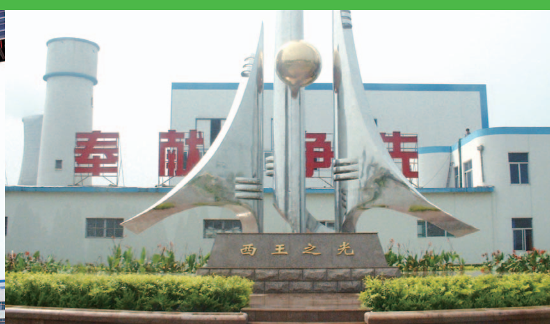
XIWANG SUGAR HOLDINGS COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 2088

INTERIM REPORT 2008



CONTENTS

CORPORATE PROFILE

WE ARE

- No. 1 crystallised glucose producer in China with an 800,000-tonne annual production capacity
- Capable to process 1.5 million tonnes of corn to produce various co-products
- Mission to offer healthy sweetener and food products
- Listed on the Main Board of The Stock Exchange of Hong Kong Limited since 9 December 2005

OUR EDGES

- High operational efficiency generated from economy of scale and integrated production process
- Diversified customer base: food, beverages, feeds, fermentation, pharmaceuticals, chemicals
- Advanced R&D and strong sales force to sustain core business growth
- Rich corn supply with production plant located in Shandong, China

WE PRODUCE

- Sweetener products: Crystallised glucose, Crystallised fructose
- Co-products: Corn germ, Corn gluten meal, Animal feed, Corn starch

OUR AWARDS & RECOGNITIONS

- State Food Industry Association: Capital for Chinese Sweetener Products
- General Administration of State Environment Protection: National Environmental Friendly Corporation
- China Fermentation Industry Association: Quality Examination Centre for Glucose
- China Fermentation Industry Association: No. 1 of the Top 20 Enterprises in the Starch Sweetener Industry

Condensed Consolidated Income Statement

The board of directors (the "Directors" or the "Board") of Xiwang Sugar Holdings Company Limited ("Xiwang Sugar" or the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") prepared under the Hong Kong Financial Reporting Standards for the six months ended 30 June 2008 (the "Interim Period"), together with the comparative figures, as follows. The consolidated results are unaudited, but have been reviewed by the Company's audit committee.

		Unaudited Six months ended 30 June	
	Note	**2008 RMB'000**	2007 RMB'000 *(Note 15)*
Revenue	*2*	**1,386,228**	879,028
Cost of goods sold	*3*	**(1,122,647)**	(692,712)
Gross profit		**263,581**	186,316
Other gains – net		**11,810**	15,212
Selling and marketing costs	*3*	**(40,604)**	(15,069)
Administrative expenses	*3*	**(32,972)**	(16,004)
Operating profit		**201,815**	170,455
Finance income and costs, net	*4*	**25,238**	(12,069)
Profit before income tax		**227,053**	158,386
Income tax expense	*5*	**(8,468)**	(6,518)
Profit attributable to equity holders of the Company		**218,585**	151,868
Earnings per share for profit attributable to equity holders of the Company during the period (RMB per share)			
– basic	*6*	**0.2633**	0.1834
– diluted	*6*	**0.2633**	0.1831

The notes on pages 8 to 24 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Balance Sheet

	Note	30 June 2008 Unaudited RMB'000	31 December 2007 Audited RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*8*	**1,270,521**	1,299,985
Land use rights		**161,974**	163,696
Construction in progress	*8*	**140,504**	43,737
		1,572,999	1,507,418
Current assets			
Inventories	*9*	**362,020**	329,962
Trade and other receivables	*10*	**536,565**	509,173
Amounts due from related companies	*14(c)*	**25,933**	87,442
Derivative financial instruments		**–**	1,446
Cash and cash equivalents		**307,702**	343,085
		1,232,220	1,271,108
Total assets		**2,805,219**	2,778,526
EQUITY			
Attributable to equity holders of the Company			
Share capital	*11*	**86,455**	86,375
Share premium	*11*	**470,920**	468,998
Other reserves		**236,570**	236,570
Retained earnings			
– Proposed dividend		**–**	126,329
– Others		**724,656**	506,188
Total equity		**1,518,601**	1,424,460

	Note	30 June 2008 Unaudited RMB'000	31 December 2007 Audited RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		**604,032**	846,772
Current liabilities			
Trade and other payables	*12*	**316,963**	308,117
Current income tax liabilities		**1,690**	10,497
Amounts due to related companies	*14(c)*	**8,333**	6,055
Borrowings		**355,600**	182,625
		682,586	507,294
Total liabilities		**1,286,618**	1,354,066
Total equity and liabilities		**2,805,219**	2,778,526
Net current assets		**549,634**	763,814
Total assets less current liabilities		**2,122,633**	2,271,232

The notes on pages 8 to 24 are an integral part of these condensed consolidated financial statements.

WANG Yong
Director

WANG Liang
Director

Condensed Consolidated Statement of Changes in Equity

		Unaudited					
		Attributable to equity holders of the Company					
		Share Capital	Share Premium	Capital Reserve	Statutory Reserves	Retained Earnings	Total Equity
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2007		86,175	461,305	117,023	82,942	423,956	1,171,401
Profit for the period		–	–	–	–	151,868	151,868
Proceeds from share options exercised		197	4,728	–	–	–	4,925
Share options granted		–	2,274	–	–	–	2,274
Final dividend for 2006		–	–	–	–	(115,871)	(115,871)
Balance at 30 June 2007		86,372	468,307	117,023	82,942	459,953	1,214,597
Balance at 1 January 2008		**86,375**	**468,998**	**117,023**	**119,547**	**632,517**	**1,424,460**
Profit for the period		**–**	**–**	**–**	**–**	**218,585**	**218,585**
Proceeds from share options exercised	*11*	**80**	**1,812**	**–**	**–**	**–**	**1,892**
Share options granted	*11*	**–**	**110**	**–**	**–**	**–**	**110**
Final dividend for 2007	*7*	**–**	**–**	**–**	**–**	**(126,446)**	**(126,446)**
Balance at 30 June 2008		**86,455**	**470,920**	**117,023**	**119,547**	**724,656**	**1,518,601**

The notes on pages 8 to 24 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Cash Flow Statement

	Unaudited Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Net cash inflow/(outflow) from operating activities	**208,722**	(17,912)
Net cash outflow from investing activities	**(106,963)**	(228,472)
Net cash inflow/(outflow) before financing activities	**101,759**	(246,384)
Net cash outflow from financing activities	**(137,142)**	(177,620)
Net decrease in cash and cash equivalents	**(35,383)**	(424,004)
Cash and cash equivalents at beginning of the period	**343,085**	662,609
Cash and cash equivalents at end of the period	**307,702**	238,605

The notes on pages 8 to 24 are an integral part of these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

1.1 General information

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 ("Stock Exchange") since 9 December 2005.

The Group is principally engaged in the corn processing business in the People's Republic of China (the "PRC"). The Group manufactures and sells crystallised glucose, crystallised fructose, corn gluten meal, corn germ, animal feed, corn starch and other by-products.

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

These unaudited condensed consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Directors on 26 August 2008.

1.2 Basis of preparation

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

The accounting policies and method of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2007.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Group's audited 2007 annual financial statements.

1.3 Accounting policies

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant for the Group.

- HK(IFRIC)-Int 11, 'HKFRS 2 – Group and treasury share transactions'

- HK(IFRIC)-Int 12, 'Service concession arrangements'

- HK(IFRIC)-Int 14, 'HKAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction'

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

- HKFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009. HKFRS 8 replaces HKAS 14, 'Segment reporting', and requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is still being assessed in detail, but unlikely that the number of reported segments may increase.

- HKAS 23 (amendment), 'Borrowing costs', effective for annual periods beginning on or after 1 January 2009. This amendment is not relevant to the Group, as the Group currently applies a policy of capitalising borrowing costs.

- HKFRS 2 (amendment) 'Share-based payment', effective for annual periods beginning on or after 1 January 2009. Management do not expect the interpretation to be relevant to the Group.

- HKFRS 3 (amendment), 'Business combinations' and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates' and HKAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the Group.

- HKAS 1 (amendment), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. The Group will apply HKAS 1 (Revised) from January 2009.

- HKAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to HKAS 1, 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. This is not relevant to the Group as the Group does not have any puttable instruments.

- HK(IFRIC) – Int 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1 July 2008. Management is evaluating the effect of this interpretation on its revenue recognition.

2 SEGMENT INFORMATION

Primary reporting format – business segments

The Group is organised on a nationwide basis in the PRC with two main business segments:

(1) Manufacture and sales of sweetener products such as crystallised glucose and crystallised fructose from the processing of corn starch (hereinafter collectively referred to as the "Sweetener products").

(2) Manufacture and sales of corn gluten meal, corn germ, animal feed, corn starch and other by-products from the processing of corn (hereinafter collectively referred to as the "Co-products and others").

The segment results for the six months ended 30 June 2008 are as follows:

	Sweetener products RMB'000	Co-products and others RMB'000	Unallocated RMB'000	Group RMB'000
Segment sales, gross	609,091	1,365,793	–	1,974,884
Intra-segment sales	–	(588,656)	–	(588,656)
Revenue	609,091	777,137	–	1,386,228
Operating profit	78,760	125,184	(2,129)	201,815
Finance income and costs, net				25,238
Profit before income tax				227,053
Income tax expense *(Note 5)*				(8,468)
Profit for the period				218,585

The segment results for the six months ended 30 June 2007 are as follows:

	Sweetener products RMB'000	Co-products and others RMB'000	Unallocated RMB'000	Group RMB'000
Segment sales, gross	476,885	826,393	–	1,303,278
Intra-segment sales	–	(424,250)	–	(424,250)
Revenue	476,885	402,143	–	879,028
Operating profit	100,570	68,907	978	170,455
Finance income and costs, net				(12,069)
Profit before income tax				158,386
Income tax expense *(Note 5)*				(6,518)
Profit for the period				151,868

Unallocated costs represent corporate expenses. Inter-segment transfers or transactions are entered into under the terms and conditions agreed by both parties.

Secondary reporting format – geographical segments

The Group's two business segments operate in two main geographical areas.

The Group's revenue is substantially generated within the PRC with a portion accounted for by export sales.

	For the six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
REVENUE		
The PRC	**1,182,083**	743,845
Other countries/cities	**204,145**	135,183
	1,386,228	879,028

3 EXPENSES BY NATURE

Expenses included in cost of goods sold, selling and marketing costs and administrative expenses are analysed as follows:

	For the six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Fair valuation on employee share options	**110**	2,274
Depreciation and amortisation	**39,985**	30,562
Employee benefit expenses	**41,193**	25,836
Changes in inventory levels of finished goods and work in progress	**(52,210)**	(67,129)
Raw materials and consumables used	**992,660**	619,246
Transportation expenses	**28,224**	8,113
Utility expenses	**106,960**	64,486
Directors' emoluments	**940**	1,600
Impairment of receivables	**–**	560

4 FINANCE INCOME AND COSTS, NET

	For the six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Interest expenses – borrowings	**29,865**	29,245
Less: amount capitalised as construction in progress	**–**	(2,469)
	29,865	26,776
Net foreign exchange translation gains	**(51,219)**	(10,787)
Finance costs	**(21,354)**	15,989
Finance income – interest income on bank balance	**(3,884)**	(3,920)
Net financial (income)/costs	**(25,238)**	12,069

5 INCOME TAX EXPENSE

The amount of income tax charged to the consolidated income statements represent:

	For the six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Current income tax		
– PRC enterprise income tax	**8,468**	6,518

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands ("BVI"), the Group was not subject to any income tax in Bermuda and BVI during the period presented (2007: Nil).

No Hong Kong profits tax was provided as the Group had no assessable profit arising in or derived from Hong Kong (2007: Nil).

Group companies registered in the PRC are subject to PRC Enterprise Income Tax ("EIT") on the taxable profit as reported in their PRC statutory accounts adjusted for items, which are not assessable or deductible in accordance with relevant PRC income tax laws.

The standard overall EIT rate applicable to all PRC subsidiaries was 33% up to 31 December 2007. According to the new Corporate Income Tax Law of the People's Republic of China (the "new CIT Law") newly approved by the National People's Congress in 2007 and the relevant regulations, the new EIT tax rate applicable to Shandong Xiwang Sugar Industry Co., Ltd. ("Xiwang Sugar") and Shandong Xiwang Bio-Chem Technology Co., Ltd. ("Xiwang Technology") is 25% from 1 January 2008 onwards.

With the approval of related tax authority, Xiwang Sugar and Xiwang Technology, being production enterprises with foreign investment, are entitled to exemption from the local EIT and two years' exemption from state EIT starting from the first cumulative profit-making year after compensating the accumulated losses, followed by a 50% reduction in the state EIT in the following three years ("EIT Tax Holiday"). Both companies are still entitled to the EIT Tax Holiday mentioned above after the new CIT Law was effective. 2005 is the first profit-making year of Xiwang Sugar. Therefore, the applicable tax rate for Xiwang Sugar in 2008 is 12.5% (2007: 15%). 2007 is the first profit-making year of Xiwang Technology. Therefore, Xiwang Technology is exempted from the entire EIT in 2008.

6 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 period.

	For the six months ended 30 June	
	2008	2007
Profit attributable to equity holders of the Company *(RMB'000)*	**218,585**	151,868
Weighted average number of ordinary shares in issue *(thousands)*	**830,343**	828,071
Basic earnings per share *(RMB per share)*	**0.2633**	0.1834

(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 done 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 share options.

	For the six months ended 30 June	
	2008	2007
Profit attributable to equity holders of the Company *(RMB'000)*	**218,585**	151,868
Weighted average number of ordinary shares in issue *(thousands)*	**830,343**	828,071
Adjustments for share options *(thousands)*	**–**	1,902
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**830,343**	829,973
Diluted earnings per share *(RMB per share)*	**0.2633**	0.1831

7 DIVIDEND

A final dividend for the year ended 31 December 2007 of RMB0.14 per share, amounting to a total dividend of approximately RMB126,446,000, was approved at the annual general meeting held on 20 May 2008 and paid in June 2008.

No interim dividend was proposed for the Interim Period (2007: nil).

8 NON-CURRENT ASSETS

There was no major additions of property, plant and equipment during the Interim Period. The net additions of construction in progress amounting to RMB96,767,000 mainly included the construction costs incurred for a new crystallised fructose plant.

9 INVENTORIES

	As at	
	30 June 2008 RMB'000	31 December 2007 RMB'000
Raw materials	**173,155**	190,305
Work in progress	**56,475**	50,100
Finished goods	**132,390**	89,557
	362,020	329,962

The cost of inventories recognised as expenses and included in "cost of goods sold" amounted to approximately RMB1,122,647,000 for the period ended 30 June 2008 (2007: RMB692,712,000).

As at 30 June 2008, there were no inventories stated at net realisable value (2007: Nil).

10 TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2008 RMB'000	31 December 2007 RMB'000
Trade receivables	**191,953**	112,748
Less: provision for impairment of receivables	**–**	–
	191,953	112,748
Bills receivables	**184,373**	299,027
Other receivables	**160,239**	97,398
	536,565	509,173

Some major customers are allowed with credit periods of 30 to 180 days while most other customers are on a cash on delivery basis, or with prepayment of the full amount of sales be made before delivery is made.

Ageing analysis of the gross trade receivables is as follows:

	As at	
	30 June 2008 RMB'000	31 December 2007 RMB'000
0 – 30 days	**73,344**	44,677
31– 60 days	**40,932**	13,174
61– 90 days	**34,017**	2,161
Over 90 days	**43,660**	52,736
	191,953	112,748

Bills receivables are received from customers under the ordinary course of business and all of them are bank accepted bills with maturity period within 6 months.

Included in other receivables was an advance of RMB81,185,000 (2007: 68,029,000) paid to the electricity and steam suppliers in order to obtain stable supply and favourable price of electricity and steam purchase. For similar reasons, RMB51,107,000 was prepaid to corn suppliers as at 30 June 2008 (2007: RMB97,000) to secure the supply of corn at a stable price level.

11 SHARE CAPITAL AND SHARE PREMIUM

Details of the movements of share capital of the Company during the Interim Period are as follows:

	Number of shares (thousands)	**Share capital** RMB'000	**Share premium** RMB'000
At 1 January 2008	829,552	86,375	468,998
Proceeds from share option exercised (a)	800	80	1,812
Share options granted	–	–	110
At 30 June 2008	**830,352**	**86,455**	**470,920**

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

(a) Share option scheme

A share option scheme was approved and adopted by the Company according to a written resolution passed on 6 November 2005 (the "Share Option Scheme"). The Share Option Scheme is designed to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. According to the scheme, the Company can issue options to the extent that the total number of shares that may be issued upon exercise of all outstanding options to be granted and any other share option scheme of the Company must not exceed 80,000,000 shares in aggregate. The Company may renew this limit at any time, subject to shareholders' approval. In addition, the maximum number of shares which may be issued upon exercised of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 30% of the issued Share capital of the Company from time to time.

During the period, 800,000 share options out of a total of 4,000,000 granted in 2006 were exercised.

5,792,000 share options granted in 2007 were lapsed during the period.

In addition, a further 5,979,000 share options were granted in May 2008.

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

	2008		2007	
	Average exercise price in HK dollar per share	**Options (thousands)**	Average exercise price in HK dollar per share	Options (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)
Lapsed	**3.86**	**(5,792)**	2.50	(1,200)
At 30 June	**2.95**	**5,979**	3.69	6,592

Share options outstanding as of the end of the period have the following expiry date and exercise price:

Expiry date	Exercise price HK$ per share	Number of options (thousands)
25 May 2018	2.95	5,979

The fair value of options granted during the period ended 30 June 2008 determined using the Binomial Option Pricing Model was approximately RMB5,931,000 (first half of 2007: RMB5,122,000). The significant inputs into the model were share price of HK$2.95 (first half of 2007: HK$3.83 and HK$4.4); at the grant dates and the exercise price shown above; volatility of 56.68% (first half of 2007: 36% to 38%); dividend yield of 5.6% (first half of 2007: 3.7% to 5.7%); an expected average option life of 2,008 days to 2,373 days (first half of 2007: 240 to 3,650 days); and annual risk-free interest rate of 2.66% to 2.74% (first half of 2007: 3.89% to 4.26%). The volatility measured at the standard deviation of continuously compounded share returns is based on the Company's 180-day historical share price before 26 May 2008.

12 TRADE AND OTHER PAYABLES

	As at	
	30 June 2008 RMB'000	31 December 2007 RMB'000
Trade payables	**136,380**	143,602
Other payables	**117,770**	144,249
Other taxes payables	**10,450**	4,697
Deposits and advance from customers	**52,363**	15,569
	316,963	308,117

The Group usually settles the amount due to vendors within a period of 30 to 90 days.

Ageing analysis of the trade payables is as follows:

	As at	
	30 June 2008 RMB'000	31 December 2007 RMB'000
0 – 30 days	**94,849**	123,583
31 – 60 days	**14,671**	11,212
61 – 90 days	**11,000**	5,221
Over 90 days	**15,860**	3,586
	136,380	143,602

Approximately RMB87,183,000 (2007: RMB97,845,000) of other payables as at 30 June 2008 represent payables to vendors in relation to the construction of a new production line for crystallised fructose.

13 CAPITAL COMMITMENTS

Capital expenditures authorised/contracted at the balance sheet date but not yet incurred is as follows:

	As at	
	30 June 2008 RMB'000	31 December 2007 RMB'000
Property, plant and equipment		
– Contracted but not provided for	**72,328**	60,425
– Authorised but not contracted for	**–**	–
	72,328	60,425

14 RELATED PARTY TRANSACTIONS

The Group is controlled by Xiwang Investment Company Ltd ("Xiwang Investment") (incorporated in BVI), which owns about 63% of the Company's shares. The remaining 37% of the shares are held by public. 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. During the period ended 30 June 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	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 Co., Ltd. ("Xiwang Food")	山東西王食品有限公司	Subsidiary of Xiwang Group
Shandong Fangong Wine Industry Co., Ltd.	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 Company Limited ("Xiwang Construction")	鄒平西王建築有限責任公司	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

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 period ended 30 June 2008:

(a) Sales of goods:

	For the six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Sales of corn germ		
– Xiwang Food/Xiwang Savola Oil	**181,000**	80,583
Sales of glucose syrup		
– Xiwang Leavening	**420**	1,673
	181,420	82,256

The pricing of these transactions was determined based on agreement between the Group and the related parties with reference to market prices on each individual transaction.

(b) Purchases of goods and services

	For the six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Purchase of corn germ dregs		
– Xiwang Food/Xiwang Savola Oil	**24,285**	7,356
Purchase of packaging materials		
– Fangong wine	**27,537**	19,359
	51,822	26,715
Construction of property, plant and equipment		
– Xiwang Steel Structure	**4,784**	1,930
– Xiwang Construction	**–**	8
Sewage services		
– Xiwang Group	**1,020**	258

The pricing of these transactions was determined based on agreement between the Group and the related parties with reference to market prices on each individual transaction.

(c) Balances due from/to related parties

	30 June 2008 RMB'000	31 December 2007 RMB'000
Receivables:		
Outstanding end of the periods	**25,933**	87,442
Maximum amounts outstanding during the periods	**69,521**	122,289
Payable, end of the periods	**8,333**	6,055

The related parties were all under the control of Mr. Wang Yong.

The balances due from/to related parties are interest-free, unsecured, and repayable on demand.

15 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year presentation.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the Interim Period.

CORPORATE GOVERNANCE PRACTICES

The Company has compiled throughout the six months ended 30 June 2008 with all the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has also adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code for securities transactions. Having made specific enquiries with all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the Interim Period.

AUDIT COMMITTEE

The Company has set up an audit committee with written terms of reference based upon the provisions and recommended practices of the CG Code on 6 November 2005. 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 unaudited condensed consolidated financial statements for the six months ended 30 June 2008 have been reviewed by the audit committee, who is of the opinion that such statements complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

INTERIM DIVIDEND

The Board of Directors resolved not to declare any interim dividend for the six months ended 30 June 2008.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 6 November 2005. The purpose of the Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. As at 30 June 2008, the outstanding share options were 5,979,000 shares of the Company, details of which are set out in note 11(a) to the condensed consolidated financial information and below:

Class of grantee	Date of grant	During the six months ended 30 June 2008 Granted	Exercised	Cancelled	Lapsed	Outstanding as at 1 January 2008	Outstanding as at 30 June 2008	Exercise price per Share (HK$)	Exercise period
Employees *(Note 1)*	9 January 2006	–	800,000	–	–	800,000	–	2.50	1 Jan 2008 – 31 Jan 2008
	2 May 2007	–	–	–	5,792,000	5,792,000	–	–	
	26 May 2008	5,979,000	–	–	–	–	5,979,000	2.95 *(Note 3)*	*(Note 2)*
		5,979,000	800,000	–	5,792,000	6,592,000	5,979,000		

Notes:

(1) Employees include employees of the Group (other than Directors) working under employment contracts with the Group which are regarded as "continuous contracts" for the purpose of the Employment Ordinance (Chapter 571 of the Laws of Hong Kong).

(2) These options can only be exercised by the grantee 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

(3) The closing price of shares of the Company immediately before the date on which the options were granted was HK$2.92.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 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 30 June 2008
Company	WANG Yong	Interest of a controlled corporation *(Note 2)*	522,000,000 ordinary shares (L) *(Note 3)*	62.93%
Xiwang Holdings Limited ("Xiwang Holdings")	WANG Yong	Beneficial owner	5,842 shares (L)	46.74%
Xiwang Investment Company Limited ("Xiwang Investment (BVI)")	WANG Yong	Interest of a controlled corporation *(Note 2)*	3 shares (L)	100%

Other Information

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 30 June 2008
Xiwang Holdings	LIU Heng Fang	Beneficial owner	266 shares (L)	2.13%
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%
		Interest of spouse	89 shares (L)	0.71%
Xiwang Holdings	LIU Ji Qiang	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 46.74% 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 30 June 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 30 June 2008
Xiwang Investment (BVI)	Beneficial owner	522,000,000 ordinary shares (L)	62.93%
Xiwang Holdings	Interest of a controlled corporation *(Note 2)*	522,000,000 ordinary shares (L)	62.93%
Zhang Shufang	Interest of spouse	522,000,000 ordinary shares (L)	62.93%
Atlantis Investment Management Limited	Investment manager	75,000,000 ordinary shares (L)	9.04%

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.

(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 30 June 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.

1. OVERVIEW

The Group operated two main product categories: (1) sweetener products and (2) co-products and others. Sweetener products included crystallised glucose and crystallised fructose while co-products and others included corn germ, corn gluten meal, animal feed, corn starch and other by-products.

During the first half of 2008 ("the Interim Period" or "the period under review"), we were the largest crystallised glucose producer in the PRC. The Group recorded a strong growth in this product which is a type of healthy sweetener. Crystallised glucose has been gaining popularity as a sweetening ingredient in various food such as desserts and snacks, and beverages such as health drinks and soft drinks. Apart from that, it has shown strong consumption in fermentation, chemicals and pharmaceutical sectors. The Group's crystallised glucose was competitive in maintaining stable prices and satisfactory profit margin, even though cane sugar price has stayed low in recent years. In expanding the sweetener products portfolio, we have begun crystallised fructose trial production and pre-marketing.

Corn gluten meal and animal feed have both experienced strong sales volume growth and price increment, due to the recovery of the animal feed market from certain pig diseases occurred in 2007 and the fact that the Chinese government has not adopted any price control on these products. Corn germ, which is a raw material for the production of corn oil, was solely sold to Shandong Xiwang Food Company Limited ("Xiwang Food"), an affiliate company which manufactures and sells corn oil. The significant growth of demand of corn and corn oil in the PRC has pulled up the corn germ price and volume.

The Group has the leadership position in the industry and succeeded in capturing sales orders from both domestic and overseas markets. Export sales has increased by about 50% compared to the same period last year, representing 15% of the Company's turnover during the Interim Period. The products being exported were crystallised glucose, corn gluten meal and animal feed.

The Group's key raw material is corn. Corn price increased by 21.1% during the period under review compared to the same period of last year. The Group was successful in passing a major part of the production cost increment to the customers. Nevertheless, the Group's overall gross profit margin was still slightly squeezed by 2.2% to 19.0% in the Interim Period.

Notwithstanding the slight downward adjustment of gross profit margin, the Group recorded a 43.9% year-on-year growth in net profit to reach RMB219 million (first half of 2007: RMB152 million), partly due to the higher utilisation of the Group's production lines which resulted in higher output volume and higher sales volume. In addition, during the interim period we recorded an exchange gain of RMB51 million resulting from the favourable revaluation of the Group's borrowings of which approximately 80% were denominated in United States ("US") dollar. Renminbi has appreciated by approximately 6% against US dollars during the period under review.

2. REVIEW OF OPERATING AND FINANCIAL RESULTS

Turnover

Business segments

	For the six months ended 30 June				
	2008		2007		
	Amount RMB'000	Percentage of total	Amount RMB'000	Percentage of total	Percentage of change
Sweetener products:					
Crystallised glucose	607,595	43.8	476,885	54.3	27.4
Crystallised fructose	1,496	0.1	–	–	–
Subtotal	609,091	43.9	476,885	54.3	27.7
Co-products and others:					
Corn gluten meal	149,229	10.8	94,899	10.8	57.3
Animal feed	189,451	13.7	75,171	8.6	152.0
Corn germ	181,000	13.1	80,583	9.2	124.6
Corn starch	63,960	4.6	64,206	7.3	(0.4)
Other by-products	193,497	14.0	87,284	9.9	121.7
Subtotal	777,137	56.1	402,143	45.7	93.2
Total	1,386,228	100.0	879,028	100.0	57.7

Further analysis of the turnover of the major products are discussed as below:

Sales Volume

	For the six months ended 30 June		
	2008	2007	Percentage
	tonnes	tonnes	of change
Sweetener products:			
Crystallised glucose	**251,912**	207,715	21.3
Crystallised fructose	**152**	–	–
Co-products and others:			
Corn gluten meal	**34,363**	35,480	(3.1)
Animal feed	**159,871**	86,910	84.0
Corn germ	**40,218**	31,187	29.0
Corn starch	**34,423**	36,337	(5.3)

Average Selling Price

	For the six months ended 30 June		
	2008	2007	Percentage
	RMB/tonne	RMB/tonne	of change
Sweetener products:			
Crystallised glucose	**2,412**	2,296	5.1
Crystallised fructose	**9,860**	–	–
Co-products and others:			
Corn gluten meal	**4,343**	2,675	62.4
Animal feed	**1,185**	865	37.0
Corn germ	**4,500**	2,584	74.1
Corn starch	**1,858**	1,767	5.1

During the period under review, the Group realised a turnover of RMB1,386,228,000, representing an increase of 57.7% compared to the same period of 2007. The turnover growth was contributed by both strong demand for crystallised glucose and several co-products, as reflected by both strong sales volume and the average selling prices of them. The turnover of our sweetener products segment rose by 27.7% and that of co-products and others segment also increased by 93.2% as compared to the same period last year.

Sweetener Products

Crystallised glucose: The turnover of crystallised glucose rose by 27.4% compared to the same period of 2007. This was attributable to both increases in sales volume of 21.3% and average selling price of 5.1% compared with the previous same period. The production volume of crystallised glucose increased sharply because of the higher utilisation rate of about 75% of the 800,000 tonnes production line in the first half of 2008 versus an approximate 50% in the first half of 2007. The solid growth in the sales volume was due to its wider applications in many industries. Crystallised glucose was used as a sweetening ingredient in many food and beverages, and it was often mixed with cane sugar to complement the sweet taste. It was regarded as a healthy sweetener since its monosaccharide (simple sugar) nature is easily digested by human bodies. On industrial applications, we saw strong consumption in fermentation, chemical and pharmaceutical sectors. Crystallised glucose was associated with a chemical property of readily releasing heat energy. This advantage favoured it to serve as a heat efficient feedstock over cane sugar in the fermentation process, which was a key step for various chemical and pharmaceutical production.

Crystallised glucose was often priced with reference to cane sugar price in the market. It was observed that the domestic cane sugar price fell by about 10% in the first half of 2008 compared to the average price in the second half of 2007. Given the falling price trend of cane sugar and also an estimated supply growth of crystallised glucose of around 20% in the domestic market, the Group was still capable to adjust the average selling price upwards by 5.1%. This strong pricing power, even under a more difficult operating condition, clearly demonstrated the wider applications of crystallised glucose, and our influential position in the industry.

Crystallised fructose: We began crystallised fructose production as the first domestic player. Crystallised fructose contains a natural fruity flavour to be used as a sweetening ingredient in food and drinks. The sales volume was not significant in the period under review as we operated the trial production and pre-marketing of this product.

Co-products and others

Corn gluten meal and animal feed: Turnover of corn gluten meal and animal feed increased by 57.3% and 152.0% respectively in the Interim Period. This was due to the recovery of the Chinese animal feed market, which has experienced a downturn in 2007 when the Blue-Ear Pig Disease (Formal name: Porcine Reproductive and Respiratory Syndrome Virus) occurred and killed many pigs. The Agricultural Department of the Chinese government has reinforced affirmative actions soon after the disease. This has released the concern that it would strike the inland Sichuan province which was the center of the Chinese pork industry. During the period under review, the average selling prices of corn gluten meal and animal feed rose sharply by 62.4% and 37.0% respectively. The sales volume of corn gluten meal was similar to the same period in 2007, while an increase of 84.0% occurred for animal feed.

Corn germ: Corn germ demonstrated impressive results during the period under review. The turnover increased by 124.6%, driven by a 74.1% increase in average selling price and 29.0% increase in sales volume. Corn germ was a raw material for extraction of corn oil and all of this product was sold to Xiwang Food. As the domestic demand for corn and corn oil increased, their prices went up and pulled up our corn germ price accordingly.

Corn starch: Corn starch was used for the production of crystallised glucose and we sold the excess to the market. This explained the relatively small proportion to total turnover of 4.6% in this period, compared to a 7.3% in the same period of 2007.

Other by-products: These were mainly glucose syrup, glutamic acid and semi-alcohol. These by-products were generated after the crystallisation process and/or from the treatment of residual liquid. As the production capacity of crystallised glucose has expanded, the volume of the by-products increased.

Geographical segments

	For the six months ended 30 June				
	2008		2007		
	Amount RMB'000	Percentage of total	Amount RMB'000	Percentage of total	Percentage of change
Domestic sales	1,182,083	85.3	743,845	84.6	58.9
Export sales	204,145	14.7	135,183	15.4	51.0
Total	1,386,228	100.0	879,028	100.0	57.7

During the period under review, export sales increased 51.0% to RMB204,145,000, representing 14.7% of the total turnover (first half of 2007: 15.4%).

The Group's export sales was mainly contributed by corn gluten meal, animal feed and crystallised glucose. Our major overseas markets included many Asian countries such as Korea and Vietnam, and certain European countries.

Cost of sales

Details of cost of sales are shown below:

	For the six months ended 30 June				
	2008		2007		
	Amount RMB'000	Percentage of total	Amount RMB'000	Percentage of total	Percentage of change
Corn	837,656	74.6	500,082	72.2	67.5
Other materials needed for production	104,605	9.3	81,042	11.7	29.1
Utilities	103,423	9.2	60,427	8.7	71.2
Depreciation	31,281	2.8	22,720	3.3	37.7
Labour	20,862	1.9	11,734	1.7	77.8
Others	24,820	2.2	16,707	2.4	48.6
Total	1,122,647	100.0	692,712	100.0	62.1

Cost of goods sold was RMB1,122,647,000, increased by 62.1% in the period under review compared to the same period of 2007. The increase was in line with the increase of sales of crystallised glucose and the co-products.

As all the sweetener products and co-products were derived from corn, corn cost represented 74.6% of the total cost of goods sold (first half of 2007: 72.2%). Owing to the enlarged production capacity, the Group has processed of approximately 597,000 tonnes of corn during the Interim Period, a 32.6% up from the same period last year. At the same time, the average corn procurement price has risen by 21.1% year-on-year. It was RMB1,486 per tonne in the period under review and RMB1,227 per tonne in the same period of 2007. These two factors explained the significant increment of 67.5% of corn cost during the first half of 2008.

For the same reason of capacity expansion, other materials needed for production, utilities, depreciation and labour also increased accordingly. Other materials needed for production included packaging materials and materials needed in the production process such as enzyme. Utilities consisted of steam and electricity. In addition, the prices of other materials needed for production, utilities cost and labour costs have also revised upwards.

Gross Profit

	For the six months ended 30 June				
	2008		2007		
	Amount RMB'000	Percentage of total	Amount RMB'000	Percentage of total	Percentage of change
Sweetener products:					
Crystallised glucose	**117,425**	**44.5**	124,283	66.7	(5.5)
Crystallised fructose	**178**	**0.1**	–	–	–
Subtotal	**117,603**	**44.6**	124,283	66.7	(5.4)
Co-products and others:					
Corn gluten meal	**36,183**	**13.7**	21,683	11.6	66.9
Animal feed	**51,273**	**19.5**	17,328	9.3	195.9
Corn germ	**42,734**	**16.2**	13,975	7.5	205.8
Corn starch	**9,920**	**3.8**	12,034	6.5	(17.6)
Other by-products	**5,868**	**2.2**	(2,987)	(1.6)	296.4
Subtotal	**145,978**	**55.4**	62,033	33.3	135.3
Total	**263,581**	**100.0**	186,316	100.0	41.5

Gross Profit Margins

	For the six months ended 30 June		
	2008 Percentage	2007 Percentage	Percentage of change
Sweetener products:			
Crystallised glucose	**19.3**	26.1	(6.8)
Crystallised fructose	**11.9**	–	–
Co-products and others			
Corn gluten meal	**24.2**	22.9	1.3
Animal feed	**27.1**	23.1	4.0
Corn germ	**23.6**	17.3	6.3
Corn starch	**15.5**	18.7	(3.2)
Group's	**19.0**	21.2	(2.2)

During the period under review, the gross profit of the Group was RMB263,581,000, increased 41.5% from RMB186,316,000 in the same period of 2007. The Group's overall gross profit margin was 19.0%, dropped from 21.2% compared to the same period of 2007. The major reason of this slight downward adjustment was that domestic corn price has risen significantly since early 2007. Our average corn procurement cost increased at a rate faster than the upward adjustment of product prices. As a result, the rise in corn cost was not fully transferred to the customers.

Crystallised glucose: The gross profit margin of crystallised glucose was 19.3%, decreased by 6.8% compared to the same period last year. On the cost side, our purchase price of corn has risen by 21.1% compared to same period between 2008 and 2007. This was mainly due to the high inflationary environment in China pushing up agricultural product and many food prices, and eventually increased our production cost. On the other hand, the price of crystallised glucose followed cane sugar price in the domestic market closely. Cane sugar price fell by 10% compared to the average price in the second half of 2007. The weak market condition posted difficulty for the Group to adjust crystallised glucose price to pass on the effect of corn cost increment.

Co-products and others: The gross profit margins of corn gluten meal, animal feed and corn germ were 24.2%, 27.1% and 23.6% respectively, all revised up by 1.3, 4.0 and 6.3 percentage points compared to same period of 2007. The sales volume and average selling prices of the major co-products were strong to help mitigate corn cost impact.

Other gains

Other gains was mainly proceeds from disposal of auxiliary materials, which decreased by RMB3,402,000 compared with the same period of 2007. In 2007, other gains was mostly subsidy income provided by the Chinese government to reward the Group for producing crystallised glucose which was a national new product. The Group was entitled for this subsidy until 2007 only.

Selling and marketing costs

Selling and marketing costs were RMB40,604,000 for the Interim Period, increased by RMB25,535,000 compared with the first half of 2007. The increase mainly came from increase in transportation costs and sales commission. The significant increase in sale volume, in particular the significant increase of export sales, together with the inflated charges by the logistic companies pushed up the transportation costs. In addition, sales commission scheme has been revised to offer higher incentive to the sales persons for obtaining new customers' orders.

Administrative expenses

Compared with first half of 2007, administrative expenses increased by RMB16,968,000 to RMB32,972,000 for the current period. The increase was mainly due to the increase in the Group's head count and staff cost, and also expenses incurred during the transition period at the beginning of the year for upgrading the production facilities of glumatic acid for producing semi-alcohols, which is more effective in handling increased volume of residual.

Finance income and costs

The Group's net finance costs decreased by RMB37,307,000 compared with the same period of last year.

To capture the benefits of continued appreciation of Renminbi against US dollar and the decline of the London Inter-Bank Offered Rate ("LIBOR"), the Group re-financed most of the Renminbi denominated borrowings by US dollar denominated borrowings during the second half of 2007. Interest rates of US dollar denominated borrowings were floated with LIBOR. As at 30 June 2008, the Group had about 80.2% (As at 30 June 2007: 56.8%) of total borrowings denominated in US dollar.

During the Interim Period, Renminbi appreciated about 6.1% (first half of 2007: 2.5%) against US dollar. Together with the increased portion of US dollar denominated borrowings, the Group thus recorded a net exchange gain amounted to RMB51,219,000 (first half of 2007: RMB10,787,000).

Liquidity, capital resources and gearing ratio

	As at 30 June 2008 In RMB million	As at 31 December 2007 In RMB million
Net current assets	**550**	764
Cash and cash equivalents	**308**	343
Borrowings	**960**	1,029
Shareholders' equity	**1,519**	1,424
Current ratio	**1.8 times**	2.5 times
Gearing ratio:		
– Net debts to equity*	**43%**	48%

* Net debts means total interest bearing borrowings less cash and cash equivalents.

The Group's net current assets decreased by RMB214 million to RMB550 million during the Interim Period and current ratio dropped from 2.5 times to 1.8 times. The decrease was mainly due to the reclassification of certain long term borrowings to short term borrowings according to their maturity terms.

Cash and cash equivalents decreased by RMB35 million during the Interim Period. The Group had net cash inflow from operating activities amounted to RMB209 million in the first half of 2008 and RMB2 million of proceeds received from the exercise of share options during the period under review. On the other hand, the Group paid RMB107 million for constructions of the new production plant of crystallised fructose, RMB126 million for the final dividend payment for the year ended 31 December 2007 and net repayment of borrowings of RMB13 million.

The Group's borrowings decreased by 6.7% to RMB960 million during the first half of 2008. Borrowings denominated in US dollar represented 80.2% of the total borrowings outstanding at the end of the period under review. The borrowings bore interest was mainly floated with LIBOR. During the period, Renminbi appreciated about 6.1% against the US dollar which led to the decrease in carrying amounts of the Group's borrowings.

Gearing ratio decreased from 48% as at 31 December 2007 to 43% as at 30 June 2008. It was resulted from the decrease of borrowings by 6.7% during the Interim Period mentioned above together with the increase of equity by RMB95 million. The increase of the equity was arisen from the net profit of the first half of 2008 amounting to RMB219 million, RMB2 million of proceeds received from the exercise of share options during the Interim Period, net off by the final dividend payments of 2007 amounting to RMB126 million.

Foreign Exchange Risk

Most of the cash balances of the Group were deposited in Renminbi with major banks in the PRC, and most of assets, liabilities, revenues and payments of the Group were in Renminbi, except for the US dollar loans mentioned above. In view of the appreciation of Renminbi, the Directors consider the risk exposure of the Group to foreign exchange rate fluctuation was minimal. The Group did not use any financial instruments for hedging purposes during the Interim Period.

Human Resources

The Group had 2,661 employees as at 30 June 2008 (30 June 2007: 2,543). The increase was mainly for the trial production of the new product crystallised fructose during the Interim Period.

The Group will consider the experience, responsibility, workload and the time devoted by the Directors and employees of the Group to determine their respective remuneration packages. The Company has also set up 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 for Directors and employees, share options may also be granted based on the performance of individuals.

3. LATEST BUSINESS OUTLOOK AND FUTURE DEVELOPMENT

Outlook:

The Group's crystallised glucose is largely affected by two factors: cane sugar price and corn cost.

Over the last few years, there has been an oversupply situation of cane sugar in China, leading to its continued weak market prices. We have observed cane sugar price has dropped by over 20% from the first half of 2006 to the first half of 2008. We expected the cane suger price would stay flat in the short term. Despite crystallised glucose was, to a certain extent, a substitute to cane sugar in many food and beverages uses, we were able to achieve relatively stable selling price. This reflected our leading position in the industry, and the efforts we paid on extending the application areas to a wider customer base.

The Group foresaw continual strong demand for the sweetener products and co-products. In particular, the recent sales book has shown the market consumption for our major products remains robust, which supported the view that such trend would follow over 2008. It was also expected that export growth would maintain strong for the rest of the year.

The rising corn cost remained a key concern for corn processors. Domestic corn price has shown a double-digit growth over the last two years. However, we saw the price has reached a plateau in the last six months, as further industrial demand was tightened by the Chinese government. The Group decided not to enter into any significant hedging activity as we believed the corn market demand and supply were well regulated by the Chinese government. With coming harvest expected to be fruitful, we expect corn price would move in a gentle pace.

Future development:

The Group continued its mission to offer healthy sweetener and food products. Even though the operating environment has become tough, the Group's key strategy is to solidify its leadership position in crystallised glucose. We would continue to strengthen the R&D to improve product quality, along with the provision of comprehensive customer services. In addition, we will sustain the market niche by development of further downstream products which were of higher values, crystallised fructose was a significant milestone in this regard. Crystallised fructose contains a natural fruity sweet taste yet low in calorie value, making it an ideal choice for people with weight concerns. The intake of it would not cause a sudden rise of blood sugar, so it is a proper sweetener for the diabetics. The Group would be the first Chinese supplier of crystallised fructose with an annual production capacity of 50,000 tonnes. The new crystallised fructose production plant is under construction and is expected to commence production by late 2008.

On 4 July 2008, the Group has entered into a Memorandum Of Understanding ("MOU") for the possible acquisition of Xiwang Food, a company engaged in the production and sale of edible corn oil. We have been selling all the corn germ to Xiwang Food for corn oil production. The Group considered the corn oil business to be of significant growth prospect since people had become more aware of healthy food. It was expected the due diligence related to the acquisition and transactions would be completed within six months from the date of MOU.

The Group is committed to total environmental friendliness. Our R&D department has entered into the feasibility study of turning the residuals into a series of chemical products, namely ethanol, acetone and butanol. These chemicals were widely applied in plastic, solvents, fuel and textiles. The purpose of upgrading the product mix after residual treatment was to enhance overall operational efficiency. We expected this operation would become more material by the end of this year.

EXECUTIVE DIRECTORS

Mr. WANG Yong, *Chairman*
Mr. WANG Liang
Dr. LI Wei
Mr. WANG Cheng Qing
Mr. HAN Zhong
Mr. LIU Ji Qiang

NON-EXECUTIVE DIRECTOR

Mr. LIU Heng Fang

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

Mr. WONG Kai Ming, *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 Xin Hu *(Alternate to Mr. WANG Yong and Miss. LAM Wai Lin)*

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

CORPORATE INFORMATION

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of China
China Construction Bank
The Bank of East Asia, Limited

AUDITORS

PricewaterhouseCoopers
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LEGAL ADVISERS

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As to Bermuda law:
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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