012, the directors of the Company proposed a final dividend of RMB 2.8 cents per ordinary share for ordinary share holders and a final dividend of RMB 3.8 cents per convertible preference share ("CPS") for holders of CPS to those shareholders whose names shall appear on the register of members of the Company on 22 May 2012. The additional RMB 1 cent per CPS over the ordinary share represented the preferred distribution conferred on the holders of CPS in accordance to the terms of the CPS as approved at the special general meeting held by the Company on 27 March 2012. The final dividends, totaling the amount of approximately RMB 62,733,000, were proposed to be distributed out of the contributed surplus and to be paid in cash in HK$.

Subject to shareholders' approval at the forthcoming annual general meeting of the Company, the final dividend will be payable on or about 31 May 2012. The proposed final dividend is based on an assumption that a total of 907,709,900 CPS will be issued pursuant to an open offer of CPS of the Company ("**Open Offer**") in early May 2012 prior to the record date for determining entitlement to the proposed final dividend. In the event that the Open Offer does not proceed and the CPS are not issued, the entire amount of RMB62,733,000 will be distributed to the ordinary shareholders and the proposed final dividend per ordinary share will be RMB6.2 cents.

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 2011 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 134.

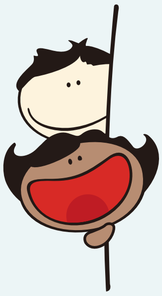
Share option scheme

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 7.93% 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 2011, the outstanding share options were 9,693,000 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 2011		Outstanding as at 1 January 2011	Outstanding as at 31 December 2011	Exercise price per Share *(HKD)*	Exercise period
		Granted	Exercised				
Employees *(Note 1)*	8 May 2009	–	2,193,0000	4,386,000	2,193,000	1.32	*(Note 2,4)*
	14 September 2011	7,500,000	–	–	7,500,000	1.55	*(Note 3,4)*
		7,500,000	2,193,000	4,386,000	9,693,000		

Notes:

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

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

3. The closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on 12 September 2011, being the trading day immediately preceding the date of grant of options was HKD1.49 per Share.

4. 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 2012	2,193,000
13 September 2012	2,333,333
13 September 2013	2,333,333
13 September 2014	2,333,334
13 September 2016	500,000

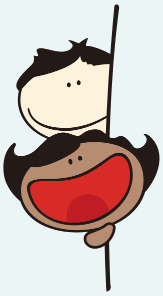
5. The value of options is set out in note 12 to the consolidated financial statements.

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.



Directors' Report

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. During the Year, Xiwang Pharmaceutical and Xiwang Food are the top two customers of the Group. As of the date of this report, Xiwang Pharmaceutical is 64.36% effectively held by Mr. WANG Yong, and Xiwang Food is 33.52% effectively held by Mr. WANG Yong.

For the year ended 31 December 2011, the largest supplier accounted for approximately 10.5% (2010:8.0%) of the Group's total cost of purchase and the Group's five largest suppliers accounted for approximately 33.7% (2010: 33.3%) of the Group's total cost of purchase.

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 and five largest customers during the Year.

Directors and Directors' service contracts

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

Executive Directors

Mr. WANG Yong
Dr. ZHANG Yan
Mr. WANG Di
Mr. SONG Jie (retired on 31 May 2011)
Dr. LI Wei
Mr. HAN Zhong
Mr. SUN Xinhu

Independent non-executive Directors:

Mr. SHI Wei Chen

Mr. WONG Kai Ming

Mr. SHEN Chi

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

During the Year, the Company renewed the service contracts with the executive directors, Mr. WANG Yong, Dr. LI Wei, Mr. HAN Zhong and Mr. SUN Xinhu, under which there was no fixed term of employment. 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.

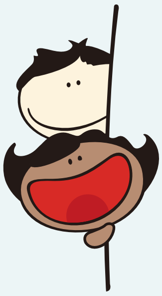
Each of the executive directors, Dr. ZHANG Yan and Mr. WANG Di has entered into a service agreement with the Company for a term of three years in November 2010. Each of these service agreements may be terminated by either party by giving to the other not less than three months' prior notice in writing.

During the Year, the Company re-appointed the independent non-executive directors, Mr. WONG Kai Ming and Mr. SHI Wei Chen, under which there was no fixed term of appointment. 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.

The Company appointed independent non-executive director, Mr. SHEN Chi for a term of three years in February 2010. The service agreement may be terminated by either party by giving to the other 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.



Directors' Report

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

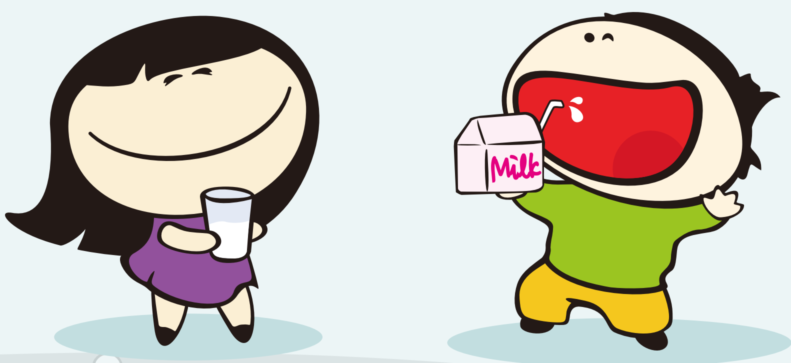
Biographical details of the directors and the senior management of the Group are set out on pages 26 to 33 of the annual report.

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 2011, 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 2011
Company	WANG Yong	Interest of a controlled corporation *(Note 2)*	562,494,077 ordinary shares (L) *(Note 3)*	55.77%
Xiwang Holdings Limited ("**Xiwang Holdings**")	WANG Yong	Beneficial owner *(Note 2)* other *(Note 2)*	128,722 shares (L) 71,278 shares (L)	64.36% 35.64%
Xiwang Investment Company Limited ("**Xiwang Investment**")	WANG Yong	Interest of controlled corporations *(Note 2)*	3 shares (L)	100%
Xiwang Holdings	WANG Di	Beneficial owner	3,546 shares (L)	1.77%
Xiwang Holdings	HAN Zhong	Beneficial owner	3,546 shares (L)	1.77%
Xiwang Holdings	LI Wei	Beneficial owner	1,773 shares (L)	0.89%
Xiwang Holdings	SUN Xinhu	Beneficial owner	1,773 shares (L)	0.89%

Notes:

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

(2) Xiwang Investment is a wholly-owned subsidiary of Xiwang Holdings, the voting right of which is in turn controlled as to 100% by Mr. WANG Yong and the shares of which are directly and beneficially owned as to 64.36% by Mr. WANG Yong. Mr. WANG Yong is therefore deemed to be interested in the entire issued share capital in Xiwang Investment and Xiwang Holdings.

Xiwang Holdings 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.

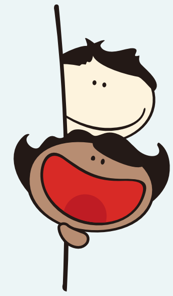
(3) These shares are registered in the name of Xiwang Investment. Mr. WANG Yong is deemed to be interested in all shares of the Company in which Xiwang Investment is interested.

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 2011, 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 2011
Xiwang Investment	Beneficial owner	562,494,077 ordinary shares (L)	55.77%
Xiwang Holdings	Interest of a controlled corporation *(Note 2)*	562,494,077 ordinary shares (L)	55.77%
ZHANG Shufang	Interest of spouse *(Note 3)*	562,494,077 ordinary shares (L)	55.77%



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.

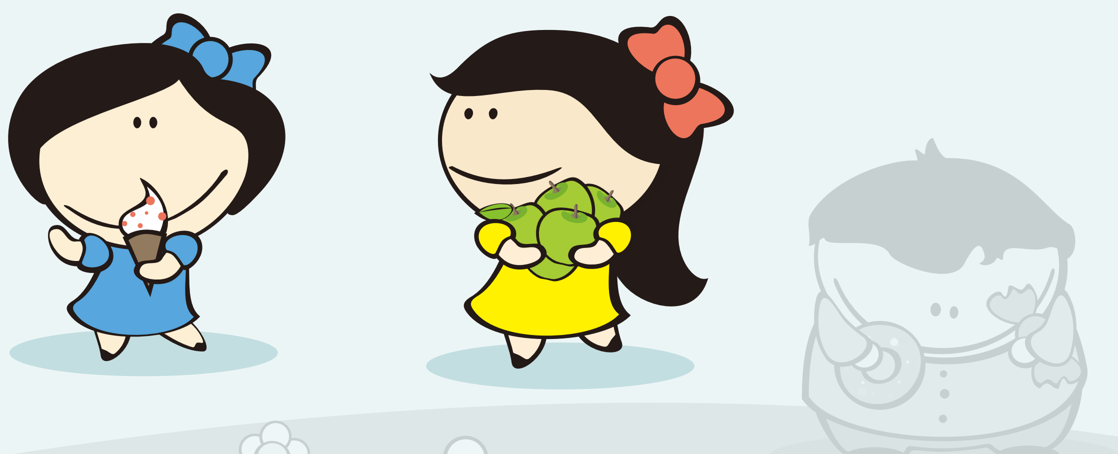
(b) Other persons who are required to disclose their interests pursuant to Part XV of the SFO

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 2011, 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 2011 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.



Directors' Report

Description		Annual caps For the year ended 31 December 2011	For the year ending 31 December 2012	For the year ending 31 December 2013
1.	Sales of corn germs by the Group to Shandong Xiwang Food Company Limited ("**Xiwang Food**")	RMB 313 million	RMB 344 million	RMB 379 million
2.	Sale of pharmaceutical-grade glucose by the Group to Xiwang Pharmaceutical Company Limited ("**Xiwang Pharmaceutical**")	RMB 250 million	–	–
3.	Sale of crystalline fructose by the Group to Xiwang Food	RMB223 million	–	–
4.	Sale of corn starch by the Group to Xiwang Pharmaceutical	RMB 248 million	RMB 272 million	RMB 300 million
5.	Sale of crystalline glucose by the Group to Xiwang Pharmaceutical	RMB 418 million	RMB 460 million	RMB 505 million
6.	Provision of sewage service by the Group to Xiwang Group Company Limited ("**Xiwang Group**")	RMB 5.9 million	–	–
7.	Purchase of mother liquid by the Group from Xiwang Pharmaceutical	RMB 16 million	–	–

Xiwang Food is a wholly owned subsidiary of Xiwang Foodstuffs Co., Ltd ("**Xiwang Foodstuffs**"). 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.

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.

Directors' Report

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 43 of this annual report.

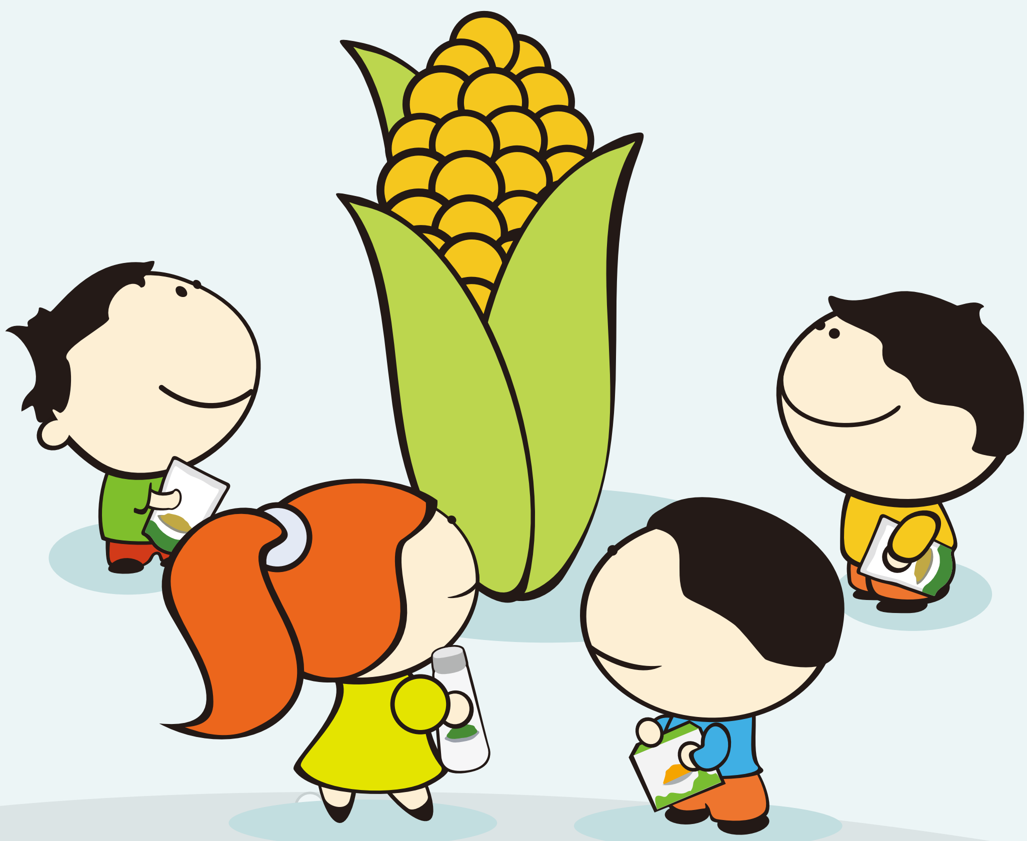
Audit committee

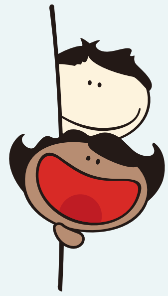
The Company established an audit committee with written terms of reference based upon the provisions and recommended practices of the Code on Corporate Governance Practices. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems 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 2011 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 Friday, 11 May 2012.

Closure of register of members

The register of members of the Company will be closed during the following periods:

(i) from Wednesday, 9 May 2012 to Friday, 11 May 2012, both days inclusive, for the purpose of ascertaining shareholders' entitlement for attending and voting at the annual general meeting. In order to be eligible to attend and vote at the annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration 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 not later than 4:30 p.m. on Tuesday, 8 May 2012; and

(ii) from Friday, 18 May 2012 to Tuesday, 22 May 2012, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration 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 at the address as set out in sub-paragraph (i) above not later than 4:30 p.m. on Thursday, 17 May 2012.

During the periods mentioned in sub-paragraphs (i) and (ii), no transfer of shares will be registered.

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 2012

Independent Auditor's Report

pwc 羅兵咸永道

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 62 to 133, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

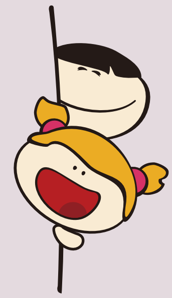
The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong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

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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com



羅兵咸永道

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.

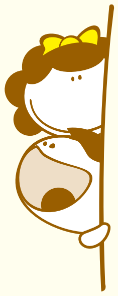
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 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 2012



Consolidated Statement of Financial Position

As at 31 December	Note	2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,824,965**	1,760,168
Land use rights	7	**234,298**	239,510
Deferred income tax assets	16	**5,051**	5,512
		2,064,314	2,005,190
Current assets			
Inventories	9	**584,148**	560,570
Trade and other receivables	10	**1,156,885**	766,898
Prepaid current income tax		**–**	13,264
Amounts due from related parties	27(e)	**101,879**	86,535
Cash and cash equivalents	11	**232,491**	548,502
		2,075,403	1,975,769
Total assets		**4,139,717**	3,980,959
EQUITY			
Attributable to equity holders of the Company			
Share capital	12	**102,086**	101,896
Share premium	12	**332,207**	328,531
Other reserves	13		
– Proposed final dividend	22	**62,733**	–
– Others		**933,015**	921,492
Retained earnings		**718,611**	613,586
Total equity		**2,148,652**	1,965,505

Consolidated Statement of Financial Position

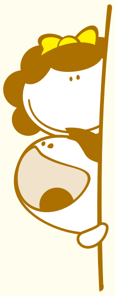
As at 31 December	Note	2011 RMB'000	2010 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	15	**319,447**	831,549
Current liabilities			
Trade and other payables	14	**483,008**	420,636
Current income tax liabilities		**8,084**	–
Amounts due to related parties	27(e)	**67,731**	29,910
Borrowings	15	**1,112,795**	733,359
		1,671,618	1,183,905
Total liabilities		**1,991,065**	2,015,454
Total equity and liabilities		**4,139,717**	3,980,959
Net current assets		**403,785**	791,864
Total assets less current liabilities		**2,468,099**	2,797,054

The notes on pages 69 to 133 are an integral part of these consolidated financial statements.

The financial statements on pages 62 to 133 were approved by the Board of Directors on 30 March 2012 and were signed on its behalf.

WANG Yong
Director

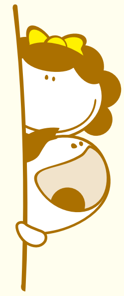
WANG Di
Director



Statement of Financial Position

As at 31 December	Note	**2011 RMB'000**	2010 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**576**	428
Investment in a subsidiary	8	**13**	–
Amounts due from a subsidiary	8(b), 27(e)	**697,169**	697,169
		697,758	697,597
Current assets			
Trade and other receivables	10	**1,218**	1,177
Amounts due from a subsidiary	8(b), 27(e)	**95,823**	116,299
Amounts due from other related parties	27(e)	**45,467**	82,649
Dividend receivable	27(e)	**222,838**	202,186
Cash and cash equivalents	11	**43,874**	2,741
		409,220	405,052
Total assets		**1,106,978**	1,102,649
EQUITY			
Attributable to equity holders of the Company			
Share capital	12	**102,086**	101,896
Share premium	12	**332,207**	328,531
Other reserves	13		
– Proposed final dividend	22	**62,733**	–
– Others		**560,562**	623,295
Retained earnings		**33,062**	29,542
Total equity		**1,090,650**	1,083,264

Statement of Financial Position



As at 31 December	Note	2011 RMB'000	2010 RMB'000
LIABILITIES			
Current liabilities			
Amounts due to related parties	27(e)	**16,266**	18,750
Trade and other payables	14	**62**	635
		16,328	19,385
Total liabilities		**16,328**	19,385
Total equity and liabilities		**1,106,978**	1,102,649
Net current assets		**392,892**	385,667
Total assets less current liabilities		**1,090,650**	1,083,264

The notes on pages 69 to 133 are an integral part of these consolidated financial statements.

The financial statements on pages 62 to 133 were approved by the Board of Directors on 30 March 2012 and were signed on its behalf.

WANG Yong	**WANG Di**
Director	*Director*

Consolidated Statement of Comprehensive Income

Year ended 31 December	Note	2011 RMB'000	2010 RMB'000
Turnover	5	**3,632,861**	3,257,459
Cost of goods sold	17	**(3,176,839)**	(2,785,489)
Gross profit		**456,022**	471,970
Other income – net	18	**2,614**	1,315
Selling and marketing costs	17	**(128,236)**	(120,012)
Administrative expenses	17	**(74,356)**	(60,608)
Operating profit		**256,044**	292,665
Finance costs – net	20	**(43,523)**	(77,306)
Profit before income tax		**212,521**	215,359
Income tax expense	21	**(33,240)**	(5,473)
Profit for the year		**179,281**	209,886
Other comprehensive income for the year, net of tax		**–**	–
Total comprehensive income for the year		**179,281**	209,886
Attributable to:			
Equity holders of the Company	28	**179,281**	209,886
Earnings per share for profit attributable to the equity holders of the Company *(expressed in RMB per share)*			
– basic	23	**0.18**	0.21
– diluted	23	**0.18**	0.21
Dividend	22	**62,733**	–

The notes on pages 69 to 133 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

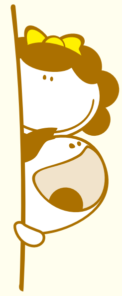
		Attributable to equity holders of the Company					
		Share capital	Share premium	Other reserves	Retained earnings	Non-controlling interests	Total Equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December	Note	*(Note 12)*	*(Note 12)*	*(Note 13)*			
Balance at 1 January 2010		**87,953**	**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 issue 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		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**
Balance at 1 January 2011		**101,896**	**328,531**	**921,492**	**613,586**	**–**	**1,965,505**
Comprehensive income							
Profit for the year		–	–	–	179,281	–	179,281
Transactions with owners							
Employee share option scheme							
– value of services provided		–	1,288	–	–	–	1,288
Appropriation to reserves		–	–	231,344	(231,344)	–	–
Proceeds from share options exercised		184	2,247	–	–	–	2,431
Proceeds from bonus issue of warrants		6	141	–	–	–	147
Transfer of reserves upon merger of subsidiaries		–	–	(157,088)	157,088	–	–
Total transactions with owners		**190**	**3,676**	**74,256**	**(74,256)**	**–**	**3,866**
Balance at 31 December 2011		**102,086**	**332,207**	**995,748**	**718,611**	**–**	**2,148,652**

The notes on pages 69 to 133 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December	Note	2011 RMB'000	2010 RMB'000
Cash flows from operating activities			
Cash generated from operations	24(a)	**50,228**	453,985
Interest paid		**(89,460)**	(103,513)
Income tax paid		**(11,431)**	(21,219)
Net cash (used in)/generated from operating activities		**(50,663)**	329,253
Cash flows from investing activities			
Disposal of subsidiaries		**–**	(565)
Acquisition of property, plant and equipment		**(151,013)**	(279,468)
Interest received		**15,753**	4,178
Net cash used in investing activities		**(135,260)**	(275,855)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**2,431**	294,040
Proceeds from bonus issue of warrants		**147**	–
Proceeds from borrowings		**810,000**	1,524,908
Repayment of borrowings		**(942,666)**	(2,089,122)
Dividend paid		**–**	(12,386)
Net cash used in financing activities		**(130,088)**	(282,560)
Net decrease in cash and cash equivalents		**(316,011)**	(229,162)
Cash and cash equivalents at beginning of the year		**548,502**	777,664
Cash and cash equivalents at end of the year		**232,491**	548,502

The notes on pages 69 to 133 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 of a variety of starch sugars and corn co-products in the People's Republic of China (the "**PRC**") and distribution and sales within and outside 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 2012.

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.

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.

2. Summary of significant accounting policies (continued)

2.1 Basis of presentation (continued)

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 2011:

- HKAS 32 (amendment), 'Classification of rights issues' is effective for annual periods beginning on or after 1 February 2010.
- HK(IFRIC) – Int 19, 'Extinguishing financial liabilities with equity instruments' is effective for annual periods beginning on or after 1 July 2010.
- 'Limited exemption from comparative HKFRS 7 disclosures for first-time adopters' (amendment to HKFRS 1), is effective for annual periods beginning on or after 1 July 2010.
- HKAS 24 (revised), 'Related party disclosures' is effective for annual periods beginning on or after 1 January 2011.
- 'Prepayments of a minimum funding requirement' (amendment to HK(IFRIC) – Int 14), is effective for annual periods beginning on or after 1 January 2011.
- Third annual improvements project (2010) were published in May 2010 by the HKICPA.

The adoption of such standards and interpretations did not have any significant effect on the results or financial positions of the Group for the current year.

2. Summary of significant accounting policies (continued)

2.1 Basis of presentation (continued)

Changes in accounting policies and disclosures (continued)

(b) New and amended standards have been issued but not effective for the financial year beginning 1 January 2011 and have not been early adopted by the Group

The Group's assessment of the impact of these new standards is set out below:

	Effective for annual periods beginning on or after
HKFRS 1 'Severe hyperinflation and removal of fixed dates for first-time adopters' – Amendment	1 July 2011
HKFRS 7 'Disclosures – Transfers of financial assets' – Amendment	1 July 2011
HKAS 12 'Deferred tax: Recovery of underlying assets' – Amendment	1 January 2012
HKAS 1 'Presentation of financial statements' – Amendment	1 July 2012
HKFRS 10 'Consolidated financial statements' – Amendment	1 January 2013
HKAS 27 'Separate financial statements' – Revised	1 January 2013
HKFRS 11 'Joint arrangements' – Amendment	1 January 2013
HKFRS 12 'Disclosures of interests in other entities' – Amendment	1 January 2013
HKFRS 13 'Fair value measurement' – Clarification	1 January 2013
HKAS 19 'Employee benefits' – Amendment	1 January 2013
HKAS 28 'Investment in associates and joint ventures' – Amendment	1 January 2013
HKFRS 9, 'Financial instruments' – Classification and Measurement	1 January 2015

The adoption of such standards is not expected to have any significant effect on the results or financial positions of the Group.

2. Summary of significant accounting policies (continued)

2.2.1 Consolidation

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. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

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.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets 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)

2.2.1 Consolidation (continued)

(a) *Business combinations (exclude combination under common control)*

The Group applies the acquisition method 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 to the former owners of the acquiree 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS/HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

2. Summary of significant accounting policies (continued)

2.2.1 Consolidation (continued)

(b) Business combination involving entities under common control

For acquisition under common control, the Group has been using the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 'Merger Accounting for Common Control Combinations' issued by the HKICPA ('HKAG 5'). The net assets of the subsidiaries acquired under common control were combined using the existing book values from the controlling parties' perspective. No amount was recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The adjustment to eliminate the share capital of entities acquired under common control and the investment cost has been recorded as merger reserve in the consolidated financial statements. The consolidated financial statements include the financial position, results and cash flows of the companies comprising the Group as if the current group structure had been in existence throughout the year, or since their respective dates of incorporation/establishment.

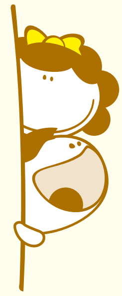
2.2.2 Separate financial statements

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 results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

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 reporting period;

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 in other comprehensive incomes.

2. Summary of significant accounting policies (continued)

2.5 Property, plant and equipment

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

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

Depreciation is calculated using the straight-line method to allocate 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.

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. Summary of significant accounting policies (continued)

2.6 Construction in progress

Construction in progress ("**CIP**") represents plants and properties under construction and machinery pending installation or testing. CIP is stated at cost which includes all 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 costs are transferred to respective property, plant and equipment and depreciated in accordance with the policy as stated above.

2.7 Land use rights

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

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

2. Summary of significant accounting policies (continued)

2.9 Financial assets

(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 the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' (Note 2.11), 'amounts due from related companies' and 'cash and cash equivalents' in the statement of financial position (Note 2.12).

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

2. Summary of significant accounting policies (continued)

2.9 Financial assets (Continued)

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

2.10 Inventories

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

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

2. Summary of significant accounting policies (continued)

2.10 Inventories (continued)

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

2.11 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.

2.12 Cash and cash equivalents

In the consolidated statement of cash flows, 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 in the statement of financial position.

2.13 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.

2.14 Trade payables

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

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

2. Summary of significant accounting policies (continued)

2.15 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.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.16 Current and deferred income tax

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

(a) Current income tax

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 operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. Summary of significant accounting policies (continued)

2.16 Current and deferred income tax

(b) Deferred income tax

Inside basis difference

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 consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, 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 or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability 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.

(c) Offsetting

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

2. Summary of significant accounting policies (continued)

2.17 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 19% (2010:20%) of the standard salary of those employees and have no further obligation for post-retirement benefits.

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

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

(b) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2. Summary of significant accounting policies (continued)

2.18 Share based compensation

(a) Equity-settled share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2. Summary of significant accounting policies (continued)

2.18 Share based compensation (continued)

(b) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

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

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

2. Summary of significant accounting policies (continued)

2.20 Revenue recognition (continued)

(a) Sales of goods

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

(b) Interest income

Interest income is recognised 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.

(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 2011, 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 2011, if RMB had weakened/strengthened by 2% (2010: 2%) against the US$, with all other variables held constant, profit for the year would have been approximately RMB 3,645,000 (2010: RMB 4,814,000) lower/higher, arising from foreign exchange losses/gains on translation of US$ 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.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(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 2011, about 43% of the Group's bank borrowings were at floating rates, while the remaining 57% were at fixed rates.

As of 31 December 2011 and 31 December 2010, a substantial portion of the outstanding bank borrowings of the Group were obtained from domestic banks in Mainland China. In 2011, if the interest rates on bank borrowings had decreased/increased by 40 basis points (2010: 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 5,265,000 (2010: RMB 4,881,000) 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 amounts due from related companies.

The Group's bank deposits are mainly placed with banks with high credit ratings which are either listed or state-owned. The table below shows the balance of the bank deposits in the principal banks of the Group as at 31 December 2011 and 2010:

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

	2011 RMB'000	2010 RMB'000
Principal banks:		
State-owned or listed banks	**232,432**	548,155
Other banks	**12**	340
	232,444	548,495

For trade and other receivables and amounts due from related companies, 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 2011, 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 2011				
Borrowings	1,147,974	277,169	67,650	12,075
Trade and other payables	483,008	–	–	–
Amounts due to related parties	67,731	–	–	–
At 31 December 2010				
Borrowings	738,637	556,224	339,335	38,749
Trade and other payables	420,636	–	–	–
Amounts due to related parties	29,910	–	–	–
Company				
At 31 December 2011				
Trade and other payables	62	–	–	–
Amounts due to related parties	16,266	–	–	–
At 31 December 2010				
Trade and other payables	635	–	–	–
Amounts due to related parties	18,750	–	–	–

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 to maintain a gearing ratio below 70%. The gearing ratio of the Group as at 31 December 2011 and 31 December 2010 are as follows:

	Note	**31 December 2011 RMB'000**	31 December 2010 RMB'000
Total borrowings	15	**1,432,242**	1,564,908
Less: Cash and cash equivalents	11	**(232,491)**	(548,502)
Net debt		**1,199,751**	1,016,406
Total equity		**2,148,652**	1,965,505
Gearing ratio		**56%**	52%

Despite decrease in total borrowings during the Year, the gearing ratio increased from 52% in 2010 to 56% in 2011 which was mainly due to the decrease in cash and cash equivalents. The main reason for decrease in cash and cash equivalents was due to the decrease in cash inflow from operating activities.

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 2011, 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.

(a) *Useful lives of property, plant and equipment*

The estimate of useful lives of property, plant and equipment was made by the directors with reference to the established industry practices, technical assessments made on the durability of the assets, as well as the historical magnitude and trend of repair and maintenance expenses incurred by the Group. It could change significantly as a result of technical innovations and competitor actions in responses to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

4. Critical accounting estimates and judgements (continued)

(b) *Provision for impairment of trade receivables*

The Group makes provision for impairment of trade receivables based on the assessment of the recoverability of trade receivables with reference to the extent and duration that the amount will be recovered. Provisions are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and impairment expenses in the period in which such estimate has been changed.

(c) *Income taxes and deferred tax*

The Group is mainly subject to income taxes in the Mainland China. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the tax losses can be utilised. Recognition of deferred tax assets primarily involves management judgement and estimations regarding the taxable profits of the entities in which the losses arose. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

Pursuant to the Corporate Income Tax Law and its implementation rules, effective from 1 January 2008, certain non-resident enterprises (for instance, those without an establishment or place of business in Mainland China or which have an establishment or place of business in Mainland China but whose relevant income is not effectively connected with the establishment or a place of business in the Mainland China) are subject to withholding tax at the rate of 5% or 10% on various types of passive income such as dividends derived from sources within Mainland China. Management has no intention to distribute the retained profits earned after 1 January 2008. Accordingly, no provision for withholding tax has been made in this respect as at 31 December 2011 (2010: Nil).

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.

The turnover of the Group represents sales of goods.

Year ended 31 December 2011

	Note	Starch sugars RMB'000	Corn co-products and others RMB'000	Total RMB'000
Segment sales		**2,129,099**	**2,995,695**	**5,124,794**
Inter-segment sales		**–**	**(1,491,933)**	**(1,491,933)**
Sales from external customers		**2,129,099**	**1,503,762**	**3,632,861**
Operating profit / Segment results		**254,099**	**1,945**	**256,044**
Finance costs – net	20			**(43,523)**
Profit before income tax				**212,521**
Income tax expense	21			**(33,240)**
Profit for the year				**179,281**
Capital expenditure	6	**91,708**	**70,968**	**162,676**
Depreciation	6	**62,649**	**35,230**	**97,879**
Amortisation	7	**2,981**	**2,231**	**5,212**

5. Revenue and segment information (continued)

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)

The Group conducts its business in both China and overseas countries. Total revenue derived from external customers in the PRC and external customers from other countries is as below:

	2011 RMB'000	2010 RMB'000
China	**3,218,086**	2,817,110
Overseas countries	**414,775**	440,349
	3,632,861	3,257,459

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).

None of the revenue derived from any single external customer amounted to more than 10% of the Group's revenue during the Year (2010: Nil).

6. Property, plant and equipment – Group

	Buildings	Plant and machinery	Equipment and motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010					
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**
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)
Disposals of subsidiaries	–	–	(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**
Year ended 31 December 2011					
Opening net book amount	271,813	1,142,450	23,245	322,660	1,760,168
Additions	–	4,012	1,099	157,565	162,676
Transfers from construction in progress	118,558	340,090	7,047	(465,695)	–
Depreciation charge	(7,112)	(87,218)	(3,549)	–	(97,879)
Closing net book amount	**383,259**	**1,399,334**	**27,842**	**14,530**	**1,824,965**
At 31 December 2011					
Cost	420,383	1,822,773	35,409	14,530	2,293,095
Accumulated depreciation	(35,366)	(386,381)	(7,567)	–	(429,314)
Accumulated impairment	(1,758)	(37,058)	–	–	(38,816)
Net book amount	**383,259**	**1,399,334**	**27,842**	**14,530**	**1,824,965**

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

Borrowing costs amounting to RMB 22,757,000 (2010: RMB 20,147,000) had been capitalised as part of its construction costs at rates ranging from 5.68% to 6.51% (2010: 5.90% to 6.86%).

Part of the borrowings are secured by certain buildings and machinery of the Group with an aggregate carrying value of RMB 462,727,000 as of 31 December 2011 (2010: RMB 506,115,000) (Note 15).

As at 31 December 2011, buildings with net book values of approximately RMB 56,445,000 (2010: RMB 15,477,000) have no property title certificates. The application for certificates was in progress as at 31 December 2011.

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.

	2011 **RMB'000**	2010 RMB'000
Year ended 31 December		
Opening net book amount	**239,510**	244,722
Amortisation charge	**(5,212)**	(5,212)
Closing net book amount	**234,298**	239,510
At 31 December		
Cost	**258,177**	258,177
Accumulated amortisation	**(23,879)**	(18,667)
Net book amount	**234,298**	239,510

Part of the borrowings are secured by land use rights of the Group with an aggregate carrying value of RMB 150,491,000 as of 31 December 2011 (2010: RMB156,972,000) (Note 15).

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

(a) Investment in a subsidiary

	2011	2010
	RMB'000	RMB'000
Investments, at cost:		
Unlisted shares*	**–**	–
Capital contribution relating to share-based payment	**13**	–
	13	–

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

The capital contribution relating to share based payment relates to 500,000 share options granted by the Company to an employee of subsidiary undertakings in the Group. Further details on the Group's share option schemes please refer to Note 12(b).

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

(a) Investment in a subsidiary (continued)

The Group's subsidiaries are all limited liability companies. Particulars of the principal subsidiaries of the Group as at 31 December 2011 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 Bio-Chem Technology Co., Ltd. ("**Xiwang Technology**")	The PRC	RMB 1,159,000,000	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%

On 30 March 2011, Xiwang Technology merged with Shandong Xiwang Sugar Industry Co., Ltd ("**Xiwang Sugar**"). After all Xiwang Sugar's assets and liabilities were transferred to Xiwang Technology, Xiwang Sugar was deregistered. As both Xiwang Technology and Xiwang Sugar are subsidiaries of the Company before and after the merger, the merger is accounted for as a business combination under common control. Accordingly, no comparative figures should be restated.

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

(b) Amount due from a subsidiary

	Note	2011 RMB'000	2010 RMB'000
Amount due from Master Team			
– quasi-equity	(i)	**697,169**	697,169
– advances	(ii)	**95,823**	116,299
		792,992	813,468
Less: non-current portion		**(697,169)**	(697,169)
Current portion – advances	(ii)	**95,823**	116,299

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

9. Inventories – Group

	2011 RMB'000	2010 RMB'000
Raw materials	**305,216**	392,365
Work in progress	**95,576**	78,156
Finished goods	**183,356**	90,049
	584,148	560,570

9. Inventories – Group (continued)

The cost of inventories recognised as expenses and included in cost of goods sold amounted to approximately RMB 3,176,839,000 for the Year (2010: RMB 2,772,562,000).

Part of the bank borrowings are secured by raw materials of the Group with an aggregate carrying value of RMB 100,000,000 as at 31 December 2011 (2010: Nil) (Note 15).

10. Trade and other receivables – Group and Company

		Group		Company	
		2011	2010	**2011**	2010
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Trade receivables					
– gross and net	(a)	**117,206**	66,458	**–**	–
Bills receivables	(b)	**568,426**	359,642	**–**	–
Advance to suppliers	(c)	**462,873**	322,069	**–**	–
Other receivables		**8,380**	18,729	**1,218**	1,177
		1,156,885	766,898	**1,218**	1,177

(a) Certain major customers were granted with credit periods ranging from 30 days to 180 days while most of the sales of goods made with other customers were on cash on delivery basis, or with prepayments covering the full sales amounts 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) Advance to suppliers were made by the Group for ensuring stable supply of corn kernels at favorable prices. During the year, the Group entered into an agreement with an independent supplier. Please refer to Note 20(a) for details.

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:

	2011 **RMB'000**	2010 RMB'000
0-30 days	**66,045**	35,326
31-60 days	**32,885**	10,602
61-90 days	**7,876**	3,203
Over 90 days	**10,400**	17,327
	117,206	66,458

Trade receivables that are less than three months are generally within the credit period and hence are not considered as impaired. As at 31 December 2011, 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 they had no recent history of default.

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

	Group		**Company**	
	2011 **RMB'000**	2010 RMB'000	**2011** **RMB'000**	2010 RMB'000
RMB	**1,151,254**	742,432	**–**	–
US$	**4,396**	23,939	**–**	877
HK$	**1,235**	527	**1,218**	300
	1,156,885	766,898	**1,218**	1,177

As at 31 December 2011 and 31 December 2010, 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	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and on hand	**132,491**	448,502	**43,874**	2,741
Short-term bank deposits	**100,000**	100,000	**–**	–
	232,491	548,502	**43,874**	2,741

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 2.86% (2010: 2.07%) per annum. These deposits have an average maturity of 182 days (2010: 240 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 2011 are denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**186,051**	544,506	**–**	–
US$	**685**	123	**25**	27
HK$	**45,755**	3,873	**43,849**	2,714
	232,491	548,502	**43,874**	2,741

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 2010		**847,376**	**87,953**	**24,036**	**111,989**
Employee share option scheme – value of services provided	(b)	–	–	1,638	1,638
Proceeds from employee share option exercised	(b)	2,193	186	2,274	2,460
Issuance of ordinary shares in private placements		142,296	12,500	279,080	291,580
Scrip dividends		14,438	1,257	21,503	22,760
At 31 December 2010		**1,006,303**	**101,896**	**328,531**	**430,427**
Employee share option scheme- value of services provided	(b)	–	–	1,288	1,288
Proceeds from employee share option exercised	(b)	2,193	184	2,247	2,431
Proceeds from bonus issue of warrants	(a)	69	6	141	147
At 31 December 2011		**1,008,565**	**102,086**	**332,207**	**434,293**

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

The total authorised number of ordinary shares is 2,000 million ordinary shares (2010: 2,000 million shares) with a par value of HK$0.1 per share (2010: HK$0.1 per share). All issued shares are fully paid.

(a) Bonus issue of warrants scheme

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

During the year, 69,000 shares were exercised at a price of HK$ 2.55 per share under the bonus issue of warrants scheme (2010: Nil).

(b) Employee share options

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

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

	2011		2010	
	Average exercise price in HK$ per share	**Options (in thousands)**	Average exercise price in HK$ per share	Options (in thousands)
At 1 January	**1.32**	**4,386**	1.32	6,579
Granted	**1.55**	**7,500**	–	–
Exercised	**1.32**	**(2,193)**	1.32	(2,193)
At 31 December	**1.50**	**9,693**	1.32	4,386

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

Out of the 9,693,000 outstanding options (2010: 4,386,000 options), no options (2010: Nil) were exercisable. Options exercised in 2011 resulted in 2,193,000 shares (2010: 2,193,000 shares) being issued at HK$1.32 each (2010: HK$1.32 each). The related weighted average share price at the time of exercise was HK$2.19 (2010: HK$2.7) per share.

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

Expiry date	Exercise price HK$ per share	Number of options (in thousands) 2011	2010
13 March 2017	1.55	**500**	–
7 May 2019	1.32	**2,193**	4,386
13 September 2021	1.55	**7,000**	–
		9,693	4,386

The weighted average fair value of options granted during the year determined using the Black-Scholes valuation model was HK$0.584 per option. The significant inputs into the model were weighted average share price of HK$1.42 at the grant date, exercise price shown above, volatility of 57% to 58%, dividend yield of 2.64%, an expected option life of 5.5 to 10 years, and an annual risk-free interest rate of 0.81% to 1.54%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices before 14 September 2011. See note 19 for the total expense recognised in the income statement for share options granted to directors and employees.

13. Other reserves – Group and Company

Group

	Note	Capital reserve RMB'000	Statutory reserve RMB'000	Discretionary reserve RMB'000	Contributed surplus RMB'000	Total RMB'000
Balance at 1 January 2010		117,023	144,471	36,569	471,853	769,916
Appropriation to statutory reserves	(a)	–	23,552	–	–	23,552
Appropriation to discretionary reserves		–	–	128,024	–	128,024
Balance at 31 December 2010		117,023	168,023	164,593	471,853	921,492
Appropriation to statutory reserves	(a)	–	19,372	–	–	19,372
Appropriation to discretionary reserves	(b)	–	–	211,972	–	211,972
Transfer of reserves upon merger of subsidiaries	(c)	(13,963)	(99,929)	(43,196)	–	(157,088)
Balance at 31 December 2011		103,060	87,466	333,369	471,853	995,748

Company

	Capital reserve RMB'000 *Note (d)*	Contributed surplus RMB'000	Total RMB'000
Balance at 31 December 2010 and 2011	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 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 Technology had made appropriations at 10% to these statutory surplus reserves for the year ended 31 December 2011. These reserves are required to be retained for designated usages.

13. Other reserves – Group and Company (continued)

(b) In March 2011, the directors of Xiwang Sugar and Xiwang Technology resolved that amounts totalling RMB 211,972,000 be set aside from profits earned in 2011 by these two companies to discretionary reserves which are designated for future expansion of operations of these subsidiaries.

In March 2012, the directors of Xiwang Technology also resolved that amounts totalling RMB 174,353,000 be set aside from profits earned in 2011 by Xiwang Technology to the discretionary reserves for the same purpose. The 2011 appropriations had not been reflected in these financial statements but will be dealt with in retained earnings for the year ending 31 December 2012.

(c) Upon transfer of assets and liabilities of Xiwang Sugar to Xiwang Technology (Note 8(a)) and the completion of deregistration of Xiwang Sugar, all reserves of Xiwang Sugar were transferred to the retained earnings of the Group.

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

14. Trade and other payables – Group and Company

	Group		**Company**	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**190,909**	124,191	**–**	–
Other payables	**195,864**	208,095	**–**	–
Accruals	**35,283**	30,028	**62**	635
Other taxes payables	**24,510**	4,341	**–**	–
Deposits and advance from customers	**36,442**	53,981	**–**	–
	483,008	420,636	**62**	635

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

An ageing analysis of the trade payables is as follows:

	2011	2010
	RMB'000	RMB'000
0 – 30 days	**48,817**	32,697
31 – 60 days	**59,277**	24,996
61 – 90 days	**32,827**	30,638
Over 90 days	**49,988**	35,860
	190,909	124,191

As at 31 December 2011, approximately RMB 153,017,000 (2010: RMB 164,111,000) of other payables represents payables for purchases of property, plant and equipment in relation to the construction of the oligosaccharice 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 2011 approximate their fair values.

15. Borrowings – Group

	Note	2011 RMB'000	2010 RMB'000
Non-current			
Bank borrowings – secured	(b)	**25,204**	279,472
Bank borrowings – unsecured		**207,000**	440,000
Other borrowings- secured	(b),(c)	**87,243**	112,077
		319,447	831,549
Current			
Bank borrowings – secured:			
– Short term bank borrowings	(b)	**100,000**	–
– Current portion of long term bank borrowings	(b)	**50,407**	52,982
Bank borrowings – unsecured:			
– Short term bank borrowings	(a)	**710,000**	610,000
– Current portion of long term bank borrowings		**233,000**	50,000
Other borrowings – secured			
– Current portion of long term other borrowings	(b),(c)	**19,388**	20,377
		1,112,795	733,359
		1,432,242	1,564,908

15. Borrowings – Group (continued)

(a) Borrowings amounting to RMB 200,000,000 (2010: Nil) were guaranteed by Xiwang Group Company Limited, a related company of the Group (Note 27(c)).

(b) As at 31 December 2011, borrowings amounting to RMB100,000,000 were secured by the Group's corn with amount of RMB100,000,000, borrowings amounting to RMB 182,242,000 (2010: 464,908,000) were secured by the Group's certain buildings, machinery and land use rights (Notes 6 and 7).

(c) Other borrowings represented a seven-year term loan facilities of USD 20,000,000 from International Finance Corporation.

At 31 December 2011, the Group's borrowings were repayable as follows:

	Bank borrowings		Other borrowings	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**1,093,407**	712,982	**19,388**	20,377
1 to 2 years	**232,204**	485,981	**19,387**	20,378
2 to 5 years	**–**	233,491	**58,162**	61,133
Over 5 years	**–**	–	**9,694**	30,566
	1,325,611	1,432,454	**106,631**	132,454

	Bank borrowings		Other borrowings	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Wholly repayable within 5 years	**1,325,611**	1,432,454	**–**	–
Wholly repayable after 5 years	**–**	–	**106,631**	132,454
	1,325,611	1,432,454	**106,631**	132,454

15. Borrowings – Group (continued)

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

	2011	2010
Bank borrowings	**6.150%**	5.696%
Other borrowings	**4.682%**	4.757%

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

As at 31 December 2011, 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:

	2011	2010
	RMB'000	RMB'000
RMB	**1,250,000**	1,300,000
US$	**182,242**	264,908
	1,432,242	1,564,908

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 2010 and 2011.

	2011 **RMB'000**	2010 RMB'000
Deferred tax assets to be recovered after more than 12 months	**4,590**	5,051
Deferred tax assets to be recovered within 12 months	**461**	461
	5,051	5,512

The movement in deferred tax assets are as follows:

	Note	**Impairment charge on property, plant and equipment** RMB'000
At 1 January 2010		**3,236**
Credited to profit or loss	21	2,276
At 31 December 2010		**5,512**
Charged to profit or loss	21	(461)
At 31 December 2011		**5,051**

16. Deferred income tax assets – Group (continued)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefits through the future taxable profits is probable. Due to the fact that the directors are not certain on whether future taxable profit would be available, the Group did not recognise deferred income tax assets of approximately RMB 2,860,000 (2010: Nil) in respect of tax losses amounting to approximately RMB 11,440,000 (2010: Nil) as at 31 December 2011 that can be carried forward to offset against future taxable income. Losses amounting to RMB 11,440,000 will expire in 2016.

There were no material temporary differences which would lead to recognition of deferred tax liabilities as at 31 December 2011 (2010: Nil).

17. Expenses by nature

	Note	**2011 RMB'000**	2010 RMB'000
Changes in inventories of finished goods and work in progress	9	**(110,727)**	(40,972)
Raw materials and consumables used		**2,624,376**	2,258,629
Utility expenses		**447,673**	351,696
Depreciation and amortisation	6, 7	**103,091**	96,500
Carriage outwards expense		**102,357**	101,158
Employee benefit expenses	19	**137,005**	107,307
Un-deductible input value-added tax charged to cost of goods sold		**39,931**	36,246
Impairment loss on property, plant and equipment	6	**–**	12,927
Auditor's remuneration		**2,200**	3,000
Other expenses		**33,525**	39,618
Total		**3,379,431**	2,966,109
Representing:			
Cost of goods sold		**3,176,839**	2,785,489
Selling and marketing costs		**128,236**	120,012
Administrative expenses		**74,356**	60,608
		3,379,431	2,966,109

18. Other income – net

	2011 RMB'000	2010 RMB'000
Gains on sales of scrap materials	**1,792**	1,675
Loss on disposal of property, plant and equipment	**–**	(245)
Loss on disposal of subsidiaries	**–**	(473)
Other gains	**822**	358
	2,614	1,315

19. Employee benefit expenses

	2011 RMB'000	2010 RMB'000
Wages, salaries and other staff benefits	**126,952**	99,506
Pension costs – defined contribution plans	**8,765**	6,163
Share options granted to employees	**1,288**	1,638
	137,005	107,307

19. Employee benefit expenses (continued)

(a) Directors' emoluments

The remuneration of each director of the Company for the year ended 31 December 2011:

Name of Director		Fees	Salary	Discretionary bonuses	Inducement fees	Other benefits	Employer's contribution to pension scheme	Compensation for loss of office as director	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Wang Yong		–	–	–	–	–	–	–	–
Dr. Zhang Yan		–	–	–	–	–	–	–	–
Mr. Wang Di		–	–	–	–	–	–	–	–
Mr. Han Zhong		–	–	–	–	–	–	–	–
Dr. Li Wei		–	120	–	–	–	8	–	128
Mr. Sun Xinhu		–	–	–	–	–	–	–	–
Mr. Wong Kaiming		–	124	–	–	–	–	–	124
Mr. Shi Weichen		–	100	–	–	–	–	–	100
Mr. Shen Chi		–	100	–	–	–	–	–	100
Mr. Song Jie	(i)	–	–	–	–	–	–	–	–

(i) Mr. Song Jie was retired as executive director on 31 May 2011.

19. Employee benefit expenses (continued)

(a) Director's emoluments (continued)

The remuneration of each director of the Company for the year ended 31 December 2010:

Name of Director		Fees	Salary	Discretionary bonuses	Inducement fees	Other benefits	Employer's contribution to pension scheme	Compensation for loss of office as director	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Wang Yong		–	173	–	–	–	–	–	173
Dr. Zhang Yan	(ii)	–	21	–	–	–	–	–	21
Mr. Wang Di	(ii)	–	12	–	–	–	5	–	17
Mr. Han Zhong		–	114	–	–	–	–	–	114
Dr. Li Wei		–	114	–	–	–	5	–	119
Mr. Sun Xinhu		–	136	–	–	–	5	–	141
Mr Wong Kaiming		–	130	–	–	–	–	–	130
Mr. Shi Weichen		–	100	–	–	–	–	–	100
Mr. Shen Chi		–	100	–	–	–	–	–	100
Mr. Wang Liang	(i)	–	125	–	–	–	5	–	130
Mr. Wang Chengqing	(i)	–	104	–	–	–	5	–	109
Mr. Song Jie	(ii)	–	10	–	–	–	–	–	10
Mr. Liu Jiqiang	(i)	–	85	–	–	–	5	–	90

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

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

Six (2010: Nine) directors waived emoluments amounting to RMB 1,250,000 in aggregate during 2011 (2010: RMB 465,000).

19. Employee benefit expenses (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group in 2011 include no director (2010: Nil). The emoluments paid and payable to these five individuals in 2011 (2010: five) are as follows:

	2011	2010
	RMB'000	RMB'000
Basic salaries and benefits in kind	**2,921**	2,927
Share options	**1,288**	1,638
Pensions	**47**	43
	4,256	4,608

The emoluments fell within the following bands:

	Number of individuals	
	2011	2010
Emolument bands		
Nil – RMB 830,350 (Nil – HK$1,000,000)	**4**	4
RMB 830,351 – RMB 1,660,700 (HK$1,000,001 – HK$2,000,000)	**–**	–
RMB 1,660,701 – RMB 2,491,050 (HK$2,000,001 – HK$3,000,000)	**–**	–
RMB 2,491,051 – RMB 3,321,400 (HK$3,000,001 – HK$4,000,000)	**1**	1
	5	5

20. Finance costs – net

	2011 RMB'000	2010 RMB'000
Interest expenses – borrowings	**89,460**	103,513
Less:		
– interest expenses born by suppliers (a)	**(12,690)**	–
– amount capitalised in construction in progress (Note 6)	**(22,757)**	(20,147)
– net exchange gains	**(7,427)**	(1,882)
– interest income on bank balances	**(3,063)**	(4,178)
Net finance costs	**43,523**	77,306

(a) As stated in Note 10(c), the Group incurred advance to suppliers. During the year, the Group entered into an agreement with an independent supplier. Pursuant to the aforesaid agreement, the supplier obliged to bear interest on the Group's bank loans of RMB 300 million. The related interest expenses bore the same interest rate which being charged by the banks.

For the year ended 31 December 2011, the Group's interest expenses were paid as follows:

	Interest expenses on bank borrowings		**Interest expenses on other borrowings**	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Borrowings wholly repayable within 5 years	**83,646**	99,909	**–**	–
Borrowings wholly repayable after 5 years	**–**	–	**5,814**	3,604
	83,646	99,909	**5,814**	3,604

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 2011 (2010: 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 2011 (2010: Nil).

Pursuant to the PRC Corporate Income Tax ("**CIT**"), all PRC enterprises are subject to a standard enterprise income tax rate of 25%, except for enterprises under specific preferential policies and provisions. In 2011, the applicable tax rates for each of Xiwang Sugar and Xiwang Sugar (Beijing) was 25% (2010: 25%).

Xiwang Technology is a production enterprise with foreign investments, and therefore it was eligible to enjoy certain CIT preferential treatments in accordance with the new CIT Law and tax regulation ("**CIT Tax Holiday**"). The CIT Tax Holiday of Xiwang Technology commenced in 2007. The applicable tax rate for Xiwang Technology in 2010 was 12.5%.

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

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 its subsidiary in the PRC, Xiwang Technology, would not distribute its 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 2011.

21. Income tax expense (continued)

	Note	2011 RMB'000	2010 RMB'000
Current tax			
– Current tax on profits for the year		**34,235**	7,749
– Adjustments in respect of prior years		**(1,456)**	–
Total current tax		**32,779**	7,749
Deferred tax	16		
– Reversal/(origination) of deferred tax assets recognised on originating temporary differences		**461**	(1,681)
– Impact of change in tax rate		**–**	(595)
Total deferred tax		**461**	(2,276)
Income tax expense		**33,240**	5,473

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:

	2011 RMB'000	2010 RMB'000
Profit before tax	**212,521**	215,359
Tax calculated at statutory tax rate of 25% (2010:25%)	**53,130**	53,840
Tax effects of:		
– Effect of tax concessions from lower tax rate	**(23,389)**	(22,780)
– Effect of tax concessions from purchase of domestically manufactured equipment	**–**	(27,335)
– Overprovision in respect of prior years	**(1,456)**	–
– Expenses not deductible for tax purpose	**2,095**	2,343
– Tax losses for which no deferred income tax asset was recognised	**2,860**	–
– Re-measurement of deferred tax arising from change in tax rate	**–**	(595)
Income tax expense	**33,240**	5,473

21. Income tax expense (continued)

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. Xiwang Technology had utilized the concession in 2010.

22. Dividend

At a Board of directors' meeting held on 30 March 2012, the directors of the Company proposed a final dividend of RMB 2.8 cents per ordinary share for ordinary shareholders and a final dividend of RMB 3.8 cents per convertible preference share ("CPS") (Notes 1 and 2) for holders of CPS. The additional RMB 1 cent per CPS over the ordinary share represented the preferred distribution conferred on the holders of CPS in accordance to the terms of the CPS as approved at the special general meeting held by the Company on 27 March 2012 (Note 29). The final dividends, totaling the amount of approximately RMB 62,733,000, were proposed to be distributed out of the contributed surplus and to be paid in cash in HK$. No final dividend was proposed to be distributed out of the retained earnings for the year ended 31 December 2011 (2010: Nil).

Such final dividends are to be approved by the shareholders at the forthcoming annual general meeting of the Company to be held on 11 May 2012. The proposed final dividends have not been reflected as dividend payable in financial statements for the year ended 31 December 2011.

	2011 **RMB'000**	2010 RMB'000
Proposed final dividend of RMB2.8 cents per ordinary share (2010: Nil)	**28,240**	–
Proposed final dividend of RMB3.8 cents per convertible preference share (2010: Nil) (i), (ii)	**34,493**	–
Total proposed final dividend	**62,733**	–

Notes:

(i) Assuming a total of 907,709,900 CPS will be issued pursuant to an open offer (Note 29) of CPS of the Company in early May 2012 prior to the record date for determining entitlement to the proposed final dividend.

(ii) In the event that the Open Offer does not proceed and the CPS are not issued, the entire amount of RMB 62,733,000 will be distributed to the ordinary shareholders and the proposed final dividend per ordinary share will be RMB6.2 cents.

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.

	2011	2010
Profit attributable to the equity holders of the Company *(RMB'000)*	**179,281**	209,886
Weighted average number of ordinary shares in issue *(thousands)*	**1,007,762**	976,615
Basic earnings per share *(RMB per share)*	**0.18**	0.21

(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.

	2011	2010
Profit attributable to the equity holders of the Company *(RMB'000)*	**179,281**	209,886
Weighted average number of ordinary shares in issue *(thousands)*	**1,007,762**	976,615
Adjustments for share options *(thousands)*	**1,142**	2,726
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**1,008,904**	979,341
Diluted earnings per share *(RMB per share)*	**0.18**	0.21

24. Cash generated from operations

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

	Note	2011 RMB'000	2010 RMB'000
Profit before income tax		**212,521**	215,359
Adjustments for:			
– Depreciation	6	**97,879**	91,288
– Amortisation	7	**5,212**	5,212
– Share-based payments	19	**1,288**	1,638
– Impairment loss on property, plant and equipment	6	**–**	12,927
– Loss on disposal of property, plant and equipment	18	**–**	245
– Loss on disposal of subsidiaries		**–**	473
– Net finance costs exclude net exchange gains	20	**50,950**	79,188
Changes in working capital:			
– Inventories		**(23,578)**	(182,911)
– Trade and other receivables		**(389,987)**	181,193
– Amounts due from related companies		**(15,344)**	(7,510)
– Trade and other payables		**73,466**	32,367
– Amounts due to related companies		**37,821**	25,558
– Derivative financial instruments		**–**	(1,042)
Cash generated from operations		**50,228**	453,985

24. Cash generated from operations (continued)

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

	2011 **RMB'000**	2010 RMB'000
Net book value disposed *(Note 6)*	**–**	245
Loss on disposal of property, plant and equipment *(Note 18)*	**–**	(245)
Proceeds from disposal of property, plant and equipment	**–**	–

25. Contingencies

In 2010, the Company was involved in an arbitration proceedings whereby the Company was not a party to it.

The proceedings involved 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.

On 23 September 2011, ruling of the tribunal was made and the Company was not liable in this arbitration.

The Group has no material contingency as at 31 December 2011.

26. Commitments

Capital commitments

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

	2011 RMB'000	2010 RMB'000
Property, plant and equipment		
– Contracted but not provided for	**4,844**	125,877
– Authorised but not contracted for	**69,530**	486
	74,374	126,363

Operating lease commitments

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

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

	2011 RMB'000	2010 RMB'000
No later than 1 year	**1,577**	1,531
Later than 1 year and no later than 5 years	**1,139**	600
	2,716	2,131

27. Related party transactions

The Group is controlled by Xiwang Investment Company Limited (incorporated in the BVI), which owns about 56% of the Company's shares at the year ended 31 December 2011. The remaining about 44% of the shares are widely held. The ultimate holding company of the Group is Xiwang Holdings Limited, a company incorporated in the BVI ("**Xiwang Holdings**"). The directors consider Mr. Wang Yong to be the ultimate controlling party of the Group.

During the year ended 31 December 2011, the Group had undertaken which are material transactions with the following related companies:

English Name	Chinese Name	Relationship with the Company
Xiwang Group Company Limited ("**Xiwang Group**")	西王集團有限公司	Company controlled by Mr. Wang Yong
Shandong Xiwang Food Company Limited ("**Xiwang Food**") (i)	山東西王食品有限公司	Subsidiary of Xiwang Group
Xiwang Investment Company Limited ("**Xiwang Investment**")	西王投資有限公司	Immediate holding company
Xiwang Hong Kong Company Limited ("**Xiwang Hong Kong**")	西王香港有限公司	Subsidiary of Xiwang Group
Xiwang Pharmaceutical Company Limited ("**Xiwang Pharmaceutical**")	西王藥業有限公司	Subsidiary of Xiwang Group

(i) Xiwang Food is a wholly owned subsidiary of Xiwang Foodstuffs Co., Ltd. ("**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.

27. Related party transactions (continued)

(a) Sales of goods and provision of services

	2011 RMB'000	2010 RMB'000
Sales of crystalline glucose		
– Xiwang Pharmaceutical	**361,148**	10,017
Sales of corn germs		
– Xiwang Food	**261,488**	286,666
Sales of corn starch		
– Xiwang Pharmaceutical	**5,426**	38,349
Provision of sewage services		
– Xiwang Group	**3,064**	1,491
Sales of crystalline fructose		
– Xiwang Food	**132**	50
Sales of pharmaceutical-grade glucose		
– Xiwang Pharmaceutical	**–**	222,869
Sales of glucose syrup		
– Xiwang Leavening	**–**	376
	631,258	559,818

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

		2011	2010
		RMB'000	RMB'000
Purchase of packaging materials			
– Shandong Xiwang Leavening Co., Ltd ("**Xiwang Leavening**")	(i)	–	10,310
Purchase of glucose mother liquid			
– Xiwang Pharmaceutical		–	1,377
Purchase of steel bars			
– Shandong Xiwang Steel Company Limited ("**Xiwang Steel**")	(ii)	–	3,602
		–	15,289

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

(ii) There was no transaction with Xiwang Steel during 2011.

(c) Guarantee provided by a related party

As at 31 December 2011, the Company's related party, Xiwang Group, provided guarantee to Xiwang Technology for bank borrowings amounting to RMB 200,000,000 (2010: Nil) (Note 15(a)).

27. Related party transactions (continued)

(d) Key management compensation

	2011	2010
	RMB'000	RMB'000
Basic salaries and benefits in kind	**2,352**	3,202
Pensions	**28**	48
Share-based payments	**1,288**	1,638
	3,668	4,888

The key management include directors (executive and non-executive) and senior management and there are in total 12 (2010: 15) key management personnel of the Group.

(e) Balances due from/to related parties

Group

	2011	2010
	RMB'000	RMB'000
Receivables		
Amounts outstanding, end of the year		
– Xiwang Pharmaceutical	**100,323**	85,277
– Xiwang Hong Kong	**1,298**	1,066
– Xiwang Investment	**258**	192
	101,879	86,535
Payables:		
– Xiwang Group	**42,642**	1,726
– Xiwang Food	**25,081**	24,553
– Wang Yong	**8**	8
– Xiwang Steel	**–**	3,623
	67,731	29,910

27. Related party transactions (continued)

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

Company

	2011 RMB'000	2010 RMB'000
Receivables		
Amounts outstanding, end of the year		
– Winning China	**45,443**	80,348
– Xiwang Holding	**24**	25
– Xiwang Technology	**–**	2,276
– Master Team		
– Advance *(Note 8)*	**792,992**	813,468
– Dividend receivable	**222,838**	202,186
	1,061,297	1,098,303
Payables:		
– Xiwang Technology	**14,130**	–
– Xiwang Group	**2,135**	2,240
– Xiwang Investment	**1**	–
– Xiwang Sugar	**–**	16,510
	16,266	18,750

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

(ii) Except for the advance due from the Company to Master Team as disclosed in Note 8, all the current accounts maintained with related parties were aged within one year as at 31 December 2011. 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 3,520,000 (2010: RMB 9,373,000).

29. Events after the end of the reporting period

Except for the proposed dividend as disclosed in Note 22, additional subsequent event is as below:

On 30 June 2011, Xiwang Technology entered into an acquisition agreement ("**Acquisition Agreement**") with Xiwang Pharmaceutical for the purchase of a bundle of operating assets ("**Target Assets**") at a consideration of RMB 850,000,000.

On 27 January 2012, Xiwang Technology and Xiwang Pharmaceutical entered into a supplemental agreement to the Acquisition Agreement, pursuant to which Xiwang Pharmaceutical agreed to sell and Xiwang Technology agreed to acquire the revised Target Assets (the "**Acquisition**") at the revised consideration of RMB 825,000,000 ("**Consideration**") payable by way of cash.

On 27 January 2012, the Company announced that it will propose to raise approximately HK$ 1,071,098,000 (approximately RMB 871,401,000) by way of allotting and issuing 907,709,900 unlisted convertible preference shares ("**CPS**") on the basis of nine convertible preference shares for every ten existing ordinary shares at par value of HK$0.1 each in issue at a subscription price of HK$1.18 per convertible preference share (the "**Open Offer**"). The Consideration payable by Xiwang Technology to Xiwang Pharmaceutical will be funded by the net proceeds from the Open Offer.

According to the terms of the CPS stated in the circular dated 2 March 2012, each CPS holder entitles a preferred distribution from 3 May 2012, the issue date of the CPS, at a rate of RMB0.01 per CPS, payable in HK$ equivalent annually in arrears.

Each CPS also confers on the holder thereof the right to receive, in addition to the preferred distribution, dividend pari passu with holders of the ordinary shares on the basis of the number of the share(s) into which CPS may be converted and on an as converted basis.

The Acquisition and the Open Offer was approved by the shareholders on a special general meeting which was held on 27 March 2012.

Five-Year Financial Summary

	2011	2010	2009	2008	2007
For the year (RMB million)					
Revenue	**3,633**	3,257	2,481	2,544	2,062
Gross profit	**456**	472	317	220	464
EBITDA	**382**	395	269	216	521
Operating profit	**256**	293	172	50	406
Net profit	**179**	210	102	64	361
As at December 31 (RMB million)					
Current assets	**2,075**	1,976	2,184	1,041	1,271
Non-current assets	**2,065**	2,005	1,826	1,656	1,507
Total assets	**4,140**	3,981	4,010	2,697	2,778
Current liabilities	**1,672**	1,184	2,347	1,329	507
Non-current liabilities	**319**	831	190	–	847
Total liabilities	**1,991**	2,015	2,537	1,329	1,354
Total equity	**2,149**	1,966	1,473	1,368	1,424
Total liabilities and equity	**4,140**	3,981	4,010	2,697	2,778
Per share (RMB)					
Basic earnings per share	**0.18**	0.21	0.12	0.08	0.44
Dividends per ordinary share	**0.028**	–	0.037	0.027	0.150
Dividends per CPS	**0.038**	–	–	–	–
Financial and performance ratios					
Gross profit margin (%)	**12.6**	14.5	12.8	8.6	22.5
Operating profit margin (%)	**7.0**	9.0	6.9	2.0	19.7
Net profit margin (%)	**4.9**	6.4	4.1	2.5	17.5
Current ratio	**1.24**	1.67	0.93	0.78	2.51
Net debts to equity	**0.56**	0.52	0.92	0.45	0.48
Average inventory turnover days	**66**	61	59	55	53
Average debtor turnover days	**9**	14	23	18	14
Average creditor turnover days	**18**	15	28	27	18

Organization Structure

At 31 December 2011:

Xiwang Investment Company Limited
55.77%

Free float
44.23%

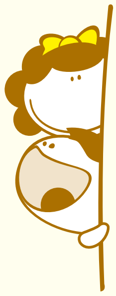
Xiwang Sugar Holdings Company Limited
(Bermuda)
100%

Master Team International Limited
(BVI)
100%

Winning China Limited
(Hong Kong)
100%

Shandong Xiwang Bio-chem Technology Company Limited
(PRC)
100%

Xiwang Sugar (Beijing) Company Limited
(PRC)
100%



Information for Shareholders

Corporate calendar

Announcement of 2011 annual results	30 March 2012 (Friday)
Annual general meeting	11 May 2011 (Friday)

Website

www.xiwang-sugar.com

Stock code

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

Board lot

2,000 shares

Financial year-end date

31 December

As at 31 December 2011

Market Value:	HKD 1,170 million
Issued shares:	1,008,565,508 shares
Closing market price:	HKD 1.16 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 during the following periods:

(i) from Wednesday, 9 May 2012 to Friday, 11 May 2012, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting. In order to be eligible to attend and vote at the annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration 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 not later than 4:30 p.m. on Tuesday, 8 May 2012; and

(ii) from Friday, 18 May 2012 to Tuesday, 22 May 2012, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend for both ordinary shares and CPS. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration 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 at the address as set out in sub-paragraph (i) above not later than 4:30 p.m. on Thursday, 17 May 2012.

Annual general meeting

The annual general meeting of the Company will be held on Friday, 11 May 2012. 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 Wednesday, 11 April 2012.

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

Cautionary Statement Regarding Forward-Looking Statements

This annual report contains certain forward-looking statements and opinions with respect to the operations and businesses of 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. Shareholders and potential investors 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 turn out to be incorrect. Subject to the requirements of the Listing Rules, the Company does not undertake to update any forward-looking statements or opinions contained in this annual report.

Miscellaneous

For the purpose of this annual report, the exchange rate of RMB1 = HK$1.234 has been used, which applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such rates or any other rates at all on the dates or any other date.

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


Thank you!
謝謝！

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)

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