



XIWANG SUGAR HOLDINGS COMPANY LIMITED

西王糖業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 2088)

**PROFIT WARNING
AND
SUSPENSION OF POSSIBLE ACQUISITION OF XIWANG FOOD**

PROFIT WARNING:

This announcement is made by Xiwang Sugar Holdings Company limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)

The board of directors of the Company (the “**Board**”) wishes to inform potential investors and shareholders of the Company that based on preliminary assessment of the management accounts of the Group and information currently available, the Group’s results for the financial year ended 31 December 2008 is likely to record a significant decline in net profit of over 50% compared to the corresponding period ended 31 December 2007.

The Board anticipates a decline in net profit due to various reasons, among them the deterioration of operating environment during the second half of 2008 in particular. The detection of melamine in various dairy products and eggs in China has caused a reduction of both the demand and the selling prices of such products as well as related products in China and it adversely affected the sales of the Group’s crystallised glucose and animal feed products. In addition, the current global financial crisis led to a significant drop in the export business of the Group and further dampened the performance of the Group. The significant fall in corn price (corn is the major raw material of the Group) only happened in late 2008 and so its possible benefits to improve the operating profit of the Group will only be realised in 2009.

Despite being affected by the global economic condition, the Board considers that the overall operation of the Group remains sound and intact, with the financial position of the Group remains solid. In addition, for the avoidance of doubt, the Group is not engaged in trading derivatives and other structured financial products.

Please note that the information contained in this announcement is only based on the preliminary assessment by the Board with reference to the management accounts of the Group and that the actual results for the Group is subject to audit and therefore may be different from what is disclosed in this announcement. Further details of the Group's performance will be disclosed when the 2008 annual report of the Company is published.

SUSPENSION OF POSSIBLE ACQUISITION OF XIWANG FOOD:

On 4 July 2008, the Group, Xiwang Group Company Limited and Shandong Xiwang Food Company Limited (“**Xiwang Food**”) entered into a memorandum of understanding (the “**MOU**”) in relation to a possible acquisition of Xiwang Food (the “**Proposed Acquisition**”). Xiwang Food is principally engaged in the production of edible oil. The MOU granted the Group an exclusive right of negotiation to acquire 100% equity interest of Xiwang Food within the period of six months from the date of the MOU. Upon the expiry of the exclusive right on 3 January 2009, the Board has decided to suspend the Proposed Acquisition in consideration of the uncertainties of the operating environment and also the volatility of global financial market.

Potential investors and shareholders of the Company should exercise caution when dealing in the securities of the Company.

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

Hong Kong, 5 January 2009

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

Executive directors:

Mr. WANG Yong
Mr. WANG Liang
Dr. LI Wei
Mr. WANG Cheng Qing
Mr. HAN Zhong
Mr. LIU Ji Qiang
Mr. SUN Xihu

Independent non-executive directors:

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

* *for identification purpose only*