

## CHAIRMAN'S STATEMENT

"2005 is an important year for Xiwang Sugar. Leveraging on our strong business foundation, we attained growth and achieved impressive results in this year. The successful listing in Hong Kong signifies as a landmark for the development of Xiwang Sugar and a cornerstone for us entering the international capital market."



I am pleased to present to you the first annual results of Xiwang Sugar Holdings Company Limited ("Xiwang Sugar" or the "Company") and its subsidiaries (collectively, the "Group") since our listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The financial performance of the Group for the year ended 31 December 2005 was encouraging. Sales amounted to RMB1,037,711,000, representing a significant increase of 72.2% over 2004. Profit attributable to equity holders of the Company also increased significantly by 166.2% to RMB209,813,000 as compared to that of last year, which was 7.04% higher than the forecasted profit stated in the prospectus issued by the Company on 30 November 2005 (the "Prospectus"). Earnings per share for the year ended 31 December 2005 were RMB0.365.

The Company will distribute approximately 40% of its distributable profit for the period from 9 December 2005 to 31 December 2005. The board of directors (the "Board" or the "Directors") of the Company proposed the payment of a final dividend of RMB0.87 cents per share for the year under review.

2005 was a meaningful year to the Group. Leveraging on its enormous production capacity, vertically integrated production model, strong research and development capability and an experienced and professional management team, the Group continued to maintain its leading position among the domestic glucose producers in the PRC. According to an evaluation conducted by the China Fermentation Industry Association, Xiwang Sugar ranked the first amongst the 20 largest starch based glucose producers in the PRC in 2005.

In addition, the Group successfully entered the international capital market during the year and was listed on the Main Board of the Stock Exchange on 9 December 2005. The Group's share offer was well received by both international institutional investors and investing public in Hong Kong. The Group's Hong Kong public offer shares were oversubscribed by 274 times. The gross proceeds raised from the share offer amounted to HKD 451,200,000 and additional proceeds of HKD 6,677,760 was raised after the exercise of the over-allotment option by CCB International Capital Limited on 28 December 2005. The share price of the Company has been performing well since its listing and I believe that the encouraging performance of the share price reflects investors' recognition of the Group's business development strategies and their confidence in the future prospect of the Group.

In an attempt to consolidate the Group's leading position in the industry, Xiwang Sugar further enhanced the production capacity of its glucose production plants during the year and acquired research and development facilities from 山東西王集團有限公司 (Shandong Xiwang Group Company Limited\*) so as to strengthen its research and development capability. In addition, the Group also further enhanced its vertically integrated production by expanding its downstream business and commenced the production of lysine products of 65% and 98.5% purity levels in May and August 2005, respectively. In October 2005, the Group became the first enterprise in the agricultural product processing industry in the PRC being awarded as the "National Environmental Friendly Corporation".

\* For identification purposes only



Looking forward, in view of the strong demand for glucose in the PRC, the Group intends to establish new production facilities to further increase its production capacity in the third quarter of 2006 with additional 200,000 tonnes of starch paste and 200,000 tonnes of crystallised glucose. The Group's professional management team will proactively expand its sales network, reinforce corporate image and enhance customer services. The Group will continue to strengthen its research and development capability in order to enhance production efficiency through minimising potential wastage and improving product quality. The Group endeavours to leverage on the advantages of its vertically integrated operation to maintain sustainable business growth, maximise return to the shareholders of the Company and realise its objective of becoming the world's leading glucose producer.

On behalf of Xiwang Sugar, I would like to take this opportunity to express my heartfelt gratitude to our clients, business partners and shareholders for their relentless support and trust and to all our staff for their dedication and efforts in helping the Group to reach a new milestone.

**WANG Yong**  
*Chairman*

Hong Kong  
7 April 2006





