XIWANG SUGAR HOLDINGS CO., LTD

(Incorporated in Bermuda with limited liability)

(Stock Code: 2088)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

FINANCIAL HIGHLIGHTS

- Turnover increased by 48.9% to RMB2,062 million (2006: RMB1,385 million)
- Gross profit margin was 22.5% (2006: 26.4%)
- Profit attributable to equity holders of the Company increased by 24.4% to RMB360.9 million (2006: RMB290.2 million)
- Basic earnings per share increased by to RMB0.435 (2006: RMB0.356)
- Return on average Shareholders' equity was 27.8% (2006: 28.8%)
- Proposed to declare final dividend of RMB0.15 (approximately HK$0.16) per share (2006: RMB0.14 per share), representing a payout ratio of approximately 35%

ANNUAL RESULTS

The board of directors (the "Directors" or the "Board") of Xiwang Sugar Holdings Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") prepared under Hong Kong Financial Reporting Standards ("HKFRS") for the year ended 31 December 2007, together with the comparative figures for the year ended 31 December 2006, as follows:

CONSOLIDATED INCOME STATEMENT
YEAR ENDED 31 DECEMBER

	Note	**2007** *RMB'000*	2006 *RMB'000*
Turnover	*2*	**2,062,256**	1,384,945
Cost of goods sold		**(1,597,955)**	(1,019,899)
Gross profit		**464,301**	365,046
Other income – net		**9,489**	5,312
Selling and marketing costs		**(35,216)**	(35,775)
Administrative expenses		**(32,928)**	(22,988)
Operating profit		**405,646**	311,595
Finance income		**5,547**	4,844
Finance costs		**(29,157)**	(26,214)
Finance costs – net		**(23,610)**	(21,370)
Profit before income tax		**382,036**	290,225
Income tax expense	*3*	**(21,096)**	–
Profit for the year		**360,940**	290,225
Attributable to:			
Equity holders of the Company		**360,940**	290,225
Earnings per share for profit attributable to equity holders of the Company (RMB per share)			
– basic	*4*	**0.435**	0.356
– diluted	*4*	**0.435**	0.352
Dividend	*5*	**126,329**	115,871

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER

	Note	2007 RMB'000	2006 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,299,985**	821,570
Land use rights		**163,696**	167,141
Construction in progress		**43,737**	296,748
		1,507,418	1,285,459
Current assets			
Inventories	*6*	**329,962**	135,872
Trade and other receivables	*7*	**509,173**	106,671
Amounts due from related companies		**87,442**	4,879
Derivative financial instruments		**1,446**	–
Cash and cash equivalents		**343,085**	662,609
		1,271,108	910,031
Total assets		**2,778,526**	2,195,490
EQUITY			
Attributable to equity holders of the Group			
Share capital		**86,375**	86,175
Share premium		**468,998**	461,305
Other reserves		**236,570**	199,965
Retained earnings			
– Proposed final dividend		**126,329**	115,871
– Others		**506,188**	308,085
Total equity		**1,424,460**	1,171,401
LIABILITIES			
Non-current liabilities			
Borrowings		**846,772**	664,314
Current liabilities			
Trade and other payables	*8*	**308,117**	145,775
Current income tax liabilities		**10,497**	–
Amounts due to related companies		**6,055**	7,200
Borrowings		**182,625**	206,800
		507,294	359,775
Total liabilities		**1,354,066**	1,024,089
Total equity and liabilities		**2,778,526**	2,195,490
Net current assets		**763,814**	550,256
Total assets less current liabilities		**2,271,232**	1,835,715

NOTES:

1. Basis of presentation

The consolidated financial statements of Xiwang Sugar Holdings Company Limited ("Company") have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of derivative financial instrument.

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. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2008. The Group has not early adopted such standards, amendments and interpretations, the adoption of which will not result in substantial changes to the Group's accounting policies.

2. Segment incormation

Primary reporting format – business segments

The Group is organised on a nationwide basis in the PRC with two main business segments:

(1) Manufacture and sales of (i) crystallised glucose and glucose syrup from the processing of corn starch paste; and (ii) glumatic acids products from the processing of glucose syrup (hereinafter collectively referred to as the "Corn-based biochemical products"); and

(2) Manufacture and sale of corn gluten meal, corn germ, animal feed and corn starch paste from the processing of sweet corn (hereinafter collectively referred to as the "Corn refined products");

The turnover of the Group represents sales of goods.

Year ended 31 December 2007

	Corn-based biochemical products *RMB'000*	**Corn refined products** *RMB'000*	**Unallocated** *RMB'000*	**Group** *RMB'000*
Total gross segment sales	**1,347,450**	**1,624,721**	**–**	**2,972,171**
Intra-segment sales	**–**	**(904,915)**	**–**	**(909,915)**
Sales	**1,347,450**	**714,806**	**–**	**2,062,256**
Operating profit	**186,605**	**230,188**	**(11,147)**	**405,646**
Finance costs				**(23,610)**
Profit before income tax				**382,036**
Income tax expense				**(21,096)**
Profit for the year				**360,940**
Total assets	**1,710,264**	**627,570**	**440,692**	**2,778,526**
Total liabilities	**178,459**	**113,690**	**1,061,917**	**1,354,066**
Depreciation	**50,982**	**17,539**	**–**	**68,521**
Amortisation	**3,105**	**340**	**–**	**3,445**
Capital expenditures	**264,852**	**29,073**	**–**	**293,925**

Segment assets and liabilities are reconciled to entity assets and liabilities as follows:

	Assets	Liabilities
Segment assets/liabilities	**2,337,834**	**(292,149)**
Unallocated:		
Cash and cash equivalents	**343,085**	**–**
Short-term investments	**1,446**	**–**
Amount due from related companies	**87,442**	**–**
Other receivables	**8,549**	**–**
Fixed assets – cost	**170**	**–**
Amount due to related companies	**–**	**(6,055)**
Current tax	**–**	**(10,497)**
Other payables	**–**	**(15,968)**
Current borrowings	**–**	**(182,625)**
Non-current borrowings	**–**	**(846,772)**
Total	**2,778,526**	**(1,354,066)**

Year ended 31 December 2006

	Corn-based biochemical products *RMB'000*	Corn refined products *RMB'000*	Unallocated *RMB'000*	Group *RMB'000*
Total gross segment sales	940,828	909,557	–	1,850,385
Intra-segment sales	–	(465,440)	–	(465,440)
Sales	940,828	444,117	–	1,384,945
Operating profit	228,625	86,887	(3,917)	311,595
Finance costs				(21,370)
Profit before income tax				290,225
Income tax expense				–
Profit for the year				290,225
Total assets	1,068,549	452,161	674,780	2,195,490
Total liabilities	93,018	54,642	876,429	1,024,089
Depreciation	26,962	6,330	–	33,292
Amortisation	2,095	263	–	2,358
Capital expenditures	464,458	220,687	–	685,145

Segment assets and liabilities are reconciled to entity assets and liabilities as follows:

	Assets	Liabilities
Segment assets/liabilities	1,520,710	(147,660)
Unallocated:		
Cash and cash equivalents	662,609	–
Amount due from related companies	4,879	–
Other receivables	7,292	–
Amount due to related companies	–	(1,064)
Other payables	–	(4,251)
Current borrowings	–	(206,800)
Non-current borrowings	–	(664,314)
	2,195,490	(1,024,089)

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

Segment assets consist primarily of property, plant and equipment, construction in progress, leasehold land, inventories and trade receivables. Unallocated assets comprise mainly cash and cash equivalents.

Segment liabilities comprise trade payables. Unallocated liabilities comprise items such as taxation and borrowings.

Capital expenditures comprise additions to property, plant and equipment, leasehold land and construction in progress.

Secondary reporting format – geographical segments

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

An analysis of the secondary reporting segment is as follows:

Revenue

	2007 ***RMB'000***	2006 *RMB'000*
The PRC	**1,829,255**	1,223,365
Other countries	**253,001**	161,580
	2,062,256	1,384,945

Revenue is allocated based on the country in which the respective customer is located.

Total assets

	2007 ***RMB'000***	2006 *RMB'000*
The PRC	**2,740,887**	2,155,158
Other countries	**37,639**	40,332
	2,778,526	2,195,490

Total assets are allocated based on where the assets are located.

Capital expenditure

	2007	2006
	RMB'000	*RMB'000*
The PRC	**293,888**	684,955
Other countries	**37**	190
	293,925	685,145

Capital expenditure is allocated based on where the assets are located.

3. Income tax expense

(a) 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 the years presented.

No Hong Kong profit tax was provided as the Group had no assessable profit arising in or derived from Hong Kong.

Group companies registered in the PRC were subject to PRC Enterprise Income Tax ("EIT") on the taxable income as reported in their PRC statutory accounts adjusted for items, which were not assessable or deductible in accordance with relevant PRC income tax laws. The standard overall EIT rate applicable to all PRC subsidiaries was 33% which comprises of 30% state EIT and 3% local EIT.

With the approval of related tax authority, Xiwang Sugar and Xiwang Technology, being production enterprises with foreign investment, are entitled to exemption from the local EIT and two years' exemption from state EIT starting from the first cumulative profit-making year after compensating the accumulated losses, followed by an exemption from the local EIT plus a 50% reduction in the state EIT in the following three years ("EIT Tax Holiday"). 2005 was the first profit-making year of Xiwang Sugar. Therefore, the applicable tax rate for Xiwang Sugar in 2007 was 15% (2006: 0%). 2007 was the first profit-making year of Xiwang Technology. Therefore, Xiwang Technology was exempted from the entire local and state EITs in 2007.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). Effective from 1 January 2008, all enterprises are subject to a standard PRC enterprise income tax rate of 25%, except for particular provisions and preferential policies. According to the new CIT Law and the relevant regulations, the new EIT rate applicable to Xiwang Sugar and Xiwang Technology is 25% from 1 January 2008 onwards but both companies are still entitled to the EIT Tax Holiday mentioned above.

(b) 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:

	2007	2006
	RMB'000	*RMB'000*
Profit before tax	**382,036**	290,225
Tax calculated at tax rate of 33% applicable to profits in PRC	**130,538**	95,774
Utilisation of previously unrecognised deferred tax assets	**–**	(35)
Expenses not deductible for tax purposes	**–**	(190)
Effect of EIT Tax Holiday *(Note a)*	**(109,442)**	(95,549)
Tax charge	**21,096**	–

(c) As at 31 December 2007, no provision for deferred taxation had been recognised as there were no material temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements (2006: Nil).

4. 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.

	2007	2006
Profit attributable to the equity holders of the Company *(RMB'000)*	**360,940**	290,225
Weighted average number of ordinary shares in issue *(thousands)*	**828,818**	814,927
Basic earnings per share *(RMB per share)*	**0.435**	0.356

(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 done 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 share options.

	2007	2006
Profit attributable to the equity holders of the Company *(RMB'000)*	**360,940**	290,225
Weighted average number of ordinary shares in issue *(thousands)*	**828,818**	814,927
Adjustments for share options (thousands)	**689**	8,601
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**829,507**	823,528
Diluted earnings per share *(RMB per share)*	**0.435**	0.352

5. Dividend

The dividend in respect of the year ended 31 December 2006 of RMB0.14 per share, amounting to a total dividend of RMB115,871,000, was paid in 2007. A dividend in respect of the year ended 31 December 2007 of RMB0.15 per share, amounting to a total dividend of RMB126,329,000 is to be proposed at the Annual General Meeting of the Company to be held on 20 May 2008. These financial statements do not reflect this dividend payable.

	2007 ***RMB'000***	2006 *RMB'000*
Interim dividend paid	**–**	–
Proposed final dividend of RMB0.15 (2006: RMB0.14) per ordinary share	**126,329**	115,871
	126,329	115,871

6. Inventories

	2007	2006
	RMB'000	*RMB'000*
Raw materials	**190,305**	92,433
Work in progress	**50,100**	17,605
Finished goods	**89,557**	25,834
	329,962	135,872

The cost of inventories recognised as expenses and included in cost of goods sold amounted to approximately RMB1,597,955,000 for the year ended 31 December 2007 (2006: RMB1,019,899,000).

As at 31 December 2007, there were no inventories stated at net realisable value (2006: Nil).

7. Trade and other receivables

		2007	2006
		RMB'000	*RMB'000*
Trade receivables	(a)	**411,775**	85,250
Other receivables	(b)	**97,398**	21,421
		509,173	106,671

(a) Some major customers are allowed with credit periods of 30 to 180 days while most trading made with other customers are on cash on delivery basis, or with prepayment of the full sales amounts be made before goods delivery.

Trade receivables include bill receivable amounting to RMB299,027,000 (2006: RMB36,112,000). These bill receivable are received from customers under the ordinary course of business and all of them are bank accepted bills with maturity period within 6 months.

(b) Other receivables included advance payments made to the electricity and steam suppliers amounting to approximately RMB68,029,000 (2006: Nil). Such advance payment was made by the Group in order to obtain stable electricity supply and favourable price in steam purchase.

Ageing analysis of the gross trade receivables is as follows:

	2007	2006
	RMB'000	*RMB'000*
0-30 days	**224,689**	65,186
31-60 days	**102,366**	17,563
61-90 days	**26,562**	218
Over 90 days	**58,158**	2,283
	411,775	85,250

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2007, the trade receivables that were past due but not impaired were insignificant. These mainly relate to a number of independent customers for whom there is no recent history of default.

8. **Trade and other payables**

	2007	2006
	RMB'000	*RMB'000*
Trade payables	**143,602**	17,169
Other payables	**144,249**	106,479
Other taxes payables	**4,697**	8,374
Deposits and advance from customers	**15,569**	13,753
	308,117	145,775

The Group usually settles the amounts due to various vendors within a period of 30 to 90 days.

Approximately RMB97,845,000 (2006: RMB89,738,000) of other payables as at 31 December 2007 represents payables for purchases of property, plant and equipment in relation to the construction of the new starch and glucose production plants and the transformation of alcohol plant from the original glutamic acid plant of the Group.

Ageing analysis of the trade payables is as follows:

	2007	2006
	RMB'000	*RMB'000*
0-30 days	**123,583**	15,146
31-60 days	**11,212**	1,023
61-90 days	**5,221**	350
Over 90 days	**3,586**	650
	143,602	17,169

The carrying amount of trade and other payables are primarily denominated in RMB. The directors of the Group are of the opinion that the carrying amount of trade and other payables approximate to their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

As the largest and leading crystallised glucose enterprise, the Group processes corn and manufactures and sells two main categories of products: corn-based biochemical and corn-refined products. Corn-based biochemical products include crystallised glucose, glucose syrup and glutamic acid while corn-refined products include corn gluten meal, corn germ, animal feed, and corn starch paste. The Group stopped processing glucose syrup residual into lysine at the end of 2006 and converted its production facilities into processing glutamic acid instead. As a result, the Group continued selling residual lysine inventory in 2007.

The Group completed its crystallised glucose production capacity expansion at the beginning of 2007, and raised the designed capacity to 800,000 tonnes from 250,000 tonnes. During the year under review, as crystallised glucose was widely sold to the food and beverage, fermentation, pharmaceutical and chemical industries, we saw a strong market demand for crystallised glucose from our customers in these sectors. The strong demand trend was mainly attributed to the continuous rapid growth of the Chinese economy, the people's rising living standard and their higher awareness of health and food, and the increasing outsourcing trend for securing intermediary raw material input. Meanwhile, with the increasing demand for food and animal feed together with rising cost of agriculture raw material input products, we saw strong demand and product price performance for corn-refined products as well during the year of 2007.

Corn is the Group's key raw material, representing over 70% of the total production cost. In 2007, corn acquisition cost increased by approximately 13% as compared with 2006 and the rising corn price had a significant negative impact on the Group's profit margin and overall profitability. On the other hand, the Chinese government has indicated its keenness to maintain domestic corn price at a relatively stable level by taking policy measures, including canceling tax rebate for domestic corn export and providing regulatory policy for developing the corn processing industries in a more orderly and effective manner.

To capture the market potential for our business growth and to combat against the threat from the rising cost of corn, the Group implemented a cohesive business development strategy that yielded satisfactory operating and financial results for 2007:

— focusing on developing large and core customer base to increase sales, sales stability, and market share: Large and core customers provide the Group with stable and sizeable sales orders and income streams. With the Group's operation scale 2 to 3 time bigger than our closest competitors, we viewed both the quantity as well as the quality of our sales were vital to the overall success of our business. During 2007, around 30% of the Group's turnover came from large and core customers and we aim to expand it close to 60-70% in the next several years.

— focusing on developing more higher value-added downstream products to create better product mix and more profitable business opportunities: Supported by the Group's strong R&D capabilities, we successfully developed crystallised fructose, the first of its kind by Chinese manufacturers and a product tailored to the high-end of food and pharmaceutical sectors. We expect the product will provide higher profitability to the Group in the years to come.

— proactively managing to lower corn acquisition cost: Relying on the existing 250,000 tonnes corn storage facility, the Group actively managed to lower corn purchasing costs by better timing of its corn acquisition. The Group was also exploring ways of hedging its corn purchasing cost risk through utilizing futures hedging mechanism available from key Chinese commodities exchange markets. The Group expects to incorporate the corn acquisition through Chinese commodities futures markets as part of its overall corn purchasing strategy in near future.

— Committing to continuously reviewing and improving its management system, including its internal control system: The Group upgraded its management system to be more transparent and responsive and it made significant improvement of its operating and financial management system and personnel skills. The Group continued its efforts to attract, retain and motivate its staff through providing continuous on-job training programs, offering performance-linked compensation packages and attracting professionals to join its operations in order to sustain continuous healthy development of the Group.

REVIEW OF OPERATING AND FINANCIAL RESULTS

Turnover

The Group attained a turnover of RMB2,062,256,000 in 2007, representing an increase of 48.9% as compared with last year. Crystallised glucose contributed 86.8% of the total increase this year. The remaining mainly came from the corn gluten meal, corn germ and glutamic acid. The Group achieved export sales of RMB253,001,000 representing 12.3% of the Group's turnover (2006: 11.7%). Compared with last year, export sales increased by 56.6% this year.

	Year ended 31 December 2007	**Percentage to total sales**	**Year ended 31 December 2006**	Percentage to total sales	Percentage Change
	RMB'000	***%***	***RMB'000***	%	%
Crystallised glucose	**1,109,520**	**53.8**	**521,677**	37.6	112.7
Corn gluten meal	**214,213**	**10.4**	**119,406**	8.6	79.4
Corn germ	**206,944**	**10.0**	**87,622**	6.3	136.2
Animal feed	**183,313**	**8.9**	**143,461**	10.4	27.8
Corn starch paste	**153,014**	**7.4**	**93,520**	6.8	63.6
Glumatic acid	**98,361**	**4.8**	**7,517**	0.5	1,208.5
Lysine	**8,733**	**0.4**	**302,485**	21.8	(97.1)
Others	**88,158**	**4.3**	**109,257**	7.9	(19.3)
Total	**2,062,256**	**100.0**	**1,384,945**	100.0	**48.9**
Domestic sales	**1,809,255**	**87.7**	**1,223,365**	88.3	47.9
Export sales	**253,001**	**12.3**	**161,580**	11.7	56.6
Total	**2,062,256**	**100.0**	**1,384,945**	100.0	48.9

Crystallised glucose contributed 53.8% (2006: 37.6%) of the total Group's turnover, representing an increase of 112.7% as compared to last year. This is the result of expanding the production capacity and exploring the large and core customers who provide stable income source to the Group. Our strategy of keeping the crystallised glucose price relatively stable but premium over key competitors through most part of the year resulted in significant sales and market share increase. Due to larger increase in the domestic sales, the share of crystallised glucose's export sales decreased from 10.6% last year to 7.0% this year.

Corn gluten meal sales increased by 79.4% this year, strongly supported by 116.3% increase in its export sales. Export sales contributed 56.6% of its total turnover this year (2006: 46.8%). Corn gluten meal has good quality reputation and price competiveness in overseas markets which enabled the Group to have satisfactory performance in export sales.

As the production capacity increased, much corn was processed and more corn germ was generated. Corn germ is a key raw material for producing corn oil. Similar to other agricultural products, demand for corn oil in China increased sharply during the year thus created exciting demand for corn germ. The turnover of corn germ increased by 136% in 2007. As the domestic demand for corn germ was strong, we sold all the corn germ in China this year.

Animal feed had 27.8% turnover increase this year. The increase mainly came from the export sales. Export sales increased by 162.7% to RMB48,029,000 this year. Same as corn gluten meal, it successfully captured more overseas sales through its good quality and competitive price.

Turnover of corn starch paste increased by 63.6% to RMB153,014,000 this year. From January 2007, the Group increased its annual production capacity of corn starch paste from 600,000 tonnes to 1,000,000 tonnes after the implementation of a new production line. While the Group was ramping up its crystallised glucose processing utilization rate in 2007, the surplus corn starch paste produced upstream was sold out and contributed to 7.4% of the total turnover of the Group in the year.

In 2007, the Group ceased production of lysine and switched to produce glutamic acid, with the hope to achieve more effective absorption of the residual mother liquid from the production of crystallised glucose, the flagship product of the Group. However, with the much increased production volume of crystallised glucose by the Group, we discovered that the production of glutamic acid did not provide a sufficiently effective method to absorb residual mother liquid. Therefore after in-depth study, the Group decided to switch from production of glumatic acid to semi-alcohol products at the end of 2007. Semi-alcohol products can more effectively absorb the residual mother liquid, which is crucial to the effective solution of waste water discharge and environmental protection. Alcohol product will be targeted to the industrial and beverage market.

Turnover of others included mainly mother liquid. With the production of crystallised glucose more than doubled this year, mother liquid produced during the year also increased, resulted in its turnover increased by 110.9% as compared to last year.

Turnover of major products are further analysed as below:

	Sales Volume			**Average Selling Price**		
	2007	2006	Percentage of change	**2007**	2006	Percentage of change
	tonnes	*tonnes*	%	***RMB***	*RMB*	%
Crystallised glucose	**481,135**	209,692	129.4%	**2,306**	2,488	(7.3)
Corn gluten meal	**64,444**	42,215	52.7%	**3,324**	2,829	17.5
Corn germ	**67,851**	39,525	71.7%	**3,050**	2,217	37.6
Animal feed	**201,529**	137,882	46.2%	**910**	1,040	(12.5)
Corn starch paste	**83,296**	56,281	48.0%	**1,837**	1,662	10.5
Glumatic acid	**22,136**	1,642	1,248.1%	**4,444**	4,578	(2.9)
Lysine	**613**	39,544	(98.4%)	**5,949**	7,649	(22.2)

Increase in turnover of crystallised glucose by 112.7% was mainly contributed by doubling the sales volume this year. This was the result of the Group's successful sales strategy during the year. It's worthwhile to mention that the unusually high selling price of crystallised glucose in the first half of 2006, caused by the sudden surge of cane sugar price during the similar period, made the comparison with the selling price for 2007 somewhat distorted. Infact, the Group maintained a relative stable but premium price to its major competitors through the major part of 2007.

Turnover of corn gluten meal increased by 79.4% this year. Both sales volume and average selling price had significant increase. The Group strengthened its own sales team and handled over 50% of the total sales, therefore, saved the mark-up previously gained by the agents of export sales. Besides, the reputation of the Group's good quality corn gluten meal also allowed us to charge a higher selling price.

Benefited from the increased market demand for corn oil, our sales of corn germ together with its selling price increased significantly as well.

Turnover of animal feed increased by 27.8%. The animal feed market in China had its boom this year and led to the increase in sales volume by 46.2%. Export sales represented 23.2% of its total turnover with average selling price around 11% higher than that of domestic sales. In 2006, one kind of animal feed we sold was produced with lysine added, thus resulted in its product selling price almost doubled as compared with other kinds of animal feed. As the Group ceased the production of lysine, no lysine-added animal feed was produced and sold from the last quarter of 2007. This caused the average selling price dropped by 12.5% as compared with last year.

Sales volume of corn starch paste increased by 48.0% this year, which represented the surplus of corn starch paste not further processed by the Group. Corn starch paste is an intermediary product used for producing crystallised glucose and other down-stream products. With the increase in market demand for these down-stream products as well as the rising corn cost, market price for corn starch paste went up accordingly.

The Group started to produce and sell glumatic acid in the last quarter of 2006 and ceased its production in December 2007. With in-depth internal study, the Group decided to switch to produce semi-alcohol products instead of glutamic acid and production and sale of semi-alcohol products is expected to happen in 2008.

Cost of goods sold

	2007		2006		Percentage of change
		Percentage to total		Percentage to total	
	RMB'000	**%**	*RMB'000*	%	%
Corn	**1,162,892**	72.8	640,005	62.8	81.7
Purchase of other raw materials	**27,980**	**1.8**	59,482	5.8	(53.0)
Auxiliary material	**144,602**	**9.0**	111,371	10.9	29.8
Utilities	**138,229**	**8.7**	125,602	12.3	10.1
Depreciation	**61,911**	**3.9**	33,704	3.3	83.7
Labour costs	**29,304**	**1.8**	18,050	1.8	62.3
Consumables and repairs of facilities	**11,877**	**0.7**	13,956	1.4	(14.9)
Overheads	**3,119**	**0.2**	3,209	0.3	(2.8)
Input VAT	**18,041**	**1.1**	14,520	1.4	24.2
Total	**1,597,955**	**100.0**	1,019,899	100.0	56.7

Cost of goods sold increased by 56.7% this year, of which cost of corn consumed, depreciation and labour costs had significant increases, respectively, during the year.

With the additions of the new production line, the corn processed by the Group increased by 66.7% to reach close to 971,000 million tonnes this year. Together with the average corn purchase cost increased by about 24% during 2007, the cost of corn consumed increased by 81.7% this year.

Auxiliary materials included addictive materials for processing and packaging materials. In addition, purchase of other raw materials mainly represented corn gluten meal outsourced from other suppliers during the year. From 2007, with the Group's expanded production capacity and increased production volume, the need for outsourcing corn gluten meal decreased.

The Group entered agreements with utilities suppliers so that discount could be obtained with payment in advance. The agreements will be terminated in 2008. Utilities cost was only increased by 10.1% eventhough the sales volume was doubled. Besides, increase in production efficiency also helped to save energy consumed.

The increase in depreciation by 83.7% was arisen from commissioning the new plant and its facilities for production in this year. Meanwhile, with the increase in operation scales, number of production and sales staff increased by 28.6% to 2,344 this year.

In the first quarter of 2007, part of the production facilities was haulted for routine maintenance repair. Production was mainly from the new production facilities commissioned in January 2007. As the production effectiveness was higher, less consumables and repairs were incurred. This was the main reason for the decrease of consumables and repairs of facilities this year.

Domestic and export sales of animal feed are free of output value added tax. However, the purchase of its production materials is still subject to input value added tax. For products other than animal feed, their input value added taxes are set off with the output value added taxes and not expensed. The input value added tax of the Group's animal feed is calculated by multiplying the ratio of the Group's animal feed turnover to total turnover by the input value added tax in relation to the Group's corn starch paste production. The increase in input VAT was therefore arisen mainly from increase in turnover of animal feed this year.

Overheads included environmental protection expenses, water charges and storage and delivery charges. It remained stable compared with last year.

Gross profit analysis

	Gross Profit					Gross Profit Margin		
		% to		% to	Increase/			Increase/
	2007	total	2006	total	(Decrease)	**2007**	2006	(Decrease)
	RMB'000	%	*RMB'000*	%	%	**%**	%	%
Crystallised glucose	**265,111**	57.1	175,385	48.1	51.0	**23.9**	33.6	(9.7)
Corn gluten meal	**71,212**	15.3	19,150	5.2	271.9	**33.2**	16.0	17.2
Corn germ	**57,898**	12.5	20,897	5.7	177.1	**28.0**	23.8	4.2
Animal feed	**47,534**	10.2	49,131	13.5	(3.3)	**25.9**	34.2	(8.3)
Corn starch paste	**29,564**	6.4	14,683	4.0	101.3	**19.3**	15.7	3.6
Glumatic acid	**(11,683)**	(2.5)	845	0.2	(1,482.6)	**(11.9)**	11.2	(23.1)
Lysine	**2,613**	0.6	67,440	18.5	(96.1)	**30.0**	22.2	7.8
Others	**2,052**	0.4	17,315	4.8	(88.1)	**2.3**	15.8	(13.5)
	464,301	100.0	365,046	100.0	27.2	**22.5**	26.4	(3.9)

Even with the significant rise of corn price this year, the Group's overall gross profit margin decreased by a much less 3.9%. This was due to the Group's success over cost control and its significant increase in average selling prices of Corn gluten meal and corn germ as discussed earlier.

Gross profit margin of crystallised glucose decreased by 9.7% this year mainly because of the significant rise of corn price. On the other hand, the increase in gross profit margin of corn gluten meal was mainly due to its rising selling price during the year.

As compared with the increase in corn germs' unit cost of sales, the faster increase in its average selling price resulted in its gross profit margin expanded by 4.2% for the year. However, the increase in the average unit cost of sales for animal feed, caused by the rising corn cost, together with its decreased average unit selling price caused by the elimination of the much higher priced lysine animal feed, resulted in the drop of its gross profit margin by 8.3% in 2007.

Gross profit margin of corn starch paste increased by 3.6% this year. The increase in average selling price was partly offset by the increase in unit cost of sales mainly caused by increase in the corn cost.

Other income

Other income increased by RMB4,177,000 for the year. The increase was mainly arisen from the increase in gain on sales of scrap materials by RMB4,497,000. Besides, the Group had a gain on the corn futures amounted to RMB1,431,000 in 2007. The corn futures was purchased for hedging the Group's corn purchasing cost risk.

Selling and marketing costs

Selling and marketing cost decreased by 1.6% as compared with last year. In the past, the Group had borned the transportation costs. During the year, the Group reached agreements with customers so that transportation cost would be borne by the buyers. This change saved the transportation cost for the Group. The Group therefore effectively reduced its selling and marketing costs even with a significant increase in its sales volume this year.

Administrative expenses

Administrative expenses increased by RMB9,940,000 to RMB32,928,000 this year. The increase was mainly arisen from increase in amortisation of intangible assets and land use tax associated with the land of the new production plant with operation commenced in the first quarter of 2007.

Besides, in the first quarter of 2007, there was routine maintenance for the existing production facilities. While its production ceased during this period, depreciation of these production facilities was charged as administrative expenses in accordance to the matching concept.

Finance costs

Finance costs increased by RMB2,943,000 this year. In addition to a USD bank facility raised in November 2006, the Company obtained two new USD-denominated loans during the year for financing working capital and refinancing RMB denominated existing bank loans. Such financings resulted in the increase in bank loan interest by RMB35,771,000 this year. On the other hand, due to appreciation of Reminbi, the Group enjoyed increase in exchange gain amounted to RMB34,991,000 this year.

Income tax expenses

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands ("BVI"), the Group was not subject to any income tax in Bermuda and the BVI during the years presented.

No Hong Kong profit tax was provided as the Group had no assessable profit arising in or derived from Hong Kong.

Group companies registered in the PRC were subject to PRC Enterprise Income Tax ("EIT") on the taxable income as reported in their PRC statutory accounts adjusted for items, which were not assessable or deductible in accordance with relevant PRC income tax laws. The standard overall EIT rate applicable to all PRC subsidiaries was 33% which comprised of 30% state EIT and 3% local EIT.

With the approval of related tax authority, Shandong Xiwang Suger Industry Co., Ltd. ("Xiwang Sugar") and Shandong Xiwang Bio-chem Technology Limited ("Xiwang Technology"), being production enterprises with foreign investment, are entitled to exemption from the local EIT and two years' exemption from state EIT starting from the first cumulative profit-making year after compensating the accumulated losses, followed by an exemption from the local EIT plus a 50% reduction in the state EIT in the following three years ("EIT Tax Holiday"). 2005 was the first profit-making year of Xiwang Sugar. Therefore, the applicable tax rate for Xiwang Sugar in 2007 was 15% (2006: 0%). 2007 was the first pro fit-making year of Xiwang Technology. Therefore, Xiwang Technology was exempted from the entire EIT in 2007.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). Effective from 1 January 2008, all enterprises are subject to a standard PRC enterprise income tax rate of 25%, except for particular provisions and preferential policies. According to the new CIT Law and the relevant regulations, the new EIT rate applicable to Xiwang Sugar and Xiwang Technology is 25% from 1 January 2008 onwards but both companies are still entitled to the EIT Tax Holiday mentioned above.

Liquidity, capital resources and gearing ratio

	2007	2006
	In RMB million	*In RMB million*
Net current assets	**764**	550
Cash and cash equivalents	**343**	663
Bank loans	**1,029**	871
Shareholders' equity	**1,424**	1,171
Current ratio	**2.51 times**	2.53 times
Gearing ratio (total borrowing to total equity)	**72.3%**	74.4%
Debtors turnover days	**72.9 days**	22.5 days
Creditors turnover days	**32.8 days**	6.16 days

Net Current assets:

The Group's net current assets increased by RMB214 million during the year.

Current assets increased by RMB361 million, mainly arisen from the increase in Trade receivables and inventories amounted to RMB327 million and RMB194 million, respectively. Other receivables and amount due from related company increased by RMB76 million and RMB83 million respectively. These were offset by decrease in cash and cash equivalents by RMB320 million.

Current liabilities increased by RMB148 million this year. Trade payables and other payables increased by RMB126 million and RMB38 million respectively. One of the subsidiaries in PRC started to pay profit tax this year and had tax payable amounted to RMB10 million. While two new US dollars-denominated bank facilities were obtained this year and gave rise to increase in non-current portion of long term liabilities by RMB182 million, the repayment of Renminbi bank facilities led to the decrease in current portion of long term loan by RMB241 million.

As at 31 December 2007, trade receivable amounted to RMB412 million, increased by RMB327 million as compared with last year. Debtors turnover days increased to 72.9 days as at 31 December 2007. To capture orders from some of the major customers, the Group allowed longer credit periods to them. Generally, credit periods of 30 to 180 days are offered to customers. Extended credit periods of 30 to 60 days will be offered to major customers. These extended credit periods are allowed after receiving bills issued by authorised banking institutions in PRC. Receivables over 30 days represented 45.4% of total receivables this year (2006: 23.6%) As these customers are leading players in their own industries, the management considered the risks of irrecoverability are low. Besides, 72.6% of the total trade receivables were backed by bills issued from the authorised banking institutions in PRC. The management considered that we have established a stable relationship with these major customers. The Group has started to tighten the credit terms with major customers with the initial target to achieve credit terms not longer than 3 months.

Inventories increased by RMB194 million to RMB330 million as at 31 December 2007. With the production and sales volume significantly increased this year, more inventories of raw materials and finished goods were carried accordingly. The increase was mainly contributed by increase in corn held. Corn inventory was RMB189 million, while crystallised glucose inventory was RMB57 million. For corn, the inventory level as at 31 December 2007 was 134,274 tonnes, representing around 1.4 month of its usage production. For crystallised glucose, 30,398 tonnes was held as at 31 December 2007, representing 0.6 month of sales of crystallised glucose.

Purchase of raw materials increased to cope with the rising production scale. Besides purchasing from third parties, the Group also had purchases from related companies. The trade payables and amount due to related companies increased accordingly.

Borrowings:

In view of the continuing appreciation of Renminbi, the Company obtained two US dollars-denominated banking facilities in 2007. These borrowings borne interest expenses at market rates. Part of the financings was used for refinancing the Reminbi-denominated banking facilities amounted to RMB243 million, while the rest of these new loans was used for financing the Group's operations.

As at 31 December 2007, the US dollars-denominated banking facilities represented 84.7% (2006: 53.7%) of the total borrowings.

Equity:

Apart from the sales proceeds from the exercise of employee options and profit attributable to the equity holders during the period, there was no further change to equity.

Capital investment:

The Group had capital investment for the new production facilities amounted to RMB294 million during the year, among which the investment in production facilities for new product crystallised fructose was RMB49 million. Moreover, the Group had capital commitments amounted to RMB60 million for construction of production facilities for crystallised fructose.

Contingent liabilities:

The Group did not have any material contingent liabilities as at 31 December 2007.

Foreign exchange risk:

The Group's main operation is situated in mainland China. Most of its assets, liabilities, revenues and payments, including the cash balances are in Reminbi, except for the USD-denominated loans mentioned above. In view of the continuing appreciation of Reminbi, the Directors consider the foreign exchange risk of the Group is limited.

Human resources

The Group had 2,593 employees as at 31 December 2007 (2006: 2,044 employees). The increase was mainly arisen from the expanded production facilities during the year.

Having considered the experience, responsibility, workload and the time devoted, the Group regularly reviews the remuneration packages to the employees. The Company has also set up a remuneration committee to review and determine the terms of remuneration packages, bonues and other compensation payable to the Directors and employees, share options may also be granted to Directors and eligible employees based on the performance of individuals.

FUTURE PROSPECTS AND DEVELOPMENT STRATEGIES

With the Group's leading market position, supported by the continuous economic growth outlook, improved people's living standards and their broadened awareness for health and food, the Group is confident about its business growth prospects going forward. The Group will continue its existing business development strategies as discussed earlier in order to further capture business opportunities from increasing market demand for its products. Moreover, it plans to selectively develop international market in order to capture further growth opportunities. The Group has targeted the markets such as Korea for our initial moves in the near future. We expect to raise our international sales ratio to 20% by 2010.

On the Group's newly developed crystallised fructose product, we plan to set up a new production line with 50,000 tonnes designed capacity, in addition to our existing 10,000 tonnes trial production facility. We expect the capital expenditure for the new production line, together with working capital requirement, to be around RMB500 million. We strive to complete the new production line setup by 2008 and expect the new product offer will bring us meaningful revenue and profit contribution in 2009 and onward.

Meanwhile, we will continue monitoring the industry consolidation trend in China and aim to capture value-enhancing business expansion opportunities to further solidify our leading market position and bring quality returns to our shareholders.

FINAL DIVIDEND

The Directors recommended the payment of a final dividend of RMB0.15 per ordinary share for the year ended 31 December 2007 (2006: RMB0.14), subject to the approval by the shareholders at the forthcoming annual general meeting ("Annual General Meeting"). The pay-out ratio is approximately 35% based on net profit in 2007. The conversion of RMB into Hong Kong dollars shall be calculated on the average price of the medium prices of the conversion of RMB into Hong Kong dollars as announced by the People's Bank of China one calendar week preceding the Annual General Meeting. Subject to the approval by the Shareholders, the proposed final dividend is expected to be paid on or about Monday, 2 June 2008 to the Shareholders whose names appear on the register of members of the Company on Tuesday, 20 May 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 16 May 2008 to Tuesday, 20 May 2008 (both dates inclusive), during which no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch registrar in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Thursday, 15 May 2008.

ANNUAL GENERAL MEETING

The Annual General Meeting is expected to be held on Tuesday, 20 May 2008. A notice convening the Annual General Meeting will be published on The Stock Exchange of Hong Kong Limited ("Stock Exchange")'s website (www.hkexnews.hk) and the Company's website (www.irasia.com/listco/hk/xiwangsugar).

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 under review.

CORPORATE GOVERNANCE

The Company was in compliance with all applicable code provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (" Listing Rules") throughout the year ended 31 December 2007.

REVIEW OF ANNUAL RESULTS

Audit committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2007.

PUBLICATION OF ANNUAL REPORT

The 2007 Annual Report will be dispatched to the Shareholders and published on the Stock Exchange's website website (www.hkexnews.hk) and the Company's website (www.irasia.com/listco/hk/xiwangsugar).

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

Hong Kong, 2 April 2008

As at the date of this announcement, the Board of Directors of the Company is comprised of Mr. WANG Yong as Chairman and executive Director; Mr. WANG Liang, Dr. LI Wei, Mr. WANG Cheng Qing, Mr. HAN Zhong and Mr. LIU Ji Qiang as executive Directors; Mr. LIU Heng Fang as non-executive Director; Mr. SHI Wei Chen, Mr. SHEN Chi and Mr. WONG Kai Ming as independent non-executive Directors.

* *for identification purposes only*