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 2008

2008 RESULTS HIGHLIGHTS

- The Group reported satisfactory performance in the first half of 2008.
- But the melamine scandal and the global financial crisis posted significant challenges to the sales performance in the second half of 2008.
- Corn price reached and stayed at an ever high level for most times in 2008.
- Resulted in a drop of 82.3% in net profit for the full year.
- However, the Group was still able to generate a positive cash flow from operating activities of approximately RMB 268 million in 2008 (2007: net cash outflow of approximately RMB 124 million).
- 2008 net profit: RMB 64 million (2007: RMB 361 million).
- 2008 earnings per share: RMB 0.077 (2007: RMB 0.435).
- The Board proposes a final dividend of RMB 0.027 per share (approximately HK$0.03), representing a payout ratio of approximately 35%. Final dividend is proposed to be satisfied wholly by the allotment and issue of new shares of the Company.

ANNUAL RESULTS

The board of directors (the "Board") of Xiwang Sugar Holdings Company Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2008 (the "Year") extracted from the audited consolidated financial statements of the Group as set out in the annual report of the Year.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

	Note	**2008** *RMB '000*	2007 *RMB '000*
Turnover	2	**2,544,392**	2,062,256
Cost of goods sold		**(2,324,599)**	(1,597,955)
Impairment loss on property, plant and equipment		**(18,539)**	–
Inventory written down to net realisable value	6	**(37,896)**	–
Others		**(2,268,164)**	(1,597,955)
Gross profit		**219,793**	464,301
Other income – net		**1,932**	9,489
Selling and marketing costs		**(107,282)**	(35,216)
Administrative expenses		**(63,955)**	(32,928)
Operating profit		**50,488**	405,646
Interest income		**8,999**	5,547
Finance income/(costs)		**1,300**	(29,157)
Finance income/(costs) – net		**10,299**	(23,610)
Profit before income tax		**60,787**	382,036
Income tax credit/(expense)	3	**2,862**	(21,096)
Profit for the year		**63,649**	360,940
Attributable to:			
Equity holders of the Company		**63,778**	360,940
Minority interest		**(129)**	–
		63,649	360,940
Earnings per share for profit attributable to the equity holders of the Company during the Year (expressed in RMB per share)			
– basic	4	**0.077**	0.435
– diluted	4	**0.077**	0.435
Dividends	5	**22,420**	126,329

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER

	Note	**2008** *RMB '000*	2007 *RMB '000*
Assets			
Non-current assets			
Property, plant and equipment		**1,437,558**	1,299,985
Land use rights		**160,251**	163,696
Construction in progress		**50,656**	43,737
Deferred income tax assets		**7,054**	–
		1,655,519	1,507,418
Current assets			
Inventories	6	**326,483**	329,962
Trade and other receivables	7	**453,172**	509,173
Current income tax receivable		**5,485**	–
Amounts due from related companies		**8,130**	87,442
Derivative financial instruments		**–**	1,446
Cash and cash equivalents		**248,158**	343,085
		1,041,428	1,271,108
Total assets		**2,696,947**	2,778,526
Equity			
Attributable to equity holders of the Company			
Share capital		**86,455**	86,375
Share premium		**471,853**	468,998
Other reserves		**247,269**	236,570
Retained earnings			
– Proposed final dividend		**22,420**	126,329
– Others		**539,689**	506,188
		1,367,686	1,424,460
Minority interest in equity		**520**	–
Total equity		**1,368,206**	1,424,460

	Note	**2008** *RMB '000*	2007 *RMB '000*
Liabilities			
Non-current liabilities			
Borrowings		**–**	846,772
Current liabilities			
Trade and other payables	8	**451,391**	308,117
Current income tax liabilities		**–**	10,497
Amounts due to related companies		**7,940**	6,055
Borrowings		**869,410**	182,625
		1,328,741	507,294
Total liabilities		**1,328,741**	1,354,066
Total equity and liabilities		**2,696,947**	2,778,526
Net current (liabilities)/ assets		**(287,313)**	763,814
Total assets less current liabilities		**1,368,206**	2,271,232

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 instruments.

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.

As at 31 December 2008, the Group had breached certain financial covenants which were stipulated in its loan agreements. As a result, RMB 310,310,000 of the initially non-current bank borrowings were reclassified as current liabilities, leading to net current liabilities of RMB 287,313,000 being reported by the Group as of that date. Nevertheless, taking into account the expected positive operating cash flow that it would achieve, and new borrowing facilities amounting to RMB 960,000,000 obtained from banks in the People's Republic of China (the "PRC") subsequent to 31 December 2008 and up to the date of approval of the financial statements, the directors are confident that the Group has sufficient funds to pay its liabilities when they fall due and meet its obligations at least for a period of 12 months from 31 December 2008. In addition, the directors would also closely monitor the timing and magnitude of capital expenditure outlays to be incurred. Therefore, the directors consider that it is appropriate to present the 2008 financial statements on a going concern basis.

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 2009. The Group has not early adopted such standards, amendments and interpretations, the adoption of which will not result in significant impact on the Group's consolidated financial statements.

2. Segment information

Primary reporting format – business segments

The Group is organised on a nationwide basis in the PRC with two main business segments. The Group has organised its business segment as below:

(1) Sweetener products which include crystalline glucose, crystalline fructose and other syrup products.

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

The turnover of the Group represents sales of goods.

For the year ended 31 December 2008

	Note	Sweetener products RMB '000	Co-products and others RMB '000	Unallocated RMB '000	Group RMB '000
Gross segment sales		**1,151,359**	**2,430,575**	**–**	**3,581,934**
Inter-segment sales		**–**	**(1,037,542)**	**–**	**(1,037,542)**
Sales		**1,151,359**	**1,393,033**	**–**	**2,544,392**
Operating profit/ Segment results		**39,569**	**10,299**	**620**	**50,488**
Finance income – net					**10,299**
Profit before income tax					**60,787**
Income tax credit	3				**2,862**
Profit for the year					**63,649**
Total assets		**1,314,866**	**1,087,824**	**294,257**	**2,696,947**
Total liabilities		**159,857**	**198,037**	**970,847**	**1,328,741**
Capital expenditure		**216,663**	**35,376**	**–**	**252,039**
Other non-cash expenses					
Depreciation		**40,959**	**39,296**	**–**	**80,255**
Amortisation		**3,039**	**406**	**–**	**3,445**
Write-down of inventories to net realisable value	6	**8,432**	**29,464**	**–**	**37,896**
Impairment loss on property, plant and equipment		**–**	**18,539**	**–**	**18,539**

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

	Assets *RMB '000*	**Liabilities** *RMB '000*
Segment assets/(liabilities)	**2,402,690**	**(357,894)**
Unallocated:		
Cash and cash equivalents	**248,158**	**–**
Amount due from related companies	**8,130**	**–**
Other receivables	**25,430**	**–**
Deferred income tax assets	**7,054**	**–**
Current income tax receivable	**5,485**	**–**
Amount due to related companies	**–**	**(7,940)**
Other payables	**–**	**(93,497)**
Current borrowings	**–**	**(869,410)**
Total	**2,696,947**	**(1,328,741)**

For the year ended 31 December 2007

	Note	Sweetener products RMB '000	Co-products and others RMB '000	Unallocated RMB '000	Group RMB '000
Gross segment sales		1,135,836	2,069,668	–	3,205,504
Inter-segment sales		–	(1,143,248)	–	(1,143,248)
Sales		1,135,836	926,420	–	2,062,256
Operating profit/ Segment results		195,945	213,574	(3,873)	405,646
Finance costs – net					(23,610)
Profit before income tax					382,036
Income tax expense	3				(21,096)
Profit for the year					360,940
Total assets		1,325,262	1,012,741	440,523	2,778,526
Total liabilities		174,338	117,811	1,061,917	1,354,066
Capital expenditure		252,196	41,729	–	293,925
Other non-cash expenses					
Depreciation		29,882	38,639	–	68,521
Amortisation		3,039	406	–	3,445

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

	Assets ***RMB '000***	Liabilities *RMB '000*
Segment assets/(liabilities)	2,338,003	(292,149)
Unallocated:		
Cash and cash equivalents	343,085	–
Short-term investments	1,446	–
Amount due from related companies	87,442	–
Other receivables	8,550	–
Amount due to related companies	–	(6,055)
Current income tax liabilities	–	(10,497)
Other payables	–	(15,968)
Current borrowings	–	(182,625)
Non-current borrowings	–	(846,772)
Total	2,778,526	(1,354,066)

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, land use rights, inventories and trade receivables. Unallocated assets comprise mainly cash and cash equivalents, amount due from related parties and other receivables.

Segment liabilities comprise trade payables. Unallocated liabilities comprise items such as taxes payable, amount due to related parties and borrowings.

Capital expenditure comprise additions to property, plant and equipment, land use rights 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:

Turnover	**2008**	2007
	RMB '000	*RMB '000*
The PRC	**2,222,607**	1,809,255
Other countries	**321,785**	253,001
	2,544,392	2,062,256

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

No geographical segment analysis on total assets and capital expenditure is prepared as over 90% of the Group's total assets and capital expenditure were located/incurred in the PRC.

3. Income tax expense

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 2008 (2007: Nil).

No Hong Kong profits tax was provided for as the Group had no estimated assessable profit arising in or derived from Hong Kong during 2008 (2007: Nil).

Group companies registered in the PRC are subject to PRC Corporate Income Tax ("CIT"). On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "new CIT Law"). Effective from 1 January 2008, all PRC enterprises are subject to a standard enterprise income tax rate of 25%, except for enterprises under specific preferential policies and provisions. Shandong Xiwang Sugar Industry Company Limited ("Xiwang Sugar") and Shandong Xiwang Bio-chem Technology Company Limited ("Xiwang Technology") are production enterprises with foreign investments, and therefore they are eligible to enjoy certain CIT preferential treatments in accordance with the new CIT Law and tax regulation. The applicable tax rate of Xiwang Sugar in 2008 was 12.5% (2007: 15%). Xiwang Technology was exempt from the full amounts of CIT tax in both 2008 and 2007.

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

	2008 *RMB '000*	2007 *RMB '000*
Current tax		
– PRC corporate income tax	**(4,192)**	(21,096)
Deferred tax		
– Deferred tax assets recognised on originating temporary differences	**7,054**	–
Income tax credit/(expense)	**2,862**	(21,096)

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:

	2008 *RMB '000*	2007 *RMB '000*
Profit before tax	**60,787**	382,036
Calculated at the PRC statutory tax rate of 25% (2007: 33%)	**15,197**	130,538
Effect of tax preferential treatment	**(18,059)**	(109,442)
Income tax (credit)/expense	**(2,862)**	21,096

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.

	2008	2007
Profit attributable to the equity holders of the Company *(RMB '000)*	**63,778**	360,940
Weighted average number of ordinary shares in issue *(thousands)*	**830,345**	828,818
Basic earnings per share *(RMB per share)*	**0.077**	0.435

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of share options. For the share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the issued share options. As the average market price of ordinary shares during 2008 was lower than the exercises prices of the options, the effect of the outstanding options granted to employees have no dilutive impact on the earnings per share.

	2008	2007
Profit attributable to the equity holders of the Company (RMB '000)	**63,778**	360,940
Weighted average number of ordinary shares in issue (thousands)	**830,345**	828,818
Adjustments for share options (thousands)	**–**	689
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**830,345**	829,507
Diluted earnings per share (RMB per share)	**0.077**	0.435

5. Dividend

The dividend in respect of the year ended 31 December 2007 was RMB 0.15 per share or RMB 126,329,000 in aggregate. It was paid in 2008 at HKD138,951,000 or RMB 123,487,000 translated at the exchange rate prevailing at the actual payment date.

At a board of directors meeting held on 23 April 2009, the directors of the Company proposed a final dividend of RMB 0.027 per share, which will be satisfied by allotment of new ordinary shares of the Company, credited as fully paid, by way of scrip dividend. Such dividend is to be approved by the shareholders at the forthcoming annual general meeting of the Company to be held on 26 June 2009. This proposed dividend has not been reflected as a dividend payable in these financial statements but will be reflected as an appropriation of retained earnings for the year ending 31 December 2009.

The amount of proposed final dividend for 2008 was based on 830,352,000 shares in issue as at 31 December 2008.

6. Inventories

	2008	2007
	RMB '000	*RMB '000*
Raw materials	**199,173**	190,305
Work in progress	**44,530**	50,100
Finished goods	**82,780**	89,557
	326,483	329,962

The cost of inventories recognised as expenses and included in cost of goods sold amounted to approximately RMB 2,306,060,000 for the year ended 31 December 2008 (2007: RMB 1,597,955,000).

As at 31 December 2008, the Group made a provision of RMB 37,896,000 (2007: Nil) to write down the inventory balances to their respective net realisable values, which were the estimated selling prices of these inventories in the ordinary course of business, less applicable variable production costs to bring them to a saleable state and the related selling expenses.

7. Trade and other receivables

		2008	2007
	Note	***RMB '000***	*RMB '000*
Trade receivables			
– gross and net	(a)	**135,819**	112,748
Bills receivable	(b)	**205,964**	299,027
Other receivables	(c)	**111,389**	97,398
		453,172	509,173

Notes:

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

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

(c) Other receivables included advance payments made to the electricity and steam suppliers amounting to approximately RMB 56,461,000 (2007: RMB 68,029,000). Such advance payments were made by the Group in order to ensure stable electricity supply and more favourable price of steam purchase.

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

	2008	2007
	RMB '000	*RMB '000*
0 – 30 days	**65,273**	44,677
31 – 60 days	**9,102**	13,174
61 – 90 days	**19,865**	2,161
Over 90 days	**41,579**	52,736
	135,819	112,748

Trade receivables that are less than three months past due are not considered impaired. As at 31 December 2008, the trade receivables that were past due but not impaired were insignificant. These were mainly receivables due from a number of independent customers for whom there was no recent history of default.

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

	2008	2007
	RMB '000	*RMB '000*
RMB	**441,013**	492,014
USD	**11,666**	16,317
HKD	**346**	842
WON	**147**	–
	453,172	509,173

As at 31 December 2008 and 2007, the fair values of trade and other receivables of the Group were approximate to their carrying amounts. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable balance mentioned above. The Group does not hold any collateral as security.

8. Trade and other payables

	2008	2007
	RMB '000	*RMB '000*
Trade payables	**200,648**	143,602
Other payables	**236,039**	144,249
Other taxes payables	**2,163**	4,697
Deposits and advance from customers	**12,541**	15,569
	451,391	308,117

Ageing analysis of the trade payables is as follows:

	2008	2007
	RMB '000	*RMB '000*
0 – 30 days	**95,172**	123,583
31 – 60 days	**26,398**	11,212
61 – 90 days	**36,324**	5,221
Over 90 days	**42,754**	3,586
	200,648	143,602

Approximately RMB 206,323,000 (2007: RMB 97,845,000) of other payables as at 31 December 2008 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.

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

MANAGEMENT DISCUSSION AND ANALYSIS

1. Overview

Xiwang Sugar Holdings Company Limited (the "Company") and its subsidiaries (collectively, the "Group") refines natural corn to a variety of sweeteners and corn co-products that are widely applied in food and beverage, animal feed, and many consumer and industrial products.

The Group operates a fully integrated production plant in Shandong Province in the PRC, with a corn processing capacity of 1.5 million tonnes per annum. Beyond that the Group has a leadership position in starch sweetener industry in the PRC. One of our prime areas is the production of crystalline glucose with an annual capacity of 800,000 tonnes. The Group was honored as the Number 1 of Top 20 Enterprises in the Starch Sweetener Industry in 2006 (awarded by China Fermentation Industry Association) and Capital for Chinese Sweetener Products in 2007 (by State Food Industry Association). The Group has also been accredited as the National Environmental Friendly Corporation since 2005 (by General Administration of State Environment Protection) for its continual effort and compliance in environmental safety matters.

The key products of the Group are divided into two business segments, namely,

(1) *Sweetener products* which include crystalline glucose, crystalline fructose and other syrup products.

(2) *Corn co-products and others* which include corn gluten meal, corn gluten feed, corn germ, corn starch and other by-products.

Crystalline glucose is a monosaccharide which can be directly absorbed in the human digestive system. It has a medium sweet taste to complement sweetness in food and drinks. Crystalline glucose owns a simple structure. Upon mild industrial process, the heat energy in it is released. This chemical property favors it as a fermentation agent. It is also a basic unit of many organic compounds that a wide range of consumer and industrial products are synthesised. The Group derives crystalline glucose from corn starch, and supplies it to food and beverages, fermentation, chemical and pharmaceutical sectors. Besides, the Group sells glucose syrups of different concentrations according to customers' requirements.

Crystalline fructose is a natural sweetener from corn starch with a fruity scent. It is composed of pure fructose and takes the form of white granules (differs from high fructose corn syrup which is a mix of glucose and fructose in thick liquid form). When it is added to food, the sweetness of food will be highly elevated (at maximum 1.8 times higher than cane sugar), thereby effectively reducing the calorie value in healthy diets. Moreover, crystalline fructose has the lowest Glycemic Index (which tracks the rate of increase in blood glucose level after a meal) among ordinary sugars. Hence, it is regarded as an ideal sweetening ingredient in healthy diets, especially for the diabetics.

Corn gluten meal contains a high proportion of protein which is essential for animal growth. Corn gluten feed is comprised of corn fiber which is a digestive element for pigs and poultry. Both corn gluten meal and corn gluten feed are basic nourishment in animal feed and pet food. Corn germ is a source of corn oil. The Group sells corn germ to Xiwang Food Company Limited (a connected company owned by the Group's ultimate controlling party) to produce edible corn oil. Corn starch is obtained after protein and germ separation. It is commonly used to form sweeteners, sizing of paper and textile.

The Group commits to high standard of environmental safety. We have our own fermentation facility to convert the residual liquid from corn refinery to some value added by-products, such as semi-alcohol and sodium gluconate, etc.

2. Review of operating and financial results

The Group reported a net profit of RMB 64 million for the Year, representing a decline of about 82.3% compared to the corresponding period in 2007, in spite of a revenue growth of 23.4% to RMB 2.54 billion. It was due to a combination of factors, among them, the adverse impact brought by the melamine scandal and the global financial crisis which happened in the second half of 2008 were the most significant. The detection of melamine in milk and eggs in China has, indirectly, dragged down the consumption of various dairy products and eggs and other related products and accordingly the sales performance of the Group's crystalline glucose, corn gluten meal and corn gluten feed was adversely affected. The global financial crisis has a negative effect on the export business, which further reduced the Group's profitability. On the other hand, the production cost of the Group rose substantially in the Year which was caused by higher cost of raw materials. Due to the inflationary environment in China in 2008, domestic corn price stayed at a record high level during the first three quarters of 2008 and only started to come down by the end of the Year.

In addition, the Group has made a one-time provision of approximately RMB 19 million in the Year, with reference to the valuation report prepared by a qualified valuer in the PRC, to write down the book value of certain idle production facility in our fermentation plant (2007: Nil). That facility was previously used for the production of glutamic acid. Our research and development team will continue to focus on product development and the Group may re-utilise that idle facility in future if it is economically feasible. The Group considered it was appropriate to make such a provision in the Year in view of the significant fall of petroleum and general commodity prices under the prevailing global financial crisis, which made it more difficult to develop profitable products from the fermentation technology.

Revenue

Revenue of business segments:

	2008 *RMB '000*	2007 *RMB '000*	Increase/ (Decrease) %
Sweetener products			
Crystalline glucose	**1,138,213**	1,109,520	2.6
Crystalline fructose	**3,839**	–	–
Other syrup products	**9,307**	26,316	(64.6)
	1,151,359	1,135,836	1.4
Corn co-products and others			
Corn gluten meal	**256,525**	214,213	19.8
Corn gluten feed	**362,565**	183,313	97.8
Corn germ	**290,229**	206,944	40.2
Corn starch	**180,408**	153,014	17.9
Other by-products	**303,306**	168,936	79.5
	1,393,033	926,420	50.4
	2,544,392	2,062,256	23.4

Sales volume of each key product:

	2008 *Tonnes*	2007 *Tonnes*	Increase/ (Decrease) %
Sweetener products			
Crystalline glucose	**485,975**	481,135	1.0
Crystalline fructose	**426**	–	–
Corn co-products and others			
Corn gluten meal	**59,374**	64,444	(7.9)
Corn gluten feed	**307,788**	201,529	52.7
Corn germ	**77,965**	67,851	14.9
Corn starch	**104,422**	83,296	25.4

Average selling price of each key product:

	2008		2007		Increase/
	VAT-inclusive	**Net of VAT**	VAT-inclusive	Net of VAT	(Decrease)
	RMB /tonne		*RMB /tonne*		%
Sweetener products					
Crystalline glucose	**2,740**	**2,342**	2,698	2,306	1.6
Crystalline fructose	**10,544**	**9,012**	–	–	–
Corn co-products and others					
Corn gluten meal	**5,054**	**4,320**	3,889	3,324	30.0
Corn gluten feed	**1,178**	**1,178**	910	910	29.5
Corn germ	**4,207**	**3,723**	3,447	3,050	22.1
Corn starch	**2,022**	**1,728**	2,149	1,837	(5.9)

In 2008, the Group achieved a revenue of RMB 2.54 billion, representing a rise of approximately 23.4% over 2007. This was generally driven by increases in both sales volume and average selling price of the Group's key products. During the Year, the Group raised the utilisation rate of the corn processing facility to about 75% from 65% in the prior year. As a result, the overall production output increased and a higher volume of products was available to satisfy the market needs. In general, the average selling prices of the Group's key products increased as well. This was contributed by higher corn cost during the Year which pushed up the prices of the end products, on the backdrop of growing demand for the Group's key products which was particularly strong in the first half of 2008.

During the Year, the revenue of sweetener products was approximately RMB 1.15 billion which accounted for 45.3% of the total revenue (2007: 55.1%). Revenue of corn co-products and others was approximately RMB 1.40 billion which was 54.7% of the total revenue (2007: 44.9%).

(1) Sweetener products

1. *Crystalline glucose*

   The demand for the Group's crystalline glucose was affected by the melamine scandal, leading to a drop in its sales volume in the second half of the Year. During the Year, the Group sold approximately 486,000 tonnes of crystalline glucose (2007: approximately 481,000 tonnes).

   The price of crystalline glucose in China followed that of cane sugar, as they were primarily used in sweetener in food and beverages and for fermentation. The price of cane sugar was weak in recent years because of over supply. This continued to suppress the price of crystalline glucose. Therefore, despite China corn price was on the rise in 2008, there was only a slight increment in the price of the Group's crystalline glucose.

2. *Crystalline fructose*

During the Year, the Group has not started the commercial production of crystalline fructose. Rather, the Group mainly focused on research and development and pre-marketing of the product. The Group utilised the production line with an annual capacity of 10,000 tonnes which was initially set up in 2007 for such purposes. A small quantity of crystalline fructose was produced and sold to the potential customers during the Year.

(2) Corn co-products and others

1. *Corn gluten meal and corn gluten feed*

The market demand for corn gluten meal and corn gluten feed was strong during the Year, in particular in the first half of 2008, so their average selling prices were well supported. However, the Group recorded a 7.9% drop in the sales volume of corn gluten meal in the Year because its sales was seriously damaged by the melamine scandal which happened in the fourth quarter of 2008. In October of 2008, it was reported that certain dishonoured merchants artificially added melamine to their corn gluten meal which was subsequently passed to chicken feed and was finally detected in eggs. We believe that without the melamine scandal the demand growth and price performance of our feed products could have been much better.

2. *Corn germ*

The sales volume and average selling price of corn germ in 2008 were higher than that of 2007, as driven by the increasing demand of corn germ for the production of corn oil, in particular in the first half of 2008. In the second half of 2008, the global financial turmoil has caused general commodity prices to fall, including corn oil. Our corn germ was sold at price which was approximately 35% lower in the second half of 2008 as compared to that in the first half.

3. *Corn starch*

Corn starch is an intermediary raw material for the production of the Group's sweetener products. The sales volume of corn starch became larger as the overall output of the Group became larger. Also, the melamine scandal caused a reduction of demand for crystalline glucose in the last quarter of 2008. In view of that, the Group sold more corn starch instead of producing more crystalline glucose.

Revenue of geographical segments:

	2008		2007		Increase/(Decrease)
	RMB '000	*% of total*	*RMB '000*	*% of total*	*%*
The PRC	**2,222,607**	**87.4**	1,809,255	87.7	22.8
Other countries	**321,785**	**12.6**	253,001	12.3	27.2
	2,544,392	**100.0**	2,062,256	100.0	23.4

The Group's revenue from export rose by 27.2% in the Year as compared to 2007, despite the fact that the global financial crisis had damaged the sales performance in the second half of the Year. The products for export included crystalline glucose, corn gluten meal and corn gluten feed, to regions such as Korea, Vietnam, Japan, Indonesia, Switzerland and Germany. Export sales represented approximately 12.6% of the total revenue in 2008 (2007: 12.3%).

The Group focuses on the expansion of the oversea market to widen its customer base, and has put significant resources to encourage export growth. The Group has sales force in Shandong and Hong Kong for managing the sales order from overseas. At the beginning of 2008, the Group further set up a subsidiary company in Korea for trading and marketing of the Group's products over that region.

Cost of sales

Breakdown of cost of goods sold:

	2008	2007	Increase/(Decrease)
	RMB '000	*RMB '000*	*%*
Corn	**1,680,534**	1,162,892	44.5
Other materials	**193,462**	172,582	12.1
Utilities	**238,903**	138,229	72.8
Depreciation	**61,801**	61,911	(0.2)
Labour	**38,285**	29,304	30.6
Others*	**111,614**	33,037	237.8
	2,324,599	1,597,955	45.5

* Others in 2008 included an impairment provision of RMB 19 million for the idle facility previously used for glutamic acid production and an inventory written down to net realisable value of RMB 38 million due to the decline of selling prices of key products, of which RMB 19 million was provided for raw materials (2007: Nil).

The Group's cost of goods sold for the Year amounted to RMB 2.32 billion, an increment of 45.5% from the year before. Basically, it was due to the enlarged overall sales volume of the Group's products, as well as the increase in the unit cost of raw materials and production overheads, in particular, utilities such as steam and electricity in 2008.

Domestic corn price continued to climb since the second quarter of the Year until it started to descend in the late fourth quarter after the harvest season. The average corn cost in 2008 was RMB 1,680 per tonne which soared by approximately 23.5% year-on-year from RMB 1,360 in 2007 (both prices were tax-inclusive). During the Year, the Group processed approximately 1.1 million tonnes of corn (2007: approximately 1.0 million tonnes).

The substantial rise in utilities cost was due to the higher utilisation rate of the Group's production facilities in 2008, including the trial production of our new product crystalline fructose, and also the higher unit costs of electricity and steam.

Gross profit margins of each key product:

	2008	2007	Increase/(Decrease)
	%	%	*Percentage points*
Sweetener products			
Crystalline glucose	**12.7**	23.9	(11.2)
Crystalline fructose	**–**	–	–
Corn co-products and others			
Corn gluten meal	**21.6**	33.2	(11.6)
Corn gluten feed	**13.4**	25.9	(12.5)
Corn germ	**6.8**	28.0	(21.2)
Corn starch	**2.9**	19.3	(16.4)
The Group's overall gross profit margin	**8.6**	22.5	(13.9)

As the increase in selling prices of the Group's key products was insufficient to fully compensate the rise in production cost particularly the corn cost, the gross profit margins of the Group's key products were lower than those in the previous year. The Group's overall gross profit margin for the Year dropped to 8.6% (2007: 22.5%).

While the Group could achieve an overall gross profit margin of 19.0% in the first half of 2008, it was clear that the melamine scandal and the global financial crisis had seriously impacted the Group's profitability in the second half of 2008.

Other income

Other income primarily represented the gains on sales of scrap materials (other than the key products and by-products) and loss on disposal of property, plant and equipment.

Selling and marketing costs

Selling and marketing costs for the Year was approximately RMB 107 million, an increase of 204.6% from the year before. The main reason contributed to the large increase was the rise of transportation expenses in 2008.

In 2008, the Group started to offer more one-stop-shop sales service to certain selected customers in order to enhance their loyalty. Therefore, the Group needed to arrange and pay for the relevant logistics and delivery charges for those selected customers. This, together with the overall increase of both domestic sales and export sales, gave rise to increase in transportation expenses. We expect this practice will continue in the future.

Administrative expenses

The Group's administrative expenses include general administrative overheads such as rental expenses, staff cost for management and non-production related staff, and research and development expenditures, etc. Administrative expenses in 2008 amounted to approximately RMB 64 million, an increase of 94.2% from 2007. During the Year, the Group has increased spending in research and development on new products such as crystalline fructose and semi-alcohol, resulted in a rise in administrative expenses.

Finance income and costs, net

Finance income and cost, net of the Group in the Year was approximately RMB 10 million, up by 143.6% from the previous year. It was contributed by a lower interest expenses and a larger foreign exchange gain in 2008. Interest expenses in 2008 were approximately RMB 53 million (2007: approximately RMB 67 million). During the Year, the London Inter-bank Offered Rate (LIBOR) has declined by more than 60%. Majority of the Group's interest-bearing borrowings was floated with LIBOR. Therefore, the Group's effective annual interest rate reduced to about 5.3% in 2008, compared to 5.7% in 2007.

The Group also recorded a foreign exchange gain of approximately RMB 55 million in 2008 (2007: RMB 35 million). During the Year, the majority of the Group's bank borrowings were denominated in United States dollar ("USD") and Hong Kong dollar ("HKD"). In 2008, RMB to USD appreciated by about 6.88% (2007: 6.90%) and RMB to HKD appreciated by about 6.18% (2007: 7.29%).

Income tax expense

The Group recorded an income tax credit amounted to RMB 3 million in 2008, including current income tax expenses of RMB 4 million (2007: income tax expense of RMB 21 million) and a deferred tax credit of RMB 7 million (2007: Nil) arisen from the impairment charge on property, plant and equipment and inventory written down to net realisable values.

Same as previous years, the Group was only liable to the PRC Corporate Income Tax ("CIT") in the Year. The new standard CIT rate was 25% which has become effective since January 2008 (2007 CIT rate: 33%). The Group has two operating subsidiaries in the PRC and they contributed a substantial portion of revenue and profit to the Group. Both subsidiaries were entitled to CIT tax holiday in the PRC. In 2008, one of these two subsidiaries was fully exempted from CIT (2007: full exemption) while the other was entitled to 50% reduction of the CIT tax rate, i.e. 12.5% (2007: 15%). Therefore, the Group's effective tax rate, before provision of impairment losses, decreased to about 3.6% in 2008 from 5.5% in 2007.

3. Liquidity, capital resources and gearing ratio

	2008	2007
Net current (liabilities) / assets (RMB million)	**(287)**	764
Cash and cash equivalents (RMB million)	**248**	343
Total borrowings (RMB million)	**869**	1,029
Shareholders' equity (RMB million)	**1,368**	1,424
Current ratio	**0.78**	2.51
Gearing ratio*	**0.45**	0.48

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

The Group had net current liabilities of RMB 287 million as at 31 December 2008 (as at 31 December 2007: net current assets of RMB 764 million) and the current ratio declined to 0.78 from 2.51 in 2007. It was due to the increase in current liabilities by RMB 821 million mainly arisen from increase in current portion of bank borrowings. In 2008, certain long term borrowings were reclassified as current portion of bank borrowings according to their maturity terms. In addition, the Group has breached certain financial covenants as at 31 December 2008 as required by the loan agreements of certain USD-denominated bank loans. Accordingly, bank loans of approximately USD 45.5 million (equivalent to approximately RMB 310 million) which was originally scheduled for repayment in 2010, was reclassified as current liabilities as at 31 December 2008 in order to comply with the relevant accounting standards.

As at the date of this announcement, the Group has secured new banking facilities amounted to approximately RMB 960 million from banks in the PRC. In addition, the directors expected that further new banking facilities would be secured in the first half of 2009. While we are in the process of discussion with the relevant lenders to obtain waiver of the above-mentioned breach of financial covenants, the Group is considering to prepay at least a portion of the outstanding USD-denominated bank loans in 2009. We 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.

As at 31 December 2008, the Group's cash and cash equivalents was approximately RMB 248 million (2007: RMB 343 million). During the Year, the Group has net cash generated from operating activities of RMB 268 million (2007: net cash outflow of RMB 124 million) and proceeds from the exercise of share options of RMB 2 million (2007: RMB 5 million). On the other hand, the Group paid approximately RMB 145 million (2007: RMB 283 million) for the acquisition of property, plant and equipment, of which the majority was paid for the construction of the new production line of crystalline fructose, RMB 123 million as the final dividend payment for 2007 (2007: RMB 116 million) and RMB 136 million for the repayment of the bank borrowings (2007: RMB 369 million).

The Group's total borrowings reduced to approximately RMB 869 million as at 31 December 2008 from RMB 1,029 million as at 31 December 2007 as the Group repaid RMB 136 million of the bank borrowings in the Year as mentioned above. Also, borrowings denominated in USD represented approximately 78.8% of the total borrowings outstanding as at 31 December 2008 (2007: 84.7%). During the Year, RMB to USD appreciated by about 6.88% (2007: 6.90%) which reduced the carrying amounts of the Group's borrowings.

Capital investment

The Group's capital investment in 2008 amounted to approximately RMB 252 million (2007: RMB 294 million) mainly for construction of crystalline fructose production facility. Apart from this, there was no other major capital investment during the Year.

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2008 (31 December 2007: Nil).

Foreign exchange risk

The Group's main operation is in China. The functional currency of the Group is RMB (Renminbi). Most of the Group's assets, liabilities, income, payments and cash balances are denominated in RMB, except for the USD loans and HKD loans mentioned above. Therefore, the directors considered that the risk exposure of the Group to foreign exchange rate fluctuation was minimal.

Human resources

The Group had 2,616 employees as at 31 December 2008 (31 December 2007: 2,593 employees). The Group employed more staff in the Year to cope with the expansion of product range and for supervision of quality control.

The Group regularly reviewed the remuneration packages of the directors and employees, with respect to their experience, responsibility, workload and the time devoted. The Group has established a remuneration committee to determine and review the terms of remuneration packages, bonuses and other compensation payable to the directors and senior management. In addition to basic remuneration packages and discretionary bonuses, share options may also be granted based on individual performance.

4. Outlook and development

We expect the weak economic environment to persist in 2009 and there will hardly be a dramatic change in near term. This will probably slow down the demand growth and sales performance of the Group's products.

However, soon after the incident of melamine being detected in food, the Chinese government has imposed a more stringent regulation on violation of food safety. The new mechanism aims to protect public health and to restore customers' confidence towards Chinese products. It is expected many unqualified manufacturers would be shut down and the Group can therefore benefit from reduced competition and restored customers' confidence when the market recovers.

The global financial crisis has caused a significant fall in petroleum price, followed by the drop of many commodity prices including corn. The Group believes that the price trend of corn in China will largely depend on government policy which, on the one hand, is to maintain supply and demand in balance; on the other hand, is to support the income growth of farmers. On average, corn price in China was relatively stable in the first quarter of 2009. We would not expect corn price in China to go up as fast as that occurred in 2008 because of the weakening demand from the industrial sector under the situation of global financial turmoil.

Cane sugar is the mainstream sugar in China for food and beverages and many industrial applications. Cane sugar price was on the downward trend since 2006 due to over-supply. This situation has continued to exert price pressure on the Group's crystalline glucose. The Group addresses the problem by switching part of the crystalline glucose output to new products with distinctive market value. Crystalline fructose and pharmaceutical-grade glucose will be the new products in 2009.

The Group has begun the production of crystalline fructose in the first quarter of 2009, with an annual capacity of 50,000 tonnes. Crystalline fructose is expected to have higher selling prices and profit margin than ordinary sugars because of its functionality and higher sweetness. Currently, it is of limited supply in the world and more found in developed countries. The Group targets to produce about 20,000 tonnes of crystalline fructose in 2009 and about 40,000 tonnes in 2010.

At the beginning of 2009, the Group has started upgrading part of the existing facility to meet the required standards of production of pharmaceutical-grade glucose. The Group expects to begin the production of pharmaceutical-grade glucose in around middle of 2009 with an initial output of about 60,000 tonnes per annum.

The Group would endeavour to control the overall capital expenditure in 2009 to not more than RMB 100 million to be funded by internal resources. This would include the expenditure for developing a new sewage facility for the 50,000 tonnes crystalline fructose line, upgrading existing glucose production plant for the production of pharmaceutical-grade glucose, and making some adjustment on certain fermentation facilities for the production of sodium gluconate. Other than these developments, the Group will have no major capital commitments in the short term.

DIVIDEND

A final dividend in respect of the Year of RMB 0.027 per share (2007: RMB 0.15 per share, in cash) amounting to a total dividend of approximately RMB 22,420,000, which is to be satisfied wholly in the form of an allotment of shares of the Company credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment of shares, was recommended by the Board on 23 April 2009 which is conditional on shareholders' approval at the forthcoming annual general meeting of the Company. Subject to that resolution being passed, the dividend will be paid to shareholders whose names appear on the Company's register of members at the close of business on 26 June 2009.

The payment of scrip dividend is also conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited ("Stock Exchange") granting the listing of and permission to deal in the new shares to be issued under the scrip dividend scheme ("Scrip Dividend Scheme"). The new shares to be issued under the Scrip Dividend Scheme will rank pari passu in all respects with the existing shares of the Company, except that they will not be entitled to the final dividend for the Year. The number of new shares to be allotted to each shareholder will be rounded down to the nearest whole number. Fractional entitlements to new shares in the Scrip Dividend Scheme will not be issued but will be disregarded.

Further details of the Scrip Dividend Scheme will be set out in a circular to shareholders to be dispatched on or about 30 April 2009. Subject to the relevant resolution being passed, it is expected that dealings in the new shares to be issued and allotted under the Scrip Dividend Scheme on the Stock Exchange will commence on or around 9 July 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 24 June 2009 to Friday, 26 June 2009 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch registrar in Hong Kong, Tricor Investor Services Limited at 26th floor, Tesbury Centre, 28 Queen's Road East, Hong Kong no later than 4:30 p.m. on Tuesday, 23 June 2009.

ANNUAL GENERAL MEETING

The 2009 annual general meeting of the Company will be held on Friday, 26 June 2009. A notice convening the annual general meeting will be published on the website of the Stock Exchange (www.hkex.com.hk) and on the "Investor Relations" page on the company's website (www.irasia.com/listco/hk/xiwangsugar). The proxy form together with the annual report will be dispatched to shareholders on or around 30 April 2009.

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 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 throughout the Year.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed with the management and the Company's auditors, Pricewaterhousecoopers, 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.

PUBLICATION OF ANNUAL REPORT

The 2008 annual report will be dispatched to the shareholders and published on the Stock Exchange's (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, 23 April 2009

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

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

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

* *for identification purpose only*