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XIWANG SUGAR HOLDINGS COMPANY LIMITED

西王糖業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2088)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

- ▶ 2012 Group revenue: RMB 4,328 million (2011: RMB 3,633 million), an increase of 19.1%, with RMB 173 million (2011: N/A) contributed by property development business.
  ▶ 2012 net Group loss: RMB 18 million (2011: net profit of RMB 179 million), with net profit RMB 18 million (2011: N/A) contributed by property development business.
  ▶ 2012 overall gross profit margin: 6.5% (2011: 12.6%), a decrement of 6.1 percentage points. Gross profit margin of corn processing business was 6.1% (2011: 12.6%), gross profit margin of property development business was 15.8% (2011: N/A).
  ▶ 2012 basic loss per ordinary share: RMB 0.05 (2011: basic earnings per ordinary share: RMB 0.18).

- No final dividend was proposed for both ordinary share (2011: RMB 2.8 cents per ordinary share) or convertible preference share for the Year (2011: RMB 3.8 cents per convertible preference share). Payment of the preferred annual distribution of RMB1 cent per convertible preference share will be deferred.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Xiwang Sugar Holdings Company Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2012 (the "**Year**") extracted from the audited consolidated financial statements of the Group as set out in the annual report of the Year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December

	Note	**2012** RMB'000	2011 RMB'000
Turnover	2	**4,328,144**	3,632,861
Cost of goods sold		**(4,048,414)**	(3,176,839)
Gross profit		**279,730**	456,022
Other income – net		**8,447**	2,614
Selling and marketing costs		**(106,597)**	(128,236)
Administrative expenses		**(104,021)**	(74,356)
Operating profit		**77,559**	256,044
Finance income		**878**	3,063
Finance costs		**(93,905)**	(46,586)
Finance costs – net		**(93,027)**	(43,523)
(Loss)/profit before income tax		**(15,468)**	212,521
Income tax expense	3	**(2,565)**	(33,240)
(Loss)/profit for the year		**(18,033)**	179,281
Other comprehensive income for the year, net of tax		**–**	–
Total comprehensive (loss)/income for the year		**(18,033)**	179,281
Attributable to:			
Equity holders of the Company		**(18,033)**	179,281
(Loss)/earnings per ordinary share for (loss)/profit attributable to the ordinary shareholders of the Company (expressed in RMB per share)			
– basic	4(a)	**(0.05)**	0.18
– diluted	4(b)	**(0.05)**	0.18
Dividend	5	**–**	62,733

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Note	**2012** **RMB'000**	2011 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**2,641,718**	1,824,965
Goodwill	6	**180,405**	–
Land use rights		**268,518**	234,298
Deferred income tax assets		**6,587**	5,051
		3,097,228	2,064,314
Current assets			
Inventories	7	**714,343**	584,148
Completed properties for sale		**27,973**	–
Properties under development		**460,656**	–
Trade and other receivables	8	**1,115,419**	1,156,885
Prepaid income taxes		**586**	–
Amounts due from related parties		**144,002**	101,879
Restricted cash	9	**287,358**	–
Cash and cash equivalents	9	**591,690**	232,491
		3,342,027	2,075,403
Total assets		**6,439,255**	4,139,717
EQUITY			
Attributable to equity holders of the Company			
Share capital			
– Ordinary shares		**102,086**	102,086
– Convertible preference shares		**73,586**	–
Share premium		**1,121,704**	332,207
Other reserves			
– Proposed final dividend	5	**–**	62,733
– Others		**991,438**	933,015
Retained earnings		**524,012**	718,611
Total equity		**2,812,826**	2,148,652

	Note	**2012** **RMB'000**	2011 RMB'000
LIABILITIES			
Non-current liabilities			
Promissory note payable		**217,155**	–
Borrowings	11	**–**	319,447
Deferred tax liabilities		**119,742**	–
		336,897	319,447
Current liabilities			
Trade and other payables	10	**1,030,766**	483,008
Current income tax liabilities		**–**	8,084
Amounts due to related parties		**336,672**	67,731
Borrowings	11	**1,922,094**	1,112,795
		3,289,532	1,671,618
Total liabilities		**3,626,429**	1,991,065
Total equity and liabilities		**6,439,255**	4,139,717
Net current assets		**52,495**	403,785
Total assets less current liabilities		**3,149,723**	2,468,099

NOTES:

1. **Basis of presentation**

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"), and have been prepared under the historical cost convention.

The Group incurred a net loss of approximately RMB 18 million for the year ended 31 December 2012 (2011: net profit of approximately RMB 179 million). In addition, the Group has breached certain borrowing covenants. As at 31 December 2012, total borrowings of the Group amounted to approximately RMB 1,922 million of which approximately RMB 1,854 million will be due for repayment in the coming year. Furthermore, as at 31 December 2012, the Group has capital commitments of approximately RMB 208 million (2011: RMB 74,374,000).

The Group meets its day to day working capital requirements, capital expenditure and financing obligations through cash inflows from operating activities and credit facilities obtained from banks.

Management maintains continuous communication with the Group's principal banks on the renewal of existing credit facilities and grant of additional credit facilities. During January to February 2013, new short-term borrowings of approximately RMB 457 million with a term of twelve months were obtained and short-term borrowings of RMB 200 million were repaid. The Group has not experienced any significant difficulties in renewing its short-term borrowings upon their maturity and there is no evidence indicating that the banks will not renew the existing short-term borrowings upon the Group's application for renewal. Subsequent to the date of financial position and up to the date of approval of the financial statements, short-term borrowings of approximately RMB 410 million have been renewed for a further year. In addition, certain banks have advised their intention in writing, though not legally binding, to renew or to extend the loans (including certain loans as at 31 December 2012 and certain loans that were renewed or newly granted subsequent to the date of financial position and up to the date of approval of the financial statements) of approximately RMB 1,847 million for a further year when they fall due.

Based on the directors' review of the Group's cash flow projection, taking into account the anticipated cash flows from operations, the reasonably possible changes in the operational performance and the ongoing support from the banks, the Group expects to generate sufficient cash flows to fulfill its financial obligations as and when they fall due in the coming twelve months from the date of the financial statements. Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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.

These consolidated financial statements have also been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

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 since 1 January 2012, or since their respective dates of incorporation/establishment. For companies acquired from a third party during the period, they would be included in the consolidated financial statements of the Group from the date of that acquisition.

The Group has adopted new and amended standards and interpretations mandatory for the financial year beginning 1 January 2012. The adoption of such standards and interpretations did not have any significant effect on the results or financial positions of the Group. The Group has not early adopted new and amended standards which have been issued but not effective for the financial year beginning 1 January 2012. The adoption of such standards is not expected to have any significant effect on the results or financial positions of the Group.

2. Revenue and segment information

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

The turnover of the Group represents sales of starch sugars, corn co-products and others and completed properties.

For the year ended 31 December 2012, management had identified three operating segments as shown below, including starch sugars, corn co-products and others and property development resulted from the acquisition during the year.

Segment assets consist of both current assets and non-current assets. Segment liabilities consist of both current liabilities and non-current liabilities.

Year ended 31 December 2012

	Starch sugars RMB'000	Corn co-products and others RMB'000	Subtotal RMB'000	Property development RMB'000	Total RMB'000
Segment sales	**2,002,809**	**4,436,804**	**6,439,613**	**172,999**	**6,612,612**
Inter-segment sales	**–**	**(2,284,468)**	**(2,284,468)**	**–**	**(2,284,468)**
Sales from external customers	**2,002,809**	**2,152,336**	**4,155,145**	**172,999**	**4,328,144**
Operating profit/(loss) /Segment results	**68,310**	**(17,738)**	**50,572**	**26,987**	**77,559**
Finance costs – net			**(92,223)**	**(804)**	**(93,027)**
(Loss)/profit before income tax			**(41,651)**	**26,183**	**(15,468)**
Income tax credit/(expense)			**5,403**	**(7,968)**	**(2,565)**
(Loss)/profit for the year			**(36,248)**	**18,215**	**(18,033)**
Capital expenditure			**991,420**	**–**	**991,420**
Depreciation			**135,635**	**63**	**135,698**
Amortisation			**5,854**	**–**	**5,854**
Segment assets			**5,157,496**	**1,281,759**	**6,439,255**
Segment liabilities			**(2,461,978)**	**(1,164,451)**	**(3,626,429)**

For the year ended 31 December 2011, management had identified two operating segments as shown below, including starch sugars and corn co-products and others.

Year ended 31 December 2011

	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			(43,523)
Profit before income tax			212,521
Income tax expense			(33,240)
Profit for the year			179,281
Capital expenditure	91,708	70,968	162,676
Depreciation	62,649	35,230	97,879
Amortisation	2,981	2,231	5,212

Because the General Manager reviews the financial position of the Group as a whole, no segment information relating to assets/liabilities was disclosed in 2011.

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:

	2012 RMB'000	2011 RMB'000
China	**3,901,320**	3,218,086
Overseas countries	**426,824**	414,775
	4,328,144	3,632,861

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

Capital expenditure comprises additions to property, plant and equipment, land use rights and construction in progress.

The total of non-current assets other than financial instruments and deferred tax assets and goodwill located in the PRC is RMB 2,909,779,000 (2011: RMB 2,058,687,000), and the total of such non-current assets located in other countries is RMB 457,000 (2011: RMB 576,000).

None of the revenue derived from any single external customer amounted to more than 10% of the Group's revenue during the year (2011: Nil).

3. Income tax expense

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 November 2010, Shangdong Xiwang Sugar Industry Co., Ltd. ("**Xiwang Sugar**") previously known as Shandong Xiwang Bio-Chem Technology Co., Ltd. was recognised as the enterprise with "New and Advanced Technology" by the relevant authorities in the PRC, Xiwang Sugar is therefore eligible to enjoy relief of CIT from 25% to 15% from January 2011 onwards. In 2012, the applicable tax rate of Xiwang Sugar was 15% (2011: 15%).

In 2012, the applicable tax rate of Xiwang Sugar (Beijing) Co., Ltd. ("**Xiwang Sugar Beijing**"), Shangdong Yintaishan Cultural Development Company Limited ("**Yintaishan Cultural**"), Shandong Xiwang Investment Holdings Limited ("**Property Holdings**") and Shandong Xiwang Property Company Limited ("**Property Project Company**") was 25% (2011: 25%).

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 Sugar, 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 2012.

	2012 **RMB'000**	2011 RMB'000
Current tax		
– Current tax on profits for the year	**5,570**	34,235
– Adjustments in respect of prior years	**(4,433)**	(1,456)
– Land appreciation tax	**2,801**	–
	3,938	32,779
Deferred tax		
– (Origination)/reversal of deferred tax recognised on originating temporary differences	**(1,373)**	461
	(1,373)	461
Income tax expense	**2,565**	33,240

4. (Loss)/earnings per share

(a) Basic

Basic (loss)/earnings per ordinary share is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2012	2011
(Loss)/profit attributable to the equity holders of the Company *(RMB'000)*	**(18,033)**	179,281
Less: Dividend paid in 2012 to holders of convertible preference shares *(RMB'000)*	**(34,542)**	–
(Loss)/profit attributable to ordinary shareholders of the Company *(RMB'000)*	**(52,575)**	179,281
Weighted average number of ordinary shares in issue *(thousands)*	**1,008,566**	1,007,762
Basic (loss)/earnings per ordinary share *(RMB per share)*	**(0.05)**	0.18

(b) Diluted

Diluted (loss)/earnings per ordinary share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive ordinary shares. The two categories of equity instruments considered in the calculation were convertible preference shares and share options. As both categories would not have a dilutive effect on the (loss)/earnings per share for 2012, they have not been included in the diluted (loss)/earnings per ordinary share calculation.

	2012	2011
(Loss)/profit attributable to the equity holders of the Company *(RMB'000)*	**(18,033)**	179,281
Less: Dividend paid in 2012 to holders of convertible preference shares *(RMB'000)*	**(34,542)**	–
(Loss)/profit attributable to ordinary shareholders of the Company *(RMB'000)*	**(52,575)**	179,281
Weighted average number of ordinary shares in issue *(thousands)*	**1,008,566**	1,007,762
Adjustments for		
– share options *(thousands)*	**–**	1,142
Weighted average number of ordinary shares for diluted (loss)/earnings per share *(thousands)*	**1,008,566**	1,008,904
Diluted (loss)/earnings per ordinary share *(RMB per share)*	**(0.05)**	0.18

5. Dividend

	2012 RMB'000	2011 RMB'000
Proposed final dividend per ordinary share (2011: RMB2.8 cents)	**–**	28,240
Proposed final dividend per convertible preference share (2011: RMB3.8 cents)	**–**	34,493
Total proposed final dividend	**–**	62,733

A final dividend for the year ended 31 December 2011 of RMB2.8 cents per ordinary share and of RMB3.8 cents per convertible preference share, both payable in cash, totalling approximately RMB63 million, was approved at the annual general meeting held on 11 May 2012 and paid in May 2012.

No final dividend was proposed for the year ended 31 December 2012.

6. Goodwill

	2012
	RMB'000
Year ended 31 December	
Opening net book amount	**–**
Addition	**180,405**
Impairment	**–**
Disposal	**–**
Closing net book amount	**180,405**

The goodwill of RMB 180,405,000 is recognised which represents the excess of consideration over the fair value of the identifiable net assets of Property Holdings as at 21 November 2012.

Goodwill is allocated to the Group's cash generating units ("**CGUs**") which are three property projects under development, as follows:

	2012
	RMB'000
Meijun project Phase Three	**107,875**
Qinghe project	**56,146**
Lanting project	**16,384**
	180,405

The recoverable amount of all CGUs has been determined based on the fair value less costs to sell.

The key assumptions used for the fair value assessment are as follows:

	Plot ratio
Meijun project Phase Three	3.06
Qinghe project	1.52
Lanting project	2.07

7. Inventories

	2012	2011
	RMB'000	RMB'000
Raw materials	**382,632**	305,216
Work in progress	**106,024**	95,576
Finished goods	**225,687**	183,356
	714,343	584,148

The cost of inventories recognised as expenses and included in cost of goods sold amounted to approximately RMB 3,889,438,000 for the year ended 31 December 2012 (2011: RMB 3,176,839,000).

Allowance for inventories of RMB 13,321,000 was charged to cost of sales for the year ended 31 December 2012 (2011: Nil). Inventories amounting to RMB 653,677,000 were stated at net realisable value.

No bank borrowings are secured by raw materials of the Group with an aggregate carrying amount as of 31 December 2012 (2011: RMB 100,000,000).

8. Trade and other receivables

	Note	**2012** **RMB'000**	2011 RMB'000
Trade receivables			
– gross	(a)	**140,932**	117,206
Bills receivables	(b)	**575,723**	568,426
Advances to suppliers	(c)	**143,438**	462,873
Prepayments for construction cost	(d)	**227,778**	–
Prepayments for tax	(e)	**17,306**	–
Other receivables		**10,242**	8,380
		1,115,419	1,156,885

(a) Certain major customers are granted credit periods ranging from 30 to 90 days while most sales to other customers are on cash on delivery basis, or with prepayments covering the full sales amounts being made before goods delivery.

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

(c) Advance payments to suppliers were made by the Group in order to ensure stable supplies of corn kernels at more favourable prices. The Group has entered into some agreements with an independent supplier.

(d) This item represents prepayments to suppliers for which property construction activity has not commenced.

(e) This item mainly represents prepayments for tax on advance proceeds from customers regarding sale of properties.

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

	2012	2011
	RMB'000	RMB'000
0 – 30 days	**93,198**	66,045
31 – 60 days	**26,348**	32,885
61 – 90 days	**11,272**	7,876
Over 90 days	**10,114**	10,400
	140,932	117,206

Trade receivables that are less than three months are generally within the credit period and hence are not considered impaired. As at 31 December 2012, the trade receivables that were past due but not impaired were insignificant. These were mainly receivables due from a number of independent customers for whom there was no recent history of default.

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

	2012	2011
	RMB'000	RMB'000
RMB	**688,362**	688,381
US$	**37,450**	4,396
HKD	**1,085**	1,235
	726,897	694,012

As at 31 December 2012 and 2011, the fair values of trade and other receivables of the Group approximated to their carrying amounts. The maximum exposure to credit risk at the reporting date was the fair value of the receivable balances mentioned above. The Group did not hold any collateral as security.

9. Cash and cash equivalents and restricted cash

	2012	2011
	RMB'000	RMB'000
Cash at bank and on hand	**276,690**	132,491
Short-term bank deposits	**315,000**	100,000
Total	**591,690**	232,491
Restricted cash (a)	**287,358**	–

(a) This item mainly includes guarantee deposits of pre-sale proceeds of properties and pledged deposits of notes payable. All restricted cash can be utilised in 12 months.

In accordance with relevant requirements promulgated by the PRC State-Owned Land and Resource Bureau, the Property Project Company was required to deposit certain amounts of pre-sale proceeds of properties as guarantee deposits in designated bank accounts for the construction of the relevant properties. Such deposits could only be used for the purchases of construction materials and the payments of construction fees relating to the relevant property projects when approval from the PRC State-Owned Land and Resource Bureau was obtained. Such deposits amounted to RMB 116,160,000.

Deposits amounting to RMB 150,000,000 are pledged for the notes payable issued by the Group. The effective interest rate on pledged bank deposits is 3.05%.

10. Trade and other payables

	2012	2011
	RMB'000	RMB'000
Trade payables	**186,376**	190,909
Note payables	**297,000**	–
Other payables (a)	**238,235**	195,864
Customer deposits and advances on sales of properties (b)	**185,219**	–
Accruals	**70,135**	35,283
Other taxes payables	**5,131**	24,510
Other deposits and advance from customers	**48,670**	36,442
	1,030,766	483,008

(a) As at 31 December 2012, approximately RMB 127,764,000 (2011: RMB 153,017,000) of other payables represented payables for purchases of property, plant and equipment. Advance payments received for subscription of properties for which the Group has not obtained commodity housing pre-sale permit amounting to RMB40,472,000.

(b) This item represented the deposits and instalments received on properties sold prior to the date of revenue recognition.

The fair values of trade and other payables, primarily denominated in RMB, approximated their carrying amounts.

An ageing analysis of the trade payables is as follows:

	2012 RMB'000	2011 RMB'000
0 – 30 days	**150,686**	48,817
31 – 60 days	**9,928**	59,277
61 – 90 days	**6,734**	32,827
Over 90 days	**19,028**	49,988
	186,376	190,909

11. Borrowings

	2012 RMB'000	2011 RMB'000
Non-current		
Bank borrowings – secured	**–**	25,204
Bank borrowings – unsecured	**–**	207,000
Other borrowings – secured	**–**	87,243
	–	319,447
Current		
Bank borrowings – secured:		
– Short term bank borrowings	**100,000**	100,000
– Current portion of long term bank borrowings	**25,142**	50,407
Bank borrowings – unsecured:		
– Short term bank borrowings	**1,502,922**	710,000
– Current portion of long term bank borrowings	**207,000**	233,000
Other borrowings – secured:		
– Current portion of long term other borrowings	**87,030**	19,388
	1,922,094	1,112,795
	1,922,094	1,432,242

At 31 December 2012, the Group's borrowings were repayable as follows:

	Bank borrowings		**Other borrowings**	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**1,835,064**	1,093,407	**87,030**	19,388
1 to 2 years	**–**	232,204	**–**	19,387
2 to 5 years	**–**	–	**–**	58,162
Over 5 years	**–**	–	**–**	9,694
	1,835,064	1,325,611	**87,030**	106,631

	Bank borrowings		**Other borrowings**	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Wholly repayable within 5 years	**1,835,064**	1,325,611	**87,030**	–
Wholly repayable after 5 years	**–**	–	**–**	106,631
	1,835,064	1,325,611	**87,030**	106,631

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

	2012	2011
Bank borrowings	**6.891%**	6.150%
Other borrowings	**4.893%**	4.682%

As at 31 December 2012, 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 fair values of the borrowings are denominated in the following currencies:

	2012	2011
	RMB'000	RMB'000
RMB	**1,747,000**	1,250,000
US$	**175,094**	182,242
	1,922,094	1,432,242

CHAIRMAN'S STATEMENT

Dear Shareholders

The operating environment for our corn processing business in 2012 was filled with huge challenges with outspread of the European debt crisis to the global market, continued slowdown of the economic growth of the People's Republic of China (the "**PRC**" or "**China**") and shrinking demand from food & beverage and construction industries resulted from macro-economic measures launched by the PRC Government. Adversely affected by these unfavourable factors, we were facing falling prices of our major products including starch sugars and sodium gluconate, while domestic corn price continued to rise. There has been pressure to our profitability and our gross profit margin has been substantially squeezed. The trend towards high production costs and low gross profit margin for our products will continue as the economic outlook remains uncertain. With a view to improving financial performance, we were driven to seek diversification of business into areas of high-growth potential and we consider the PRC property market as an area with plenty of opportunities and positive outlook in the long run. Leveraging on our extensive experience and the network we built in the PRC and Shandong province in the past, we have taken a new step in our business development by expanding into property development business.

We recorded a revenue of approximately RMB 4.33 billion for the year ended 31 December 2012 (the "**Year**"), increased approximately 19.1% as compared with 2011, of which approximately RMB 173 million was contributed by the property development business. Group net loss of approximately RMB 18 million was incurred for the Year, in which the property development business contributed net profit of approximately RMB 18 million.

To reserve the working capital, no final dividend was proposed for the ordinary shares and the convertible preference shares by the Board in respect of the Year.

In 2012, global and domestic economy witnessed slower growth. Growth of the food manufacturing sector decelerated and led to reducing market demand for sugar. Annual white sugar output for 2011/12 grinding season grew 10% from 2010/11 period to reach 11.5 million tonnes because of the favourable weather condition across China. In 2012, China imported 3.75 million tonnes white sugar, 28% higher than that of 2011. The market imbalance between supply and demand caused the white sugar price continued its downtrend. Selling price of crystalline glucose, one of our major products, fell to a level approximated to its costs and significantly contributed to the weakening of our operating results.

Corn is the major raw material of our corn processing business. According to statistics of the PRC National Bureau of Statistics, total domestic corn production in 2012 was 208 million tonnes, up 15.34 million tonnes or 7.9% compared with 2011 which already hit historical high. Despite the uptrend of corn production over the recent years, corn prices remained on the higher side given extensive application of and therefore huge demand for corn in a variety of industries, including deep processing products and animal husbandry. Corn costs represented approximately 76% of the total production cost in 2012. The Group's average corn cost (tax inclusive) was approximately RMB 2,347 per tonne in 2012, increased by approximately 5.4% compared with the previous year. The rise in cost has presented even greater challenges to the operating environment of our corn processing business.

Meanwhile, we will regularly review the performance of corn processing business and from time to time evaluate its contribution to the Group.

In December 2012, having approved by independent shareholders, the Group acquired a property development business in Shandong Province from Xiwang Investment Company Limited ("**Xiwang Investment**"), the major shareholder of the Company (the "**Acquisition**"). Details of the Acquisition was disclosed in the circular published on 11 December 2012. Our extensive business experience and network in Shandong province and our knowledge and insights of the local market enable us to diversify our business into property development in order to improve our future income base and strengthen our development potential. As at 31 December 2012, we have four property projects in Zouping County of Shandong Province with a gross floor area ("**GFA**") of approximately 2.4 million square metres. Currently, the four projects including three residential projects namely Qinghe, Lanting and Meijun, and a comprehensive project namely Yintaishan Corn Cultural Project, were under different stages of development. Saved for Phase One of Meijun Project which was completed in 2008, these projects are estimated to be completed by phases from 2013 to 2018 onwards and we expect the property development business will continue to generate satisfactory revenue in the years to come.

The revenue recognized from property sales in 2012 after we entered into acquisition agreements in November 2012 was around RMB 173 million with gross profit margin of approximately 16%. Under the continued PRC economic growth, urbanisation trends, high household saving rates and increasing demand of end-users, the property development business will have great potential and will bring satisfactory returns to the shareholders of the Company.

I hereby express my gratitude to the Board, management and all the staff members for their continual contribution to the Company, and to our shareholders, business partners and customers for their strong support and loyalty amid a challenging environment. We would continue to do our best and strive for a new phase of development for the Group in order to maximize values for our shareholders, customers and staff.

Wang Yong
Chairman

26 March 2013

MANAGEMENT DISCUSSION & ANALYSIS

1. Introduction

The Group was established in 2001 with headquarters located in Zouping County, Shandong Province of the PRC. The Group was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in December 2005.

The Group is principally engaged in corn processing business with a focus on 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 entered into property development business in 2012. Currently there are four property projects under different stages of development, namely the Lanting Project, the Meijun Project and the Qinghe Project and the Yintaishan Corn Cultural Project.

Accordingly, the Group's two businesses as at 31 December 2012 are:

I. Corn Processing

II. Property Development

I. Corn Processing

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 effective corn processing capacity of approximately 1.7 million tonnes. The Group is the largest provider of crystalline glucose, crystalline fructose and sodium gluconate in China, with an annual capacity of approximately 800,000 tonnes, 50,000 tonnes and 120,000 tonnes respectively.

Our major raw material is corn kernels. We refine corn kernels 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 and maltodextrin.

Corn processing business organizes its key products into two operating segments:

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

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

(i) 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

(ii) 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.

Maltodextrin is a useful food and beverage ingredient in the form of white powder, moderately sweet in taste and is easily digestible. Maltodextrin can facilitate the dissolving process of food substances, so it is widely used in instant drink concentrates such as coffee, tea and milk powder. Maltodextrin can help prevent crystallization of food products, so it is widely used in candies, puddings and milk shake. Maltodextrin also has the functions of thickening the texture of food like sauces and salad dressings, and stabilizing the foam for beer and cocktails.

II. Property Development

The Company diversified its business development in property development in Zouping County, Binzhou City of Shandong Province in 2012. Shandong is a coastal province and is part of the East China region. Its capital city is Jinan. Binzhou City is one of the 17 municipalities in Shandong with a population of around 3.7 million. Zouping County has an area of approximately 1,250 sq. km. and a population of over 700,000. The County is west 240 kilometres from Qingdao Port and east 62 kilometres from Jinan International Airport. The location enjoys an efficient transport network and is conveniently accessible. Zouping County is a prosperous county in China with 9 local companies listed on the stock exchanges of Hong Kong, Shenzhen and Singapore. Its economy is mainly supported by agriculture, food processing and textile manufacturing.

As at 31 December 2012, there are four property projects under different stages of development. The Lanting Project, the Meijun Project and the Qinghe Project are residential projects, while the Yintaishan Corn Cultural Project is a key cultural industry park in Shandong which consists of cultural, residential and commercial portions. Details of the projects are as follows:

Project Name	Group's Interest	Location	Land-use Purpose	Land Area (sq m)	Estimated GFA (sq m)	Development Stage
Lanting Project	100%	South of Heban 3rd Road and west of Liquan 1st Road, Zouping County, Binzhou City, Shandong	residential	42,031	112,689	Under development
Meijun Project	100%	East of Daiqi 3rd Road South – 1st Road, Chengnan New District, Zouping County, Binzhou City, Shandong				
Phase One			residential	13,333	21,407	Completed in December 2008; GFA around 2,665 sq m unsold as at 31 December 2012
Phase Two			residential	54,330	153,674	Launched for pre-sale; GFA around 74,486 sq m completed and sold in December 2012
Phase Three			residential	159,821	489,051	To be developed
Qinghe Project	100%	Kaihe Village, Handian Town, Zouping County, Binzhou City, Shandong	residential	131,258	200,000	To be developed
Yintaishan Corn Cultural Project	100%	South of Jinan-Qingdao Expressway, North of Yintai Mountain and the ridge of Laorenfeng, extending in the north-south orientation to the east of Tourist Road of Tangli Nunnery and to the west of west outer loop of Zouping County, Binzhou City, Shandong	a comprehensive project with cultural, residential and commercial construction	3,200,016	1,400,000	To be developed
Total				3,600,789	2,376,821	

Located at the junction between the south of Heban 3rd Road and the west of Liquan 1st Road which is a newly developed area in Zouping County closed to the county government headquarters, Lanting Project is a comprehensive residential development which will be developed into two phases, known as North Zone and South Zone. There will be 14 blocks of 6 to 14-storey residential buildings providing around 510 residential units.

Meijun Project is located at the east of Daiqi 3rd Road South of Chengnan New District, a newly developed area in Zouping County and the county government headquarters, hospital and colleges are nearby. The Meijun Project is a residential development divided into 3 phases. Phase One was completed in December 2008 and comprises 4 blocks of 5-storey residential buildings providing around 110 residential units. Phase Two will comprise 19 blocks of 5 to 18-storey residential buildings providing around 700 residential units. Planning of Phase Three is in progress.

Qinghe Project is located at Kaihe Village, Handian Town of Zouping County. The project comprises a parcel of land with a site area of approximately 131,258 sq.m. The project will comprise residential units. The construction work of the property with a site area of approximately 66,667 sq.m. is currently estimated to be commenced in 2014 and completed in 2017 while the remaining portion of the property with a site area of approximately 64,591 sq.m. is currently estimated to be commenced in 2015 and completed in 2018.

Yintaishan Corn Cultural Project lies to the south of Jinan-Qingdao expressway and to the north of Yintai Mountain. It is one of the 20 key cultural industry parks of Shandong Province. The project will include a conference reception centre, a corn kingdom film studio, a corn museum, a leisure aged-nursing home as well as tourist and cultural real estates. Of the total estimated GFA of 1,400,000 sq.m., cultural real estate will take up a GFA not less than 400,000 sq.m., and its ancillary residences will take up a GFA of not less than 800,000 sq.m., with ancillary commercial real estate for the residential cluster area cover a GFA of not less than 200,000 sq.m.

2. Review of Financial Results

Financial results of the Group for 2012, together with the comparative figures of 2011, is summarized as follow:

For the year ended 31 December	**2012**		2011		Increase/ (Decrease)
	RMB'000	**%**	RMB'000	%	%
Revenue					
– Corn Processing	**4,155,145**	**96.0**	3,632,861	100.0	14.4
– Property Development	**172,999**	**4.0**	–	–	N/A
	4,328,144	**100.0**	3,632,861	100.0	19.1
Gross Profit					
– Corn Processing	**252,386**	**90.2**	456,022	100.0	(44.7)
– Property Development	**27,344**	**9.8**	–	–	N/A
	279,730	**100.0**	456,022	100.0	(38.7)
Operating Profit					
– Corn Processing	**50,572**	**65.2**	256,044	100.0	(80.2)
– Property Development	**26,987**	**34.8**	–	–	N/A
	77,559	**100.0**	256,044	100.0	(69.7)
Profit Attributable to Equity Holders					
– Corn Processing	**(36,248)**	**201.0**	179,281	100.0	(120.2)
– Property Development	**18,215**	**(101.0)**	-	-	N/A
	(18,033)	**100.0**	179,281	100.0	(110.1)

Because of the unfavourable operating environment in domestic and global markets, the performance of corn processing business of the Group deteriorated significantly, with net loss amounted to approximately RMB 36 million for the Year. With the net profit amounted to approximately RMB 18 million contributed by the property development business for the Year, the Group incurred net loss amounted to approximately RMB 18 million in 2012.

I. Corn Processing

Financial performance of the key products of corn processing business is as follows:

Revenue

For the year ended 31 December	**2012** **RMB'000**	2011 RMB'000	Increase/ (Decrease) %
Starch Sugars:			
Crystalline glucose	**1,432,328**	1,663,847	(13.9)
Crystalline fructose	**183,837**	92,841	98.0
Crystalline fructose-glucose	**13,085**	23,691	(44.8)
Fructose-glucose syrup	**373,559**	348,720	7.1
	2,002,809	2,129,099	(5.9)
Corn co-products and others:			
Corn gluten meal	**258,207**	230,607	12.0
Corn gluten feed	**240,660**	227,521	5.8
Corn germ	**404,216**	347,792	16.2
Corn starch	**457,866**	90,930	403.5
Sodium gluconate	**522,833**	561,461	(6.9)
Maltodextrin	**172,002**	-	N/A
Others	**96,552**	45,451	112.4
	2,152,336	1,503,762	43.1
	4,155,145	3,632,861	14.4

During the Year, revenue of starch sugars was approximately RMB 2,003 million (2011: RMB 2,129 million) which accounted for approximately 48% of the total revenue of the corn processing business (2011: 59%). Revenue of corn co-products and others was approximately RMB 2,152 million (2011: RMB 1,504 million) which accounted for approximately 52% of the total revenue of the corn processing business (2011: 41%).

Sales volume:

For the year ended 31 December	**2012 Tonnes**	2011 Tonnes	Increase/ (Decrease) %
Starch sugars:			
Crystalline glucose	**453,309**	474,665	(4.5)
Crystalline fructose	**27,731**	12,933	114.4
Crystalline fructose-glucose	**2,671**	4,700	(43.2)
Fructose-glucose syrup	**183,217**	157,380	16.4
Corn co-products and others:			
Corn gluten meal	**65,426**	59,271	10.4
Corn gluten feed	**183,547**	184,992	(0.8)
Corn germ	**112,158**	97,631	14.9
Corn starch	**181,723**	36,096	403.4
Sodium gluconate	**120,814**	119,942	0.7
Maltodextrin	**49,686**	–	N/A

Average selling prices:

For the year ended 31 December	**2012 RMB per tonne**		2011 RMB per tonne		Increase/ (Decrease) %
	Tax-inclusive	**Tax-exclusive**	Tax-inclusive	Tax-exclusive	
Starch Sugars:					
Crystalline glucose	**3,697**	**3,160**	4,101	3,505	(9.8)
Crystalline fructose	**7,756**	**6,629**	8,399	7,179	(7.7)
Crystalline fructose-glucose	**5,732**	**4,899**	5,897	5,040	(2.8)
Fructose-glucose syrup	**2,386**	**2,039**	2,593	2,216	(8.0)
Corn co-products and others:					
Corn gluten meal	**4,618**	**3,947**	4,552	3,891	1.4
Corn gluten feed	**1,534**	**1,311**	1,230	1,230	6.6
Corn germ	**4,073**	**3,604**	4,025	3,562	1.2
Corn starch	**2,948**	**2,520**	2,947	2,519	-
Sodium gluconate	**5,064**	**4,328**	5,477	4,681	(7.5)
Maltodextrin	**4,051**	**3,462**	-	-	N/A

(i) Crystalline glucose

In 2012, white sugar price continued to drop because of weaker market demand resulted from slowdown of economic development. In addition, the growth in overall production volume in the industry also led to severe competition and drove down the average selling price of our crystalline glucose.

(ii) Crystalline fructose

Demand for our crystalline fructose is mainly from food and beverage companies during the Year. Despite the slowdown of economic growth, crystalline fructose witnessed strong growth in 2012 as a result of our stronger sales and marketing effort. However, we encountered pressure from customers who bargained for lower raw material cost amid the weak economy, our average selling price was lower when compared to 2011.

(iii) Crystalline fructose-glucose

As crystalline fructose-glucose is a perfect substitute for white sugar, the fall in white sugar price in 2012 has adversely affected the demand of the product.

(iv) Fructose-glucose syrup

Approximately 80% of customers of fructose-glucose syrup are from beverage industry. Being substitute of white sugar, the drop of white sugar price in 2012 had led to the fall of price of its substitute fructose-glucose syrup.

(v) Corn feed products

Average selling price of corn feed products adjusted upward in 2012 as the price of meat increased and therefore the performance of our corn feed products improved in 2012.

(vi) Corn germ

Growth in production of corn germ (the major raw material for corn oil) and higher consumption of edible corn oil in China drove the sales volume and revenue to rise.

(vii) Corn starch

During 2012, sales volume of corn starch increased significantly when compared to the same period in 2011, as a result of the increase in production capacity of corn starch of the Group but weak market demand of starch sugars. Direct sales of corn starch increased accordingly.

(viii) Sodium gluconate

The slowdown of economic growth in China coupled with the austerity measures launched by the Central Government on property sector and the slowdown of infrastructure investment had driven down the market demand for sodium gluconate in the construction industry. Average selling price dropped in 2012.

(ix) Maltodextrin

Maltodextrin was a new product launched by the Group in 2012 and the product is mainly consumed by food and beverage sectors.

Revenue by geographical segments:

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

For the year ended 31 December	**2012** **RMB'000**	2011 RMB'000	Increase/ (Decrease) %
The PRC	**3,728,321**	3,218,086	15.9
Other Countries	**426,824**	414,775	2.9
	4,155,145	3,632,861	14.4

During 2012, our sales in domestic market increased 15.9% and export sales increased by 2.9%. A majority of revenue was generated from domestic sales. Revenue from China accounted for approximately 90% (2011: 89%) while revenue from other countries accounted for approximately 10% (2011: 11%).

Cost of goods sold

Breakdown of cost of goods sold of the corn processing business was as follows:

For the year ended 31 December	2012 RMB'000	2011 RMB'000	Increase/ (Decrease) %
Corn	**2,970,589**	2,354,038	26.2
Other raw materials	**240,285**	196,794	22.1
Utilities	**391,421**	403,527	(3.0)
Depreciation	**123,296**	91,115	35.3
Labour	**102,459**	79,542	28.8
Others	**74,709**	51,823	44.2
	3,902,759	3,176,839	22.9

In 2012, total cost of goods sold for the corn processing business was approximately RMB 3,902 million (2011: RMB 3,177 million), increased by approximately 22.9% when compared with 2011. The increase in production cost was resulted from increase of price of corn, our major raw materials, and rise of fixed costs such as depreciation and labour cost due to the growth of corn processing capacity during the Year.

Corn cost constituted a majority portion of the cost of goods sold and accounted for approximately 76% in 2012 (2011: 74%). During the Year, the Group processed approximately 1.50 million tonnes of corn (2011: 1.25 million tonnes). This is equivalent to a utilization rate (utilization rate is based on actual processing volume of corn over the effective capacity) of our corn processing facility of approximately 88% (2011: 83%). The average corn cost for the Year was approximately RMB 2,347 per tonne (tax inclusive) or RMB 2,077 per tonne (tax exclusive), rose by approximately 5.4% from the previous year (2011: RMB 2,226 per tonne(tax inclusive) or RMB 1,970 per tonne(tax exclusive)).

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

Utilities were mainly steam and electricity. During the Year, the Group increased the production volume and consumed more energy. However, the unit costs of steam and electricity decreased during the Year and caused utilities expenses slightly dropped as compared with last year.

Labour cost in the Year increased by approximately 28.8% from 2011 as more employees were recruited for the new production lines and the increase in general wages in China.

Others included inventory write-down amounted to approximately RMB 13.3 million for the Year.

Gross profit margins

Gross profit margins of the corn processing business were as follow:

For the year ended 31 December	**2012** **RMB'000**	2011 RMB'000	Increase/ (Decrease) %
Starch Sugars:			
Crystalline glucose	**7.6**	18.7	(11.1)
Crystalline fructose	**14.2**	18.9	(4.7)
Crystalline fructose-glucose	**15.2**	20.3	(5.1)
Fructose-glucose syrup	**8.1**	11.1	(3.0)
Corn co-products and others:			
Corn gluten meal	**(22.2)**	(32.3)	10.1
Corn gluten feed	**(3.5)**	(5.4)	1.9
Corn germ	**6.8**	11.7	(4.9)
Corn starch	**4.2**	7.5	(3.3)
Sodium gluconate	**9.0**	17.2	(8.2)
Maltodextrin	**10.6**	–	N/A
Overall gross profit margins	**6.1**	12.6	(6.5)

During the Year, as corn price continued to rise while our product prices were adversely affected by the economic slowdown, the Group's gross profit margin decreased by 6.5 percentage points to approximately 6.1%. Gross profit margin of our major product crystalline glucose dropped by 11.1% as a result of the rise in corn cost and fall in average selling price.

II. Property Development

During 2012, the Central Government continued its policy to curb speculation activities in the property market and stood firm on the implementation of austerity measures with an aim to stabilize rising property price. Amid the challenging market situation, the Group managed to generate a revenue of approximately RMB 173 million from its property development business with gross profit of approximately RMB 27 million. In 2012, the property development business has achieved contracted sales of approximately RMB 181 million, amounted to approximately 68,741 square metres, which were mainly generated from the Meijun Project.

Major Results for the Year	2012
Revenue (RMB million)	**173**
Gross Profit (RMB million)	**27**
GFA Completed during the Year (sq m)	**80,771**

Revenue by project for the Year

	2012	
Project	**GFA Delivered (sq m)**	**Revenue (RMB million)**
Meijun	**74,486**	**173**

Contracted sales by projects for the Year:

	2012	
Project	**GFA (sq m)**	**Amount (RMB million)**
Lanting	**13,157**	**56**
Meijun	**55,584**	**125**
Total	**68,741**	**181**

Other Income

Other income – net was approximately RMB 8.4 million (2011: RMB 2.6 million) for the Year. Except income from the sales of scrap products, about RMB 5.8 million of income of gain from corn future was recorded during the Year.

Selling and marketing costs

The Group's selling and marketing costs mainly consisted of transportation expenses and commission for sales staff. Selling and marketing costs during the Year were approximately RMB 106.6 million (2011: RMB 128.2 million), decreased by about 16.9% when compared with 2011, mainly caused by decrease in transportation expenses of corn processing business.

Administrative expenses

Administrative expenses of the Group included general administrative overheads, staff cost for management and non-production staff, research and development expenditure and etc. Administrative expenses in 2012 was approximately RMB 104.0 million (2011: RMB 74.4 million). The rise was mainly due to the research and development expenses for product packaging and sewage treatment plant.

During the Year, the Group's selling, marketing and administrative expenses altogether represented approximately 4.9% of the total revenue (2011: 5.6%).

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 93.0 million in 2012 of which approximately RMB 92 million was incurred by the corn processing business (2011: RMB 43.5 million).

Interest expense for the Year increased to approximately RMB 86 million (2011: RMB 54 million) as a result of the increase in average interest rates and a higher average balance of the borrowings during the Year. Moreover, there was no interest expenses entitled to be capitalised for the Year (2011: RMB 22.8 million). The Group's effective interest rate of bank borrowings and other borrowings for the Year were 6.9% and 4.9% respectively (2011: 6.2% and 4.7%).

The Group recorded a net exchange loss of approximately RMB 8 million (2011: net exchange gain of RMB 7 million) which mainly caused by loss in sales to other countries denominated in USD.

The Group recorded an interest income of approximately RMB 1 million in 2012 (2011: RMB 3 million).

Income tax expense

The Group's income tax expense was approximately RMB 2.6 million during the Year (2011: RMB 33.2 million).

In 2012, the corn processing business recorded a tax credit of approximately RMB 5 million, mainly arisen from the reversal of overprovisions of income tax expense in previous years while property development business incurred tax expense of approximately RMB 8 million.

Pursuant to the PRC Corporate Income Tax ("**CIT**"), all PRC enterprises are subject to a standard enterprise income tax of 25%, except for enterprise under specific preferential policies and provisions.

In November 2010, Xiwang Sugar was recognized as the enterprise with "New and Advanced Technology" by the relevant authorities in the PRC. Xiwang Sugar is therefore eligible to enjoy relief of CIT from 25% to 15% from January 2011 onwards. In 2012, the applicable tax rate of Xiwang Sugar was 15% (2011: 15%).

In 2012, the applicable tax rate of Xiwang Sugar (Beijing), Yintaishan Cultural, Property Holdings and Property Project Company was 25% (2011: 25%).

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 Sugar, would not distribute its profits earned after 1 January 2008 in the foreseeable future, accordingly, no deferred tax had been recognized for the undistributed retained earnings as at 31 December 2012.

Liquidity, capital resources and gearing ratio:

	31 December 2012 RMB million	31 December 2011 RMB million
Cash and cash equivalents	**592**	232
Total borrowings[a]	**2,139**	1,432
Net current assets	**52**	404
Total equity	**2,813**	2,149
Current ratio[b]	**1.02**	1.24
Gearing ratio[c]	**0.55**	0.56

a Total borrowings include borrowings and promissory note payable.

b Current ratio is calculated as total current assets divided by total current liabilities.

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

The Group's cash and cash equivalents as at 31 December 2012 amounted to approximately RMB 592 million (31 December 2011: RMB 232 million). During the Year, the Group had net cash inflow from operating activities of approximately RMB 283 million (2011: net cash outflow of RMB 51 million). The Group has a larger amount of trade payables of corn processing business and advance from consumers of property development business as at 31 December 2012. The Group has net cash used in investing activities of approximately RMB 1,213 million (2011: net cash outflow of RMB 135 million) which is mainly used for the acquisition of new starch plant and the acquisition of property development business. The Group has net cash inflow from financial activities of approximately

RMB 1,289 million during the Year (2011: net cash outflow of RMB 130 million), mainly arisen from the increase of net borrowings of approximately RMB 490 million and net proceeds of issue of convertible preference shares amounted to approximately RMB 862 million. Final dividend for the year ended 31 December 2011 amounted to approximately RMB 63 million in total was paid to the holders of Company's ordinary shares and convertible preference shares during the Year.

Total borrowings of the Group increased to approximately RMB 2,139 million as at 31 December 2012 (31 December 2011: RMB 1,432 million). Short-term borrowings represented approximately 83% of the total borrowings at 31 December 2012 (31 December 2011: 57%). As at 31 December 2012, part of the Group's borrowings were secured by the Group's certain buildings and machinery with an aggregate carrying value of approximately RMB 415 million, and the Group's certain land use rights with an aggregate carrying value of approximately RMB 220 million.

The Group has breached certain financial covenants as at 31 December 2012 as required by the loan agreements of certain USD-denominated bank loans. Accordingly, bank loans of approximately USD 10.8 million (equivalent to approximately RMB 68 million) which was originally scheduled for repayment after 2013 was reclassified as current liabilities as at 31 December 2012 in order to comply with the relevant accounting standards. As as the date of this announcement, the Group has secured new banking facilities amounted to approximately RMB 457 million from banks in the PRC. We are in the process of discussion with the relevant lenders to obtain waiver of the above-mentioned breach of financial covenants. The Directors believe that with the new banking facilities and strong cash flow from operations, the Group will have sufficient financial resources and liquidity to meet its short-term financial obligations and the Group's operations will not be significantly affected by the above-mentioned breach of financial covenants.

Total equity increased from approximately RMB 2,149 million as at 31 December 2011 to approximately RMB 2,813 million as at 31 December 2012 mainly as a result of the issue of convertible preference shares by the Group during the Year.

Current ratio as at 31 December 2012 decreased to 1.02 mainly due to the increase in short-term borrowings and advanced proceeds from customers as deposits received on properties sold prior to completion and delivery of the properties (as at 31 December 2011: 1.24).

Capital Investment

The Group's capital investment during the Year was approximately RMB 991 million (2011: RMB 163 million), which was mainly for the acquisition of new starch plant.

Contingent liabilities

As at 31 December 2012, the Group had no material contingent liabilities.

Foreign exchange risk

The Group's main operation is in the PRC while the functional currency 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

As at 31 December 2012, the Group employed approximately 3,680 staff (31 December 2011: 3,226). The Group reviews regularly 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 basic remuneration packages and discretionary bonuses, share options may be granted based on individual performance.

3. Outlook and Development

During 2012, corn price remained on the higher side while prices of white sugar price and starch sugars were driven down. The International Sugar Organization forecasted that production volume of white sugar for grinding season in 2012/13 is 14 million tonnes which is at historical high level. We anticipated that white sugar price will still be under pressure in the short term and our product prices will also be adversely affected. The dilemma of high production cost and low gross profit margin will remain and we anticipated a challenging operating environment ahead in 2013. The Group will actively review the financial and operating results of corn processing business from time to time.

To achieve new business breakthroughs and seek business diversification for the benefits of the shareholders of the Company, we gained approval from shareholders in the special general meeting held at the end of 2012 in a move to step into the property development business. As all of the existing business and plants are located in Zouping County of Shandong Province, we have already established constructive relationship in the area and have extensive regional experience and foundation. In particular, we have knowledge and insights of the local market. In recent years, Zouping County experienced burgeoning economic growth with 9 local companies listed on the stock exchanges of Hong Kong, Shenzhen and Singapore. Gross domestic product ("**GDP**") and purchasing power of the region also experienced rapid growth, combined with the supportive measures by the PRC in recent years that aim to stimulate development of the county. With the Central Economic Work Conference held at the end of 2012 further highlighted the importance of urbanization, we believe that there are huge potentials for property development. The PRC rate of urbanization was 51.3% in 2011, which was falling 20% to 30% behind of the average rate of developed countries of 80%. We expect that there are huge potentials for second and third-tier cities in the future. The move of the Group to tap the real estate market in Zouping County, Shandong Province has timely captured the opportunities arising from urbanization.

Pursuant to a document issued by Propaganda Department of Shandong Province CCP Committee (中共山東省委宣傳部), Development and Reform Commission of Shandong Province (山東省發展和改革委員會) and Finance Bureau of Shandong Province (山東省財政廳) dated 29 December 2011, the Yintaishan Corn Cultural Project is one of 20 key cultural industry parks of Shandong Province. It is a diversified and comprehensive development project composed of cultural, commercial and residential elements. It will include the construction of an eco-tourism centre, a corn kingdom film studio, a corn museum, a conference reception centre, a leisure aged-nursing home as well as tourist and cultural real estates. The other three projects, namely Qinghe, Lanting and Meijun Projects are residential buildings with premium locations in Zouping County. The newly acquired property projects are in different development phases and we expect that turnover of our property development business will contribute a significant proportion to the overall results of the Group in the near future upon completion and recognition of revenue.

The Group is optimistic on the economic potentials and real estate market of China. We will focus on the development of residential projects in the local market and closely monitor any development potential in other areas in China from time to time to explore new markets when there are business opportunities, so as to maximize returns and investment values of the Group.

DIVIDEND

To reserve the working capital, no final dividend was proposed for both ordinary shares (2011: RMB 2.8 cents per ordinary share) and convertible preference shares for the Year (2011: RMB 3.8 cents per convertible preference share). Payment of the preferred annual distribution of RMB 1 cent per convertible preference share will be deferred.

ANNUAL GENERAL MEETING

The annual general meeting (the "**AGM**") of the Company is proposed to be held on Wednesday, 22 May 2013. A notice convening the AGM 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 are expected to be dispatched to shareholders on or around Friday, 19 April 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members in respect of the ordinary shares of the Company will be closed from Monday, 20 May 2013 to Wednesday, 22 May 2013 (both days inclusive), during which period no transfer of ordinary shares will be registered for the purpose of ascertaining shareholders' entitlement for attending and voting at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's transfer office and share registrar in Hong Kong, *Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong* for registration not later than 4:30 p.m. on Thursday, 16 May 2013.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

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

CORPORATE GOVERNANCE

The Company has adopted the code provisions in the Code on Corporate Governance Practices (effective until 31 March 2012) (the "**Former CG Code**") and the Corporate Governance Code and Corporate Governance Report (effective from 1 April 2012) (the "**New CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") as its own code of corporate governance. The Board considers that the Company was in compliance with all applicable code provisions set out in the Former CG Code and the New CG Code throughout the Year except for the code provision A.6.7 as described below.

Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. SHI Wei Chen and Mr. SHEN Chi did not attend the general meetings of the Company held during the Year due to other business commitment.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules as its model code for securities transactions by Directors. Having made specific enquiries, all the Directors confirmed that they have complied with the Model Code during the Year and up to the date of this announcement.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed with the management, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including the review of the Company's annual report for the Year.

AUDITOR'S PROCEDURES PERFORMED ON THIS RESULTS ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the Year have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

The 2012 annual report will be dispatched to the shareholders on or around 19 April 2013 and published on the respective websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.xiwang-sugar.com).

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This announcement 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 announcement. 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 announcement.

MISCELLANEOUS

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

By order of the Board of
Xiwang Sugar Holdings Company Limited
WANG Yong
Chairman

Hong Kong, 26 March 2013

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors:
Mr. WANG Yong
Mr. WANG Di
Mr. WANG Fangming
Dr. LI Wei
Mr. HAN Zhong

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

Non-executive Director:
Mr. SUN Xinhu

* *for identification purpose only*