ANNUAL 年 2008 報 REPORT

Xiwang Sugar Holdings Company Limited
西王糖業控股有限公司 *

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

Stock code 股份代號：2088

Contents

Corporate Information

Board of directors

Executive directors

Mr. WANG Yong *(Chairman)*

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

Committees

Audit committee

Mr. WONG Kai Ming *(Chairman)*

Mr. SHI Wei Chen

Mr. SHEN Chi

Remuneration committee

Mr. WANG Liang *(Chairman)*

Mr. SHI Wei Chen

Mr. SHEN Chi

Nomination committee

Mr. WANG Liang *(Chairman)*

Mr. SHI Wei Chen

Mr. SHEN Chi

Company secretary and qualified accountant

Miss. LAM Wai Lin *(FCCA, CPA)*

Authorised representatives

Mr. WANG Yong

Miss. LAM Wai Lin

Mr. SUN Xinhu *(alternate to Mr. WANG Yong and Miss. LAM Wai Lin)*

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Zouping County

Shandong Province

People's Republic of China

Principal place of business in Hong Kong

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Hong Kong

Corporate Information

Principal bankers

Agricultural Bank of China
Bank of China
China Construction Bank
The Hong Kong and Shanghai Banking Corporation Limited
The Bank of East Asia, Limited

Auditor

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Certified Public Accountants
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Central
Hong Kong

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1 Connaught Place
Hong Kong

As to Bermuda law:
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8 Connaught Place
Central
Hong Kong

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Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

Hong Kong branch share registrar and transfer office

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Hong Kong

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http://www.irasia.com/listco/hk/xiwangsugar

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Chairman's Statement

Wang Yong
Chairman and Executive Director

Dear Shareholders

We experienced a hard, challenging year 2008. As explained in our profit warning announcement on 5 January 2009, the decrease in profitability was mainly due to the deterioration of operating environment during the second half of the year, in particular since September 2008. The detection of melamine in various dairy products and eggs in China has caused a reduction of both the demand for and the selling prices of such products and related products in China, including our crystalline glucose and animal feed products. Moreover the global financial crisis has led to a significant drop in our export, which further dampened our sales performance in the second half of 2008.

Notwithstanding the deteriorated sales performance in the second half of the year, revenue has increased by approximately 23% from RMB 2.06 billion in 2007 to RMB 2.54 billion in 2008. Our major raw material is corn. However, corn price in China reached an ever high level for most times of the year and the significant fall of it only happened in late 2008. Obviously we would only expect the possible benefits to offset the adverse impact from the melamine scandal and the global financial crisis to be realised in 2009. As a consequence, net profit of the Group in 2008 declined by approximately 82% from the prior year to RMB 64 million, irrespective of the growth in revenue.

Global economic conditions will remain tough in the short run. Many companies are under pressure of shrinking profits and credit tightening, which may discourage our customers to purchase. In addition, the melamine scandal has deferred the public from consuming foodstuff manufactured in China. We believe that considerable effort and time would be required in order to regain their confidence.

Nonetheless, opportunities are still there. The Chinese government has enforced a series of new measures on food safety after the outbreak of the melamine scandal, with an objective to eliminate those manufacturers who fail to live up to the standard. The actions are practical given that the domestic dairy segment was recovering in the beginning of 2009 faster than anticipated. This will eventually promote industry consolidation, we expect. On the other hand, the price of corn in China was about 15% lower in the first quarter of 2009 than the peak level in 2008. All these could be viewed as the healthy signs to our business.

Crystalline glucose and cane sugar are types of sugar primarily used as sweetener in food and beverages and for fermentation in many industrial applications. The mainstream sugar in China is cane sugar. However, because of over-supply, its price tended to be weak in recent years. This was the main reason why the price of crystalline glucose was suppressed even when corn price in China was on the rise. This posted a scenario for us to switch part of the crystalline glucose output to some other products that possess distinct market niche.

Nowadays many people become more aware of unhealthiness and obesity. We foresee such trend and therefore launch the development of crystalline fructose, a sweetener desirable in healthy diets. Not only is it advantageous for athletes and weight keepers, but also suitable for the diabetics who suffer from a sharp rise in blood glucose after the intake of sugar. We operated a production line for crystalline fructose with an annual capacity of 10,000 tonnes designed for research and development and pre-marketing purposes in 2008. In addition, we have commenced the trial production for crystalline fructose with another new production line of annual capacity 50,000 tonnes at the beginning of 2009.

We also plan to begin the production of pharmaceutical-grade glucose in around middle of 2009. Pharmaceutical-grade glucose is of two forms: glucose monohydrate and glucose anhydrous. At the moment we are modifying and upgrading part of the existing production facility to satisfy the standards required for production. It is expected that the above two new products will substitute a volume of around one-third of crystalline glucose which would be sold to the industrial sector by the end of 2009.

Chairman's Statement

Xiwang Sugar is currently one of the leading corn processors in China. Over the years, we have been successful in expanding our production capacity to benefit from the economies of scale. Our people are highly dedicated to continually to enhance the operation efficiency. Our research and development team is engaged in ongoing development of high value products from corn to enrich our product spectrum. We all work best to maintain a competitive position over the long run.

The Board has recommended a final dividend for 2008 of RMB 0.027 per share, which will be satisfied wholly by the allotment and issue of new shares of the Company credited as fully paid up, in view of the circumstance that the prevailing global financial crisis of which reservation of cash will offer the Group with more flexibility. The final dividend represents a payout ratio of approximately 35%. This payout ratio is in line with our practice in previous years.

I am grateful for the contribution of the Board and all our employees. Without their spirit and courage, we cannot overcome the unexceptional challenges in the past and now. We aspire to be the Number 1 producer of healthy sweeteners and corn products in China.

Wang Yong
Chairman

Hong Kong, 23 April 2009

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 China, 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 China. 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

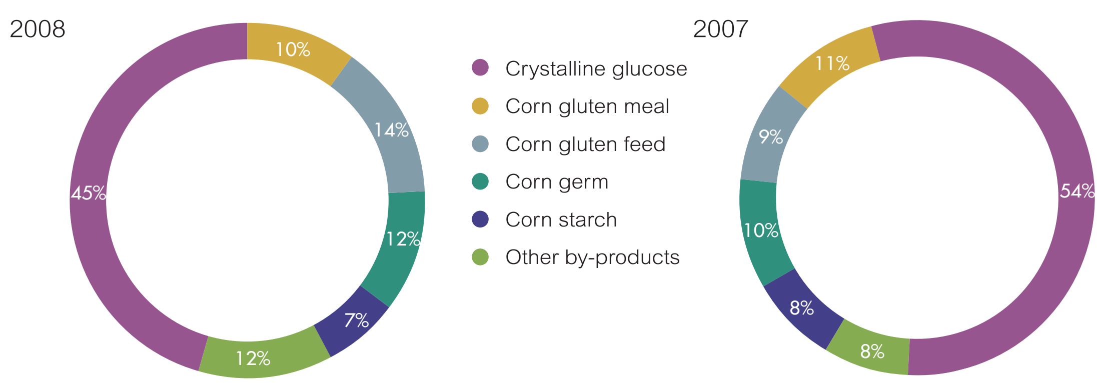
The Group reported a net profit of RMB 64 million for the year ended 31 December 2008 (the "Year"), representing a decline of about 82.3% compared to the corresponding period in 2007, in spite of a revenue growth of 23.4% to RMB 2.54 billion. It was due to a combination of factors, among them, the adverse 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 RMB/tonne		2007 RMB/tonne		Increase/ (Decrease)
	VAT-inclusive	Net of VAT	VAT-inclusive	Net of VAT	%
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)

Management Discussion and Analysis

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 1.4 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).

As discussed in the Chairman's Statement, the falling cane sugar price in China has 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	%
China	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%).

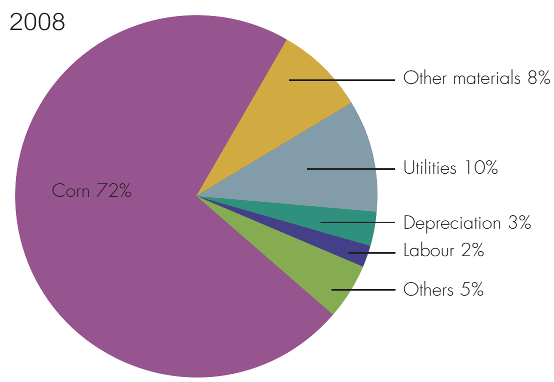
The Group focuses on the expansion of the oversea market to widen its customer base, and has put significant resources to encourage export growth. The Group has sales force in Shandong and Hong Kong for managing the sales order from overseas. At the beginning of 2008, the Group further set up a subsidiary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

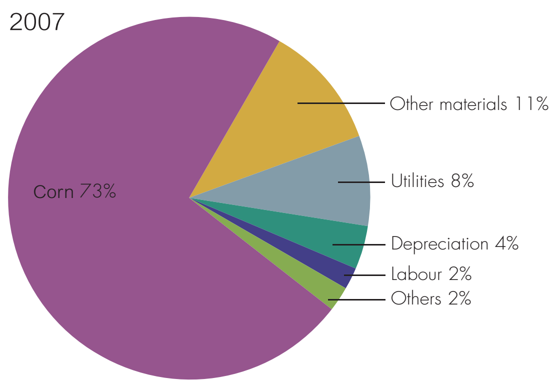
Cost of sales

Breakdown of cost of goods sold:

	2008 RMB'000	2007 RMB'000	Increase/(Decrease) %
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 on 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 costs, 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 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 report, 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 price 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.

DIRECTORS

Executive Directors

WANG Yong（王勇）

Chairman

Aged 58, is our chairman and executive director and is one of the founders of the Group. Mr. WANG was the legal representative of Zouping County Xiwang Social Benefits Oil and Cotton Factory* (鄒平縣西王社會福利油棉廠) from 1986 to 1992 and of Zouping County Xiwang Industrial Head Company* (鄒平縣西王實業總公司) from 1993 to 1996. He was the managing director of Shandong Xiwang Group Company Limited* ("Xiwang Group") (山東西王集團有限公司) from 1996 to 2001. Mr. WANG has been the chairman of the board of directors of Xiwang Group since 2001. Mr. WANG has been assessed by Shandong Province Binzhou Prefecture Professional Title Reform Leading Group* (山東省濱州地區職稱改革領導小組) as an economist. He was awarded as the National Labour Role Model* (全國勞動模範) by the State Council in 2000 and was appointed as the vice president of the third council of China Fermentation Industry Association in 2004.

Mr. WANG was awarded with several prizes and titles, including the National Advanced Worker in Quality Management of Township Enterprise (全國鄉鎮企業質量管理先進工作者) awarded by the Ministry of Agriculture of the People's Republic of China (the "PRC") (中華人民共和國農業部) in 2000, the Fourth National Township Entrepreneur Award (第四屆全國鄉鎮企業家) and National Advanced Worker in Technological Progress of Township Enterprise of the Eighth Five-year Plan (「八五」全國鄉鎮企業科技進步先進工作者) awarded by the Ministry of Agriculture of the PRC in 2001. Mr. WANG received secondary education in the PRC. Mr. WANG was appointed as our executive director in March 2005.

* *For identification*

WANG Liang（王亮）

Executive director

Aged 38, is our chief executive officer and executive director. He is one of the founders of the Group, and responsible for the overall management of Xiwang Group since 1998. Mr. WANG has been the general manager of Shandong Xiwang Sugar Industry Company Limited* (山東西王糖業有限公司) since 2001. He graduated in 1998 with mechanical engineering at a professional school in the PRC. Mr. WANG was appointed as our executive director in March 2005.

LI Wei（李偉）

Executive director

Aged 32, is our executive director, responsible for the manufacturing, production technology and quality control of the Group. Dr. LI obtained a doctorate certificate in food science from Southern Yangtze University (江南大學) in 2003, and has been the chief engineer of the Group since May 2003. Dr. LI is the spouse of Mr. SUN Xinhu who is our executive director. Dr. LI was appointed as our executive director in November 2005.

* *For identification*

WANG Cheng Qing（王呈青）

Executive director

Aged 45, is our executive director and one of the founders. Mr. WANG was the head of the finance department of Handian Construction Company* (韓店建築公司) from 1988 to 1990 and the deputy general manager from 1990 to 1992. He was the head of the finance department of Zouping County Xiwang Industrial Head Company* (鄒平縣西王實業總公司) from 1992 to 1994 and assistant to general manager from 1994 to 1996. Mr. WANG was the deputy general manager of Xiwang Group from 1996 to 2001, and has become a director of Xiwang Group since 2001. He received secondary education in the PRC. Mr. WANG was appointed as our executive director in November 2005.

HAN Zhong（韓忠）

Executive director

Aged 53, is our executive director and one of the founders. Mr. HAN is responsible for the overall financial management of the Group's operation in the PRC. Mr. HAN was the deputy head of the finance department of Zouping County Cotton Mill* (鄒平縣棉紡織廠) from 1980 to 1997 and joined Xiwang Group since 1997. He graduated from Shandong Chinese Accountant's School Zouping* (山東省中華會計函授學校鄒平分校) in 1990 and obtained the accountant's qualification in the PRC in 1992. Mr. HAN was appointed as our executive director in November 2005.

* *For identification*

LIU Ji Qiang (劉紀強)

Executive director

Aged 39, is our executive director responsible for sales management. Mr. LIU joined Xiwang Group in 1994, and was the deputy sales general manager of Shandong Xiwang Starch Company Limited* (山東西王澱粉有限公司) from 2000 to 2001. He has been the deputy sales general manager of the Group since 2001. Mr. LIU was appointed as our executive director in November 2005.

SUN Xinhu (孫新虎)

Executive director

Aged 34, is our executive director and the head of our business development department. Mr. SUN joined the Group since 2003. He had over four years of experience in an international fast food chain in China. Mr. SUN graduated with a bachelor degree in food science from Shandong Institute of Light Industry (山東輕工業學院) in 1997, and a master degree in food science from Southern Yangtze University (江南大學) in 2004. Mr. SUN is the spouse of Dr. LI Wei who is our executive director. Mr. SUN was appointed as our executive director in December 2008.

* *For identification*

Independent Non-executive Directors

SHI Wei Chen (石維忱)

Aged 52, is our independent non-executive director. Mr. SHI is a professor and has been the president of China Fermentation Industry Association since 1999. Mr. SHI was a senior engineer in the Food Industry Department (食品工業司) of the Ministry of Light Industry of the PRC (中國輕工業部), the deputy head of Commission for Economic and Trade of Wulanchabu League of Inner Mongolia* (內蒙古烏蘭察布盟經委) from 1991 to 1992, the deputy head of Administration Office of the Food Processing and Paper Making Department of Food Industry of the Ministry of Light Industry of the PRC* (中國輕工業部食品工業食品造紙部任綜合辦公室) from 1992 to 1998, and the head of Food Management Centre of the China National Bureau of Light Industry* (國家輕工業局食品管理中心) from 1998 to 1999. Mr. SHI was appointed as our independent non-executive director in November 2005.

SHEN Chi (沈篪)

Aged 51, is our independent non-executive director. Mr. SHEN has extensive experience in the food industry in the PRC and currently is the Secretariat of the China National Food Industry Association (中國食品工業協會). Mr. SHEN was the deputy head of the Secretariat of the General Office of the State Commission for Economic and Trade (國家經委辦公廳秘書處) from 1982 to 1984. Mr. SHEN worked in the chief editor's office of China Food News (中國食品報總編室) from 1984 to 1987. Mr. SHEN was the head of the Economic Division of China Enterprise News (中國企業報社經濟部) from 1987 to 1990. From 1990 onwards, Mr. SHEN was the deputy secretariat and secretariat of the China National Food Industry Association (中國食品工業協會) and the deputy head and head of statistics and information division (統計信息部). Mr. SHEN was appointed as our independent non-executive director in February 2007.

WONG Kai Ming (黃啟明)

Aged 54, is our independent non-executive director. Mr. WONG has over 20 years of experience in accounting and finance and is presently the proprietor of Wong Kai Ming, Certified Public Accountant. Mr. WONG holds a higher diploma in accountancy and a bachelor of arts in accountancy degree from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic). He is a fellow member of the Association of Chartered Certified Accountants and a practising member of the Hong Kong Institute of Certified Public Accountants. Mr. WONG was appointed as our independent non-executive director in November 2005.

* *For identification*

Senior Management

CHUNG Kwok Mo John（鍾國武）

Aged 40, is our chief financial officer since May 2008. Mr. CHUNG has about 17 years of experience in auditing, financial management and corporate finance. Mr. CHUNG was an auditor in an international accounting firm during 1992 to 1999. Since 2000 and prior to joining the Group, Mr. CHUNG had held several senior management positions, including chief financial officer, executive director and independent non-executive director, in listed companies in Hong Kong. Mr. CHUNG has a bachelor degree of Economics from Macquarie University, Australia. He is also a member of Hong Kong Institute of Certified Public Accountants and CPA Australia.

LAM Wai Lin（林惠蓮）

Aged 40, is our company secretary, qualified accountant and assistant financial controller. Ms. LAM joined the Group in June 2007 and is responsible for the financial management and company secretarial functions of the Group. Ms. LAM has over 13 years of experience in auditing, accounting and financial management. Prior to joining the Group, Ms. LAM was the finance manager of a media company listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). From 2000 to 2004, she was an assistant manager of KPMG, an international accounting firm in Hong Kong. Ms. LAM graduated from the University of London with a bachelor degree in Economics. She is a fellow member of the Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants.

ZHANG Qing Sheng（張慶生）

Aged 31, is the head of crystalline glucose factory No. 1 and No. 2 of the Group. Mr. ZHANG joined the Group in 2004 and is responsible for the production management in crystalline glucose factory No. 1 and No. 2. Mr. ZHANG graduated from Liaoning University of Retroleum and Chemical Technology (遼寧石油化工大學) in 2002 with a bachelor degree in engineering.

WANG An（王安）

Aged 43, is the manager of the production department of the Group. Mr. WANG graduated from Binzhou Teachers' Training School* (濱州師範專科學校) (currently known as Binzhou Institute* (濱州學院)) with a diploma in physics education in 1993. Mr. WANG joined the Group in 1994.

* *For identification*

Corporate Governance Report

Corporate Governance Practices

Xiwang Sugar Holdings Company Limited (the "Company") has adopted the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules (the "Listing Rules") governing the listing of securities on the Stock Exchange as its own code of corporate governance. The board of directors of the Company (the "Board") consider that during the year ended 31 December 2008 (the "Year"), the Company has complied with all the code provisions under the CG Code and a majority of the recommended best practices of the CG Code.

The Board is committed to upholding the corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximise the interests of the shareholders. Set out below is a detailed discussion of the major corporate governance practices adopted and observed by the Company during the Year or where applicable, up to the date of this report.

A. Directors' securities transactions

The Company has adopted the Model Code for Securities Transactions by the Board of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own securities dealing code for the Directors. Having made specific enquiry of all the directors, all the directors confirmed that they had complied with the required standard set out in the Model Code throughout the Year.

B. Board of directors

(i) *Board composition*

The Board currently comprises a combination of seven executive directors and three independent non-executive directors. As at 31 December 2008, the Board consisted of the following directors:

Executive directors
Mr. WANG Yong *(Chairman)*
Mr. WANG Liang *(Chief executive officer)*
Dr. LI Wei
Mr. WANG Cheng Qing
Mr. HAN Zhong
Mr. LIU Ji Qiang
Mr. SUN Xinhu (appointed on 30 December 2008)

Non-executive directors
Mr. LIU Heng Fang (resigned on 30 December 2008)

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

The executive directors, with the assistance from the senior management, form the core management team of the Company. The executive directors take the overall responsibility for formulating the business strategies and development plan of the Group and the senior management are responsible for supervising and executing the plans of the Group.

(ii) *Board meetings*

During the Year, 9 full board meetings were held and prior notices convening the meetings of the Board were dispatched to the Board setting out the matters to be discussed. At the meetings, the Board was provided with the relevant documents to be considered and approved. The company secretary of the Company is responsible for keeping minutes for the meetings of the Board.

(iii) Attendance record

The following is the attendance record of the board meetings held by the Board during the Year:

	Attendance at meeting
Executive directors	
Mr. WANG Yong *(Chairman)*	9/9
Mr. WANG Liang *(Chief executive officer)*	9/9
Dr. LI Wei	9/9
Mr. WANG Cheng Qing	8/9
Mr. HAN Zhong	9/9
Mr. LIU Ji Qiang	9/9
Mr. SUN Xinhu (appointed on 30 December 2008)	0/9
Non-executive directors	
Mr. LIU Heng Fang (resigned on 30 December 2008)	5/9
Independent non-executive directors	
Mr. SHI Wei Chen	9/9
Mr. SHEN Chi	5/9
Mr. WONG Kai Ming	9/9

(iv) Independent non-executive directors

In compliance with Rule 3.10(1) of the Listing Rules, the Company has appointed three independent non-executive directors. The Board considers that all independent non-executive directors have appropriate and sufficient industry or finance experience and qualifications to carry out their duties so as to protect the interests of shareholders of the Company as a whole. One of the independent non-executive directors, Mr. WONG Kai Ming, has over 20 years in the accounting and finance fields and is a fellow member of the Association of Chartered Certified Accountants and a practising member of the Hong Kong Institute of Certified Public Accountants.

Prior to their respective appointment, each of the independent non-executive directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence.

The Company has also received the annual written confirmations from each of Mr. SHI Wei Chen, Mr. SHEN Chi and Mr. WONG Kai Ming in respect of their independence. Based on such confirmations, the Board considers that all independent non-executive directors are considered to be independent.

(v) Relationship among members of the Board

Each of the executive directors and non-executive director are shareholders of Xiwang Group Company Limited ("Xiwang Group") which is connected person of the Group. Dr. LI Wei, an executive director, is the spouse of Mr. SUN Xinhu, also an executive director. Saved as disclosed, there is no relationship (including financial, business, family or other material/relevant relationship(s)) between any of the directors or chief executive officer.

C. Chairman and chief executive officer

The roles of the chairman and the chief executive officer are segregated. Mr. WANG Yong is the chairman of the Board who is principally responsible for formulation of plans and policies of the Group, while Mr. WANG Liang is the chief executive officer of the Company who is in charge of the supervision for the execution of the plans and policies determined by the Board. The chairman also chairs the Board meetings and briefs the Board members on the issues discussed at the Board meetings.

D. Non-executive directors

The non-executive director, Mr. LIU Heng Fang, has been appointed for a term of three years commencing on 6 November 2005. Mr. LIU resigned on his own accord on 30 December 2008.

The independent non-executive directors were appointed for specific term. Mr. SHI Wei Chen and Mr. WONG Kai Ming were re-appointed for a term of three years commencing on 6 November 2008 and 18 November 2008 respectively, which may be terminated by either party by giving to the other not less than three months' prior notice in writing. Mr. SHEN Chi was appointed for a term of three years commencing on 14 February 2007 which may be terminated by either party by giving to the other not less than three months' prior notice in writing.

E. Remuneration of directors

The Company established a remuneration committee with written terms of reference in compliance with the CG Code. During the Year, the remuneration committee comprised Mr. WANG Liang (chairman), Mr. SHI Wei Chen and Mr. SHEN Chi. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Board and senior management.

The remuneration committee held one meeting during the Year for granting share options to eligible staff with the presence of all members. The remuneration package and service agreement of Mr. SUN Xinhu as new executive director and some other senior management appointees were considered and approved at full Board meetings held during the Year. It is the Company's policy that the remuneration package of each director and senior management shall be determined by reference to the duties, responsibilities, experience and qualifications of each candidate.

F. Nomination of directors

The Company established a nomination committee with written terms of reference in compliance with the CG Code. During the Year, the nomination committee comprises Mr. WANG Liang (chairman), Mr. SHI Wei Chen and Mr. SHEN Chi.

The primary duties of the nomination committee are to make recommendations to the Board on the nominees for appointment as directors and senior management of the Group. The selection of candidates is based on their experience and qualification. The nomination committee will then pass their recommendations to the Board for their consideration and approved of the nomination.

The nomination committee held one meeting with the presence of all members meeting during the Year for the appointment of Mr. SUN Xinhu as new executive director. The appointment of Mr. SUN and some other senior management members' appointments were also considered and approved at full Board meetings held during the Year.

According to the bye-laws of the Company, one-third of the directors are subject to retirement by rotation or, if the number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from the office and offer themselves for re-election. The directors to be retired by rotation shall be those who have been longest in office since their last appointment. At a full Board meeting held on 23 April 2009, the Board has reviewed the performance of the directors who will retire at the forthcoming annual general meeting of the Company and approved to recommend the re-election of such directors at the forthcoming annual general meeting of the Company.

G. Auditors' remuneration

A breakdown of the remuneration of the Group's external auditors is as follows:

	For the year ended 31 December 2008 RMB'000
Service rendered	
Annual audit services	
– PricewaterhouseCoopers	3,245
– Others	37
Non-audit services	11

H. Audit committee

The Company has established an audit committee with written terms of reference based upon the provisions and recommended practices of the CG Code. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. During the Year, members of the audit committee comprised Mr. WONG Kai Ming (chairman), Mr. SHI Wei Chen and Mr. SHEN Chi. During the Year, the audit committee held 2 meetings to review the annual results of the Group for the year ended 31 December 2007 and the interim results of the Group for the six months ended 30 June 2008. Except for Mr. SHEN Chi who was absent from one of the meetings, the other two members had attendance rate of 100%.

I. Directors' and auditors' acknowledgement

All directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2008. The reporting responsibilities of the Company's external auditors, Messrs. PricewaterhouseCoopers, are set out in the Auditors' report on page 57.

J. Internal control

The Board recognises its responsibility for establishing and maintaining an adequate and sound internal control system. During the Year, the Group has made several improvements on the financial and management reporting system. Through regular discussion with management on operational and financial performance and potential risk areas identified, reasonable but not absolute assurance against material misstatement or loss can be attained. The Group is able to manage risks of failure in operational and financial systems and to achieve the Group's objectives.

The Board will continue to review on the progress of other improvements and enhancement in order to cope with the development of the Group.

K. Directors' liability insurance

The Company has arranged for liability insurance to indemnify its directors and senior management for their liabilities arising out of corporate activities. The insurance coverage is reviewed by the Company on an annual basis.

L. Investor relations

The Company believes that clear and consistent communications is crucial in maintaining strong relationship with shareholders and potential investors. The investor relations team in Hong Kong is devoted to keep the market informed of the Company's developments and events and available to answer queries. We maintain regular dialogue with analysts, institutional investors and financial media through investor meetings, roadshows, general meetings, conference calls and production site visits. The Company aims to adopt best practice in investor relations by regular update of corporate communications materials such as the interim and annual reports, presentations and corporate website etc. Media and investor briefings will be held at the interim and final results at which directors and senior management will discuss and explain the Group's operational and financial performances.

On behalf of the Board

WANG Yong
Chairman

Hong Kong, 23 April 2009

The board of directors (the "Board" or the "Directors") of Xiwang Sugar Holdings Company Limited (the "Company") is pleased to present its annual report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2008.

Principal activities

The Group is principally engaged in refining corn to a variety of sweetener products and corn co-products that are widely applied in food and beverage, animal feed, and many other consumer and industrial products. Sweetener products include crystalline glucose and crystalline fructose from the processing of corn starch. Corn co-products include corn gluten meal, corn gluten feed, corn germ and corn starch from the processing of corn.

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 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 resolving 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 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 on the Stock Exchange will commence on or around 9 July 2009.

Property, plant and equipment

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 6 to the consolidated financial statements.

Borrowings

Details of the Group's borrowings as at the balance sheet date are set out in note 16 to the consolidated financial statement.

Share capital

Details of movements in the Company's share capital for the year ended 31 December 2008 are set out in note 13 to the consolidated financial statements.

Five year financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 133.

Share option scheme

The Company adopted a share option scheme (the "Share option scheme") on 6 November 2005. The purpose of the Share option scheme is to enable the Group to grant options to selected participants as defined in Clause 4 of the Scheme as incentives or rewards for their contribution to the Group.

The principal terms of the Share option scheme are summarised as follows:

The maximum number of shares of the Company which may be issued upon exercise of all options to be granted under the Share option scheme and any other schemes of the Group must not exceed 80,000,000 shares ("Shares"), being 10% of shares in issue on the date of listing of the shares on the Stock Exchange (the "Listing Date") and 9.63% of Shares in issue as at the date of this report, unless shareholders' approval has been obtained, and which must not in aggregate exceed 30% of the shares in issue from time to time.

The maximum number of shares issued and to be issued upon exercise of the options granted to any eligible person (including exercised and outstanding options) in any 12-month period shall not exceed 1% of the issued shares from time to time.

The subscription price for the shares under the Scheme shall be such price as the Board may in its absolute discretion determine at the time of grant of the option but the subscription price shall not be less than the highest of (i) the closing price of the share as stated in the Stock Exchange's daily quotations sheet on the date of the grant of an option, which must be a business day (the "Offer Date"); (ii) the average closing price of the share as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the share.

An option may be exercised in whole or in part in accordance with the terms of the Scheme at any time during the period commencing immediately after the business day on which the option is deemed to be granted and accepted in accordance with the Scheme (the "Commencement Date") and expiring on such date of the expiry of the option as the Board may in its absolute discretion determine and which shall not exceed ten years from the Commencement Date but subject to the provisions for early termination thereof as set out in the Scheme.

Upon acceptance of the option, the grantee shall pay HKD 1.00 to the Company within 28 days from the offer date as consideration for the grant.

The Scheme shall be valid and effective for a period of ten years commencing on 6 November 2005 i.e. the date of adoption of the Scheme.

As at 31 December 2008, the outstanding share options were 5,979,000 shares of the Company, details of which are set out in note 13 to the consolidated financial statements and below:

Class of grantee	Date of grant *(Note 2)*	During the year ended 31 December 2008 Granted	Exercised	Cancelled	Lapsed	Outstanding as at 1 January 2008	Outstanding as at 31 December 2008	Exercise price per Share (HKD)	Exercise period
Employees *(Note 1)*	9 January 2006	–	800,000	–	–	800,000	–	2.50 *(Note 3)*	1 January 2007– 31 January 2008
	2 May 2007	–	–	–	5,792,000	5,792,000	–	3.86	
	26 May 2008	5,979,000	–	–	–	–	5,979,000	2.95	*(Note 4)*
		5,979,000	800,000	–	5,792,000	6,592,000	5,979,000		

Notes:

1. Employees include employees of the Group (other than the Directors) working under employment contracts with the Group which are regarded as "continuous contracts" for the purpose of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong).

2. The closing prices of the Shares as stated in the Stock Exchange's daily quotations sheet on 6 January 2006, 30 April 2007 and 23 May 2008, being the trading days immediately preceding the date of grant of options, were HKD 2.28, HKD 3.82 and HKD 2.92 per Share respectively.

3. The closing price of the Shares as stated in the Stock Exchange's daily questions sheets on 3 January 2008, being the trading day immediately preceding the exercise date of options was HKD 3.75.

4. These options can only be exercised by the grantee, 1 year after date of grant, in the following manner:

Commencing from	Maximum cumulative number of shares under the options that can be subscribed for pursuant to the exercise of the options
25 May 2009	1,993,000
25 May 2010	3,986,000
25 May 2011	5,979,000

5. The value of options is set out in note 13 to the consolidated financial statements.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new Shares on a pro rata basis to existing shareholders.

Purchase, sale or redemption of listed securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year under review.

Reserves

Details of movements in the reserves of the Group during the year are set out in note 14 to the consolidated financial statements and in the consolidated statement of changes in equity.

Major customers and suppliers

Same as last year, sales to the Group's five largest customers accounted for less than 30% of the Group's revenue for the year ended 31 December 2008.

For the year ended 31 December 2008, the largest supplier accounted for approximately 7.5% (2007: 18.6%) of the Group's total cost of purchase and the Group's five largest suppliers accounted for approximately 24.4% (2007: 53.5%) of the Group's total cost of purchase.

Save as disclosed in note 27 to the consolidated financial statements, none of the directors or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers during the year ended 31 December 2008.

Directors and Directors' service contracts

The directors during the Year and up to the date of this report were:

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 (appointed on 30 December 2008)

Non-executive Directors

Mr. LIU Heng Fang (resigned on 30 December 2008)

Independent non-executive Directors

Mr. SHI Wei Chen
Mr. WONG Kai Ming
Mr. SHEN Chi

Mr. SUN Xinhu will retire as director and, being eligible, offer himself for re-election as director at the forthcoming annual general meeting in accordance with Bye-law 86(2) of the Bye-laws of the Company.

In accordance with Bye-Law 87(1) of the Bye-laws of the Company, each of Mr. LIU Ji Qiang, Mr. SHI Wei Chen and Mr. WONG Kai Ming will retire as director by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer himself for re-election as director.

Each of the executive directors has entered into a service agreement with the Company for a term of three years. Each of these service agreements may be terminated by either party by giving to the other not less than three months' prior notice in writing.

Each of the independent non-executive directors has been appointed for a term of three years. Each of these appointments may be terminated by either party by giving not less than three months' prior notice in writing.

None of the directors has any existing service contract with any member of the Group which would not expire or was not determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

Save as disclosed above, none of the directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considered all the independent non-executive directors to be independent.

Directors' and senior management's biographies

Biographical details of the directors and the senior management of the Group are set out on pages 28 to 33 of the annual report.

Directors' interests in contracts of significance

Save as disclosed in the paragraph headed "Connected transactions" below and in note 27 to the consolidated financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party subsisting during the Year.

Directors' rights to acquire shares or debentures

Save as disclosed above, at no time during the Year was the Company or any of its subsidiaries or the holding company or a subsidiary of the Company's holding company a party to any arrangements to enable the directors to acquire benefits by means of an acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares, underlying shares and debentures of the Company and its associated corporations

As at 31 December 2008, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Company/Name of associated corporations	Name of directors	Capacity	Number and class of securities *(Note 1)*	Percentage shareholding in the same class of securities as at 31 December 2008
Company	WANG Yong	Interest of controlled corporations *(Note 2)*	522,860,000 shares (L) *(Note 3)*	62.97%
Xiwang Holdings Limited ("Xiwang Holdings")	WANG Yong	Beneficial owner	5,931 shares (L)	47.45%

Company/Name of associated corporations	Name of directors	Capacity	Number and class of securities *(Note 1)*	Percentage shareholding in the same class of securities as at 31 December 2008
Xiwang Investment Company Limited ("Xiwang Investment (BVI)")	WANG Yong	Interest of a controlled corporation *(Note 2)*	3 shares (L)	100%
Xiwang Holdings	LIU Heng Fang	Beneficial owner	177 shares (L)	1.42%
Xiwang Holdings	WANG Cheng Qing	Beneficial owner	230 shares (L)	1.84%
Xiwang Holdings	WANG Liang	Beneficial owner	230 shares (L)	1.84%
Xiwang Holdings	HAN Zhong	Beneficial owner	177 shares (L)	1.42%
Xiwang Holdings	LI Wei	Beneficial owner	89 shares (L)	0.71%
Xiwang Holdings	LIU Ji Qiang	Beneficial owner	89 shares (L)	0.71%
Xiwang Holdings	SUN Xinhu	Beneficial owner	89 shares (L)	0.71%

Notes:

1 The letter "L" represents the director's interests in the shares.

2 Mr. WANG Yong holds 47.45% of the issued share capital of Xiwang Holdings which in turn holds 100% interests in Xiwang Investment (BVI).

3 These shares are registered in the name of Xiwang Investment (BVI). Mr. WANG Yong is deemed to be interested in all shares of the Company in which Xiwang Investment (BVI) is interested.

Substantial shareholders and other persons who are required to disclose their interests pursuant to Part XV of the SFO

(a) Substantial shareholders of the Company

As at 31 December 2008, the following shareholders (other than the directors and chief executive of the Company whose interests and short positions in the shares and underlying shares of the Company are set out above) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of substantial shareholders	Capacity	Number of shares of the Company held *(Note 1)*	Approximate percentage of interest as at 31 December 2008
Xiwang Investment (BVI)	Beneficial owner	522,860,000 ordinary shares (L)	62.97%
Xiwang Holdings	Interest of a controlled corporation *(Note 2)*	522,860,000 ordinary shares (L)	62.97%
ZHANG Shufang	Interest of spouse *(Note 3)*	522,860,000 ordinary shares (L)	62.97%

Notes:

1 The letter "L" represents the entity's interests in the shares.

2 Xiwang Investment (BVI) is a wholly owned subsidiary of Xiwang Holdings. Xiwang Holdings is deemed to be interested in the shares in which Xiwang Investment (BVI) is interested.

3 Ms. ZHANG Shufang, being the spouse of Mr. WANG Yong, is deemed to be interested in all the Shares in which Mr. WANG Yong is deemed to be interested.

(b) Other persons who are required to disclose their interests pursuant to Part XV of the SFO

Save as disclosed in the paragraph headed "Directors' interests in shares, underlying shares and debentures of the Company and its associated corporations" and paragraph (a) above, as at 31 December 2008, no other person had interests or short positions in the shares and underlying shares of the Company which are required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

Connected transactions

Details of the connected transactions undertaken by the Group during the year ended 31 December 2008 which were subject to reporting requirements under Chapter 14A of the Listing Rules are set out below.

A. Set out below is a brief description of the continuing connected transactions which are non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules and their annual cap amounts and waivers from strict compliance with the announcement and/or independent shareholders' approval requirement have been sought from the Stock Exchange.

		Annual caps	
Description	For the year ended 31 December 2008	For the year ending 31 December 2009	For the year ending 31 December 2010
1 Sales of corn germs by the Group to Shandong Xiwang Food Company Limited ("Xiwang Food")	RMB 390 million	RMB 460 million	RMB 510 million
2 Sales of glucose syrup by the Group to Shandong Xiwang Leavening Company Limited ("Xiwang Leavening")	RMB 11 million	RMB 12 million	RMB 13 million

Description		For the year ended 31 December 2008	Annual caps For the year ending 31 December 2009	For the year ending 31 December 2010
3	Purchase of packaging bags by the Group from Shandong Biyundong Alcohol Company Limited ("Biyundong Alcohol")	RMB 85 million	RMB 94 million	RMB 105 million
4	Purchases of corn germ dregs by the Group from Xiwang Food	RMB 31.5 million	RMB 33 million	RMB 38 million

Details of the total transaction amount of each of the above continuing connected transactions and the description of the connected relationship are set out in note 27 to the consolidated financial statements.

The independent non-executive directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(1) in the ordinary course and usual course of business of the Company;

(2) on normal commercial terms or terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) save as noted below, in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

According to the terms of the agreement between the Group and Xiwang Food (transaction category 1 above), sale proceeds arising from the sale of corn germs from the Group to Xiwang Food are to be settled by cash immediately after goods delivery. However, it was noted that during the year ended 31 December 2008, sale proceeds of certain transactions had not been settled in cash immediately after goods deliveries. They were settled within 1 to 3 months after goods delivery.

The transaction amount in respect of each type of the continuing connected transactions above during the Year has not exceeded the annual cap for that transaction.

The Company have received a written confirmation from the auditors. Save as noted above, the auditors have confirmed that the continuing connected transactions during the Year compiled with Rule 14A.38.

General disclosure pursuant to rule 13.19 of the listing rules

As at 31 December 2008, the Group has breached certain financial covenants as required by the loan agreements of certain USD-denominated bank loans with USD 96.7 million outstanding at the date of the report. The management of the Group is in the process of discussion with the relevant lenders for a waiver of the breach. The lenders have the right to demand immediate repayment of the loans according to the terms of the agreement. However, the management of the Group believes that the lenders will not demand immediate repayment of the loans outstanding as the lenders had, during the process of initial discussion with the Company, indicated that they are willing to further negotiate with the Company for a revised terms of the outstanding loans, without making any request to the Company to demand for immediate repayment of the loans. On the other hand, the Group has secured new banking facilities amounted to approximately RMB 960 million from banks in the PRC as at the date of this report. The Board believe that the Group will have sufficient financial resources and liquidity to meet its short-term financial obligations.

General disclosure pursuant to rule 13.21 of the listing rules

In previous years, The Company (as borrower), Master Team International Limited (a wholly owned subsidiary of the Company) (as guarantor), has entered into three facility agreements ("Facility Agreements") for term loan facilities of up to USD 60,000,000, USD 38,000,000 and USD 27,000,000 respectively. All of which contain specific performance obligations on Mr. WANG Yong ("Mr. Wang"), the chairman ("Chairman") of the board of directors and Xiwang Investment (BVI), both being the controlling shareholders of the Company.

The Facility Agreements provides that so long as there remains any amount outstanding under the Facility Agreements:

(1) Xiwang Investment (BVI), a company incorporated in the British Virgin Islands, shall, directly or indirectly, own not less than 45 per cent. of the entire issued share capital of the Company and there shall be no major change in the shareholdings in Xiwang Investment (BVI); and

(2) the Company shall ensure that Mr. WANG remains as Chairman and the single largest shareholder of the Company through his attributable interests in Xiwang Holdings and Xiwang Investment (BVI).

A breach of any of the above specific performance obligations would constitute a default under the Facility Agreements. Such default would permit the lenders to accelerate the maturity of the indebtedness under the Facility Agreements. As at the date of this report, the indebtedness under the Facility Agreements remained outstanding. There was no breach of the above specific performance obligations during the Year and as at the date of the report.

Corporate governance

A report on the principal corporate governance practices adopted by the Company is set out on pages 34 to 41 of this annual report.

Audit committee

The Company established an audit committee with written terms of reference based upon the provisions and recommended practices of the CG Code. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. At present, members of the audit committee comprise Mr. WONG Kai Ming (chairman), Mr. SHI Wei Chen and Mr. SHEN Chi, being the three independent non-executive directors.

The Group's consolidated financial statements for the year ended 31 December 2008 have been reviewed by the audit committee, which is of the opinion that such statement complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained sufficient public float of not less than 25% of its total issued share capital as at the date of this report.

Annual general meeting

The forthcoming annual general meeting of the Company will be held on Friday, 26 June 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 period no transfer of shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's transfer office and branch share registrar in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 23 June 2009.

Auditor

There has been no change to the Company's auditors since its incorporation. The consolidated financial statements have been audited by PricewaterhouseCoopers who shall retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution will be proposed at the forthcoming annual general meeting to re-appoint PricewaterhouseCoopers as auditors of the Company.

On behalf of the Board

WANG Yong
Chairman

Hong Kong, 23 April 2009

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong

To the shareholders of Xiwang Sugar Holdings Company Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Xiwang Sugar Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 59 to 132, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 April 2009

Consolidated Balance Sheet

As at 31 December

	Note	2008 RMB'000	2007 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	*6*	1,437,558	1,299,985
Land use rights	*7*	160,251	163,696
Construction in progress	*8*	50,656	43,737
Deferred income tax assets	*17*	7,054	–
		1,655,519	1,507,418
Current assets			
Inventories	*10*	326,483	329,962
Trade and other receivables	*11*	453,172	509,173
Current income tax receivable		5,485	–
Amounts due from related companies	*27(d)*	8,130	87,442
Derivative financial instruments		–	1,446
Cash and cash equivalents	*12*	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	*13*	86,455	86,375
Share premium	*13*	471,853	468,998
Other reserves	*14*	247,269	236,570
Retained earnings			
– Proposed final dividend	*23*	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

Consolidated Balance Sheet

As at 31 December

	Note	2008 RMB'000	2007 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	*16*	–	846,772
Current liabilities			
Trade and other payables	*15*	451,391	308,117
Current income tax liabilities		–	10,497
Amounts due to related companies	*27(d)*	7,940	6,055
Borrowings	*16*	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

WANG Yong
Director

WANG Liang
Director

The notes on pages 66 to 132 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31 December

	Note	2008 RMB'000	2007 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		18	22
Investment in a subsidiary	*9*	–	–
Amounts due from a subsidiary	*9*	697,169	697,169
		697,187	697,191
Current assets			
Trade and other receivables	*11*	3,815	7,890
Amounts due from a subsidiary	*9*	633,901	821,133
Amounts due from other subsidiaries	*27*	27,357	40,724
Dividend receivable	*27*	149,014	200,000
Cash and cash equivalents	*12*	2,280	2,413
		816,367	1,072,160
Total assets		1,513,554	1,769,351
Equity			
Attributable to equity holders of the Company			
Share capital	*13*	86,455	86,375
Share premium	*13*	471,853	468,998
Other reserves	*14*	151,442	151,442
Retained earnings			
– Proposed final dividend		22,420	126,329
– Others		46,293	3,574
Total equity		778,463	836,718

Balance Sheet

As at 31 December

	Note	2008 RMB'000	2007 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	*16*	–	736,772
Current liabilities			
Amounts due to a related company	*27*	1,211	1,034
Trade and other payables	*15*	4,470	12,202
Borrowings	*16*	729,410	182,625
		735,091	195,861
Total liabilities		735,091	932,633
Total equity and liabilities		1,513,554	1,769,351
Net current assets		81,276	876,299
Total assets less current liabilities		778,463	1,573,490

WANG Yong
Director

WANG Liang
Director

The notes on pages 66 to 132 are an integral part of these consolidated financial statements.

Consolidated Income Statement

Year ended 31 December

	Note	2008 RMB'000	2007 RMB'000
Turnover	5	2,544,392	2,062,256
Cost of goods sold	18	(2,324,599)	(1,597,955)
Impairment loss on property, plant and equipment	6	(18,539)	–
Inventory written down to net realisable value	10	(37,896)	–
Others		(2,268,164)	(1,597,955)
Gross profit		219,793	464,301
Other income – net	19	1,932	9,489
Selling and marketing costs	18	(107,282)	(35,216)
Administrative expenses	18	(63,955)	(32,928)
Operating profit		50,488	405,646
Interest income	21	8,999	5,547
Finance income/(costs)	21	1,300	(29,157)
Finance income/(costs) – net	21	10,299	(23,610)
Profit before income tax		60,787	382,036
Income tax credit/(expense)	22	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	24	0.077	0.435
– diluted	24	0.077	0.435
Dividend	23	22,420	126,329

The notes on pages 66 to 132 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December

	Note	Attributable to equity holders of the Company				Minority interests	Total Equity
		`Share Capital	Share premium	Other Reserves	Retained earnings		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2007		86,175	461,305	199,965	423,956	–	1,171,401
Profit for the year-total recognised income and expense for 2007		–	–	–	360,940	–	360,940
Employee share option scheme – value of service provided	13	–	2,920	–	–	–	2,920
Proceeds from share option exercised	13	200	4,773	–	–	–	4,973
Appropriation to reserves		–	–	36,605	(36,605)	–	–
Dividend relating to 2006		–	–	–	(115,774)	–	(115,774)
Balance at 31 December 2007		86,375	468,998	236,570	632,517	–	1,424,460
Balance at 1 January 2008		86,375	468,998	236,570	632,517	–	1,424,460
Profit for the year – total recognised income and expense for 2008		–	–	–	63,778	(129)	63,649
Employee share option scheme – value of services provided	13	–	1,063	–	–	–	1,063
Proceeds from share option exercised	13	80	1,792	–	–	–	1,872
Contribution from a minority equity holder		–	–	–	–	649	649
Appropriation to reserves		–	–	10,699	(10,699)	–	–
Dividend relating to 2007	23	–	–	–	(123,487)	–	(123,487)
Balance at 31 December 2008		86,455	471,853	247,269	562,109	520	1,368,206

The notes on pages 66 to 132 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

Year ended 31 December

	Note	2008 RMB'000	2007 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	25	341,855	(46,859)
Interest paid		(53,435)	(66,591)
Income tax paid		(20,175)	(10,599)
Net cash generated from/(used in) operating activities		268,245	(124,049)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(144,810)	(283,495)
Contribution from a minority equity holder		649	–
Interest received		8,134	5,547
Net cash used in investing activities		(136,027)	(277,948)
Cash flows from financing activities			
Proceeds from the issuance of ordinary shares		1,872	4,973
Proceeds from borrowings		30,000	561,940
Repayments of borrowings		(135,530)	(368,666)
Dividends paid		(123,487)	(115,774)
Net cash (used in)/generated from financing activities		(227,145)	82,473
Net decrease in cash and cash equivalents		(94,927)	(319,524)
Cash and cash equivalents at beginning of the year		343,085	662,609
Cash and cash equivalents at end of the year		248,158	343,085

The notes on pages 66 to 132 are an integral part of these consolidated financial statements.

1 General information

Xiwang Sugar Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the manufacture of a variety of sweeteners and corn co-products, distribution and sales within and outside of the People's Republic of China (the "PRC"). Details of the principal subsidiaries of the Group are set out in Note 9 to the consolidated financial statements.

The Company is a limited liability company incorporated in Bermuda on 21 February 2005. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Company has been listed on The Stock Exchange of Hong Kong Limited since 9 December 2005.

The English names of the PRC companies referred to in the consolidated financial statements represent management's translation of the Chinese names of these companies as these companies have not adopted formal English names.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors on 23 April 2009.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 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 derivative financial instruments.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of presentation *(continued)*

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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 to the consolidated financial statements.

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 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.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of presentation *(continued)*

The following amendments to accounting standards and interpretations are mandatory for financial year ended 31 December 2008:

- The HKAS 39, 'Financial instruments: Recognition and measurement', this amendment does not have any impact on the Group's financial statements, as the Group has not reclassified any financial assets.

- HK(IFRIC) – Int 11, 'HKFRS 2 – Group and treasury share transactions', this interpretation does not have an impact on the Group's financial statements.

- HK(IFRIC) – Int 12, 'Service Concession Arrangements', this interpretation is not relevant to the Group's operations.

- HK(IFRIC) – Int 14, 'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', this interpretation is not relevant to the Group.

The following new/revised standards, amendments and interpretations to existing standards have been issued but are not effective for 2008 and have not been early adopted by the Group. They are assessed to be not relevant to the Group's operations or they will not have a significant impact on the Group's consolidated financial statements:

- HKFRS 1 (Amendment), 'First time adoption of HKFRS' and HKAS 27 'Consolidated and separate financial statements' (effective from 1 July 2009)

- HKFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009)

2 Summary of significant accounting policies *(continued)*

2.1 Basis of presentation *(continued)*

- HKFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009)

- HKFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to HKFRS 1, 'First-time adoption') (effective from 1 July 2009)

- HKFRS 7 (Amendment), (Financial instruments: Improving disclosure about financial instruments (effective from 1 January 2009)

- HKFRS 8, 'Operating Segments' (effective for annual periods beginning on or after 1 January 2009)

- HKAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009)

- HKAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to HKAS 7, 'Statement of cash flows') (effective from 1 January 2009)

- HKAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009)

- HKAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009)

- HKAS 23 (Revised), 'Borrowing Costs' (effective for annual periods beginning on or after 1 January 2009)

- HKAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009)

2 Summary of significant accounting policies *(continued)*

2.1 Basis of presentation *(continued)*

- HKAS 28 (Amendment), 'Investments in associates' (and consequential amendments to HKAS 32, 'Financial Instruments: Presentation' and HKFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009)

- HKAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009)

- HKAS 31 (Amendment), 'Interests in joint ventures (and consequential amendments to HKAS 32 and HKFRS 7) (effective from 1 January 2009)

- HKAS 32 (Amendment), 'Financial instruments: Presentation', and HKAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009)

- HKAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009)

- HKAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009)

- HKAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009)

- HKAS 39 (amendment), 'Financial Instruments: Recognition and Measurement' – 'Eligible hedged items' (effective from 1 July 2009)

- HKAS 40 (Amendment), 'Investment property' (and consequential amendments to HKAS 16) (effective from 1 January 2009)

- HKAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009)

- HK(IFRIC) – Int 9, 'Embedded Derivative and HKAS39' (effective from 30 June 2009)

2 Summary of significant accounting policies *(continued)*

2.1 Basis of presentation *(continued)*

- HK(IFRIC) – Int 13, 'Customer Loyalty Programmes' (effective for annual periods beginning on or after 1 July 2008)

- HK(IFRIC) – Int 15, 'Agreements for construction of real estates' (effective from 1 January 2009)

- HK(IFRIC) – Int 16, 'Hedges of a net investment in a foreign operation' (effective for annual periods beginning on or after 1 October 2008)

- HK(IFRIC) – Int 17, 'Distributions of non-cash assets to owners' (effective from 1 July 2009)

- HK(IFRIC) – Int 18, 'Transfers of Assets from Customers' (effective for transfers on or after 1 July 2009)

2.2 Consolidation

(a) Subsidiaries

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

Subsidiaries are entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

2 Summary of significant accounting policies *(continued)*

2.2 Consolidation *(continued)*

(a) *Subsidiaries (continued)*

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investment in a subsidiary is stated at cost less provision for impairment losses (Note 2.8). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(b) *Transactions with minority interests*

The Group applies a policy of treating transactions with minority interests in connection of equity interests in a subsidiary as transactions with parties external to the Group. Disposals of equity interests in a subsidiary owned by the Group to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases of equity interests in a subsidiary not already owned by the Group from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2 Summary of significant accounting policies *(continued)*

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/income – net'.

2 Summary of significant accounting policies *(continued)*

2.4 Foreign currency translation *(continued)*

(c) Group's entities

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a. assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

b. income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

c. all resulting exchange differences are recognised as a separate component of equity.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

2 Summary of significant accounting policies *(continued)*

2.5 Property, plant and equipment *(continued)*

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives as follows:

Buildings	40 years
Plant and machinery	15 years
Equipment and motor vehicles	5-10 years

The assets' residual values ranged from 5% to 10% of their costs. Their residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included within 'other income/(losses) – net' in the income statement.

2.6 Construction-in-progress

Construction-in-progress ("CIP") represents plants and properties under construction and machinery pending installation or testing. CIP is stated at cost which includes all expenditures and other direct costs, site restoration costs, prepayments and deposits attributable to the installation and borrowing costs arising from borrowings used to finance the installation during the installation period. CIP is not depreciated until such time as the assets are completed and ready for their intended use. When the assets concerned are brought into use, the cost are transferred to respective property, plant and equipment and depreciated in accordance with the policy as stated above.

2 Summary of significant accounting policies *(continued)*

2.7 Land use rights

Land use rights are up-front payments to acquire a long-term interest in land, which are regarded as operating leases. These payments are stated at cost and amortised over their respective lease terms on a straight-line basis, net of accumulated impairment charge.

2.8 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation or depreciation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designed as a hedging instrument, and if so, the nature of the item being hedged. The Group has not designed any derivative as hedging instrument. Accordingly, the Group's derivative instruments are not qualified for hedge accounting. Change in the fair value of these derivative instruments is recognised immediately in the income statement within "other income – net".

2 Summary of significant accounting policies *(continued)*

2.10 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

A production process may result in more than one product being produced simultaneously. When the costs of conversion of each product are not separately identifiable, they are allocated based on the relative sales value of each product.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within selling and marketing costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and marketing costs in the income statement.

2 Summary of significant accounting policies *(continued)*

2.12 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or option are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed as incurred.

2 Summary of significant accounting policies *(continued)*

2.16 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case, the related tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2 Summary of significant accounting policies *(continued)*

2.17 Employee benefits

(a) Retirement benefits scheme

The Group participates in defined contribution retirement schemes organised by the local government authorities in the PRC. Employees are entitled to an annual pension equivalent to a fixed portion of their basic salaries at their retirement dates. The Group is required to make contributions to the retirement schemes at a rate of 18% (2007: 18%) of the standard salary of those employees and have no further obligation for post-retirement benefits.

The Group contributes to a defined contribution retirement plan in Hong Kong which is available to all employees based in Hong Kong, the assets of which are held in separate trustee-administered funds. The retirement plan is funded by payments from the employees and the Group. Contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions are not allowed to be used to reduce the Group's contributions. The Group has no further payment obligations once the contributions have been paid.

The contributions are charged to the income statement of the Group as they become payable in accordance with the rules of the schemes/plan.

(b) Share-based compensation

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense and credited to share premium. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2 Summary of significant accounting policies *(continued)*

2.18 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.19 Revenue recognition

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is presented in the income statement net of value-added tax, returns, rebates and discounts and after elimination of sales transacted within the Group. Revenue is recognised as follows:

2 Summary of significant accounting policies *(continued)*

2.19 Revenue recognition *(continued)*

(a) *Sales of goods*

Sales of goods are recognised when the Group's entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(b) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivables is recognised using the original effective interest rate.

2.20 Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for acquiring land use rights, are charged to the income statement on a straight-line basis over the period of the lease.

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the Finance Department.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. As at 31 December 2008, the Group had no significant assets denominated in foreign currencies other than the functional currency, while there were significant bank borrowings denominated in US dollars ("USD") and Hong Kong dollars ("HKD"). Accordingly, the foreign exchange risk of the Group mainly arises from these foreign currency denominated loans.

As at 31 December 2008, if RMB had weakened/ strengthened by 5% against HKD, with all other variables held constant, profit for the year would have been approximately RMB 2,000,000 (2007: RMB 1,396,000) lower/higher, mainly arising from net foreign exchange losses/gains on translation of HKD-denominated borrowings.

As at 31 December 2008, if RMB had weakened/ strengthened by 5% against the USD, with all other variable held constant, profit for the year would have been approximately RMB 33,249,000 (2007: RMB 43,620,000) lower/ higher, arising from foreign exchange losses/gains on translation of USD-denominated borrowings.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk (continued)

(ii) Price risk

Corn kernels are the major raw materials of the products of the Group and they are subject to commodity price changes in the commodity market. During the year, management did not use any commodity futures to control the exposure of the Group to the price fluctuations of corn kernel purchases. Instead, management tried to lower the purchase price by increasing purchases during harvest season of corn kernels of which the price was usually at a lower level.

(iii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets except for cash and cash equivalents, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk mainly arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. As at 31 December 2008, more than 70% of bank borrowings of the Group were floated with LIBOR and therefore, the Group is not exposed to significant re-pricing risk.

In 2008, if the interest rates on bank borrowings had decreased/ increased by 5% during the year with all other variables held constant, profit for the year would have been approximately RMB 2,672,000 (2007: RMB 3,075,000) higher/ lower mainly as a result of lower/higher interest expense on bank borrowings.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) *Credit risk*

Credit risk of the Group is mainly arising from cash and cash equivalents, trade and other receivables and amounts due from related companies.

The Group's bank deposits are mainly placed with banks with high credit ratings which are either listed or state-owned. The table below shows the bank deposits balance of the major counterparties of the Group as at 31 December 2008 and 2007:

	2008 RMB'000	2007 RMB'000
Counterparty:		
State-owned or listed banks	245,581	342,679
Other banks	2,559	386
	248,140	343,065

For trade and other receivables and amounts due from related companies, the credit quality of the counterparties is assessed by taking into account their financial position, credit history and other factors. Individual credit limits are set based on the assessment of the credit quality. Given the trade and credit history of the parties who had maintained receivable balances due from the Group as at 31 December 2008, the directors are of the opinion that the risk of default by these counterparties is not significant. In addition, the Group has no significant concentration of credit risk from customers.

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by arranging banking facilities and other external financing.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) *Liquidity risk (continued)*

The table below sets out an analysis of the Group's financial liabilities based on their maturity as at the respective balance sheet dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 1 year equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000
Group			
At 31 December 2008			
Borrowings	869,410	–	–
Trade and other payables	451,391	–	–
Amounts due to related companies	7,940	–	–
At 31 December 2007			
Borrowings	182,625	513,208	333,564
Trade and other payables	308,117	–	–
Amounts due to related companies	6,055	–	–
Company			
At 31 December 2008			
Borrowings	729,410	–	–
Trade and other payable	4,470	–	–
Amounts due to related companies	1,211	–	–
At 31 December 2007			
Borrowings	182,625	403,208	333,564
Trade and other payable	12,202	–	–
Amounts due to related companies	1,034	–	–

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk (continued)

As at 31 December 2008, the Group recorded net current liabilities amounting to RMB 287,313,000, mainly as a result of the reasons as described in Note 2.1. The directors have closely monitored the cash flow from operations and its capital expenditure investment plans through preparing rolling cash flow forecasts. They have also obtained adequate available banking facilities to meet cash demands. Since the Group has not experienced any difficulty in renewing its borrowings when they fell due and the Group had also successfully obtained banking facilities of approximately RMB 960,000,000 subsequent to 31 December 2008 and up to the date of approval of these financial statements, the directors are of the opinion that the Group could properly mitigate the liquidity risks. In addition, the directors also proposed to pay out the 2008 final dividend in the form of scrip dividends through capitalisation of retained earnings (see Note 23) in lieu of cash payments in order to strengthen the Group's liquidity.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with other industry players, the Group monitors its capital to debt position based on its gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents.

3 Financial risk management *(continued)*

3.2 Capital risk management *(continued)*

The Group's strategy is maintaining a gearing ratio below 50%. The gearing ratio of the Group as at 31 December 2008 and 2007 are as follows:

	Note	2008 RMB'000	2007 RMB'000
Total borrowings	*16*	869,410	1,029,397
Less: Cash and cash equivalents	*12*	(248,158)	(343,085)
Net debt		621,252	686,312
Total equity		1,368,206	1,424,460
Gearing ratio		45%	48%

The slight decrease in gearing ratio from 48% in 2007 to 45% in 2008 was primarily the result of repayment of certain loans and depreciation of USD to RMB during the current year.

3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as derivative instrument) is determined based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying values less any impairment provision for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair value due to their short maturity. The fair value of long-term borrowings for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of property, plant and equipment

Due to the fact that the Group has been actively exploring new business growth opportunities and developing new products to meet market's changing demands, certain property, plant and equipment with an aggregate net book value of RMB 50,939,000 as at 31 December 2008 were left unutilised with the Group and there had not been a plan to utilise them in the future operations of the Group. Accordingly, the directors made an assessment on the recoverable amount of these assets by making reference to a valuation performed by an independent valuer in the PRC. As a result, an impairment charge of RMB 18,539,000 was recognised to write down the property, plant and equipment to the expected recoverable amounts. The recoverable amount was mainly assessed based on a non-legally binding indication offered by a potential buyer to purchase the property, plant and equipment. If the valuation amount had been 10% lower/higher, the impairment charge would have been approximately RMB 3,240,000 higher/lower.

5 Revenue and 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.

5 Revenue and segment information *(continued)*

Primary reporting format – business segments *(continued)*

The turnover of the Group represents sales of goods.

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	*21*				10,299
Profit before income tax					60,787
Income tax credit	*22*				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	*6, 8*	216,663	35,376	–	252,039
Other non-cash expenses					
Depreciation	*6*	40,959	39,296	–	80,255
Amortisation	*7*	3,039	406	–	3,445
Write-down of inventories to net realisable value	*10*	8,432	29,464	–	37,896
Impairment loss on property, plant and equipment	*6*	–	18,539	–	18,539

5 Revenue and segment information *(continued)*

Primary reporting format – business segments *(continued)*

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	–
– Amounts due from related companies	8,130	–
– Other receivables	25,430	–
– Deferred income tax assets	7,054	–
– Current income tax receivable	5,485	–
– Amounts due to related companies	–	(7,940)
– Other payables	–	(93,497)
– Current borrowings	–	(869,410)
Total	2,696,947	(1,328,741)

5 Revenue and segment information *(continued)*

Primary reporting format – business segments *(continued)*

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	*21*				(23,610)
Profit before income tax					382,036
Income tax expense	22				(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	*6, 8*	252,196	41,729	–	293,925
Other non-cash expenses					
Depreciation	*6*	29,882	38,639	–	68,521
Amortisation	*7*	3,039	406	–	3,445

5 Revenue and segment information *(continued)*

Primary reporting format – business segments *(continued)*

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	–
– Amounts due from related companies	87,442	–
– Other receivables	8,550	–
– Amounts 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, amounts due from related parties and other receivables.

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

Capital expenditure comprises additions to property, plant and equipment, land use rights and construction in progress (Notes 6, 7 and 8).

5 Revenue and segment information *(continued)*

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 RMB'000	2007 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.

6 Property, plant and equipment – Group

	Note	Buildings RMB'000	Plant and machinery RMB'000	Equipment and motor vehicles RMB'000	Total RMB'000
At 1 January 2007					
Cost		191,371	713,483	1,042	905,896
Accumulated depreciation		(8,578)	(75,328)	(420)	(84,326)
Net book amount		182,793	638,155	622	821,570
Year ended 31 December 2007					
Opening net book amount		182,793	638,155	622	821,570
Additions		–	9,028	85	9,113
Transfers from construction in progress	8	–	536,918	905	537,823
Depreciation charge		(4,405)	(63,834)	(282)	(68,521)
Closing net book amount		178,388	1,120,267	1,330	1,299,985
At 31 December 2007					
Cost		191,371	1,259,428	2,032	1,452,831
Accumulated depreciation		(12,983)	(139,161)	(702)	(152,846)
Net book amount		178,388	1,120,267	1,330	1,299,985
Year ended 31 December 2008					
Opening net book amount		178,388	1,120,267	1,330	1,299,985
Additions		469	3,114	456	4,039
Transfers from construction in progress	8	33,967	207,114	–	241,081
Disposal		(900)	(7,853)	–	(8,753)
Depreciation charge		(4,866)	(75,060)	(329)	(80,255)
Impairment charge		(1,758)	(16,781)	–	(18,539)
Closing net book amount		205,300	1,230,801	1,457	1,437,558
At 31 December 2008					
Cost		224,832	1,453,899	2,488	1,681,219
Accumulated depreciation		(17,774)	(206,317)	(1,031)	(225,122)
Accumulated impairment		(1,758)	(16,781)	–	(18,539)
Net book amount		205,300	1,230,801	1,457	1,437,558

6 Property, plant and equipment – Group *(continued)*

As at 31 December 2008, there was no property, plant and equipment that had been pledged for bank borrowings of the Group (2007: Nil). Property certificates of certain buildings of the Group with net book value of approximately RMB 51,128,000 were obtained subsequent to 31 December 2008.

As of 31 December 2008, certain property, plant and equipment of the Group with an aggregate carrying value of RMB 50,939,000 had been left idle and there had been no plan to utilise them in future production. Accordingly, the Group had recognised impairment provision of RMB 18,539,000 in cost of sales to write down the carrying amount of these assets to their estimated recoverable amounts, which was determined by reference to a valuation report issued by an independent valuer. The determination of the recoverable amounts is made by making reference to a non binding purchase indication received from a potential buyer of these assets.

7 Land use rights – Group

It mainly represents prepaid operating lease payments associated with parcels of land located in the PRC which bear remaining lease periods between 10 to 50 years.

	2008 RMB'000	2007 RMB'000
Year ended 31 December		
Opening net book amount	163,696	167,141
Amortisation charge	(3,445)	(3,445)
Closing net book amount	160,251	163,696
At 31 December		
Cost	169,876	169,876
Accumulated amortisation	(9,625)	(6,180)
Net book amount	160,251	163,696

8 Construction in progress – Group

	Note	2008 RMB'000	2007 RMB'000
Beginning of the year		43,737	296,748
Additions		248,000	284,812
Transferred to property, plant and equipment	6	(241,081)	(537,823)
End of the year		50,656	43,737

Construction in progress mainly comprises construction costs incurred for the improvement projects for production processes of the Group.

During the year ended 31 December 2008, no borrowing costs had been capitalised as part of the carrying amounts of construction in progress (2007: RMB 2,443,000 was capitalised) because the exchange gain arising from revaluation of the borrowings had exceeded the attributable interest expenses.

9 Investment in and loans to a subsidiary – Company

(a) Investment in a subsidiary

Investment in a subsidiary represents the Company's equity investment in Master Team International Limited ("Master Team") amounting to USD 1 (equivalent to approximately RMB 8).

The Group's subsidiaries are all limited liability companies. Particulars of the principal subsidiaries of the Group as at 31 December 2008 are set out below:

Name	Place of incorporation	Issued share and fully paid-up capital	Principal activities and place of operations	Interest held
Held directly:				
Master Team International Limited ("Master Team")	British Virgin Islands (the "BVI")	USD 1	Investment holding, the BVI	100%
Held indirectly by Master Team:				
Winning China Ltd	Hong Kong	HKD 1	Investment holding, Hong Kong	100%
Shandong Xiwang Sugar Industry Co., Ltd. ("Xiwang Sugar")	The PRC	RMB 438,000,000	Manufacture and sale of sweeteners and corn co-products, the PRC	100%
Shandong Xiwang Bio-chem Technology Co., Ltd. ("Xiwang Technology")	The PRC	RMB 206,000,000	Manufacture and sale of sweeteners and corn co-products, the PRC	100%
Xiwang Sugar (Hong Kong) Limited ("Xiwang Sugar HK")	Hong Kong	HKD 10,000	Export trading of sweeteners and corn co-products, Hong Kong	100%
Xiwang International Company Korea Ltd* ("Xiwang Korea")	Korea	Korean Won 300,000,000	Import trading and selling of sweeteners and corn co-products, Korea	71%

* Xiwang Korea was incorporated in 2008, and is a subsidiary of Xiwang Sugar HK.

9 Investment in and loans to subsidiaries – Company *(continued)*

(b) Amounts due from a subsidiary

	Note	2008 RMB'000	2007 RMB'000
Amounts due from Master Team			
– quasi-equity	*(i)*	697,169	697,169
– advance	*(ii)*	633,901	821,133
		1,331,070	1,518,302
Less: non-current portion		(697,169)	(697,169)
Current portion – advance	*(ii)*	633,901	821,133

Notes:

(i) The directors of the Company consider the balance is quasi-equity in nature and therefore have no intention to demand for a repayment in the foreseeable future. The balance is unsecured, non-interest bearing and denominated in HKD.

(ii) The advance to Master Team is non-interest bearing, unsecured and repayable on demand.

10 Inventories – Group

	2008 RMB'000	2007 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.

11 Trade and other receivables – Group and Company

		Group		Company	
		2008	2007	2008	2007
	Note	RMB'000	RMB'000	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	3,815	7,890
		453,172	509,173	3,815	7,890

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.

11 Trade and other receivables – Group and Company *(continued)*

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

	2008 RMB'000	2007 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:

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
RMB	441,013	492,014	–	–
USD	11,666	16,317	3,815	7,890
HKD	346	842	–	–
WON	147	–	–	–
	453,172	509,173	3,815	7,890

11 Trade and other receivables – Group and Company *(continued)*

As at 31 December 2008 and 2007, the fair values of trade and other receivables of the Group and the Company 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.

12 Cash and cash equivalents – Group and Company

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	27,270	103,085	2,280	2,413
Short-term bank deposits	220,888	240,000	–	–
	248,158	343,085	2,280	2,413

The maximum exposure to credit risk at the reporting date is the carrying amounts of cash and cash equivalents.

The effective weighted average rate of these short-term deposits was 1.89% per annum (2007: 4.26%). These deposits have an average maturity of 180 days (2007: 158 days) but could be withdrawn anytime without any restriction.

The Group's cash and cash equivalents denominated in RMB are deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

12 Cash and cash equivalents – Group and Company *(continued)*

The carrying amounts of the Group's and Company's cash and cash equivalents as at 31 December 2008 are denominated in the following currencies:

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	230,252	314,877	–	–
USD	12,569	24,922	263	2,161
HKD	4,003	3,286	2,017	252
Won	1,334	–	–	–
	248,158	343,085	2,280	2,413

13 Share capital and share premium – Group and Company

	Note	Number of shares in issue (thousands)	Share capital RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2007		827,552	86,175	461,305	547,480
Proceeds from share options exercised		2,000	200	4,773	4,973
Employee share option scheme-value of services provided	*(a)*	–	–	2,920	2,920
At 31 December 2007		829,552	86,375	468,998	555,373
Proceeds from employee share option exercised	*(a)*	800	80	1,792	1,872
Employee share option scheme-value of services provided	*(a)*	–	–	1,063	1,063
At 31 December 2008		830,352	86,455	471,853	558,308

The total authorised number of ordinary shares is 2,000 million ordinary shares (2007: 2,000 million shares) with a par value of HKD 0.1 per share (2007: HKD 0.1 per share). All issued shares are fully paid.

Notes:

(a) Employee share options

A share option scheme was approved and adopted by the Company according to a written resolution of the board of directors of the Company passed on 6 November 2005 (the "Scheme"). The Scheme is made to enable the Group to grant options to selected participants as incentives or rewards for their contribution made to the Group. The total number of shares that may be issued upon exercise of all outstanding options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 80,000,000 shares in aggregate.

13 Share capital and share premium – Group and Company *(continued)*

Notes: *(continued)*

(i) Employee share options *(continued)*

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2008		2007	
	Average exercise price in HKD per share	Options (in thousands)	Average exercise price in HKD per share	Options (in thousands)
At 1 January	3.69	6,592	2.50	4,000
Granted	2.95	5,979	3.86	5,792
Exercised	2.50	(800)	2.50	(2,000)
Forfeited	3.86	(5,792)	2.50	(1,200)
At 31 December	2.95	5,979	3.69	6,592

Out of the 5,979,000 outstanding options (2007: 6,592,000 options), no options (2007: 2,454,000) were exercisable. Options exercised in 2008 resulted in 800,000 shares (2007: 2,000,000 shares) being issued at HKD 2.5 each (2007: HKD 2.5 each). The related weighted average share price at the time of exercise was HKD 3.78 (2007: HKD 4.14) per share.

13 Share capital and share premium – Group and Company *(continued)*

Notes: *(continued)*

(i) Employee share options *(continued)*

Share options outstanding as of the end of the year have the following expiry date and exercise price.

Expiry date	Exercise price HKD per share	Number of options (in thousands) 2008	2007
31 January 2008	2.50	–	800
1 May 2017	3.86	–	5,792
25 May 2018	2.95	5,979	–
		5,979	6,592

The fair value of options granted in 2008 determined using the Binomial Option Pricing Model was approximately RMB 5,397,000 (2007: RMB 3,583,000). The significant inputs into the model were share price of HKD 2.95 (2007: HKD 3.83 and HKD 4.4) at the grant date, the exercise price shown above; volatility of 56.68% (2007: 36% to 38%); dividend yield of 5.66% (2007: 3.86%); an expected average option life of 2,008 days to 2,373 days (2007: 600 days); and annual risk-free interest rate ranged from 2.66% to 2.74% (2007: 3.89% to 3.95%). The volatility measured at the standard deviation of continuously compounded share returns in based on the Company's maximum available historical share prices before 29 August 2008.

14 Other reserves – Group and Company

Group

	Note	Capital reserve RMB'000	Statutory reserves RMB'000	Total RMB'000
Balance at 1 January 2007		117,023	82,942	199,965
Appropriation to reserves	*(a)*	–	36,605	36,605
Balance at 31 December 2007		117,023	119,547	236,570
Appropriation to reserves	*(a)*	–	10,699	10,699
Balance at 31 December 2008		117,023	130,246	247,269

Company

	Note	Capital reserve RMB'000
Balance at 31 December 2007 and 2008	*(b)*	151,442

Notes:

(a) In accordance with the relevant government regulations in the PRC and the provisions of the articles of association of Xiwang Sugar and Xiwang Technology, the PRC subsidiaries are required to appropriate at each year end a 10% of the profit for the year after setting off the accumulated losses brought forward (based on figures reported in the statutory financial statements) to a statutory surplus reserve account. Xiwang Sugar and Xiwang Technology had made appropriations at 10% to the statutory surplus reserve account for the year ended 31 December 2008. These reserves are required to be retained for designated usages.

(b) The amount arose from a group reorganisation carried out in 2005.

15 Trade and other payables – Group and Company

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	200,648	143,602	–	–
Other payables	236,039	144,249	4,470	12,202
Other taxes payables	2,163	4,697	–	–
Deposits and advance from customers	12,541	15,569	–	–
	451,391	308,117	4,470	12,202

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 and Company's trade and other payables approximate their fair values.

16 Borrowings – Group and Company

	Note	Group 2008 RMB'000	Group 2007 RMB'000	Company 2008 RMB'000	Company 2007 RMB'000
Non-current					
Bank borrowings – unsecured	*(i)*	–	846,772	–	736,772
		–	846,772	–	736,772
Current					
Bank borrowings – unsecured:					
– Short term bank borrowings	*(i)*	74,000	47,000	44,000	47,000
– Current portion of long term bank borrowings	*(i) (ii)*	795,410	135,625	685,410	135,625
		869,410	182,625	729,410	182,625
		869,410	1,029,397	729,410	919,397

16 Borrowings – Group and Company *(continued)*

Notes:

(i) As at 31 December 2008, all bank borrowings except RMB 30,000,000 were guaranteed by companies within the Group (2007: All).

(ii) The amount as at 31 December 2008 included non-current bank borrowings amounting to RMB 310,310,000 which were originally repayable after 31 December 2009 (Note 2.1). The amount is classified as current liabilities in these financial statements because the Group has breached certain financial covenants of the loan agreements and the creditor banks are entitled to demand repayments of such loans prior to the original repayment due dates.

The maturity of the borrowings as of 31 December 2008 is as follows:

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	869,410	182,625	729,410	182,625
1 to 2 years	–	513,208	–	403,208
2 to 5 years	–	333,564	–	333,564
	869,410	1,029,397	729,410	919,397

The weighted average effective interest rates of the floating rate borrowings at the balance sheet date were as follows:

	Group		Company	
	2008	2007	2008	2007
Bank borrowings	4.791%	5.746%	4.158%	5.640%

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates are within one year.

16 Borrowings – Group and Company *(continued)*

The carrying amounts of current borrowings approximate their fair value. The carrying amounts and fair values of the non-current bank borrowings are as follows:

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amounts	–	846,772	–	736,772
Fair values	–	845,111	–	736,368

The carrying amounts of the borrowings are denominated in the following currencies:

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	140,000	110,000	–	–
USD	685,410	872,397	685,410	872,397
HKD	44,000	47,000	44,000	47,000
	869,410	1,029,397	729,410	919,397

Subsequent to 31 December 2008 and up to the date of approval of the financial statements, the Group has obtained new loan facilities amounting to approximately RMB 960,000,000.

17 Deferred income tax assets – Group

Deferred income tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to the same fiscal authority. No amounts were offset during 2007 and 2008.

	2008 RMB'000	2007 RMB'000
Deferred tax assets to be recovered after more than 12 months	2,317	–
Deferred tax assets to be recovered within 12 months	4,737	–
	7,054	–

The movement in deferred tax assets are as follows:

	Inventory written down to net realisable values RMB'000	Impairment charge on property, plant and equipment RMB'000	Total RMB'000
At 31 December 2007	–	–	–
Credited to the income statement	4,737	2,317	7,054
At 31 December 2008	4,737	2,317	7,054

There were no material temporary differences which would lead to recognition of deferred tax liabilities as at 31 December 2008 (2007: Nil).

18 Expenses by nature

	Note	2008 RMB'000	2007 RMB'000
Changes in inventories of finished goods and work in progress		(6,868)	(96,219)
Raw materials and consumables used		1,875,838	1,412,862
Utility expenses		247,896	146,565
Depreciation and amortisation	*6, 7*	83,700	71,966
Carriage outwards expense		68,992	17,015
Employee benefit expenses	*20*	58,824	45,007
Inventory net realisable value provision		37,896	–
Undeductible input value-added tax charged to cost of goods sold		27,379	18,041
Impairment loss on property, plant and equipment		18,539	–
Auditors' remuneration		3,282	3,027
Other expenses		80,358	47,835
Total		2,495,836	1,666,099
Representing:			
Cost of goods sold		2,324,599	1,597,955
Selling and marketing costs		107,282	35,216
Administrative expenses		63,955	32,928
		2,495,836	1,666,099

19 Other income – net

	2008 RMB'000	2007 RMB'000
Subsidy income	–	810
Gains on sales of scrap materials	9,935	6,803
(Loss)/gain on derivative financial instruments	(807)	1,431
Loss on disposal of property, plant and equipment	(8,753)	–
Others	1,557	445
	1,932	9,489

20 Employee benefit expenses

	2008 RMB'000	2007 RMB'000
Wages, salaries and other staff benefits	54,542	40,659
Pension costs – defined contribution plans	3,219	1,428
Share options granted to employees	1,063	2,920
	58,824	45,007

20 Employee benefit expenses *(continued)*

(a) Director's emoluments

The remuneration of each director of the Company for the year ended 31 December 2008 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Inducement fees	Other benefits	Employer's contribution to pension scheme	Compensation for loss of office as director	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Wang Yong	–	96	–	–	–	–	–	96
Mr. Wang Liang	–	48	–	–	–	3	–	51
Mr. Wang Chengqing	–	48	–	–	–	3	–	51
Mr. Liu Hengfang	–	24	–	–	–	–	–	24
Mr. Han Zhong	–	48	–	–	–	3	–	51
Ms. Li Wei	–	48	–	–	–	3	–	51
Mr. Liu Jiqiang	–	48	–	–	–	3	–	51
Mr. Sun Xinhu	–	–	–	–	–	–	–	–
Mr. Shi Weichen	–	100	–	–	–	–	–	100
Mr. Wong Kaiming	–	137	–	–	–	–	–	137
Mr. Shen Chi	–	100	–	–	–	–	–	100

20 Employee benefit expenses *(continued)*

(a) Director's emoluments *(continued)*

The remuneration of each director of the Company for the year ended 31 December 2007 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Inducement fees	Other benefits	Employer's contribution to pension scheme	Compensation for loss of office as director	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Wang Yong	–	300	–	–	–	3	–	303
Mr. Wang Liang	–	250	–	–	–	5	–	255
Mr. Wang Chengqing	–	150	–	–	–	5	–	155
Mr. Liu Hengfang	–	150	–	–	–	1	–	151
Mr. Han Zhong	–	150	–	–	–	1	–	151
Ms. Li Wei	–	200	–	–	–	3	–	203
Mr. Liu Jiqiang	–	150	–	–	–	4	–	154
Mr. Shi Weichen	–	100	–	–	–	–	–	100
Mr. Wong Kaiming	–	146	–	–	–	–	–	146
Mr. Shen Chi	–	92	–	–	–	–	–	92

Seven directors waived emoluments amounting to RMB 990,000 in aggregate during 2008 (2007: Nil).

20 Employee benefit expenses *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group in 2008 include no director (2007: two). The emoluments payable to these five individuals in 2008 (2007: three) are as follows:

	2008 RMB'000	2007 RMB'000
Basic salaries, share option and benefits in kind	2,935	4,549
Pensions	70	20
	3,005	4,569

The emoluments fell within the following band:

	Number of individuals 2008	 2007
Emolument bands		
Nil – RMB 880,000 (Nil – HKD 1,000,000)	5	1
RMB 880,001 – RMB 1,760,000 (HKD 1,000,001 – HKD 2,000,000)	–	1
RMB 1,760,001 – RMB 2,640,000 (HKD 2,000,001 – HKD 3,000,000)	–	1
	5	3

21 Finance income and costs

	Note	2008 RMB'000	2007 RMB'000
Interest expenses – bank borrowings		(53,435)	(66,591)
Less: amount capitalised in construction in progress	8	–	2,443
		(53,435)	(64,148)
Net exchange gains		54,735	34,991
Finance income/(costs)		1,300	(29,157)
Interest income on bank balance		8,999	5,547
Net finance income/(costs)		10,299	(23,610)

22 Income tax expense

Pursuant to the rules and regulations of Bermuda and the BVI, the Group was not subject to any income tax in Bermuda and the BVI during 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 People's Republic of China (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. Xiwang Sugar and 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 in both 2008 and 2007.

22 Income tax expense *(continued)*

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.

	Note	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	*17*	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

23 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 HKD 138,951,000 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.

24 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

24 Earnings per share *(continued)*

(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

25 Cash generated from operations

(a) Reconciliation of profit before income tax to cash generated from operations is as follows:

	Note	2008 RMB'000	2007 RMB'000
Profit before income tax		60,787	382,036
Adjustments for:			
– Depreciation	6	80,255	68,521
– Amortisation	7	3,445	3,445
– Share-based payment	20	1,063	2,920
– Impairment loss on property, plant and equipment	6	18,539	–
– Loss on disposal of property, plant and equipment	19	8,753	–
– Interest income	21	(8,999)	(5,547)
– Foreign exchange gains		(54,456)	(34,991)
– Interest expenses		53,435	64,148
Changes in working capital:			
– Inventories		3,479	(194,090)
– Trade and other receivables		56,868	(402,502)
– Derivative financial instruments		1,446	(1,446)
– Amounts due from related companies		79,312	(82,563)
– Trade and other payables		34,794	153,949
– Amounts due to related companies		3,134	(739)
Cash generated from/(used in) operations		341,855	(46,859)

25 Cash generated from operations *(continued)*

(b) In the consolidated cash flow statement, proceeds from sale of property, plant and equipment comprise:

	Note	2008 RMB'000	2007 RMB'000
Net book value disposed	*6*	8,753	–
Loss on disposal of property, plant and equipment	*19*	(8,753)	–
Proceeds from disposal of property, plant and equipment		–	–

26 Commitments

Capital commitment

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	2008 RMB'000	2007 RMB'000
Property, plant and equipment		
– Contracted but not provided for	12,977	60,425
– Authorised but not contracted for	–	–
	12,977	60,425

26 Commitments *(continued)*

Operating lease commitments

The Group leases offices premises in Hong Kong under non-cancellable operating lease agreements. The lease terms are within 2 years, and the majority of these lease agreements are renewable at the end of the period at the prevailing market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2008 RMB'000	2007 RMB'000
No later than 1 year	1,353	1,312
Later than 1 year and no later than 5 years	–	1,083
	1,353	2,395

27 Related party transactions

The Group is controlled by the Xiwang Investment Company Limited (incorporated in BVI), which owns about 63% of the Company's shares. The remaining about 37% of the shares are widely held. The ultimate holding company of the Group is Xiwang Holdings Limited (incorporated in BVI). The directors consider Mr. Wang Yong to be the ultimate controlling party of the Group.

27 Related party transactions *(continued)*

During the year ended 31 December 2008, the Group had undertaken transactions with the following related companies:

English Name	Chinese Name	Relationship with the Company
Xiwang Group Company Limited ("Xiwang Group")	西王集團有限公司	Company controlled by the shareholders of Xiwang Holdings Limited
Shandong Xiwang Savola Oil Co., Ltd. ("Xiwang Savola Oil")	山東西王沙渥拉油脂有限責任公司	Subsidiary of Xiwang Group
Shandong Xiwang Food Company Limited ("Xiwang Food")	山東西王食品有限公司	Subsidiary of Xiwang Group
Shandong Fangong Wine Industry Co., Ltd. ("Fangong Wine")	山東范公酒業有限公司	Subsidiary of Xiwang Group
Shandong Xiwang Leavening Co., Ltd ("Xiwang Leavening")	山東西王酵母有限公司	Subsidiary of Xiwang Group
Zouping Xiwang Construction Co., Ltd. ("Xiwang Construction")	鄒平西王建築有限公司	Subsidiary of Xiwang Group
Shandong Xiwang Steel Structure Co., Ltd ("Xiwang Steel Structure")	山東西王鋼結構有限公司	Subsidiary of Xiwang Group
Xiwang Investment Company Limited ("Xiwang Investment")	西王投資有限公司	Immediate holding company

27 Related party transactions *(continued)*

In addition to the related party transactions as disclosed in other notes to these financial statements, the Group had the following significant transactions carried out with related parties during the year ended 31 December 2008:

(a) Sales of goods:

	2008 RMB'000	2007 RMB'000
Sales of corn germs		
– Xiwang Savola Oil	–	206,944
– Xiwang Food	290,229	–
Sales of glucose syrup		
– Xiwang Leavening	2,245	4,621
	292,474	211,565

The pricing of these transactions was determined based on mutual negotiation and agreement reached between the Group and the related parties on each individual transaction.

27 Related party transactions *(continued)*

(b) Purchases of goods and services

	2008 RMB'000	2007 RMB'000
Purchase of corn germ dregs		
– Xiwang Savola Oil	–	19,190
– Xiwang Food	31,485	–
Purchase of packaging materials		
– Fangong Wine	51,873	51,926
Construction of property, plant and equipment		
– Xiwang Steel Structure	8,364	4,569
– Xiwang Construction	–	11
Sewage services		
– Xiwang Group	2,067	740
	93,789	76,436

The pricing of these transactions was determined based on mutual negotiation and agreement reached between the Group and the related parties on each individual transaction.

During the year, Xiwang Group undertook to take up certain bank acceptance bills received by the Group from customers which had not yet reached the respective maturity dates. Xiwang Group paid to the Group cash consideration at approximately RMB 398,298,000, equal to the face value of these bills, resulting in no gain or losses reported by the Group.

During the year, Xiwang Group also undertook to coordinate certain goods delivery transportation services for the Group at no consideration.

27 Related party transactions *(continued)*

(c) Key management compensation

	2008 RMB'000	2007 RMB'000
Basic salaries and benefits in kind	2,079	3,547
Termination benefits	–	–
Pensions	55	50
Other long-term benefits	–	–
Share-based payments	1,063	2,920
	3,197	6,517

The key management include directors (executive and non-executive) and senior management and there are in total 14 (2007: 15) key management personnel of the Group.

27 Related party transactions *(continued)*

(d) Balances due from / to related parties

Group

	Note	2008 RMB'000	2007 RMB'000
Receivables:	*(ii)*		
Amounts outstanding, end of the year			
– Xiwang Savola Oil		–	86,889
– Xiwang Food		7,178	–
– Xiwang Construction		424	–
– Fangong Wine		308	252
– Xiwang Investment		136	39
– Xiwang Leavening		84	262
		8,130	87,442
Maximum amounts outstanding during the year during the year			
– Xiwang Savola Oil		–	102,803
– Xiwang Food		69,783	–
– Xiwang Steel Structure		5,986	5,767
– Fangong Wine		5,421	3,072
– Xiwang Leavening		431	1,311
– Xiwang Construction		426	9,101
Payables:	*(ii)*		
– Xiwang Steel Structure		5,344	3,083
– Xiwang Group		2,564	1,445
– Wang Yong		32	9
– Xiwang Construction		–	1,518
		7,940	6,055

27 Related party transactions *(continued)*

(d) Balances due from/to related parties *(continued)*

Company

	Note	2008 RMB'000	2007 RMB'000
Receivables:	*(ii)*		
Amounts outstanding, end of the year			
– Xiwang Sugar HK		16,928	1,282
– Xiwang Sugar		8,073	37,086
– Xiwang Technology		2,356	2,356
– Master Team			
– Advance	9	1,331,070	1,518,302
– Dividend receivable		149,014	200,000
		1,507,441	1,759,026
Payables:	*(ii)*		
– Xiwang Group		1,211	1,034

Notes:

(i) The related parties are all under the control of Mr. Wang Yong, chairman and director of the Company.

(ii) Except for the advance due from the Company to Master Team as disclosed in Note 9, all the current accounts maintained with related parties were aged within one year as at 31 December 2008 and 2007. They are interest-free, unsecured and repayable on demand.

28 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB 62,297,000 (2007: RMB 62,859,000).

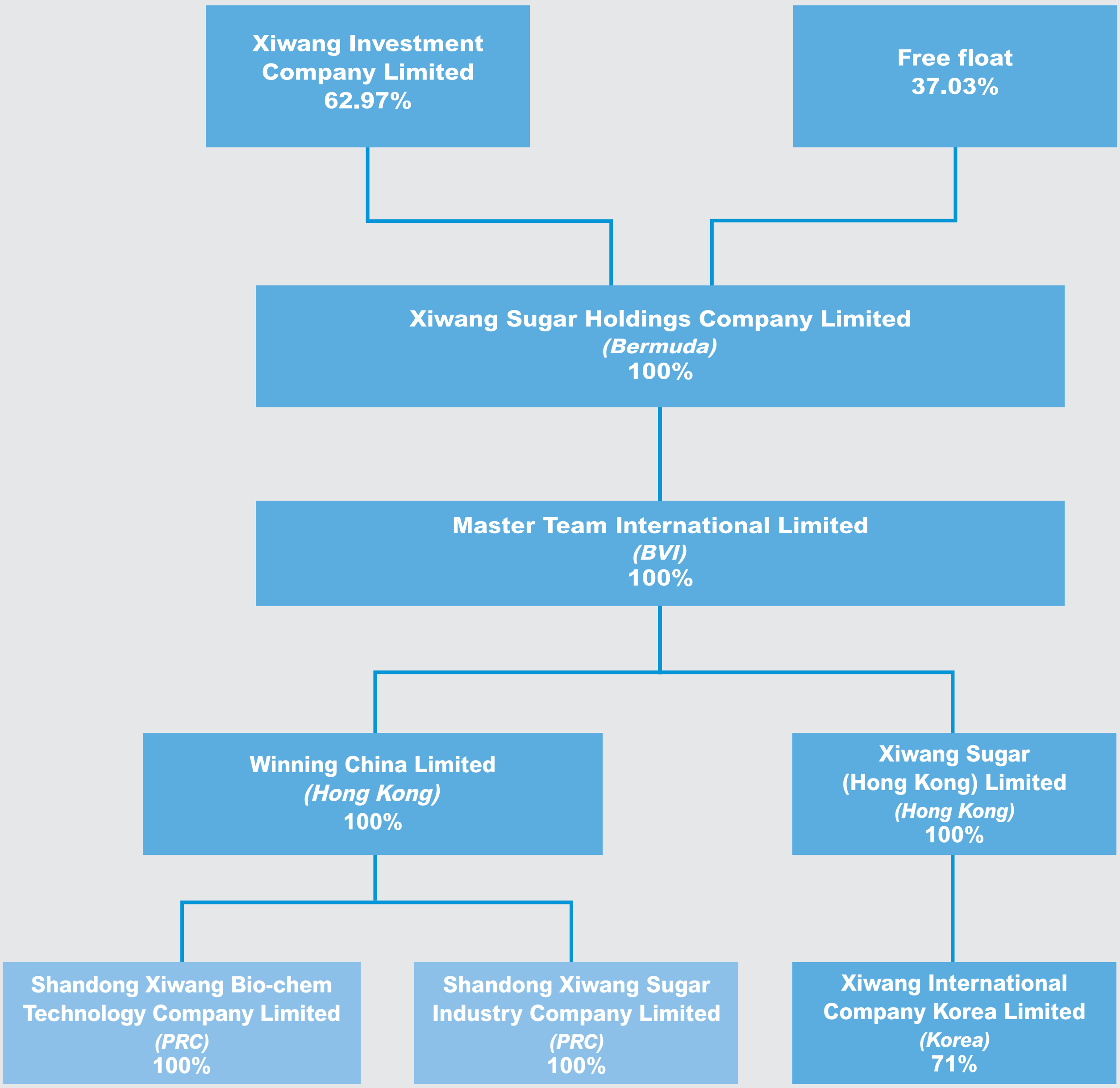
29 Events after the balance sheet date

In April 2009, the directors of two principal subsidiaries in the PRC resolved that amounts totalling RMB 36,569,000 b set aside from the profits earned in 2008 by these subsidiaries to a discretionary special purpose reserve which is designated for future expansion of operations of these subsidiaries. Such appropriations have not been reflected in these financial statements but will be dealt with in retained earnings for the year ending 31 December 2009.

Five-year Financial Summary

	2008	2007	2006	2005	2004
For the year (RMB million)					
Turnover	2,544	2,062	1,385	1,038	603
Gross profit	220	464	365	261	118
EBITDA	216	521	357	255	126
Operating profit	50	406	312	228	111
Net profit	64	361	290	210	82
As at December 31 (RMB million)					
Current assets	1,041	1,271	910	692	318
Non-current assets	1,656	1,507	1,285	696	351
Total assets	2,697	2,778	2,195	1,388	669
Current liabilities	1,329	507	360	312	212
Non-current liabilities	–	847	664	235	185
Total liabilities	1,329	1,354	1,024	547	397
Total equity	1,368	1,424	1,171	841	272
Total liabilties and equity	2,697	2,778	2,195	1,388	669
Per share (RMB)					
Basic earnings per share	0.077	0.435	0.356	0.365	0.141
Dividends per share	0.027	0.150	0.140	0.0087	–
Financial and performance ratios					
Gross profit margin (%)	8.6	22.5	26.4	25.2	19.7
Operating profit margin (%)	2.0	19.7	22.5	22.0	18.3
Net profit margin (%)	2.5	17.5	21.0	20.2	13.5
Current ratio	0.78	2.51	2.53	2.22	1.50
Net debt to equity	0.45	0.48	0.18	N.A	0.74
Average inventory turnover days	55	53	38	28	39
Average debtor turnover days	18	14	12	13	15
Average creditor turnover days	27	18	10	11	4

Organisation Structure



Information for Shareholders

Corporate calendar

Announcement of 2008 annual results and final dividend	23 April 2009
Last day to register for final dividend 2008	23 June 2009
Book close dates for final dividend	24 June to 26 June 2009 (Both days inclusive)
Annual general meeting 2009	26 June 2009
Despatch of share certificates for the scrip shares (expected)	7 July 2009
Commencement of dealings of the scrip shares on the Stock Exchange (expected)	9 July 2009

Stock code

The Stock Exchange of Hong Kong:	2088
Bloomberg:	2088 HK EQUITY
Reuters:	2088.HK

Board lot

2000 shares

Financial year-end date

31 December

As at 31 December 2008

Market Value:	HKD 996,422,400
Issued shares:	830,352,000 shares
Closing market price:	HKD 1.20 per share
Substantial shareholder:	Mr. WANG Yong *(Chairman)*

Annual report

This annual report is printed in English and Chinese and available on the corporate website of the Stock Exchange (www.hkex.com.hk) and on the "Investor Relations" page of the Company's website (www.irasia.com/listco/hk/xiwangsugar).

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 26^{th} floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not 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 of Hong Kong Limited (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 around 30 April 2009.

Principal share registrar and transfer office

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

Hong Kong branch share registrar and transfer office

Tricor Investor Services Limited
26^{th} floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Xiwang Sugar Holdings Company Limited

西王糖業控股有限公司*

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

* For identification purpose only 僅供識別