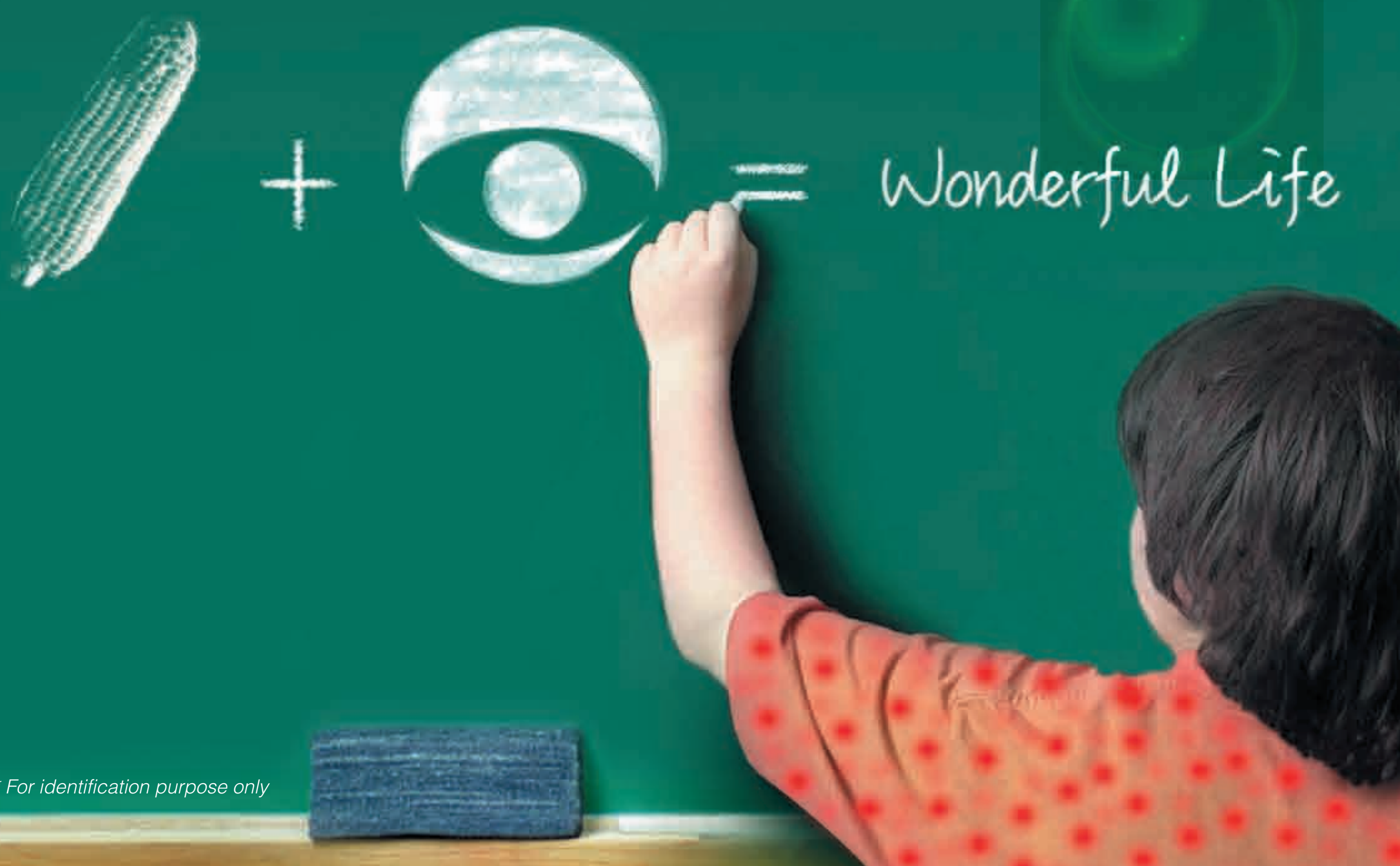
Xiwang Sugar Holdings Company Limited

西 王 糖 業 控 股 有 限 公 司 *

(Incorporated in Bermuda with limited liability)

Stock code : 2088

Interim Report 2010



** For identification purpose only*

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

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)*

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business in the PRC

Xiwang Industrial Area
Zouping County
Shandong Province
The People's Republic of China

Principal Place of Business in Hong Kong
Unit 1508-09,15th floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

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
PricewaterhouseCoopers
Certified Public Accountants
22nd floor, Prince's Building
Central
Hong Kong

Legal Advisers
As to Hong Kong law:
Chiu & Partners
40th floor, Jardine House
1 Connaught Place
Hong Kong

As to Bermuda law:
Conyers Dill & Pearman
2901, One Exchange Square
8 Connaught Place
Central
Hong Kong

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
26th floor, Tesbury Centre
28 Queen's Road East
Hong Kong

Website
http://www.xiwang-sugar.com

Investor Relations and Corporate Communications
Investor contact:
Xiwang Sugar Holdings Company Limited
Ms. Gisele Suen
Tel : (852) 3104 0576
Email : ir@xiwang-sugar.com.hk

Media contact:
iPR Ogilvy Limited
Tel : (852) 2136 6185
Email : info.ipr@iprogilvy.com

1. Introduction

Xiwang Sugar Holdings Company Limited (the "Company") and its subsidiaries (collectively, the "Group") are principally engaged in the production of a variety of starch sugars and corn co-products in the People's Republic of China (the "PRC"), and the distribution and sale of such products within and outside the PRC. The Group's products are important ingredients for many industries in the world, including food and beverages, fermentation, pharmaceuticals, chemicals and animal nutrition.

The Group was established in 2001 and has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since December 2005. Headquartered in the Zouping County of Shandong Province in the PRC, the Group's production facilities are fully integrated, which promotes the efficient use of resources and greatly enhances the ability of lengthening the corn value chain. Currently, the Group has an annual corn processing capacity of 1.5 million tonnes. The Group is the largest producer of crystalline glucose in the PRC with an annual capacity of 800,000 tonnes, and is the pioneer and the largest provider of crystalline fructose in the PRC with an annual capacity of 50,000 tonnes. In addition, the Group is the largest producer of sodium gluconate in the PRC with an annual capacity of 100,000 tonnes.

The Group is regarded as the *Number 1 of the Top 20 Enterprises in the Starch Sugar Industry* by the China Fermentation Industry Association since 2006 and the *Town of Sugar in China* by the China National Food Industry Association since 2007. The Group is highly committed to environmental safety. The Group has been accredited as the *National Environmental Friendly Corporation* by the Ministry of Environmental Protection of the PRC since 2005. In 2009, the Group's industrial area is quoted as the *Demonstration Area of Circular Economy* in the Yellow River Delta Efficient Eco-Economic Zone Development Plan by the National Development and Reform Commission of the PRC.

The Group refines corn and has organized its business in two operating segments:

(1) Starch sugars which include crystalline glucose, crystalline fructose and fructose-glucose syrup.

(2) Corn co-products and others which mainly include corn gluten meal, corn gluten feed, corn germ, corn starch and sodium gluconate.

(1) Starch Sugars

Crystalline glucose, or dextrose monohydrate, is a monosaccharide in white, fine-crystalline form, with relative sweetness of 0.7#. Glucose serves to enhance the taste and texture of many food products such as ice-cream. It is also widely used industrially as fermentation intermediate for the production of various pharmaceuticals, food and feed ingredients. Glucose can be directly assimilated by human blood system so it is often used for medical transfusion. The Group produces crystalline glucose from corn starch.

Crystalline fructose is a monosaccharide in white, fine-crystalline form. It has a fruity flavour and the highest relative sweetness of 1.3 to 1.8 among all natural sugars. As a result, a smaller amount fructose can achieve the desired sweet taste. Crystalline fructose is commonly used in making low-calorie food such as cereals and sports drinks. Fructose has a Glycemic Index ("GI") value of 19## which is the lowest among all natural sugars, and low GI diets (55 or less) have been proved to improve people with diabetes. The Group produces crystalline fructose from crystalline glucose.

Fructose-glucose syrup refers to a family of mixtures of varying amount of fructose and glucose. With relative sweetness of 1.0 to 1.2, it is commonly used in beverages or as sucrose substitute. While the application of fructose-glucose syrup limits to serving as sweeteners, this type of product is not the Group's development focus.

Based on the relative sweetness scale of sucrose, a.k.a table sugar or white sugar, which is 1.0. As a note, sucrose is mainly extracted from sugar cane or sugar beet.

The Glycemic Index is a ranking of carbohydrates on a scale from 0 to 100 according to the extent to which they raise blood sugar levels after eating. Glucose has a GI value of 100 and sucrose has a GI value of 65.

(2) Corn co-products and others

Corn gluten meal is a high-protein ingredient with natural yellow pigment which is also known as yellow powder. It is commonly used in feed for providing rich protein to support healthy growth of pigs, chickens, pets and fish. Corn gluten meal is extracted from corn kernel after the larger part of starch and germ have been separated during the basic refinery process.

Corn gluten feed is a source of protein, energy and fibers. It is used as a multi-nutrient ingredient for cattle, pigs, poultry and pets. Corn gluten feed is obtained from corn kernel after starch, germ and gluten have been extracted.

Corn germ is the embryo part of a corn kernel, and is rich in oil. The Group sells corn germ to Xiwang Food Company Limited ("Xiwang Food", a connected company owned by the Group's ultimate controlling shareholder) which is engaged in the production of edible corn oil.

Corn starch constitutes approximately 70% of the major part of a corn kernel. The Group uses corn starch principally for the production of its crystalline glucose, so corn starch is not the Group's development focus. The surplus will be sold to food or paper manufacturers.

Sodium gluconate appears as white powder. Industrial-grade sodium gluconate is largely used as a set retarder of concrete in construction industry. The Group produces sodium gluconate by fermentation of a portion of its glucose output.

2. Review of Financial Results

A highlight of the financial results of the Group for the six months ended 30 June 2010 (the "Period"), together with the comparative figures of the corresponding period in 2009, is as follow:

Six months ended 30 June	**2010**	2009	Increase
	RMB'000	RMB'000	%
Revenue	**1,484,809**	1,031,304	44.0
Gross profit	**236,052**	75,307	213.5
Operating profit	**156,444**	20,400	666.9
Net profit	**99,636**	1,144	8,609.4
Gross profit margin	**15.9%**	7.3%	8.6%pts
Operating profit margin	**10.5%**	2.0%	8.5%pts
Net profit margin	**6.7%**	0.1%	6.6%pts

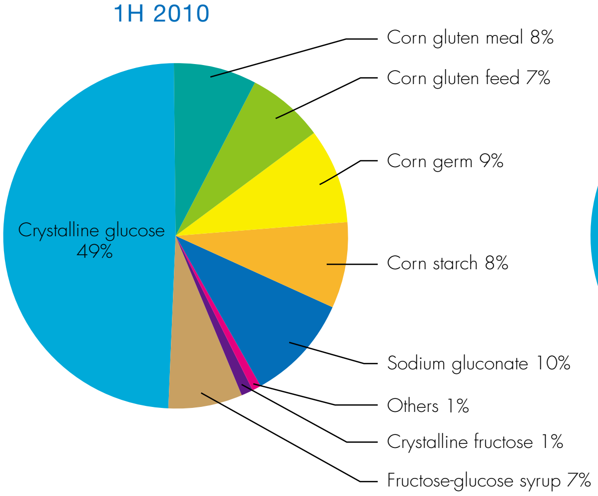
The Group recorded substantial growth in revenue and profits and significant improvement in profit margins during the Period, which was mainly attributable to the solid rebound of sales performance from the low base in the first half of 2009 caused by the melamine scandal. Notwithstanding the significant rise in the price of corn, the Group was more than able to pass-through the higher corn costs by increasing the selling prices of its products. During the Period, the average corn procurement cost of the Group rose by approximately 25% year-on-year. However, the average selling price of our crystalline glucose, which contributed about half of the total revenue, rose by approximately 39%. The average selling prices of our corn co-products and others in general also increased in a range of approximately 10% to 35%. Moreover, the market demand for the Group's products was strong and the sales volume of the products as a whole was approximately 9% higher than that of the same period of the previous year. Therefore, the Group's overall financial results improved significantly.

Revenue

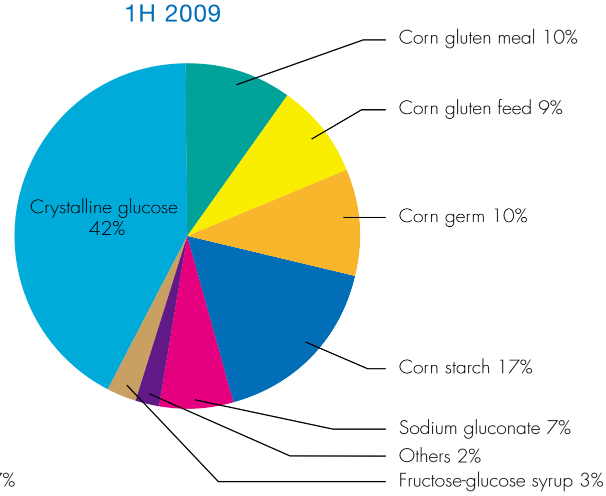
Revenue by operating segments:

Six months ended 30 June	2010 RMB '000	2009 RMB '000	Increase/ (Decrease) %
Starch sugars:			
Crystalline glucose	**720,854**	431,359	67.1
Crystalline fructose	**7,628**	613	1,144.4
Fructose-glucose syrup	**97,905**	25,850	278.7
	826,387	457,822	80.5
Corn co-products and others:			
Corn gluten meal	**113,300**	103,141	9.8
Corn gluten feed	**108,721**	90,754	19.8
Corn germ	**131,571**	104,732	25.6
Corn starch	**125,320**	171,081	(26.7)
Sodium gluconate	**155,336**	68,812	125.7
Others	**24,174**	34,962	(30.9)
	658,422	573,482	14.8
	1,484,809	1,031,304	44.0

1H 2010



1H 2009



Sales volumes of key products:

Six months ended 30 June	**2010**	2009	Increase/ (Decrease)
	Tonne	Tonne	%
Starch sugars:			
Crystalline glucose	**238,777**	198,959	20.0
Crystalline fructose	**1,143**	57	1,905.3
Fructose-glucose syrup	**50,858**	14,491	251.0
Corn co-products and others:			
Corn gluten meal	**25,918**	26,105	(0.7)
Corn gluten feed	**87,146**	96,415	(9.6)
Corn germ	**47,572**	41,884	13.6
Corn starch	**59,759**	110,742	(46.0)
Sodium gluconate	**37,703**	16,324	131.0

Average selling prices of key products:

Six months ended 30 June	**2010**		2009		Increase/ (Decrease)
	RMB per tonne		RMB per tonne		%
	VAT-inclusive	**VAT-exclusive**	VAT-inclusive	VAT-exclusive	
Starch sugars:					
Crystalline glucose	**3,532**	**3,019**	2,537	2,168	39.3
Crystalline fructose	**7,806**	**6,672**	12,640	10,803	(38.2)
Fructose-glucose syrup	**2,252**	**1,925**	2,087	1,784	7.9
Corn co-products and others:					
Corn gluten meal	**5,114**	**4,371**	4,623	3,951	10.6
Corn gluten feed	**1,248**	**1,248**	941	941	32.6
Corn germ	**3,126**	**2,766**	2,825	2,500	10.6
Corn starch	**2,453**	**2,097**	1,808	1,545	35.7
Sodium gluconate	**4,820**	**4,120**	4,932	4,215	(2.3)

During the Period, revenue of starch sugars was approximately RMB 826 million which accounted for approximately 56% of the total revenue (first half of 2009: approximately 44%). Revenue of corn co-products and others was approximately RMB 658 million which accounted for approximately 44% of the total revenue (first half of 2009: approximately 56%).

1. Crystalline glucose

The Group is the industry leader of crystalline glucose in China and has captured over one-third domestic market share since 2007. The market of crystalline glucose in China was in oversupply in 2007 and 2008, which limited our ability to adjust the price of crystalline glucose. However, in September 2007, the Chinese government adopted policy to halt the expansion of industrial corn processing. In addition, the outbreak of melamine scandal in late 2008 dampened the food chain and caused many small players of glucose to leave the industry. As a result, the nation's output reduced. With the demand for glucose continued to grow year-on-year largely driven by food and pharmaceutical sectors, the supply has become tight since 2009. Under this favorable situation, the Group achieved strong growth in both selling price and sales volume during the Period.

2. Crystalline fructose and fructose-glucose syrup

While the Group's fructose plant has just commenced its operation by late 2009, the production volume of crystalline fructose was low relative to that of fructose syrup (for further production to fructose-glucose syrup) since it took time for the market to become more aware of and to accept this new product.

Crystalline fructose has immense potential in the PRC. When the demand for it increases gradually in the near future, the production capacity of our fructose plant will be allocated to produce more crystalline fructose instead of to fructose-glucose syrup.

3. Corn gluten meal and corn gluten feed ("corn feed products")

It was the recovery of the animal feed market in China which drove the sales performance of the Group's corn feed products during the Period. However, the Group expected the performance of corn feed products could be stronger if concerns towards the oversupply of pigs in China were eased.

There was a reduction in the sales volume of corn gluten feed in the first half of 2010 as the Group ceased to produce corn germ meal (corn germ meal was categorized under corn gluten feed) in the second half of 2009. The Group no longer produce such product during the Period.

4. Corn germ

During the Period, the Group continued to sell all the corn germ to Xiwang Food for their production of edible corn oil.

5. Corn starch

The sales volume of corn starch reduced significantly as the Group had produced more crystalline glucose during the Period.

6. Sodium gluconate

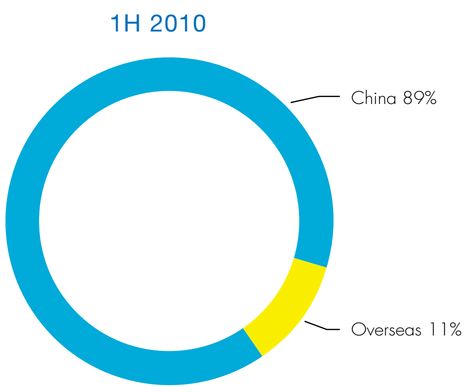
The sales performance of sodium gluconate was strong during the Period which was mainly driven by rapid urbanization and huge infrastructure plans in China.

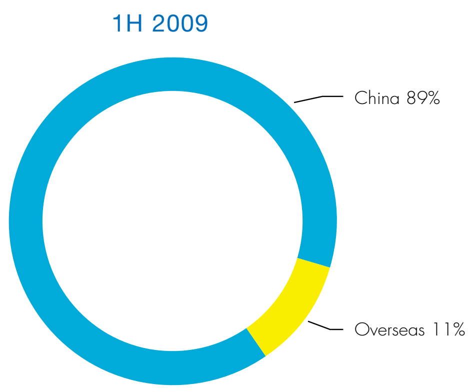
Revenue by geographical segments:

The Group conducts its business in both the PRC and the overseas countries:

Six months ended June 30	**2010** **RMB '000**	2009 RMB '000	Increase %
The PRC	**1,325,301**	916,765	44.6
Other countries	**159,508**	114,539	39.3
	1,484,809	1,031,304	44.0

During the Period, the Group generated a majority of approximately 89.3% of its revenue from the domestic sales in the PRC (first half of 2009: 88.9%). In addition, the Group exported its major products to many countries worldwide, mainly in Asia and Europe. During the Period, the Group recorded substantial growth in both the domestic sales and the export sales, and enjoyed a slightly higher growth in the domestic sales over the export sales.



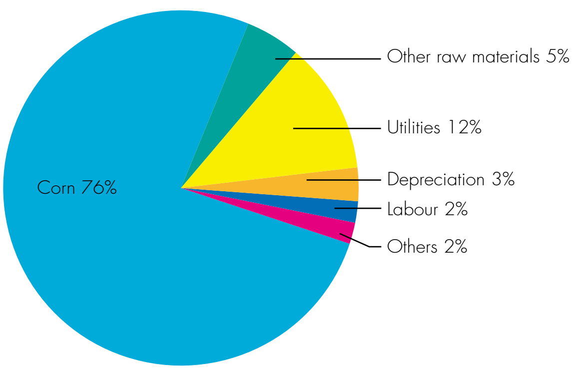


Cost of goods sold

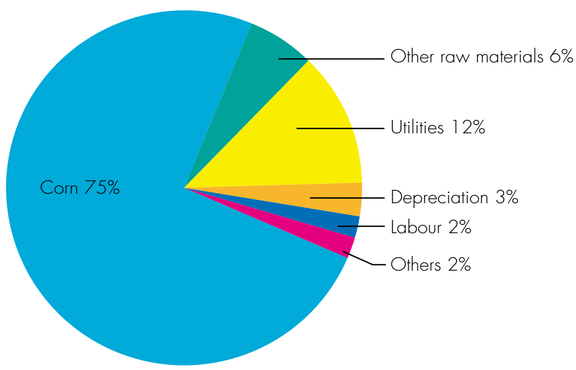
The breakdown of cost of goods sold was as follows:

Six months ended 30 June	**2010**	2009	Increase
	RMB '000	RMB '000	%
Corn	**947,983**	748,506	26.7
Other raw materials	**65,973**	57,917	13.9
Utilities	**143,626**	119,763	19.9
Depreciation	**39,273**	30,188	30.1
Labour	**23,245**	16,431	41.5
Others	**28,657**	(16,808)	270.5
	1,248,757	955,997	30.6

1H 2010



1H 2009



Note: In the graph representation above, "Others" item for the first half of 2009 excluded the reversal of previous inventory with net realizable value provision of approximately RMB 38 million.

The Group's total cost of goods sold for the first half of 2010 amounted to approximately RMB 1,249 million, an approximately 31% increment compared with that of the same period of 2009. It was mainly resulted from an overall higher production volume and the higher utilization of the Group's production facilities.

Corn cost represented approximately 76% of the total cost of goods sold in the Period (first half of 2009: 75%). During the Period, the Group processed approximately 618,000 tonnes of corn, an increase of approximately 13% from that of the same period of last year.

The average corn procurement cost of the Group for the Period was approximately RMB 1,900 per tonne (VAT-inclusive) which rose by approximately 25% over the first half of 2009. Domestic corn price continued to move up during the first half of this year. The Group's average corn procurement cost has increased by approximately 11% by the end of the Period compared to the beginning of the Period.

Gross profit margin

Gross profit margins of key products and overall gross profit margin:

Six months ended 30 June	2010	2009	Increase/(Decrease)
	%	%	Percentage points
Starch sugars:			
Crystalline glucose	**22.9**	9.2	13.7
Crystalline fructose	**34.3**	2.9	31.4
Fructose-glucose syrup	**8.8**	15.3	(6.5)
Corn co-products and others:			
Corn gluten meal	**3.6**	1.4	2.2
Corn gluten feed	**12.1**	6.9	5.2
Corn germ	**2.4**	8.5	(6.1)
Corn starch	**7.9**	4.4	3.5
Sodium gluconate	**15.1**	11.2	3.9
The Group's overall gross profit margin	**15.9**	7.3	8.6

In summary, the Group's products in general achieved positive improvement in their gross profit margins. In particular, the Group's starch sugars outperformed corn co-products and others. It was clear that our crystalline glucose has benefited from the healthy supply and demand dynamics. However, the concerns towards the oversupply of pigs and the weakened soya bean price (which caused a weakening of edible oil price) in the PRC have limited the increase in profit margins of our corn feed products and corn germ respectively during the Period.

Other income

The net amount of other income was approximately RMB 8 million primarily representing the gain on the sale of scrap materials (i.e. other than the Group's key products).

Selling and marketing costs

Selling and marketing costs consisted of mainly transportation expenses and commission for sales staff. Selling and marketing costs in the first half of 2010 amounted to approximately RMB 58 million, which increased by approximately 27% from the corresponding period of the previous year as a result of the overall larger sales volume of the Group's products.

Administrative expenses

The Group's administrative expenses included general administrative overheads, staff cost for management and non-production staff, research and development expenditures, etc.. Administrative expenses in the first half of 2010 amounted to RMB 29 million (first half of 2009: RMB 20 million).

The Group has well controlled its selling and marketing costs and administrative expenses, which accounted for approximately 5.9% of the total revenue in the Period (first half of 2009: 6.3%).

Finance costs

The net finance costs of the Group mainly comprised of interest expenses and foreign exchange loss. During the Period, the Group has a net finance cost of approximately RMB 51 million, compared with RMB 19 million in the same period of last year.

Interest expenses in the first half of 2010 increased to approximately RMB 53 million from RMB 23 million in the first half of 2009 in parallel of the larger amount of bank borrowings during the Period. The Group's effective annual interest rate was about 5.4% during the Period (first half of 2009: 4.1%).

The Group recorded a foreign exchange loss of approximately RMB 1 million mainly arisen from the export sales which was mostly denominated in the United States Dollars ("USD").

Income tax expense

During the Period, the Group incurred an income tax expense of approximately RMB 6 million (first half of 2009: Nil), representing an effective tax rate of approximately 5.5% (first half of 2009: Nil). The Group has certain operating subsidiaries in the PRC and certain holding companies outside the PRC, which were subject to different tax laws and specific preferential tax treatments. A detailed analysis of the Group's exposure to income tax is disclosed in Note 5 to the condensed consolidated financial statements.

Liquidity, capital resources and gearing ratio

	30 June 2010 RMB million	31 December 2009 RMB million
Cash and cash equivalents	**338**	778
Total borrowings	**1,662**	2,129
Net current assets/(liabilities)	**319**	(163)
Total equity	**1,831**	1,473
Current ratio [1]	**1.18**	0.93
Gearing ratio [2]	**0.72**	0.92

[1] Current ratio was calculated as total current assets divided by total current liabilities.

[2] Gearing ratio was calculated as net debts divided by total equity, of which net debts equals to total borrowings minus cash and cash equivalents.

The Group's cash and cash equivalents as at 30 June 2010 was approximately RMB 338 million (31 December 2009: RMB 778 million). During the Period, the Group has net cash outflow from operating activities of approximately RMB 25 million (first half of 2009: net cash inflow of RMB 46 million), as the Group built a higher level of corn inventory to meet the raw material needs due to the overall larger production. Also, to ensure a stable supply of corn, the Group increased the sourcing of corn through collecting agencies giving rise to a higher amount of advances to suppliers. During the Period, the Group has net cash used in investing activities of approximately RMB 205 million (first half of 2009: RMB 183 million), mainly for the construction of oligosaccharide plant and the upgrade of fermentation plant for a higher output of sodium gluconate. The Group has net cash outflow from financing activities of approximately RMB 210 million (first half of 2009: net cash inflow of RMB 722 million) mainly for the reduction of bank borrowings.

The Group's total borrowings reduced to approximately RMB 1,662 million as at 30 June 2010 from RMB 2,129 million as at 31 December 2009. During the Period, the Group replaced certain short-term loans with long-term loans. As at 30 June 2010, short-term portion of total borrowings represented approximately 74% of the total borrowings (31 December 2009: approximately 91%). As a result, the Group's current ratio and liquidity improved.

In January 2010, the Group completed an equity placement for the first time since its listing, under which the Group allotted and issued 120,000,000 new shares to certain institutional investors, and received net proceeds of approximately HKD 292 million. Adding the net profit earned during the Period, the Group's total equity increased to RMB 1,831 million as at 30 June 2010.

The Group's effort in lowering the debt level and raising the shareholders' equity value has improved the Group's financial position by bringing down the net gearing ratio from 0.92 as at 31 December 2009 to 0.72 as at 30 June 2010.

Subsequent to the Period, the Group completed a share placement with International Finance Corporation ("IFC"), under which the Group allotted and issued 22,296,000 new shares to IFC on 15 July 2010, and received net proceeds of approximately HKD 38.8 million. This would further improve the liquidity and gearing of the Group.

Capital investment

The Group's capital investment in the first half of 2010 amounted to approximately RMB 148 million (first half of 2009: RMB 109 million) mainly for the construction of oligosaccharide plant and the upgrade of fermentation plant for a higher output of sodium gluconate.

Contingent liabilities

The Group did not have any material contingent liabilities as at 30 June 2010 (31 December 2009: Nil).

Foreign exchange risk

The Group's main operation is in the PRC. The functional currency of the Group is RMB. The majority of the Group's assets, liabilities, income, payments and cash balances are denominated in RMB, with a minor portion of sales from export and bank loans denominated in USD. Therefore the directors of the Company considered that the risk exposure of the Group to fluctuation of foreign exchange rate was minimal.

Human resources

The Group had 2,938 employees as at 30 June 2010 (31 December 2009: 3,004 employees). The Group regularly reviewed the remuneration packages of the directors and employees, with respect to their experience and responsibilities to the Group's business. 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.

3. Outlook and Development

The Group's mission is to provide functional starch sugars that are beneficial to the health of human beings.

Currently, sugar consumption per capita in China is approximately 10 kg per annum, which is far below that of the developed countries which is in general well above 30 kg per annum, and is yet to reach the world's average of approximately 23 kg per annum. As China has become more modernized, economic expansion brings about wealth to the citizens and more and more people can afford higher expenditure for food and beverages than in the past. It is seen that the Chinese population, no matter residing in cities or rural areas, is often influenced to adopt lifestyle favored by the western people where the intake of sugar and sugary food is much higher. We believe the sugar consumption per capita in China will rise to 15 kg in 2015, which will in turn drive the demand for sugars to grow at a double-digit rate.

According to the figures lately released by the National Population and Family Planning Commission of the PRC, China's population is projected to reach 1.4 billion by 2015, among which as many as 700 million people will be living in urban areas. It will be the first time that for the urban population to exceed the rural population in the country. However, urbanization has been associated with increased incidences of diseases such as diabetes, obesity and tooth decay. For example, it is expected that one in ten adults in China is having diabetes, and in certain cities the prevalence of obesity is higher than 20% of the population. With respect to these trends and needs, the Group has engaged in the development and increased the diversity of functional starch sugars to cater the huge demand for such in the food and beverages and pharmaceutical industries.

Given the healthy demand and supply relationship of crystalline glucose, and the backdrop of shortage of cane sugar in China, we expect this will continue to allow the Group to adjust effectively the selling price of its crystalline glucose. Starting in May 2010, the Group has appointed a famous Chinese actor Mr. Tang Guo Qiang to be the endorser for its crystalline fructose. With the launch of a series of public events and television advertisement in several high-growth cities in the PRC in the beginning stage, the Group is dedicated to bring about higher recognition of this product in the consumer market in the PRC and to deliver more education to the public about the benefits of having fructose in our diets. On the new product front, the Group is developing oligosaccharide, a type of healthy sugars that enhances the digestive function of human beings. The production plant has been completed and we expect the product will be launched in the second half of this year. We believe the Group's efforts in expanding the product portfolio of healthy functional products will give us positive momentum ahead.

Condensed Consolidated Statement of Comprehensive Income

The board of directors (the "Directors") of Xiwang Sugar Holdings company Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") prepared under the Hong Kong Financial Reporting Standards ("HKFRSs") for the six months ended 30 June 2010 (the "Period"), together with the comparative figures, as follows. The consolidated results are unaudited, but have been reviewed by the Company's audit committee.

		Six months ended 30 June	
		2010	2009
		RMB'000	RMB'000
	Note	**Unaudited**	Unaudited
Turnover	*2*	**1,484,809**	1,031,304
Cost of goods sold	*3*	**(1,248,757)**	(955,997)
Gross profit		**236,052**	75,307
Other income, net		**7,611**	10,394
Selling and marketing costs	*3*	**(57,799)**	(45,510)
Administrative expenses	*3*	**(29,420)**	(19,791)
Operating profit		**156,444**	20,400
Finance costs, net	*4*	**(50,985)**	(19,256)
Profit before income tax		**105,459**	1,144
Income tax expense	*5*	**(5,823)**	–
Profit for the Period		**99,636**	1,144
Other comprehensive income for the Period, net of tax		**–**	–
Total comprehensive income for the Period		**99,636**	1,144
Profit attributable to:			
Equity holders of the Company		**99,636**	1,296
Minority interest		**–**	(152)
		99,636	1,144
Earnings per share for profit attributable to equity holders of the Company during the Period (expressed in RMB per share)			
– basic	*6(a)*	**0.1045**	0.0016
– diluted	*6(b)*	**0.1042**	0.0016
Dividends	*7*	**–**	–

The notes on pages 27 to 45 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Balance Sheet

	Note	30 June 2010 RMB'000 Unaudited	31 December 2009 RMB'000 Audited
Assets			
Non-current assets			
Property, plant and equipment	*8*	**1,690,120**	1,577,500
Land use rights		**242,484**	244,722
Deferred income tax assets		**3,236**	3,236
		1,935,840	1,825,458
Current assets			
Inventories	*9*	**522,677**	377,659
Trade and other receivables	*10*	**1,212,684**	949,919
Amounts due from related parties	*14(c)*	**27,550**	79,025
Cash and cash equivalents		**338,427**	777,664
		2,101,338	2,184,267
Total assets		**4,037,178**	4,009,725
Equity			
Attributable to equity holders of the Company			
Share capital	*11*	**98,513**	87,953
Share premium	*11*	**272,254**	24,036
Other reserves		**769,916**	769,916
Retained earnings			
– Declared dividend/proposed dividend		**35,532**	35,532
– Others		**654,526**	554,890
		1,830,741	1,472,327
Minority interest		**–**	280
Total equity		**1,830,741**	1,472,607

Condensed Consolidated Balance Sheet

	Note	30 June 2010 RMB'000 Unaudited	31 December 2009 RMB'000 Audited
Liabilities			
Non-current liabilities			
Borrowings		**424,025**	190,000
Current liabilities			
Trade and other payables	*12*	**531,368**	402,396
Current income tax liabilities		**–**	206
Amounts due to related parties	*14(c)*	**13,433**	4,352
Borrowings		**1,237,611**	1,939,122
Derivative financial instruments		**–**	1,042
		1,782,412	2,347,118
Total liabilities		**2,206,437**	2,537,118
Total equity and liabilities		**4,037,178**	4,009,725
Net current assets/(liabilities)		**318,926**	(162,851)
Total assets less current liabilities		**2,254,766**	1,662,607

The notes on pages 27 to 45 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	Other Reserve	Retained Earnings	Minority Interest	Total Equity
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2009		86,455	471,853	247,269	562,109	520	1,368,206
Profit for the Period		–	–	–	1,296	(152)	1,144
Share options scheme-value of service provided	*11*	–	878	–	–	–	878
Balance at 30 June 2009		86,455	472,731	247,269	563,405	368	1,370,228
Balance at 1 January 2010		87,953	24,036	769,916	590,422	280	1,472,607
Profit for the Period		–	–	–	99,636	–	99,636
Disposal of a subsidiary		–	–	–	–	(280)	(280)
Proceeds from placing of Shares	*11*	10,560	247,385	–	–	–	257,945
Share options scheme-value of service provided	*11*	–	833	–	–	–	833
Balance at 30 June 2010		98,513	272,254	769,916	690,058	–	1,830,741

The notes on pages 27 to 45 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	Unaudited	Unaudited
Net cash (outflow)/inflow from operating activities	**(24,757)**	45,568
Net cash outflow from investing activities	**(204,903)**	(183,189)
Net cash outflow before financing activities	**(229,660)**	(137,621)
Net cash (outflow)/inflow from financing activities	**(209,577)**	722,178
Net (decrease)/increase in cash and cash equivalents	**(439,237)**	584,557
Cash and cash equivalents at beginning of the Period	**777,664**	248,158
Cash and cash equivalents at end of the Period	**338,427**	832,715

1.1 General information, Basis of Preparation and Accounting Policies

Xiwang Sugar Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the production of a variety of starch sugars and corn co-products, distribution and sale within and outside of the People's Republic of China (the "PRC").

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 (the "Stock Exchange") since 9 December 2005.

The English names of the PRC 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 unaudited consolidated financial statements have been approved for issue by the Board of Directors on 16 August 2010.

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 2009.

1.2 Basis of preparation *(continued)*

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Group's audited 2009 annual financial statements, which have been prepared in accordance with HKFRSs.

1.3 Accounting policies

The following new standards amendments and interpretations to existing standards effective in 2010 but not relevant to or have no impact on the Group:

- HKFRS 3 (revised), 'Business combinations', and consequential amendments to IAS/HKAS 27, 'Consolidated and separate financial statements', IAS/HKAS 28, 'Investments in associates', and IAS/HKAS 31, 'Interests in joint ventures', are 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.

- IFRIC/HK(IFRIC)-Int 17, 'Distributions of non-cash assets to owners' is effective for annual periods beginning on or after 1 July 2009.

- 'Additional exemptions for first-time adopters' (Amendment to IFRS/HKFRS 1) is effective for annual periods beginning on or after 1 January 2010.

- IAS/HKAS 39 (Amendment), 'Eligible hedged items' is effective for annual period on or after 1 July 2009.

- IFRS/HKFRS 2 (Amendment), 'Group cash-settled share-based payment transaction' is effective for annual periods beginning on or after 1 January 2010.

1.3 Accounting policies *(continued)*

- First improvements to International/Hong Kong Financial Reporting Standards (2008) were issued in May 2008 by the IASB and October 2008 by the HKICPA. The improvement related to IFRS/HKFRS 5 “Non-current assets held for sale and discontinued operations” is effective for annual period on or after 1 July 2009.

- Second improvements to International/Hong Kong Financial Reporting Standards (2009) were issued in April 2009 by IASB and May 2009 by the HKICPA. All improvements are effective in the financial year of 2010.

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

- IFRS/HKFRS 9, ‘Financial instruments’

- IAS/HKAS 24 (Revised) ‘Related party disclosures’ supersedes IAS/HKAS 24 ‘Related party disclosures’ issued in 2003

- Under ‘Classification of rights issues’ (Amendment to IAS/HKAS 32)

- Amendments to HK(IFRIC) Int-14 ‘Prepayments of a minimum funding requirement’

- HK(IFRIC) Int-19, ‘Extinguishing financial liabilities with equity instruments’

- ‘Limited exemption from comparative HKFRS 7 disclosures for first-time adopters’ (Amendment to HKFRS 1)

- Third improvements to International/Hong Kong Financial Reporting Standards (2010)

2 Segment information

The chief operating decision-maker has been identified as the chief executive officer. The chief executive officer reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The chief executive officer assesses the performance of the operating segments based on a measure of operating profit. This measurement basis excludes the effects of non-recurring expenditure from the operating segments, such as restructuring costs, legal expenses and impairments when the impairment is the result of an isolated, non-recurring event. Interest income and expenditure are not included in the result for each operating segment that is reviewed by the chief executive officer. Other information provided to the chief executive officer is measured in a manner consistent with that in the financial statements.

The unaudited segment results for the six months ended 30 June 2010 are as follows:

	Note	Starch sugars RMB'000	Corn co-products and others RMB'000	Group RMB'000
Gross segment sales		826,387	1,241,904	2,068,291
Inter-segment sales		–	(583,482)	(583,482)
Sales from external customers		826,387	658,422	1,484,809
Operating profit/Segment results		132,050	24,394	156,444
Finance costs – net	4			(50,985)
Profit before income tax				105,459
Income tax expense	5			(5,823)
Profit for the Period				99,636

2 Segment information *(continued)*

The unaudited segment results for the six months ended 30 June 2009 are as follows:

	Note	Starch sugars RMB'000	Corn co-products and others RMB'000	Group RMB'000
Gross segment sales		457,822	1,026,145	1,483,967
Inter-segment sales		–	(452,663)	(452,663)
Sales from external customers		457,822	573,482	1,031,304
Operating profit/Segment results		9,065	11,335	20,400
Finance costs – net	4			(19,256)
Profit before income tax				1,144
Income tax expense	5			–
Profit for the Period				1,144

Total revenue derived from external customers in the PRC is RMB 1,325,301,000 for the Period (2009: RMB 916,765,000), and the total revenue derived from external customers from other countries is RMB 159,508,000 (2009: RMB 114,539,000).

Inter-segment transfers or transactions are entered into under the terms and conditions agreed by both parties.

As the chief executive officer reviews the financial position of the Group as a whole, no segment assets/liabilities were disclosed.

3 Expenses by nature

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

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	Unaudited	Unaudited
Changes in inventory levels of finished goods and work in progress	**(90,583)**	(6,336)
Depreciation and amortization	**47,367**	32,202
Directors' emoluments	**511**	434
Employee benefit expenses	**43,802**	31,207
Raw materials and consumables used	**1,075,862**	811,452
Reversal of inventory net realizable value provision	**–**	(37,896)
Transportation expenses	**46,457**	37,241
Utility expenses	**162,044**	120,526

4 Finance costs

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	Unaudited	Unaudited
Interest expenses – bank borrowings	**(61,551)**	(26,318)
Less: amount capitalized in construction in progress	**8,851**	3,408
	(52,700)	(22,910)
Net exchange loss	**(1,407)**	(1,161)
Finance costs	**(54,107)**	(24,071)
Interest income on bank balances	**3,122**	4,815
Net finance costs	**(50,985)**	(19,256)

5 Income tax expense

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	Unaudited	Unaudited
Current tax		
– PRC corporate income tax	**5,823**	–

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 (first half of 2009: Nil).

No Hong Kong profits tax was provided for during the Period as the Group has no estimated assessable profit arising in or derived from Hong Kong (first half of 2009: Nil).

Pursuant to the PRC Corporate Income Tax ("CIT"), all PRC enterprises are subject to a standard enterprise income tax rate of 25%, except for enterprises under specific preferential policies and provisions. Shandong Xiwang Sugar Industry Co., Ltd. ("Xiwang Sugar") and Shandong Xiwang Bio-Chem Technology Co., Ltd. ("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 ("CIT Tax Holiday"). The CIT Tax Holidays of Xiwang Sugar and Xiwang Technology commenced in 2005 and 2006 respectively. The CIT Tax Holiday of Xiwang Sugar finished in 2009 while Xiwang Technology enjoyed its last CIT Tax Holiday in 2010. In 2010, the applicable tax rate of both Xiwang Sugar and Shandong Xiwang Functional Sugar Company Limited ("Functional Sugar") was 25% (2009: 12.5% for Xiwang Sugar and 25% for Functional Sugar) and the applicable tax rate of Xiwang Technology was 12.5% (2009: 12.5%).

In addition, according to Zouguoshuihan (2007) No. 66 issued by the National Tax Bureau of Zouping County, Xiwang Technology was approved to be exempted from CIT amounting to maximum RMB 41,121,000 for 7 years in aggregate, starting from 2007 ("CIT Exemption"). The concession was granted because of Xiwang Technology's purchase of domestically manufactured equipment. As at 30 June 2010, Xiwang Technology has utilized approximately RMB 29 million of the CIT Exemption.

5 Income tax expense *(continued)*

Pursuant to the new CIT Law and relevant regulations, withholding tax is levied on dividends paid to foreign investors from enterprises in the PRC. As Xiwang Sugar, Xiwang Technology and Functional Sugar will not distribute their profits earned after 1 January 2008 in the foreseeable future, accordingly, no deferred tax had been recognized for the undistributed retained earnings.

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.

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	Unaudited	Unaudited
Profit attributable to equity holders of the Company (RMB'000)	**99,636**	1,296
Weighted average number of ordinary shares in issue (thousands)	**953,454**	830,352
Basic earnings per share (RMB per share)	**0.1045**	0.0016

(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 the outstanding 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.

6 Earnings per share *(continued)*

(b) Diluted *(continued)*

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	Unaudited	Unaudited
Profit attributable to equity holders of the Company (RMB'000)	**99,636**	1,296
Weighted average number of ordinary shares in issue (thousands)	**953,454**	830,352
Adjustments for share options (thousands)	**2,824**	332
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**956,278**	830,684
Diluted earnings per share (RMB per share)	**0.1042**	0.0016

7 Dividends

A final dividend for the year ended 31 December 2009 of RMB 0.037 per share, which was paid in cash with a scrip dividend alternative, was approved at the annual general meeting held on 3 June 2010 and issued in July 2010.

It was satisfied by allotment of 14,438,050 shares of the Company, credited as fully paid, by way of scrip dividends, at HK$ 26,162,000 or RMB 22,766,000, and cash payment at HK$ 14,468,000 or RMB 12,590,000. RMB equivalents were translated at the exchange rate prevailing at the actual payment date.

No interim dividend was proposed for the Period (2009: Nil).

8 Non-current assets

The net additions of property, plant and equipment mainly included the construction costs incurred for the production line for oligosaccharide and the upgrade of fermentation plant for a higher output of sodium gluconate.

9 Inventories

	30 June 2010 RMB'000 Unaudited	31 December 2009 RMB'000 Audited
Raw materials	**304,861**	250,426
Work in progress	**68,963**	63,668
Finished goods	**148,853**	63,565
	522,677	377,659

The cost of inventories recognized as expenses and included in cost of goods sold amounted to RMB 1,248,757,000 for the Period (first half of 2009: RMB 955,997,000).

10 Trade and other receivables

	Note	30 June 2010 RMB'000 Unaudited	31 December 2009 RMB'000 Audited
Trade receivables – gross and net	*(a)*	**227,362**	178,629
Bills receivables	*(b)*	**481,808**	393,330
Advance to suppliers	*(c)*	**463,474**	355,570
Other receivables		**40,040**	22,390
		1,212,684	949,919

(a) Certain major customers are granted credit periods ranging from 30 to 180 days while most sales of goods made with other customers are on cash on delivery basis, or with prepayments covering the full sales amounts be made before goods delivery.

(b) Bills receivables are received from customers under the ordinary course of business. All of them are bank acceptance bills with maturity period within 6 months.

(c) Such advance payments were made by the Group in order to ensure stable supplies of corn kernels and electricity and steam at more favourable price.

10 Trade and other receivables *(continued)*

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

	30 June 2010 RMB'000 Unaudited	31 December 2009 RMB'000 Audited
0 – 30 days	**104,389**	93,015
31 – 60 days	**36,790**	34,550
61 – 90 days	**35,908**	31,177
Over 90 days	**50,275**	19,887
	227,362	178,629

11 Share capital and share premium

	Number of shares (thousands)	Share capital RMB'000	Share premium RMB'000
At 1 January 2009	830,352	86,455	471,853
Share options scheme – value of service provided	–	–	878
At 30 June 2009	830,352	86,455	472,731
At 1 January 2010	847,376	87,953	24,036
Proceeds from new shares issued	120,000	10,560	247,385
Share options scheme – value of service provided	–	–	833
At 30 June 2010	967,376	98,513	272,254

The total authorised number of ordinary shares is 2,000 million shares (2009: 2,000 million shares) with a par value of HK$0.1 share (2009: HK$0.1 per share). All issued shares are fully paid.

According to a resolution passed at the special general meeting held on 26 June 2009, the Company transferred all its share premium as at 31 December 2008 to other reserves in order to increase the distributable reserves of the Company.

14,438,050 shares were allotted and issued on 8 July 2010 under the scrip dividend scheme approved in the annual general meeting held on 3 June 2010.

11 Share capital and share premium *(continued)*

22,296,000 shares were allotted and issued to International Finance Corporation on 15 July 2010 pursuant to the general mandate granted to the directors by a resolution of the shareholders passed at the annual general meeting held on 3 June 2010.

(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.

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

	2010		2009	
	Average exercise price in HK dollar per share	**Options (thousands)**	Average exercise price in HK dollar per share	Options (thousands)
At 1 January	**1.32**	**6,579**	2.95	5,979
Granted	–	–	1.32	6,579
Cancelled	–	–	2.95	(5,979)
At 30 June	**1.32**	**6,579**	1.32	6,579

11 Share capital and share premium *(continued)*

(a) Share option scheme *(continued)*

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)
7 May 2019	**1.32**	6,579

The fair value of options granted during 2009 determined using the Binomial Option Pricing Model was approximately RMB 3,909,000. There was no option granted, exercised or cancelled during the Period.

12 Trade and other payables

	30 June 2010 RMB'000 Unaudited	31 December 2009 RMB'000 Audited
Trade payables	**230,286**	135,689
Other payables	**228,699**	224,961
Other taxes payables	**8,136**	4,188
Deposits and advance from customers	**64,247**	37,558
	531,368	402,396

12 Trade and other payables *(continued)*

An ageing analysis of the trade payables is as follows:

	30 June 2010 RMB'000 Unaudited	31 December 2009 RMB'000 Audited
0 – 30 days	**125,460**	97,488
31 – 60 days	**28,260**	2,531
61 – 90 days	**26,239**	11,567
Over 90 days	**50,327**	24,103
	230,286	135,689

Approximately RMB 163,934,000 (2009: RMB 176,562,000) of other payables as at 30 June 2010 represent payables to vendors mainly in relation to the construction of a production line for oligosaccharide.

13 Capital commitments

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

	30 June 2010 RMB'000 Unaudited	31 December 2009 RMB'000 Audited
Property, plant and equipment		
– Contracted but not provided for	**29,419**	34,974
– Authorised but not provided for	**8,500**	12,540
	37,919	47,514

14 Related party transactions

The Group is controlled by Xiwang Investment Company Limited ("Xiwang Investment") (incorporated in BVI), which owns about 54% of the Company's shares. The remaining 46% of the shares are held by public. The ultimate holding company of the Group is Xiwang Group Company Limited (incorporated in the PRC). The Directors consider Mr. Wang Yong to be the ultimate controlling party of the Group. During the Period, 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	Ultimate holding company
Shandong Xiwang Food Company Limited ("Xiwang Food")	山東西王食品有限公司	Fellow subsidiaries
Shandong Xiwang Pharmaceutical Company Limited ("Xiwang Pharmaceutical")	山東西王藥業有限公司	Fellow subsidiaries
Shandong Fangong Wine Industry Co., Ltd ("Fangong Wine")	山東范公酒業有限公司	Fellow subsidiaries
Shandong Xiwang Leavening Co., Ltd ("Xiwang Leavening")	山東西王酵母有限公司	Fellow subsidiaries
Xiwang Investment Company Limited ("Xiwang Investment")	西王投資有限公司	Fellow subsidiaries
Shandong Xiwang Steel Company Limited ("Xiwang Steel")	山東西王鋼鐵有限公司	Fellow subsidiaries

14 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 Period:

(a) Sales of goods and services

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	Unaudited	Unaudited
Sales of corn germ		
– Xiwang Food	**131,571**	104,732
Sales of pharmaceutical-grade glucose		
– Xiwang Pharmaceutical	**92,770**	–
Sales of corn starch		
– Xiwang Pharmaceutical	**38,349**	28,403
Sales of crystalline glucose		
– Xiwang Pharmaceutical	**5,323**	6,249
Sales of glucose syrup		
– Xiwang Leavening	**2,678**	1,801
Provision of sewage services		
– Xiwang Group	**620**	–
	271,311	141,185

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

14 Related party transactions *(continued)*

(b) Purchase of goods and services

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	Unaudited	Unaudited
Purchase of packaging materials		
– Xiwang Leavening	**22,097**	–
– Fangong Wine	**–**	16,885
Purchase of glucose mother liquid		
– Xiwang Pharmaceutical	**1,126**	–
Purchase of corn germ dregs		
– Xiwang Food	**–**	323
Sewage services		
– Xiwang Group	**–**	1,798
	23,223	19,006

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

14 Related party transactions *(continued)*

(c) Balances due from/to related parties

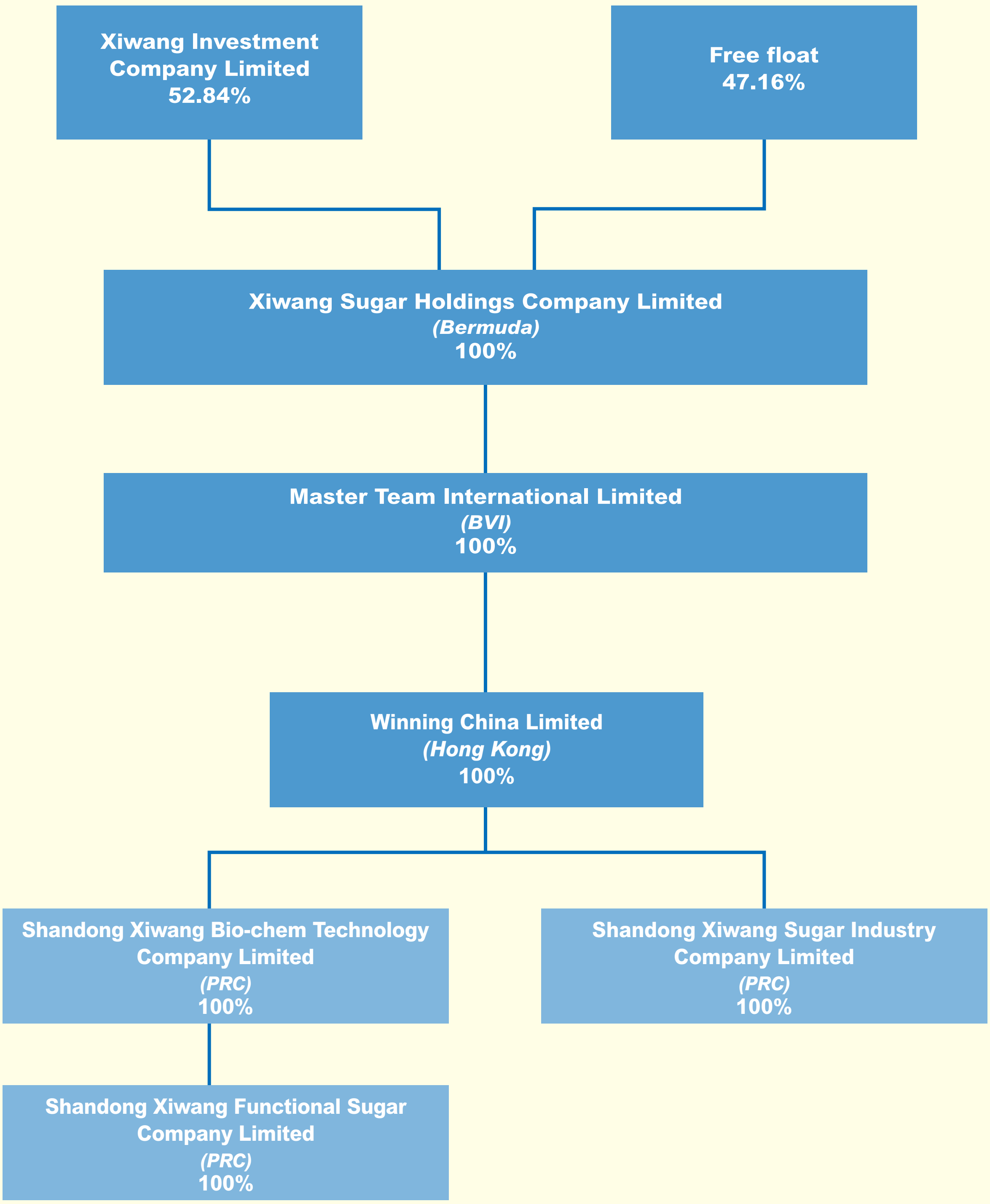
	30 June 2010 RMB'000 Unaudited	31 December 2009 RMB'000 Audited
Receivables:		
Outstanding end of the periods	**27,550**	79,025
Maximum amounts outstanding during the periods	**91,451**	155,958
Payables, end of the periods	**13,433**	4,352

The related parties were all under the control of Mr. Wang Yong, the chairman and director of the Company.

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

Organization Structure

At the date of this interim report:



Corporate Governance Practices

The Company has compiled throughout the six months ended 30 June 2010 (the "Period") with all the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 to the Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 of the board of directors (the "Directors"). 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 Period.

Audit Committee

The Company has set up an audit committee ("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 Period have been reviewed by the Audit Committee, which is of the opinion that such statements complied with the applicable accounting standards, the Listing Rules, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

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 Period.

Interim Dividend

The Directors resolved not to declare any interim dividend for the Period (corresponding period in 2009: Nil).

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 2010, the outstanding share options were 6,579,000 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 2010				Outstanding as at 1 January 2010	Outstanding as at 30 June 2010	Exercise price per Share (HK$)	Exercise period
		Granted	Exercised	Cancelled	Lapsed				
Employees *(Note 1)*	8 May 2009	–	–	–	–	6,579,000	6,579,000	1.32 *(Note 3)*	*(Note 2)*

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 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
8 May 2010	2,193,000
8 May 2011	4,386,000
8 May 2012	6,579,000

(3) The closing price of shares of the Company immediately before the date on which the options were granted was HK$1.28.

Directors' Interests in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 30 June 2010, 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	Approximate percentage shareholding in the class of securities as at 30 June 2010
Company	WANG Yong	Interest of controlled corporations *(Note 2)*	518,580,010 ordinary shares (L) *(Note 3)*	53.61%
Xiwang Investment Company Limited ("Xiwang Investment")	WANG Yong	Interest of controlled corporations *(Note 2)*	3 shares (L)	100%
Xiwang Holdings Limited ("Xiwang Holdings")	WANG Yong	Beneficial owner	5,931 shares (L)	2.97%
		Interest of controlled corporations *(Note 2)*	190,000 shares (L)	95%
Xiwang Holdings	WANG Cheng Qing	Beneficial owner	230 shares (L)	0.12%
Xiwang Holdings	WANG Liang	Beneficial owner	230 shares (L)	0.12%
Xiwang Holdings	HAN Zhong	Beneficial owner	177 shares (L)	0.09%
Xiwang Holdings	LI Wei	Beneficial owner	89 shares (L)	0.04%
Xiwang Holdings	LIU Ji Qiang	Beneficial owner	89 shares (L)	0.04%
Xiwang Holdings	SUN Xinhu	Beneficial owner	89 shares (L)	0.04%

Notes:

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

(2) Xiwang Investment is a wholly-owned subsidiary of Xiwang Holdings which is in turn directly and beneficially owned as to 2.97% by Mr. WANG Yong and as to 95% by Xiwang Hong Kong Limited ("Xiwang HK"), a wholly-owned subsidiary of Xiwang Group Company Limited ("Xiwang Group"). Xiwang Group is held as to approximately 60.82% by Mr. WANG Yong. Mr. WANG Yong is therefore deemed to be interested in the 95% interest in Xiwang Holdings and the entire issued share capital in Xiwang Investment.

Xiwang Group is directly and beneficially owned as to 60.82% by Mr. WANG Yong, 2.30% by Mr. WANG Cheng Qing, 2.30% by Mr. WANG Liang, 1.77% by Mr. HAN Zhong and 0.89% by each of Dr. LI Wei, Mr. LIU Ji Qiang and Mr. SUN Xinhu respectively.

(3) These shares are registered in the name of Xiwang Investment. Mr. WANG Yong is deemed to be interested in all shares of the Company in which Xiwang Investment 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 2010, 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 2010
Xiwang Investment	Beneficial owner	518,580,010 ordinary shares (L)	53.61%
Xiwang Holdings	Interest of a controlled corporation *(Note 2)*	518,580,010 ordinary shares (L)	53.61%
Xiwang HK	Interest of controlled corporations *(Note 2)*	518,580,010 ordinary shares (L)	53.61%
Xiwang Group	Interest of controlled corporations *(Note 2)*	518,580,010 ordinary shares (L)	53.61%
Zhang Shufang	Interest of spouse *(Note 3)*	518,580,010 ordinary shares (L)	53.61%

Notes:

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

(2) Xiwang Investment is a wholly-owned subsidiary of Xiwang Holdings which is in turn owned as to 95% by Xiwang HK, a wholly-owned subsidiary of Xiwang Group. Xiwang Group is held as to approximately 60.82% by Mr. Wang Yong.

(3) Ms. ZHANG Shufang, being the spouse of Mr. WANG Yong, is deemed to be interested in all the shares of the Company, 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 30 June 2010, 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.

General disclosure pursuant to rule 13.18 of the Listing Rules

As disclosed in the announcement dated 2 March 2010 made in accordance with Rule 13.18 of the Listing Rules, on 2 March 2010, a subsidiary of the Group (the "Borrower"), the Company and two of its wholly owned subsidiaries, Master Team International Limited and Winning China Limited (the "Guarantors"), entered into a facility agreement with the International Finance Corporation ("IFC") for a seven year term loan facility of USD 20,000,000. ("Facility Agreement"). Pursuant to the Facility Agreement, Mr. WANG Yong ("Mr. Wang"), the chairman ("Chairman") of the Directors, entered into an agreement ("Share Retention Agreement") with, among others, the IFC pursuant to which so long as there remains any amount outstanding under the Facility Agreements, Mr. WANG undertakes that he shall directly or indirectly own not less than 30.76% of the shareholdings in each of the Guarantors and the Borrower and keep his shareholding free from any sale, transfer, assignment, lien or disposition.

The Facility Agreement provides (among others) that so long as there remains any amount outstanding under the Facility Agreement:

(1) Mr. WANG should comply with any of his obligations under the Share Retention Agreement;

(2) any representation or warranty made by Mr. WANG in the Share Retention Agreement or in connection with the execution of, or any request under, any other loan document is correct in any material respect;

(3) Mr. WANG, or any of his affiliates or any person or entity acting on his behalf has not been found by a judicial process or other official inquiry to have committed or engaged in any corrupt, fraudulent, coercive, collusive or obstructive practice; and

(4) Mr. WANG and the other shareholders of Xiwang Group collectively hold not less than 51% of the beneficial interest in each of the Guarantors and the Borrower.

Under the Facility Agreement, a breach of any of the above specific performance obligations would constitute a default under the Facility Agreement. Such default would permit the IFC to accelerate the maturity of the indebtedness under the Facility Agreement.

As disclosed in the announcement dated 1 April 2010 made in accordance with Rule 13.18 of the Listing Rules, on 1 April 2010, the Borrower and the Guarantors entered into a loan agreement with certain financial institutions as lenders for a three year term loan facility of USD 20,000,000 ("Loan Agreement").

The Loan Agreement provides, among others, that all outstanding amounts and the interest accrued under the loan facility may become immediately due and repayable where any of the following events (among others) occurs:

(1) Xiwang Investment cease to hold directly or indirectly at least 45% of the entire issued share capital of the Company;

(2) Xiwang Holdings cease to hold directly or indirectly 100% of the entire issued share capital of Xiwang Investment; or

(3) Mr. WANG cease to:

(a) be the Chairman and executive Director of the Company;

(b) have the management and board control of the Company;

(c) hold, whether directly or indirectly, at least 50% of the entire issued share capital of Xiwang Holdings; or

(d) remain as the single largest and controlling shareholder of the Company.

As at the date of this report, the facilities mentioned above have been fully drawn down by the Borrower.

Miscellaneous

In the event of inconsistency, the English texts of this interim report shall prevail over the Chinese texts.