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 2009

2009 RESULTS HIGHLIGHTS

- The Group recorded substantial improvement in financial results in 2009 compared with 2008.

- It was the melamine scandal happened in September 2008 which dampened our performance in 2008 and the first half of 2009.

- The Group's business started to recover since the second quarter of 2009 and there was sustained improvement over the course of the rest of the Year.

- For the Year, the second half's results was significantly better than that of the first half.

- 2009 net profit: RMB 102 million (2008: RMB 64 million)

- 2009 earnings per share: RMB 0.12 (2008: RMB 0.075)

- The Board proposes a final dividend of RMB 0.037 per share (approximately HK$0.04) which will be paid in cash with a scrip dividend alternative. The final dividend represents a payout ratio of approximately 35%.

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 2009 (the "Year") extracted from the audited consolidated financial statements of the Group as set out in the annual report of the Year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December

	Note	**2009** *RMB'000*	2008 *RMB'000*
Turnover	2	**2,480,853**	2,544,392
Cost of goods sold		**(2,164,184)**	(2,324,599)
Impairment loss on property, plant and equipment		**(7,350)**	(18,539)
Provision for inventory written down to net realisable value		**–**	(37,896)
Others		**(2,156,834)**	(2,268,164)
Gross profit		**316,669**	219,793
Other income – net		**1,569**	1,932
Selling and marketing costs		**(97,905)**	(107,282)
Administrative expenses		**(48,145)**	(63,955)
Operating profit		**172,188**	50,488
Interest income		**8,696**	8,999
Finance (costs)/income		**(65,042)**	1,300
Finance (costs)/income – net		**(56,346)**	10,299
Profit before income tax		**115,842**	60,787
Income tax (expense)/credit	3	**(14,323)**	2,862
Profit for the year		**101,519**	63,649
Other comprehensive income for the year, net of tax		**–**	–
Total comprehensive income for the year		**101,519**	63,649
Attributable to:			
Equity holders of the Company		**101,759**	63,778
Minority interest		**(240)**	(129)
		101,519	63,649
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)			
– basic	4	**0.120**	0.075
– diluted	4	**0.120**	0.075
Dividend	5	**35,532**	22,420

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER

	Note	**2009** **RMB'000**	2008 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,577,500**	1,488,214
Land use rights		**244,722**	160,251
Deferred income tax assets		**3,236**	7,054
		1,825,458	1,655,519
Current assets			
Inventories	6	**377,659**	326,483
Trade and other receivables	7	**949,919**	453,172
Current income tax receivable		**–**	5,485
Amounts due from related parties		**79,025**	8,130
Cash and cash equivalents		**777,664**	248,158
		2,184,267	1,041,428
Total assets		**4,009,725**	2,696,947
EQUITY			
Attributable to equity holders of the Company			
Share capital		**87,953**	86,455
Share premium		**24,036**	471,853
Other reserves		**769,916**	247,269
Retained earnings			
– Proposed final dividend	5	**35,532**	22,420
– Others		**554,890**	539,689
		1,472,327	1,367,686
Minority interest		**280**	520
Total equity		**1,472,607**	1,368,206

	Note	**2009** *RMB'000*	2008 *RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**190,000**	–
Current liabilities			
Trade and other payables	8	**402,396**	451,391
Current income tax liabilities		**206**	–
Amounts due to related parties		**4,352**	7,940
Borrowings		**1,939,122**	869,410
Derivative financial instruments		**1,042**	–
		2,347,118	1,328,741
Total liabilities		**2,537,118**	1,328,741
Total equity and liabilities		**4,009,725**	2,696,947
Net current liabilities		**162,851**	287,313
Total assets less current liabilities		**1,662,607**	1,368,206

NOTES:

1. Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments).

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 2009, the Group reported net current liabilities of approximately RMB 162,851,000 (2008: RMB287,313,000). Subsequent to 2009 on 18 January 2010, the Company obtained additional funding through a share placement with certain institutional investors in the amount of HK$292 million (equivalent to approximately RMB 257 million). In addition, the Group had obtained long-term bank borrowing facilities, amounting to US$ 40,000,000 (equivalent to approximately RMB 272 million) for replacing its existing short-term bank borrowings. Taking into account the above measurements, 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 2009. As a result, the directors consider that it is appropriate to present the 2009 financial statements on a going concern basis.

Certain new standards, amendments and interpretation to exiting standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2010. The Group has not early adopted such standards and interpretations, the adoption of which will not result in significant impact on the Group's consolidated financial statements.

2. Segment information

The chief operating decision-maker has been identified as the chief executive officer. The chief executive officer reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The chief executive officer assesses the performance of the operating segments based on a measure of operating profit. This measurement basis excludes the effects of non-recurring expenditure from the operating segments, such as restructuring costs, legal expenses and impairments when the impairment is the result of an isolated, non-recurring event. Interest income and expenditure are not included in the result for each operating segment that is reviewed by the chief executive officer. Other information provided to the chief executive officer is measured in a manner consistent with that in the financial statements.

The turnover of the Group represents sales of goods.

Year ended 31 December 2009

	Note	Starch sugars	Corn co-products and others	Group
		RMB'000	*RMB'000*	*RMB'000*
Gross segment sales		**1,114,851**	**1,464,857**	**2,579,708**
Inter-segment sales		**–**	**(98,855)**	**(98,855)**
Sales from external customers		**1,114,851**	**1,366,002**	**2,480,853**
Operating profit/Segment results		**106,996**	**65,192**	**172,188**
Finance income – net				**(56,346)**
Profit before income tax				**115,842**
Income tax expense	3			**(14,323)**
Profit for the year				**101,519**
Capital expenditure		**152,829**	**116,207**	**269,036**
Depreciation		**50,141**	**29,469**	**79,610**
Amortisation		**3,039**	**791**	**3,830**
Impairment loss on property, plant and equipment		**–**	**7,350**	**7,350**

Year ended 31 December 2008

	Note	Starch sugars *RMB'000*	Corn co-products and others *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 from external customers		1,151,359	1,393,033	2,544,392
Operating profit/Segment results		39,767	10,721	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
Capital expenditure		216,663	35,376	252,039
Depreciation		40,959	39,296	80,255
Amortisation		3,039	406	3,445
Write-down of inventories to net realisable value		8,432	29,464	37,896
Impairment loss on property, plant and equipment		–	18,539	18,539

Total revenue derived from external customers in the People's Republic of China ("PRC") is RMB 2,177,903,000 for the year ended 31 December 2009 (2008: RMB 2,222,607,000), and the total of revenue derived from external customers from other countries is RMB 302,950,000 (2008: RMB 321,785,000).

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

Because the chief executive officer reviews the financial position of the Group as a whole, no segment assets/liabilities were disclosed.

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

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 2009 (2008: 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 2009 (2008: Nil).

Pursuant to the PRC Corporate Income Tax ("CIT"), all PRC enterprises are subject to a standard enterprise income tax rate of 25%, except for enterprises under specific preferential policies and provisions. 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 both Xiwang Sugar and Xiwang Technology in 2009 was 12.5% (2008: 12.5% for Xiwang Sugar and Nil for Xiwang Technology). The applicable tax rate of Shandong Xiwang Functional Sugar Company Limited in 2009 was 25%.

In addition, according to Zouguoshuihan (2007) No. 66 issued by the National Tax Bureau of Zouping County, Xiwang Technology was approved to be exempted from corporate income tax amounting to maximum RMB 41,121,000 for 7 years in aggregate, starting from 2007. The concession was granted because of Xiwang Technology's purchase of domestically manufactured equipment.

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

	2009 ***RMB'000***	2008 *RMB'000*
Current tax		
– PRC corporate income tax	**10,505**	4,192
Deferred tax		
– Reversal/(origination) of deferred tax assets recognised on originating temporary differences	**3,818**	(7,054)
Income tax expense/(credit)	**14,323**	(2,862)

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:

	2009	2008
	RMB'000	*RMB'000*
Profit before tax	**115,842**	60,787
Calculated at applicable tax rate of 25% (2008: 25%)	**28,961**	15,197
Effect of tax preferential treatment	**(19,398)**	(18,059)
Adjustment in respect of prior years	**4,760**	–
Income tax expense/(credit)	**14,323**	(2,862)

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. The new shares issued during 2009 as a result of the scrip dividend were deemed to have been issued since 1 January 2008.

	2009	2008
		(restated)
Profit attributable to the equity holders of the Company *(RMB'000)*	**101,759**	63,778
Weighted average number of ordinary shares in issue *(thousands)*	**847,376**	847,369
Basic earnings per share *(RMB per share)*	**0.120**	0.075

(b) Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of share options. For the share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the issued share options.

	2009	2008 (restated)
Profit attributable to the equity holders of the Company *(RMB'000)*	**101,759**	63,778
Weighted average number of ordinary shares in issue *(thousands)*	**847,376**	847,369
Adjustments for share options *(thousands)*	**1,214**	–
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**848,590**	847,369
Diluted earnings per share *(RMB per share)*	**0.120**	0.075

5. Dividend

The dividend in respect of the year ended 31 December 2008 was RMB 0.027 per share or RMB 22,420,000 in aggregate. It was satisfied by allotment of new ordinary shares of the Company, credited as fully paid, by way of scrip dividend, at HK$25,741,000 or RMB 22,652,000 translated at the exchange rate prevailing at the actual payment date.

At a board of directors meeting held on 13 April 2010, the directors of the Company proposed a final dividend of RMB 0.037 per share, which will be paid in cash with a scrip dividend alternative. Such dividend is to be approved by the shareholders at the forthcoming annual general meeting of the Company to be held on 3 June 2010. 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 2010.

The amount of proposed final dividend for 2009 was based on 967,376,406 shares in issue as at the date of this report.

6. Inventories

	2009	2008
	RMB'000	*RMB'000*
Raw materials	**250,426**	199,173
Work in progress	**63,668**	44,530
Finished goods	**63,565**	82,780
	377,659	326,483

The cost of inventories recognised as expenses and included in cost of goods sold amounted to approximately RMB 2,156,834,000 for the year ended 31 December 2009 (2008: RMB 2,306,060,000).

During the year ended 31 December 2009, the provision for net realisable value amounting to RMB 37,896,000 set up in 2008 had been offset against the gross costs of the related inventory items when these items were sold.

7. Trade and other receivables

		2009	2008
	Note	***RMB'000***	*RMB'000*
Trade receivables			
– gross and net	(a)	**178,629**	135,819
Bills receivable	(b)	**393,330**	205,964
Advance to suppliers	(c)	**355,570**	75,067
Other receivables		**22,390**	36,322
		949,919	453,172

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

(b) Bills 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) Such advance payments were made by the Group in order to ensure stable supplies of corn kernels and electricity and steam at more favourable price.

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

	2009	2008
	RMB'000	*RMB'000*
0 -30 days	**93,015**	65,273
31-60 days	**34,550**	9,102
61-90 days	**31,177**	19,865
Over 90 days	**19,887**	41,579
	178,629	135,819

Trade receivables that are less than three months past due are not considered impaired. As at 31 December 2009, 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:

	2009	2008
	RMB'000	*RMB'000*
RMB	**864,531**	441,013
US$	**82,781**	11,666
HK$	**2,381**	346
WON	**226**	147
	949,919	453,172

As at 31 December 2009 and 2008, the fair values of trade and other receivables of the Group approximate to their carrying amounts. The maximum exposure to credit risk at the reporting date is the fair value of the receivable balances mentioned above. The Group does not hold any collateral as security.

8. Trade and other payables

	2009	2008
	RMB'000	*RMB'000*
Trade payables	**135,689**	200,648
Other payables	**224,961**	236,039
Other taxes payables	**4,188**	2,163
Deposits and advance from customers	**37,558**	12,541
	402,396	451,391

An ageing analysis of the trade payables is as follows:

	2009	2008
	RMB'000	*RMB'000*
0 – 30 days	**97,488**	95,172
31 – 60 days	**2,531**	26,398
61 – 90 days	**11,567**	36,324
Over 90 days	**24,103**	42,754
	135,689	200,648

Approximately RMB 176,562,000 (2008: RMB 206,323,000) of other payables as at 31 December 2009 represents payables for purchases of property, plant and equipment in relation to the construction of the new fructose plant and the new oligosaccharide production line of the Group.

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

CHAIRMAN'S STATEMENT

On the cover of the September 12, 2008 newspaper was a sorrowful picture: hundreds of worried mothers holding their babies rushing to hospitals, after their children were fed with melamine-contaminated milk powder. Melamine was a chemical harmful to human beings, but the dishonest merchants added it to dairy products to counterfeit the high protein content. The incident severely dampened the whole food chain in China, and spread also to contaminate animal feeds. As our products are the major ingredients to these products, the business performance of the Group's products in 2008 and the first half of 2009 was significantly impaired. Since the incident, the government of China has taken significant steps to remedy the situation. We saw both the PRC and overseas customers gradually regained their confidence in the PRC-made food products.

The market of crystalline glucose in China underwent structural changes. Since the melamine incident, the government adopted policy to prohibit substandard food manufacturers from operations, and subsequently a number of small scale glucose producers faced operation difficulties and left the industry. On the other hand, the demand for crystalline glucose continued to rise, largely driven by food and pharmaceutical sectors under the backdrop of rising living standards and huge population in China. Because of the tight supply of glucose in China, the Group continually increased its selling price in 2009. This was unlike the situation in the previous two years where oversupply limited the room for price adjustment. The increase in the selling price for our crystalline glucose, coupled with the solid recovery of the sales performance of our products since the second quarter of 2009, resulted in sustained improvement of our business performance throughout the course of the Year. The Group recorded a revenue of approximately RMB 2.48 billion and a profit attributable to shareholders of approximately RMB 102 million in 2009.

The Board has recommended a final dividend of the Year of RMB 0.037 per share which was equivalent to a payout ratio of approximately 35% of the profit attributable to shareholders. The dividend will be elected by shareholders to be received wholly or partly in the form of cash or scrip dividend (in lieu of cash payment) to allow for more flexibility. With respect to the payout ratio, the Group has been able to maintain a stable dividend policy since its listing and the 2009 payout ratio was consistent with our historical practices.

The financial turmoil caused severe impact to the credit and loan industry. Many global financial institutions ran short of liquidity, and almost all fund raising activities were frozen by that time. Despite the difficulties in obtaining financing outside China, the Group was capable to obtain a considerable amount of borrowings in China to support the expansion plans for its new products. It was a usual practice that bank loans in China were short-term borrowings to be renewable at maturities. This, coupled with the Group's reliance on the debt market for its capital expenditure since its listing, the gearing level rose to approximately 92% at the end of 2009. In view of this, the Group decided to diversify its funding channel to the equity market. The first step was the top-up placing of the Company's shares which was successfully completed in January 2010. The Group also strived to reduce the amount of borrowings by refinancing and replacing short-term loans with long-term ones. Long-term bank loans were established in 2010, including a seven-year loan with International Finance Corporation in March 2010. It is expected the gearing level will be reduced to around 60% or lower by the end of 2010. The Group will continue to explore different ways in order to lower the gearing to a reasonable level in the near future.

Through years of endeavors, the Group has established a strong foundation and attained a leadership position in the starch sugar industry in China. The Group has set up fully-integrated production facilities to realise circular economy. The Group also has a strong research and development team for new products development. With the mission of enhancing the healthiness and qualities of lives of human-beings, our goal is to become the leading and most popular provider of functional starch sugars, and integrate them to become part of the modern lifestyle. Currently the Group is the largest producer of crystalline glucose and crystalline fructose in China. To enhance the revenue base, the Group has started the production of sodium gluconate and become the largest manufacturer in 2009. In China, in view of the rising disposable income and the rapid development of medical reform by the government, it is expected that the food and pharmaceutical industries will continue to grow at double-digit rates in the foreseeable years. As our products serve as functional ingredients for these industries, we believe the organic growth of the Group will be firmly supported.

Since our establishment in 2001, we have always received strong support from the Shandong Provincial Government which is instrumental for achieving and maintaining our leadership position in the starch sugars industry. Looking ahead, sustainable development will be an important subject on the government's agenda under rapid economic growth. With the initiatives of promoting ecological concepts and maintaining healthy development of agro-processing sectors, the National Development and Reform Commission published the "Yellow River Delta Efficient Eco-Economic Zone Development Plan" in December 2009, specifying that individual enterprises have to be truly responsible members paying close attention to their resource management and environmental protection. Pilot projects have been started in Shandong, and Xiwang Industrial Area was quoted as a circular economy demonstration area. The status reflected our strong commitment to high-efficiency, low-consumption and low-emission and encouraged our shared efforts for building economic prosperity and improving the lives of residence.

The Group focuses on enhancing modern lifestyle while at the same time showing care for the environment and the social communities. We will continue our efforts in creating healthy and functional products. We are dedicated to bringing Xiwang's spirits of "Health, Integrity, Vision and Happiness" into reality.

WANG YONG
Chairman

13 April 2010

MANAGEMENT DISCUSSION & ANALYSIS

1. Company Overview

Xiwang Sugar Holdings Company Limited and its subsidiaries are principally engaged in the production of a variety of starch sugars and corn co-products, and the distribution and sales of such products within and outside of the People's Republic of China (the "PRC"). Our products are the important ingredients for numerous industries in the world, including food and beverages, fermentation, pharmaceuticals, chemicals and animal nutrition.

The Group was established in 2001 and our headquarters is located in the Zouping County of Shandong Province in the PRC. The Group's production plants are fully integrated, which promotes the efficient use of resource and greatly enhances our ability of lengthening the value chain. The Group commits to high environmental standards. We have been accredited as the National Environmental Friendly Corporation by the Ministry of Environmental Protection of the PRC since 2005. The Group's Industrial Area is quoted as the circular economy demonstration area in the "Yellow River Delta Efficient Eco-Economic Zone Development Plan" published by the National Development and Reform Commission of the PRC in 2009.

With the mission to enhance modern living and healthy lifestyle, our strategy is to develop and provide functional starch sugars and to maintain the leadership position in the industry. Currently, the Group is the largest producer of crystalline glucose in the PRC with an annual capacity of 800,000 tonnes. In addition, the Group is the pioneer and the largest provider of crystalline fructose in the PRC with an annual capacity of 50,000 tonnes. The Group has made relentless efforts and will continue to increase the diversity of high value products. In this regard, the Group is awarded as the "Town of Sugar in China" by the China National Food Industry Association and the "Number 1 of the Top 20 Enterprises in the Starch Sugar Industry" by the China Fermentation Industry Association.

Segment Descriptions:

The Group is organized on a national basis in the PRC with two main operating segments:

(1) Starch sugars (named as "sweetener products" in previous reporting) which include crystalline glucose, crystalline fructose and fructose-glucose syrup.

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

Crystalline glucose, or dextrose monohydrate, is a white, fine-crystalline powder with sweet flavor. It is an important ingredient in many applications. Glucose is a sweetener widely used in a variety of food and beverages. Glucose is a good fermentation substrate for enzymes and it is used industrially for the production of amino acids, alcohols and other fermented goods. Due to its monosaccharide nature, glucose can be easily assimilated by human bodies. It can be used for direct transfusion (injection) or to develop a variety of other pharmaceutical and chemical products.

Crystalline fructose is a white, fine-crystalline powder. Its sweetness is about 80% higher than cane sugar. Because of the higher sweetness, less amount is required to produce the same level of sweetness, resulting in fewer calories intake. Fructose is recommended for use by diabetics because its Glycemic Index of 19 (which measures the rate of increase in blood glucose after a meal) is the lowest among natural sugars, compared with 68 for cane sugar and 60 for high fructose corn syrup.

Fructose-glucose syrup (or High Fructose Corn Syrup, HFCS) is a syrup of roughly the same amount of fructose and glucose. Fructose-glucose syrup is mainly used as a sweetener for beverages as a substitute to cane sugar. Therefore, its value is limited and it is not the Group's major product. The Group produces fructose-glucose syrup using the syrup left after the production of crystalline fructose.

Corn gluten meal contains a high proportion of protein which is used for promoting animal growth. Corn gluten feed also contains protein and fiber, which serves to provide additional nutrients to animals. Both corn gluten meal and corn gluten feed are sold to animal feed manufacturers to produce compound feed products.

Corn germ is a source for producing corn oil. The Group sells corn germ to Xiwang Food Company Limited (a connected company owned by the Group's ultimate controlling shareholder) to produce edible corn oil.

Corn starch is principally used internally for the production of the Group's starch sugars products. The surplus will be sold to the food or paper manufacturers.

Sodium gluconate is largely used to lengthen the solidification process of cement for the construction industry. The Group started to produce sodium gluconate in its fermentation facility in 2009 with an annual capacity of 100,000 tonnes.

2. Review of operating and financial results

The Group reported a revenue of approximately Renminbi ("RMB") 2.48 billion for the year ended 31 December 2009 and a net profit of approximately RMB 102 million representing an increase of about 59.5% compared with the corresponding period in 2008. In the first half of 2009, the sales performance of the Group continued to suffer from the adverse impact brought by the melamine scandal which broke out in September 2008. The detection of melamine in dairy products and animal feeds has severely dampened the food chain in China. As our major products are the major ingredients to these products, the business performance of the Group was negatively affected. As a result of the various policies and regulations adopted by the government of the PRC since the incident, the market stabilized and a majority of members of the public regained confidence in the PRC-made food products. The Group's business started to recover since the second quarter of 2009 and there was sustained improvement over the course of the rest of the Year. Also, the Group launched several new products in the Year and they contributed to the performance of the Group. Therefore, the financial results of 2009 of the Group have shown significant improvement over the previous year.

Revenue

Revenue by operating segments:

For the year ended	**2009** ***RMB'000***	2008 *RMB'000*	Increase/ (Decrease) %
Starch sugars			
Crystalline glucose	**1,049,634**	1,138,213	(7.8)
Crystalline fructose	**5,908**	3,839	53.9
Fructose-glucose syrup	**59,309**	9,307	537.3
	1,114,851	1,151,359	(3.2)
Corn co-products and others			
Corn gluten meal	**254,874**	256,525	(0.6)
Corn gluten feed	**216,804**	362,565	(40.2)
Corn germ	**233,353**	290,229	(19.6)
Corn starch	**348,936**	180,408	93.4
Sodium gluconate	**185,916**	–	100.0
Others	**126,119**	303,306	(58.4)
	1,366,002	1,393,033	(1.9)
	2,480,853	2,544,392	(2.5)

Sales volumes of key products:

	2009 *Tonnes*	2008 *Tonnes*	Increase/ (Decrease) %
Starch sugars			
Crystalline glucose	**442,583**	485,975	(8.9)
Crystalline fructose	**809**	426	89.9
Fructose-glucose syrup	**33,791**	5,646	498.5
Corn co-products and others			
Corn gluten meal	**62,229**	59,374	4.8
Corn gluten feed	**204,725**	307,788	(33.5)
Corn germ	**88,474**	77,965	13.5
Corn starch	**204,342**	104,422	95.7
Sodium gluconate	**48,749**	–	–

Average selling prices of key products:

	2009 *RMB/tonne*		2008 *RMB/tonne*		Increase/ (Decrease)
	VAT-inclusive	**Net of VAT**	VAT-inclusive	Net of VAT	%
Starch sugars					
Crystalline glucose	**2,775**	**2,372**	2,740	2,342	1.3
Crystalline fructose	**8,543**	**7,302**	10,544	9,012	(19.0)
Fructose-glucose syrup	**2,053**	**1,755**	1,928	1,648	6.5
Corn co-products and others					
Corn gluten meal	**4,792**	**4,096**	5,054	4,320	(5.2)
Corn gluten feed	**1,059**	**1,059**	1,178	1,178	(10.1)
Corn germ	**2,981**	**2,638**	4,207	3,723	(29.1)
Corn starch	**1,998**	**1,708**	2,022	1,728	(1.2)
Sodium gluconate	**4,462**	**3,814**	–	–	–

In 2009, the Group reported a revenue of approximately RMB 2.48 billion which declined by 2.5% from 2008. The Group only recorded a revenue of RMB 1.03 billion in the first half of the Year because of the impact of the melamine scandal. As the business environment gradually improved, the sales performance of the Group's key products improved significantly in the second half of the Year.

The revenue of starch sugars was approximately RMB 1,115 million which accounted for 44.9% the total revenue (2008: 45.3%). Revenue of corn co-products and others was approximately RMB 1,366 million which was 55.1% of the total revenue (2008: 54.7%). Among the Group's products, crystalline glucose remained to contribute the largest portion of the total revenue, which accounted for approximately 42.3% (2008: 44.7%).

(1) Starch sugars

1. Crystalline glucose

Apparently, the sales volume of crystalline glucose in 2009 was lower than that in 2008. It was because the Group started to produce sodium gluconate in 2009 which consumed approximately 66,000 tonnes of glucose as raw material. Taking into account this portion, the Group has a higher output of crystalline glucose in the Year compared with the prior year.

In the first half of the Year, the Group upgraded the facilities of our glucose plant for the production of pharmaceutical-grade glucose, leading to a lower utilization rate. As the upgrading of the facilities was completed by the middle of the Year, the utilization rate of the plant was brought back to a normal level in the second half.

For year-on-year comparison, there was no significant difference in the average selling price of crystalline glucose. In fact, the second half of the Year's average was about RMB 2,970 per tonne compared with the average of the first half of the Year of about RMB 2,540. The reason for the increase was that the adverse impact of the melamine incident faded out and there was a strong demand for crystalline glucose in various application sectors.

2. Crystalline fructose

The Group commenced commercial production of crystalline fructose in the fourth quarter of 2009. The sales volume was insignificant since the utilization rate of the plant was low during the initial period. In 2008, the sales volume and average selling price only represented the sample sales of crystalline fructose in the pre-commercial production stage.

3. Fructose-glucose syrup

The sales volume of fructose-glucose syrup rose sharply in 2009. It was because the Group started crystalline fructose production in the Year and the Group produced fructose-glucose syrup from the remaining syrup from fructose production. They were sold to satisfy the demand of food and beverages customers.

(2) Corn co-products and others

1. *Corn gluten meal*

   The sales volume of corn gluten meal increased by 4.8% in 2009 compared with 2008 because of the growing demand for animal feed. The fact that sales volume of corn gluten meal in the second half of 2009 was stronger than that in the first half (2H 2009: about 36,100 tonnes vs. 1H 2009: about 26,100 tonnes) reflected the market acceptance of domestically made feed products after the melamine incident.

   While the average selling price decreased by 5.2% year-on-year, the average price in the second half of 2009 was about RMB 4,910 per tonne, higher than the first half of the Year of about RMB 4,620 per tonne due to the same reason as mentioned above.

2. *Corn gluten feed*

   The sales volume of corn gluten feed declined in the Year compared with the prior year. The category of corn gluten feed included the amount of corn germ meal the Group produced in 2008 which was ceased in 2009. On the other hand, the sales performance of corn gluten feed was also affected by the melamine scandal since it was also a protein-containing product.

3. *Corn germ*

   The sales volume rose in the Year compared with 2008 as driven by the growing demand for corn oil. However, the average selling price of it was lower in 2009 due to a drop in the price of corn oil after the financial crisis.

4. *Corn starch*

   The sales volume of corn starch increased significantly since our glucose plant was under modification in the first half of 2009, a smaller amount of it was used for our crystalline glucose production, resulting in its higher direct sales. The price of corn starch was relatively stable in 2009 and 2008 as the demand for it in the paper, textiles and modified starch industries was also relatively stable.

5. *Sodium gluconate*

   The Group began the production of sodium gluconate from its fermentation plant in the first quarter 2009 and reached full utilization by the middle of the Year. In China, the demand for sodium gluconate was strong due to the massive construction plans under rapid economic development. Therefore, the selling price was relatively stable.

Revenue by geographical segments:

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

	2009		2008		Increase/ (Decrease)
	RMB'000	***% of total***	*RMB'000*	*% of total*	%
The PRC	**2,177,903**	**87.8**	2,222,607	87.4	(2.0)
Other countries	**302,950**	**12.2**	321,785	12.6	(5.9)
	2,480,853	**100.0**	2,544,392	100.0	(2.5)

A majority of 87.8% of the Group's revenue was generated within the PRC in 2009 (2008: 87.4%), while the rest was from the sales to overseas customers. The Group's revenue from export dropped by 5.9% in the Year compared with 2008. It was mainly due to the global financial crisis and melamine scandal where overseas countries significantly reduced the imports of the PRC-produced food and feed products in the first half of the Year. The situation was eased in the second half of the Year. During the Year, the Group exported crystalline glucose, corn gluten meal, corn gluten feed and sodium gluconate to countries including Switzerland, Japan, Korea, Indonesia and Australia.

Cost of Sales

The breakdown of cost of goods sold was as followed:

	2009	2008	Increase/ (Decrease)
	RMB'000	*RMB'000*	%
Corn	**1,635,873**	1,680,534	(2.7)
Other raw materials	**98,588**	193,462	(49.0)
Utilities	**268,151**	238,903	12.2
Depreciation	**79,613**	61,801	28.8
Labour	**39,966**	38,285	4.4
Others	**41,993**	111,614	(62.4)
	2,164,184	2,324,599	(6.9)

The Group's cost of goods sold for the Year amounted to RMB 2,164 million, approximately 6.9% less than the same period of 2008. It was mainly due to a reduction of corn and other raw materials costs.

During the Year, the Group had a corn processing volume of approximately 1.15 million tonnes (2008: approximately 1.13 million tonnes) and the average corn cost of approximately RMB 1,600 per tonne which was lower than in the previous year of RMB 1,680 per tonne (both prices were tax inclusive). Corn price in China dropped significantly after the global financial crisis, so the Group has a lower corn production cost of RMB 1,520 per tonne in the first half of the Year. Corn price started to climb up steadily since the second quarter of the Year.

Other materials consist of packaging materials and raw materials other than corn. Other materials cost reduced significantly during the Year as the Group no longer produced corn germ meal in 2009 so no corn germ dreg was purchased for its production.

Utilities cost in the Year was higher than in the year before. It was because of the launch of new products sodium gluconate and crystalline fructose in 2009 which consumed a larger amount of energy during the course of production.

The Group incurred higher depreciation expenses in the Year as certain new plants commenced production. The fermentation plant for sodium gluconate commenced production in first quarter of the Year and the fructose plant in the fourth quarter of the Year.

Other costs included the costs of repair and maintenance, water treatment cost and provision, if any. In 2008, there was a one-time impairment provision for certain facility of RMB 19 million, and also an inventory write-down of RMB 38 million. In 2009, impairment provision for certain facility amounted to RMB 7.4 million and there was no inventory write-down. On the other hand, repair and maintenance and water treatment costs were kept relatively stable over the last two years.

Gross profit margins of key products

	2009 %	2008 %	Increase/ (Decrease) Percentage points
Starch sugars			
Crystalline glucose	**16.6**	12.7	3.9
Crystalline fructose	**33.4**	–	–
Fructose-glucose syrup	**16.7**	–	–
Corn co-products and others			
Corn gluten meal	**5.0**	21.6	(16.6)
Corn gluten feed	**14.8**	13.4	1.4
Corn germ	**5.3**	6.8	(1.5)
Corn starch	**9.3**	2.9	6.4
Sodium gluconate	**15.1**	–	–
The Group's overall gross profit margin	**12.8**	8.6	4.2

In general, the Group's products have better gross profit margins in the second half of the Year due to higher selling prices. Accordingly, the Group's overall gross profit margin rose from 7.3% in the first half to approximately 16.0% in the second half of the Year. The Group's overall gross profit margin was 12.8% for 2009 (2008: 8.6%).

Other income

Other income primarily represented the gains on sales of scrap materials (i.e. other than the Group's key products).

Selling and marketing costs

Selling and marketing costs consisted of mainly transportation expenses and incentives for sales staff. Selling and marketing costs reduced in the Year by 8.7%, amounting to approximately RMB 98 million, as a result of the overall lower sales and the significant reduction in the transportation costs and commissions for staff.

Administrative expenses

The Group's administrative expenses included 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 2009 amounted to approximately RMB 48 million, compared with RMB 64 million in 2008. The reason of the reduction was that certain new products such as crystalline fructose and sodium gluconate were in their research stage in 2008, the related staff and overhead costs were included in the administrative expenses. As these products migrated to commercial production in 2009, these costs were reflected in the cost of sales.

Finance income and cost, net

The finance cost of the Group comprised of interest expense and foreign exchange effect. The net finance cost of the Group was approximately RMB 56 million in the Year, compared with a net finance income of RMB 10 million in the prior year.

Interest expense in 2009 increased to approximately RMB 78 million from RMB 53 million in 2008 as the Group obtained a larger amount of bank borrowings. The Group's effective annual interest rate was about 5.2% in 2009, compared with 4.8% in 2008.

The Group recorded a net foreign exchange loss of approximately RMB 3 million in 2009 in contrast to a net foreign exchange gain of approximately RMB 55 million in 2008. It was mainly due to a large reduction of United States Dollars ("USD") denominated borrowings of approximately 14.3% of the total borrowings in the Year (2008: USD loans accounted for approximately 78.8% of the total borrowings), and the Group suffered from the exchange loss from the export sales which were mostly denominated in USD.

Income tax expense

The Group income tax expense was approximately RMB 14 million in 2009 (2008: Nil). The Group was liable to the PRC Corporate Income Tax ("CIT") in the Year. The Group has two main operating subsidiaries in the PRC and they contributed to a substantial portion of revenue and profit. In 2009, both subsidiaries were entitled to 50% reduction of the standard CIT rate of 25%, i.e. 12.5%. The Group's effective tax rate was 12.4% in 2009 (2008: 3.6% before provision).

3. Liquidity, capital resources and gearing ratio

	31 December 2009	31 December 2008
Cash and cash equivalents	**778**	248
Total borrowings	**2,129**	869
Net current liabilities	**163**	287
Total equity	**1,473**	1,368
Current ratio [1]	**0.93**	0.78
Gearing ratio [2]	**0.92**	0.45

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

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

The Group's cash and cash equivalents at 31 December 2009 amounted to approximately RMB 778 million (31 December 2008: RMB 248 million). During the Year, the Group had net cash outflow from operating activities of RMB 458 million (2008: net cash inflow of RMB 268 million). The Group built a higher level of corn inventory to meet raw material needs due to expanded product mix and to better manage the risk of possible fluctuation in corn price. Also, the Group has a larger sales volume in relation to the new products giving rise to a larger receivables amount. The Group has net cash used in investing activities of RMB 272 million in 2009 (2008: RMB 136 million), of which RMB 283 million was payments for acquisition of land use rights, property and equipment, including construction of the fructose plant and the related facilities, construction of the oligosaccharide production line, upgrading of the glucose plant for pharmaceutical-grade glucose and acquisition of certain land use rights for expanding the corn storage capacity. The Group has net cash generated from financing activities of RMB 1,260 million in 2009 (2008: RMB 227 million) arisen from the newly obtained bank borrowings.

Total borrowings of the Group increased from RMB 869 million at 31 December 2008 to RMB 2,129 million at 31 December 2009. The outbreak of the global financial crisis in 2008 led to significant credit crunch of most of the financial institutions, so the Group obtained a considerable amount of bank loans in China. The significant increase in the Group's bank borrowings increased the gearing ratio to 0.92 at the end of 2009.

It was a usual practice of bank loans obtained in China to be short-term loans to be renewable at time of maturities. This led to a net current liabilities position of the Group at 31 December 2008. However, the Group was able to obtain a certain amount of long-term borrowings in China to finance its business expansion in 2009, resulting in the improvement of net current liabilities of RMB 163 million and the current ratio to 0.93 at 31 December 2009.

Subsequent to the financial year end date of 2009, the Group completed the top-up placing of the shares of the Company in January 2010. In addition, the Group established long-term bank loans including one seven-year loan with International Finance Corporation in March 2010 to refinance and replace part of the short-term borrowings. The Group will continue to explore different ways to continue to enhance its financial strength and optimize its financial structure.

Capital investment

The Group's capital investment in 2009 amounted to approximately RMB 269 million (2008: RMB 252 million) mainly for construction of the fructose plant and the related facilities, construction of the oligosaccharide production line, upgrading of the glucose plant for the production of pharmaceutical-grade glucose, and acquisition of certain land use rights for increasing the capacity of corn storage.

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2009 (as at 31 December 2008: Nil).

Foreign exchange risk

The Group's main operation is in China. The functional currency of the Group is RMB. Most of the Group's assets, liabilities, income, payments and cash balances are denominated in RMB, with a minor portion of sales from export and bank loans denominated in USD. Therefore the directors of the Company considered that the risk exposure of the Group to foreign exchange rate fluctuation was minimal.

Human resources

The Group had 3,004 employees as at 31 December 2009 (31 December 2008: 2,616 employees) The Group regularly reviewed the remuneration packages of the directors and employees, with respect to their experience, responsibilities, workload to the Group's business. The Group has established a remuneration committee to determine and review the terms of remuneration packages, bonuses and other compensation payable to the directors and senior management. In addition to basic remuneration packages and discretionary bonuses, share options may also be granted based on individual performance.

4. **Outlook and Development**

As the business environment continued to improve with solid recovery in 2009, the utilisation rate of our production plants and profit margins of the products have returned to normal level by the end of 2009.

Domestic corn processing sector has been under steady and well-regulated development, after the National Reform and Development Committee adopted policy to restrict aggressive investment in September 2007. The policy effectively restricted additional corn processing capacities since then. On the other hand, the goal of the PRC government was to maintain sufficient supply of corn. Government auctions and national reserve aimed to provide incentives for farmers to grow corn. In this way, we are willing to see corn price to move upward in a gentle pace such that it would be more favorable for Group to obtain sufficient raw materials.

With the mission of enhancing healthy lifestyle and the living standards of human beings, the Group focuses on the development of functional starch sugars. The Group is successful in increasing the diversity of functional starch sugars products not limited to crystalline glucose, but also crystalline fructose and pharmaceutical-grade glucose. The Group is developing oligosaccharide which is a direct consumable sugar to enhance the function of human digestive system. With the continued strong demand from the food and pharmaceutical sectors in China, we expect the Group's products to have positive outlook and will generate firm support to our organic growth in the longer term.

DIVIDEND

The Board recommends the payment of a final dividend of RMB 0.037 per share (2008: RMB 0.027 per share) of the Company to those shareholders whose names shall appear on the Register of Members of the Company on 3 June 2010. Subject to shareholders' approval at the forthcoming annual general meeting of the Company, the final dividend will be payable on or about 8 July 2010.

The final dividend will be payable in cash but entitled shareholders of the Company will be given the option of electing to receive the final dividend in the form of new shares of the Company, credited as fully paid, in lieu of cash in respect of part or all of such dividend. The new shares to be issued pursuant to the scrip dividend scheme are subject to their listing being granted by the Listing Committee of The Stock Exchange of Hong Kong Limited ("Stock Exchange").

A circular containing details of the scrip dividend scheme will be dispatched to shareholders together with the form of election for scrip dividend on or about 10 June 2010. It is expected that the final dividend warrants and share certificates will be dispatched to shareholders on or about 8 July 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 1 June 2010 to Thursday, 3 June 2010 (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 Monday, 31 May 2010.

ANNUAL GENERAL MEETING

The 2009 annual general meeting of the Company will be held on Thursday, 3 June 2010. A notice convening the annual general meeting will be published on the respective websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.xiwang-sugar.com). The proxy form together with the annual report will be dispatched to shareholders on or around 28 April 2010.

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, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including the review of the Company's annual report for the Year.

AUDITOR'S PROCEDURES PERFORMED ON THIS RESULTS ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2009 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

The 2009 annual report will be dispatched to the shareholders on or around 28 April 2010 and published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.xiwang-sugar.com).

MISCELLANEOUS

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

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

Hong Kong, 13 April 2010

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*