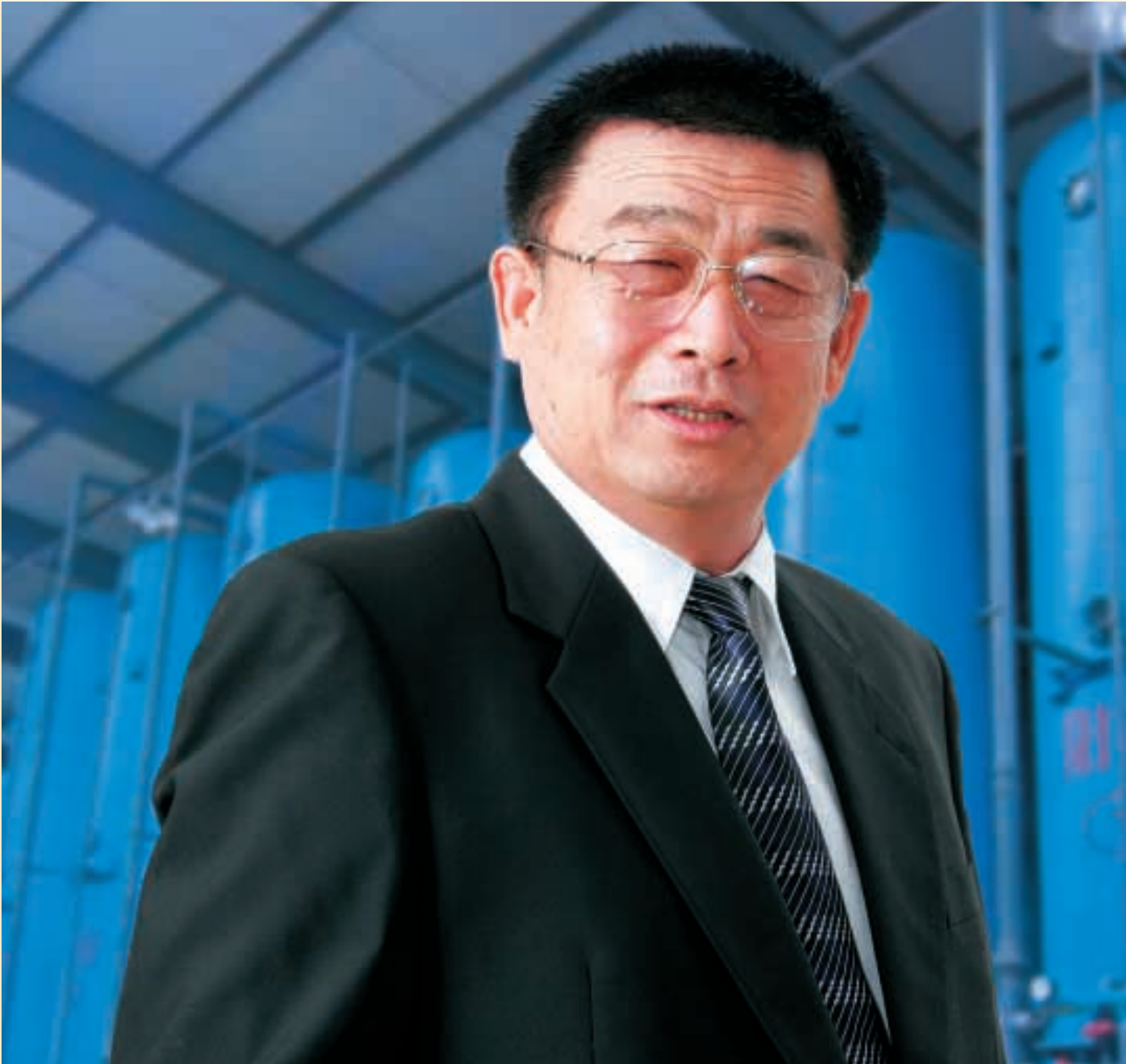


Chairman's Statement



Chairman's Statement

To all shareholders:

On behalf of the board of directors (the "Board") of the Company, I am pleased to present you the audited results of Xiwang Sugar Holdings Company Limited ("Xiwang Sugar" or the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2006.

RESULTS

The results of the Group for the year ended 31 December 2006 were encouraging and recorded remarkable growth. Turnover increased to approximately RMB1,384,945,000, representing an increase of 33.5%. Profit attributable to equity holders of the Company elevated by 38.3% to approximately RMB290,225,000. Earnings per share was RMB0.356. Such outstanding performance was attributable to Xiwang Sugar's effort in capturing opportunities arising from the demand for glucose in domestic and overseas markets, management's strategy which safeguarded shareholders' interests, and the notion of providing higher returns for shareholders and upkeeping the standard of corporate governance.

DIVIDEND

The Company will distribute approximately 40% of its net profit for the year ended 31 December 2006. The board of directors (the "Board" or the "Directors") of the Company proposed the payment of a dividend of RMB0.14 per share for the year under review.

BUSINESS REVIEW

During the past few years, in order to capture the fast expanding market, we embarked on an aggressive production capacity expansion program. After the completion of our new starch paste and glucose production plants in the first quarter of 2007, the annual production capacity of starch paste increased from 400,000 tonnes to 1,000,000 tonnes while the production capacity of crystallised glucose increased from 250,000 tonnes to 800,000 tonnes. According to the China Fermentation Industry Association, Xiwang Sugar continued to rank the first amongst the 20 largest starch based sweetener manufacturers in the PRC in 2006. In July 2006, Xiwang Sugar was awarded as "Zhong Guo Tong Du" (中國糖都) by the China National Food Industry Association reinforcing the international image of the Group and its brand value.

Chairman's Statement

The results of the Group for the year ended 31 December 2006 were encouraging and recorded remarkable growth. Turnover increased to approximately RMB1,384,945,000, representing an increase of 33.5%.

During the year, the Group has successfully expanded its domestic sales network of crystallised glucose which now covers the southern part of the PRC and the coastal regions in the eastern region of the PRC. The number of sales office in the PRC increased from 7 in 2005 to 17 in 2006. The Group also strengthened its sales support, marketing and after-sale services of its existing distribution centers. These help to reinforce the corporate image and strengthen the sales capacity of the Group.

In order to expand its vertically integrated production, the Group has endeavored to expand downstream operations, and has already commenced the production of glutamic acid since October 2006. The Group also introduced an innovated natural sweetener made by corn starch: Crystallised Fructose-Glucose, which is 10% sweeter than cane sugar and is, literally, a substitute of cane sugar with great development potentiality. It is expected that this new product will contribute positively to our financial result in the years ahead.

PROSPECTS AND PLANS

2007 is a year during which Xiwang Sugar will face both opportunities and challenges. Corn is the major raw material of Xiwang Sugar. Due to huge demand in the domestic corn downstream processing industry, the price of corn has been soaring since the third quarter in 2006. As a leading glucose producer in the country, Xiwang Sugar will leverage on the advantage of large scale production to minimize its cost and maintain a steady growth of its profits through measures stated as follows:

1. Apart from sourcing corn kernel in Shandong province, we will diversify the sources of our raw material from other provinces and overseas. During the year under review, we purchased 52,000 tonnes of corn from the US. The Group will continue to apply for import quotas of corn from the government in 2007;
2. Leveraged on the proprietary production technology on crystallised glucose, the Group will continue to improve the production technology on the Crystallised Fructose-Glucose. Crystallised Fructose-Glucose will be introduced to the market in the second half of 2007 and will become a new source of profit;
3. Capitalizing on the leading position in the PRC, the Group will launch Glutamic acids and Monosodium Glutamate (MSG) in the PRC and other Asian markets which is expected to bring high return to the Group.

Chairman's Statement



Looking forward, the Group will make its best endeavors to capture increasing market opportunities and growth potentials through mass production capacity, vertically integrated production system, strong research and development capability and highly experienced management experts, and strives to become a leading glucose producer in the world and create satisfactory returns for shareholders.

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 support and trust and to all our staff for their efforts and dedication.

Wang Yong
Chairman

Hong Kong, 30 March 2007



Turnover

RMB1,384.9m

up 33.5% from
RMB1,037.7m (2005)

Operating profit

RMB316.4m

up 38.6% from
RMB228.3m (2005)

Earning per share

RMB0.356

down 2.5% from
RMB0.365 (2005)





PROGRESS THROUGH INNOVATION



The Group's overall gross profit in 2006 increased by approximately RMB103.8 million, representing an increase of approximately 39.7% as compared to that of 2005. The overall gross profit margin slightly increased from about 25.2% in 2005 to about 26.4% in 2006. The increase in gross profit margin was mainly attributable to the increase in the average selling price of crystallised glucose, glucose syrup and animal feed.

