Painting a healthy future ...
畫出健康將來 ...

Interim Report
2011 中期報告

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

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

Stock code 股份代號：2088

Contents

Corporate Information

Board of Directors

Executive Directors

Mr. WANG Yong *(Chairman)*
Dr. ZHANG Yan
Mr. WANG Di
Dr. LI Wei
Mr. SONG Jie
(retired on 31 May 2011)
Mr. HAN Zhong
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

Dr. ZHANG Yan *(Chairman)*
Mr. SHI Wei Chen
Mr. SHEN Chi

Nomination Committee

Dr. ZHANG Yan *(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

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Shandong Province
People's Republic of China

Principal Place of Business in Hong Kong

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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

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

Legal Advisers
As to Hong Kong law:
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40th Floor, Jardine House
1 Connaught Place
Hong Kong

As to Bermuda law:
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2901, One Exchange Square
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Central
Hong Kong

Principal Share Registrar and Transfer Office
Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Hong Kong Branch Share Registrar and Transfer Office
Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Investor Relations and Corporate Communications
Ms. Gisele Suen
Tel : (852) 3104 0576
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Company Website
http://www.xiwang-sugar.com

Cautionary Statement Regarding Forward-Looking Statements

This interim report contains certain forward-looking statements and opinions with respect to the operations and businesses of Xiwang Sugar Holdings Company Limited (the "**Company**"). These forward-looking statements and opinions relate to, among other things, our objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates and are generally indicated by the use of forward-looking terminology such as believe, expect, anticipate, estimate, plan, project, target, may, will, would or other results of actions that may or are expected to occur in the future. You should not place undue reliance on these forward-looking statements and opinions, which apply only as of the date of this interim report. These forward-looking statements are based on the Company's own information and on information from other sources which the Company believes to be reliable. Our actual results may be materially less favorable than those expressed or implied by these forward-looking statements and opinions which could affect the market price of our shares. Neither the Company nor its directors and employees assume any liability in the event that any forward-looking statements or opinions does not materialize or turns out to be incorrect. Subject to the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong ("**Listing Rules**"), the Company does not undertake to update any forward-looking statements or opinions contained in this interim report.

Management Discussion and Analysis

1. Introduction

Xiwang Sugar Holdings Company Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") are principally engaged in the production of starch sugars and corn co-products in the People's Republic of China ("**China**" or the "**PRC**"), and the distribution and the sale of such products within and outside the PRC. The Group's products are functional ingredients which are mainly applied to food and beverage, fermentation, pharmaceutical, chemical, animal feed and construction industries.

The Group was established in 2001 and was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in December 2005. Our headquarters is located in Zouping County, Shandong Province of the PRC. The Group's corn processing facilities are vertically integrated, which maximizes the use of resources and greatly enhances the operational efficiency. Currently, the Group has an annual corn processing capacity of approximately 1.5 million tonnes[1]. The Group is the largest producer of crystalline glucose in China with an annual capacity of approximately 800,000 tonnes[1]. The Group is the largest producer of crystalline fructose in China with an annual capacity of approximately 50,000 tonnes[1]. The Group is also the largest manufacturer of sodium gluconate in China with an annual capacity of approximately 120,000 tonnes[1].

The Group is recognized as the *Number 1 out of the Top 20 Enterprises in the Starch Sugar Industry* by the China Fermentation Industry Association since 2006. The Group is also regarded as the *Town of Sugar in China* by the China National Food Industry Association since 2007. The Group is highly committed to environmental safety. We have been accredited as the *National Environmental Friendly Corporation* by the Ministry of Environmental Protection of the PRC since 2005. Further, the industrial park in which the Group's production facilities are located has been accredited as the *Demonstration Enterprise of Circular Economy* in the Yellow River Delta Efficient Eco-Economic Zone Development Plan by the National Development and Reform Commission of the PRC in 2009.

Notes:

1 These are designed capacities. They are based on 365 days per year of normal production.

Our major raw material is corn kernel. We refine corn into corn starch and other corn co-products which include corn gluten meal, corn gluten feed and corn germ. We further process corn starch into a series of starch sugars which include crystalline glucose, crystalline fructose and fructose-glucose syrup, and other high value-added products such as sodium gluconate.

The Group organizes its key products into two business segments:

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

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

(1) Starch sugars

Crystalline glucose, or dextrose monohydrate, is in the form of white, crystalline solid, soluble in water. With a natural sweet taste, glucose is used to enhance the flavor of food such as snacks and biscuit. In addition, it helps to improve the texture and retain the moisture of dairy products, particularly for ice-cream. Glucose is the basic unit of many complex compounds. It is widely used in fermentation by which a number of products such as vitamin C and antibiotics can be synthesized. It can also be combined with other compounds to form different chemicals such as oxalic acid, citric acid or sorbitol. Crystalline glucose can be used to make glucose anhydrous which is largely used for medical transfusion.

Crystalline fructose is in white, fine-crystalline form, and is highly soluble in water. Fructose and glucose are both six-carbon compounds, however, since their chemical bondings are different, their properties and functions are different. Fructose is the sweetest sugar among all the natural sugars, therefore the amount to be used and hence the calorie value in food is largely reduced. In addition, the fruity fragrance of fructose gives a great sensation to mouth. Fructose has the lowest Glycemic Index[2] ("**GI**") of all the natural sugars, which is suggested for people with diabetes. Because of the various functions, crystalline fructose is used to make healthy and high-end food products, such as cereals, sports drinks, cakes and milk powder.

Fructose-glucose syrup, also known as high fructose corn syrup, is sweet, colorless liquid which is viscous in texture. It is actually a collective name of various mixtures of fructose and glucose in different proportion. The most common one is F42 (approximately 42% fructose). Fructose-glucose syrup is typically used as a sweetener in soft drinks, baked goods and condiments. As fructose-glucose syrup is in syrup form, the product is readily to be used by the customers. The product is often supplied to the food and beverage manufacturers nearby.

The following table shows a comparison of the most commonly used sugars:

Name of sugar	Raw material	Basic unit(s)	Relative sweetness	GI	Chemical grouping
Crystalline glucose	Corn (natural)	Glucose	0.7	100	Monosaccharide
Crystalline fructose	Corn (natural)	Fructose	1.3 – 1.8	19	Monosaccharide
Fructose-glucose syrup (F42)	Corn (natural)	Glucose and fructose	1.0	62	Mixture
White sugar	Sugar cane (natural)	Sucrose	1.0	65	Disaccharide
Aspartame	Chemicals (artificial)	Amino acids	200	0	Non-saccharide

Notes:

2 Glycemic Index ("**GI**") is an index which represents the rate of blood glucose increase after the intake of food, ranking from 0 to 100. Glucose takes a value of 100 which means it is absorbed immediately.

(2) Corn co-products and others

Corn gluten meal is in the form of yellow fine powder, so it is commonly known as yellow powder. It is a feed ingredient highly rich in protein (about 60%) which is used to enhance animal growth. Corn gluten meal is mainly applied to feed for pigs, chickens and ducks. It is also used for making pet food.

Corn gluten feed is a yellowish powder. It contains mostly fiber, some protein (about 20-25%) and starch. Corn gluten feed is an excellent feed ingredient as it provides digestive fiber and energy to the animals. The Group's corn gluten meal and corn gluten feed are collectively named as "corn feed products".

Corn germ is the embryo part of a corn kernel. Corn germ is very rich in corn oil, which is extracted and refined to become edible corn oil.

Corn starch is the major part of corn, approximately 70%. Corn starch is white, tasteless in either slurry or powder form. Starch consists of long chains of glucose units linked together (i.e. polysaccharide). The chains can be broken or altered to develop into specific substances with different properties. Therefore, corn starch is widely applied to make starch sugars, food, paper, textile etc..

Sodium gluconate appears as white, odorless powder. It is non-corrosive and non-toxic. Sodium gluconate is a highly efficient set retarder used in construction. It is mixed with concrete and mortar for modifying the solidification for the construction industry. Sodium gluconate can also be used to clean metal and glass, with applications such as bottle washing, utensil cleansing and food processing equipment cleansing. Sodium gluconate has the advantage of being biodegradable, thus is more environmental-friendly.

2. Review of Financial Results

A summary of the unaudited financial results of the Group for the six months ended 30 June 2011 (the "**Period**"), together with the comparative figures of the corresponding period in 2010, is as follow:

Six months ended 30 June	2011 RMB'000	2010 RMB'000	Increase/(Decrease) %
Revenue	1,712,702	1,484,809	15.3
Gross profit	261,374	236,052	10.7
Operating profit	155,161	156,444	(0.8)
Net profit	110,403	99,636	10.8
Gross profit margin	15.3%	15.9%	(0.6)
Operating profit margin	9.1%	10.5%	(1.4)
Net profit margin	6.4%	6.7%	(0.3)

The Group recorded satisfactory growth in revenue and net profit during the Period when compared with the same period of 2010.

Despite the year-on-year increase in corn and other production costs, the Group's overall sales performance was satisfactory. During the Period, our major production cost, corn cost, rose by approximately 14.4%. On the other hand, the average selling prices of the Group's main revenue-contributing products, being crystalline glucose and sodium gluconate, rose by approximately 18.2% and 12.9%. However, as the animal feed market in China continued to be weak, the performance of our corn feed products was negatively affected. Therefore, during the Period, the Group recorded a slight deterioration in its overall gross profit margin to approximately 15.3% (first half of 2010: 15.9%).

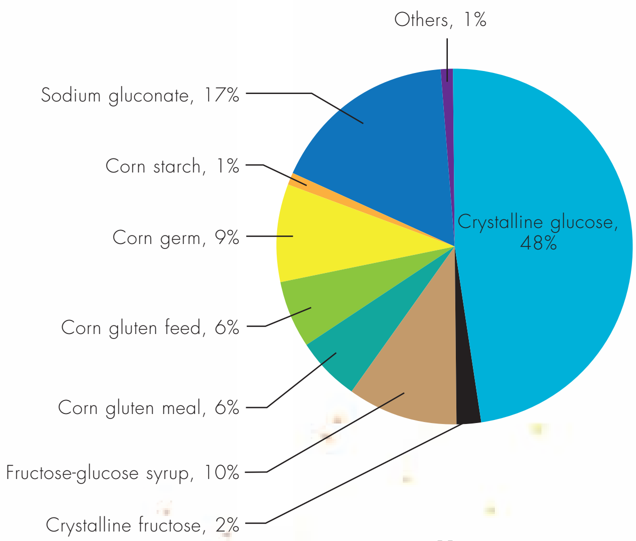
During the Period, the revenue contribution of starch sugars and sodium gluconate increased while that of corn co-products decreased. The Group has converted more corn starch into starch sugars and sodium gluconate to satisfy their increasing demands. As a matter of fact, the focus of the Group is on high value-added products, i.e. starch sugar products and sodium gluconate, which have higher profitability and long-term prospects.

Revenue

Revenue by products:

Six months ended 30 June	2011 RMB'000	2010 RMB'000	Increase/(Decrease) %
Starch sugars:			
Crystalline glucose	823,177	720,854	14.2
Crystalline fructose	30,349	7,628	297.9
Fructose-glucose syrup	172,781	97,905	76.5
	1,026,307	826,387	24.2
Corn co-products and others:			
Corn gluten meal	100,163	113,300	(11.6)
Corn gluten feed	106,100	108,721	(2.4)
Corn germ	158,410	131,571	20.4
Corn starch	9,582	125,320	(92.4)
Sodium gluconate	282,603	155,336	81.9
Others	29,537	24,174	22.2
	686,395	658,422	4.2
	1,712,702	1,484,809	15.3

Revenue contribution of individual products:



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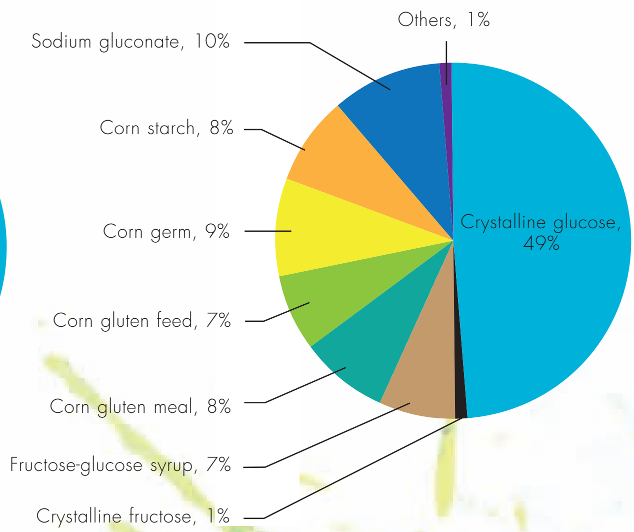

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Sales volume of key products:

Six months ended 30 June	2011	2010	Increase/(Decrease)
	Tonnes	Tonnes	%
Starch sugars:			
Crystalline glucose	230,772	238,777	(3.4)
Crystalline fructose	4,510	1,143	294.6
Fructose-glucose syrup	80,454	50,858	58.2
Corn co-products and others:			
Corn gluten meal	25,425	25,918	(1.9)
Corn gluten feed	89,074	87,146	2.2
Corn germ	46,236	47,572	(2.8)
Corn starch	3,767	59,759	(93.7)
Sodium gluconate	60,767	37,703	61.2

Average selling price of key products:

Six months ended 30 June	2011		2010		Increase/
	RMB/tonne		RMB/tonne		(Decrease)
	Tax-inclusive	Tax-exclusive	Tax-inclusive	Tax-exclusive	%
Starch sugars:					
Crystalline glucose	4,173	3,567	3,532	3,019	18.2
Crystalline fructose	7,873	6,729	7,806	6,672	0.9
Fructose-glucose syrup	2,513	2,148	2,252	1,925	11.6
Corn co-products and others:					
Corn gluten meal	4,610	3,940	5,114	4,371	(9.9)
Corn gluten feed	1,191	1,191	1,248	1,248	(4.6)
Corn germ	3,871	3,426	3,126	2,766	23.9
Corn starch	2,976	2,544	2,453	2,097	21.3
Sodium gluconate	5,442	4,651	4,820	4,120	12.9

During the Period, revenue of starch sugars was approximately Renminbi ("**RMB**") 1,026 million (first half of 2010: RMB 826 million), which accounted for approximately 60% of the total revenue (first half of 2010: 56%). Revenue of corn co-products and others was approximately RMB 686 million (first half of 2010: RMB 658 million), which accounted for approximately 40% of the total revenue (first half of 2010: 44%).

1. Crystalline glucose

   The Group is the market leader of crystalline glucose in China with output of approximately one-third of the national input. During the Period, the Chinese government continued its policy on regulating the corn processing industry. The government is keen to support the existing starch sugar enterprises with eco-friendly production, and to remove small or obsolete capacities. Therefore, we believe there was no significant expansion in the domestic market. On the other hand, the demand for crystalline glucose continued to be strong, largely driven by the consumption for it in the food and beverage and the fermentation sectors. Under such a strong demand and tight supply situation, the sales volume and the average selling price of crystalline glucose were largely supported.

2. Crystalline fructose

   During the Period, the Group continued to focus on the market development for crystalline fructose. The Group was engaged in motivating food and beverage companies in China to use fructose to develop new type of healthy food products. Further, we have started to liaise with various retail channels such as supermarkets, health products specialty stores and online purchasing platforms, with an aim of selling our fructose directly to the end consumers.

3. Fructose-glucose syrup

   During the Period, both the sales volume and the average selling price of fructose-glucose syrup were strong, largely due to the strong demand for it in the food and beverages sector in China.

4. **Corn feed products**

   The performance of our corn feed products was weak during the Period. Although the dynamic of the demand and supply of pigs in China was improving, the feed industry was highly fragmented and was more likely to suffer from over-supply. Besides, corn-feed products are by-products from corn processing, so the entry barrier is relatively low and could be subject to price substitution with soybean meal.

5. **Corn germ**

   The price performance of corn germ in the Period improved which was largely driven by a higher selling price and higher consumption of edible corn oil in China.

6. **Corn starch**

   During the Period, the Group consumed more corn starch internally for the production of its starch sugar products and sodium gluconate. As a result, the external sales of corn starch was significantly reduced.

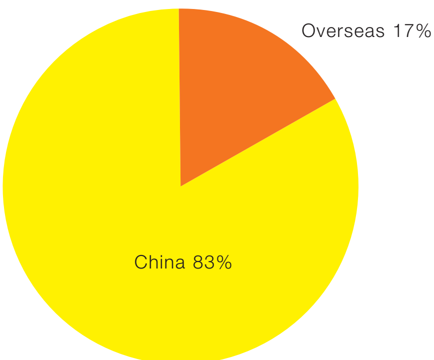
7. **Sodium gluconate**

   During the Period, both the sales volume and average selling price of sodium gluconate increased, which was driven by its strong market demand. In particular, the sales volume increased substantially as the Group further upgraded the production capacity of sodium gluconate in the second half of 2010, which was fully commenced during the Period.

Revenue by geographical segments:

The Group conducts its business in both China and overseas.

Six months ended 30 June	2011 RMB'000	2010 RMB'000	Increase/(Decrease) %
China	**1,422,066**	1,325,301	7.3%
Other countries	**290,636**	159,508	82.2%
	1,712,702	1,484,809	15.3%



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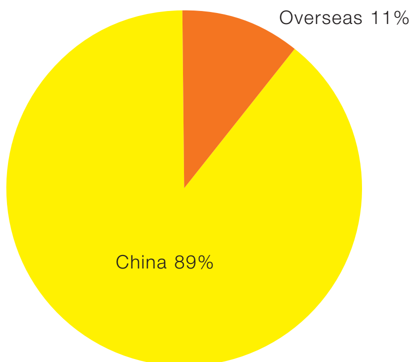


1H 2010

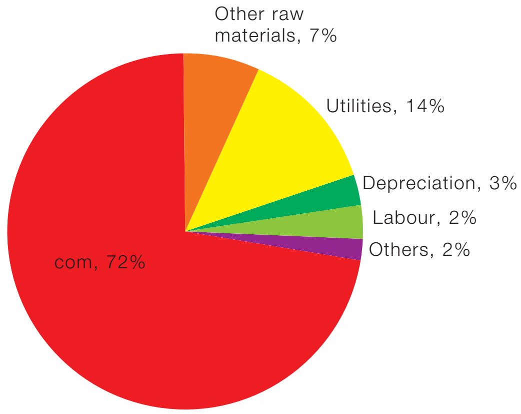
During the Period, the Group generated a majority of revenue from domestic sales. Revenue from China accounted for approximately 83% (first half of 2010: 89%), and revenue from other countries accounted for approximately 17% (first half of 2010: 11%).

During the Period, both the domestic and export sales of the Group reported strong growth, in particular, export sales recorded a substantial growth of approximately 82.2% when compared with the same period of 2010. The Group has an increased volume of crystalline glucose being exported. The international supply of sugar was expected to be tight during the Period given the short supply outlook of sugar cane in the world major producing countries. The Group also has an increased export volume of sodium gluconate due to the strong market demand for it in the oversea. Overall, the Group's products were mostly exported to other Asian countries, with a minor portion to Europe and the Middle East.

Cost of goods sold

The breakdown of cost of goods sold was as follows:

Six months ended 30 June	2011 RMB'000	2010 RMB'000	Increase/(Decrease) %
Corn	1,043,754	947,983	10.1
Other raw materials	97,361	65,973	47.6
Utilities	197,401	143,626	37.4
Depreciation	43,314	39,273	10.3
Labour	36,718	23,245	58.0
Others	32,780	28,657	14.4
	1,451,328	1,248,757	16.2



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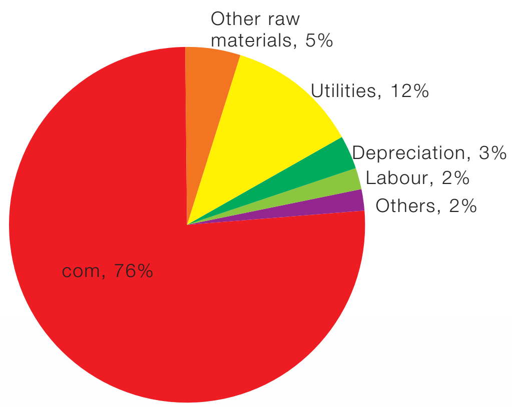


1H 2010

The Group's total cost of goods sold for the Period amounted to approximately RMB 1,451 million (first half of 2010: RMB 1,249 million), an approximate 16.2% increment compared with that of the same period of 2010. The increase in cost of goods sold was mainly resulted from the higher corn cost and other raw materials cost, and higher utilities and labour costs.

Corn cost represented approximately 72% of the total cost of goods sold in the Period (first half of 2010: 76%). During the Period, the Group processed approximately 592,000 tonnes of corn (first half of 2010: 618,000 tonnes), which represented the utilization rate[3] of the corn processing facility of about 79% (first half of 2010: 82%). The Group incurred a one-time upgrade on the water supply and electricity supply to the corn processing facility during the Period, so the facility was halted and resulted in a lower utilization. During the Period, the average corn cost of the Group was approximately RMB 2,111 per tonne (tax-inclusive), which increased by approximately 14.4% over the same period of 2010 (first half of 2010: RMB 1,845 per tonne).

Other raw materials included auxiliary materials for production and packaging materials. The prices of such raw materials increased during the Period which was driven by inflation.

Utilities were mainly steam and electricity. During the Period, the Group had a larger volume of high value-added products produced, and their production processes generally consumed more steam and electricity. In addition, the unit cost of steam and electricity rose in accordance to the inflationary environment in China.

Labour cost in the Period increased as the general wages in China were increasing.

Notes:

3 Utilization rate is based on actual processing volume over the designed capacity.

Gross profit margins

Gross profit margins of key products and the Group's overall gross profit margin were:

Six months ended 30 June	2011 %	2010 %	Increase/(Decrease) in percentage points
Starch sugars:			
Crystalline glucose	21.9	22.9	(1.0)
Crystalline fructose	21.1	34.3	(13.2)
Fructose-glucose syrup	8.5	8.8	(0.3)
Corn co-products and others:			
Corn gluten meal	(11.9)	3.6	(15.5)
Corn gluten feed	(6.4)	12.1	(18.5)
Corn germ	11.0	2.4	8.6
Corn starch	10.9	7.9	3.0
Sodium gluconate	18.2	15.1	3.1
The Group's overall gross profit margin	15.3	15.9	(0.6)

With the general inflationary environment in China, corn cost and other production costs increased significantly during the Period. The Group could transfer most of the increase in cost through adjusting selling prices of its products, except for the corn feed products. Nevertheless, the Group could maintain a relatively stable gross profit margin of approximately 15.3% for the Period (first half of 2010: 15.9%).

Other income

The amount of other income – net was approximately RMB 6 million, mainly recorded from the sale of scrap materials (i.e. materials 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 during the Period amounted to approximately RMB 70 million, which increased by about 21.6% when compared with the same period of 2010. The increase was mainly caused by higher transportation expenses, which was attributable to the enlarged export sales of the Group and the higher freight charges.

Administrative expenses

The Group's administrative expenses included general administrative overheads, staff cost for management and non-production staff, research and development expenditure, etc.. Administrative expenses during the Period increased to approximately RMB 42 million (first half of 2010: RMB 29 million) which was due to the increase in research and development expenditure for the upgrade of the sewage treatment facility.

During the Period, the Group's selling, marketing and administrative expenses altogether represented approximately 6.6% of the total revenue (first half of 2010: 5.9%).

Finance costs

The net finance costs of the Group comprised interest expense and foreign exchange effect. The net finance cost of the Group was approximately RMB 26 million in the Period (first half of 2010: RMB 51 million).

Interest expense in the Period decreased to approximately RMB 29 million (first half of 2010: 53 million) as the Group repaid some of the borrowings.

The Group recorded a net exchange gain of approximately RMB 2 million (first half of 2010: net exchange loss of RMB 1 million) which mainly came from the devaluation of borrowings that were denominated in United States Dollars ("**USD**").

Income tax expense

The Commerce Bureau of Shandong Province approved Shandong Xiwang Bio-Chem Technology Co., Ltd ("**Xiwang Technology**") to merge through absorption with Shandong Xiwang Sugar Industry Co., Ltd ("**Xiwang Sugar**") with Xiwang Technology as the surviving company. The merger process was completed during the Period.

Both Xiwang Sugar and Xiwang Technology are production enterprises with foreign investments and eligible to enjoy certain Corporate Income Tax ("**CIT**") preferential treatments in accordance with the CIT Law and tax regulation ("**CIT Tax Holiday**"). The CIT Tax Holidays of Xiwang Sugar and Xiwang Technology commenced in 2005 and 2007 respectively. The CIT Tax Holiday of Xiwang Sugar ended in 2009 while Xiwang Technology is entitled to enjoy its last year of CIT Tax Holiday in 2011.

In November 2010, Xiwang Technology was recognized as the enterprise with "New and Advanced Technology" by the relevant authorities in the PRC. Xiwang Technology is therefore eligible to enjoy relief of CIT from 25% to 15% from January 2011 onwards.

In view of the merger of Xiwang Sugar and the commencement of the CIT preferential treatment granted to Xiwang Technology for the recognition as an enterprise with New and Advanced Technology, the applicable tax rate of Xiwang Technology in 2011 is 15% (2010: 12.5%), while the applicable tax rate of Xiwang Sugar (Beijing) Co., Ltd and Xiwang Sugar before the merger is 25% (2010: 25%).

Liquidity, capital resources and gearing ratio:

	30 June 2011 RMB million	31 December 2010 RMB million
Cash and cash equivalents	180	549
Total borrowings	1,398	1,565
Net current assets	801	792
Total equity	2,079	1,966
Current ratio[4]	1.59	1.67
Gearing ratio[5]	0.59	0.52

Notes:

4 Current ratio was calculated as total current assets divided by total current liabilities.

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

The Group's cash and cash equivalents as at 30 June 2011 amounted to approximately RMB 180 million (31 December 2010: RMB 549 million). During the Period, the Group has net cash outflow from operating activities of approximately RMB 148 million (first half of 2010: net cash outflow of RMB 25 million), as the Group has received more bills receivables which were all bank acceptance bills with maturity of less than or equal to six months. The Group has net cash used in investing activities of approximately RMB 62 million in the Period (first half of 2010: RMB 205 million), mainly for the upgrade of production facilities of fructose and sodium gluconate and the construction of oligosaccharide production line. The Group has a net cash outflow from financing activities of approximately RMB 159 million (first half of 2010: net cash outflow of RMB 210 million) mainly for the reduction of borrowings.

Total borrowings of the Group reduced to approximately RMB 1,398 million as at 30 June 2011 from RMB 1,565 million as at 31 December 2010. During the Period, the Group has a net repayment of short-term loans and long-term loans of approximately RMB 167 million. Short-term borrowings represented approximately 36% of the total borrowings as at 30 June 2011 (31 December 2010: 39%).

Total equity of the Group increased to approximately RMB 2,079 million as at 30 June 2011 from RMB 1,966 million as at 31 December 2010 as a result of the addition of net profit earned during the Period.

Capital Investment

The Group's capital investment during the Period amounted to approximately RMB 74 million (first half of 2010: 148 million) mainly for the construction of oligosaccharide production line.

Contingent liabilities

As at the date of this report, the Company has been involved in an arbitration proceedings whereby the Company is not a party to it.

The proceedings involves a dispute arisen from two contracts for sale and purchase of crystalline glucose signed by a third party Korean company (the "**Claimant**") and Xiwang Sugar (Hong Kong) Limited (the "**Respondent**") back in September and November 2009. The respondent used to be a subsidiary of the Company until 19 January 2010. According to the Claimant's case, it was alleged that the Company was in fact in control of the Respondent and the Company was directly involved in all the matters in relation to the dispute. The Claimant therefore claimed that the Company should be bound by the arbitration clause and be liable to the alleged breach of contracts by the Respondent in the amount of approximately US$4.6 million (approximately RMB31 million) which was the claim made by the Claimant against the Respondent but not the Company (the "**Claim**").

Despite the Company's numerous clarifications, the Claimant insists to invite the Tribunal to make an award against both the Respondent and the Company on the evidence submitted by it earlier. In order to protect the interest of the Company, the Company has no alternative but to prepare submissions in reply, and attended the arbitration hearing on 11 August 2011 challenging the jurisdiction of the Tribunal in making an award against the Company in respect of the claim made by the Claimant. The parties are now pending the written decision in this regard from the Tribunal.

According to the advice from the counsel engaged by the Company in relation to the Claim, based on the materials available so far, there was a fair chance that the Company would not be bound by the arbitration agreement as contained in the relevant contracts. The directors of the Company agree with the advice from counsel and consider that the Company has a fair chance that it would not be bound by the arbitration agreements. The directors of the Company therefore consider that it is not probable for the Company to be liable to the Claim.

Foreign exchange risk

The Group's main operation is in the PRC. The functional currency of the Group is RMB. During the Period, majority (about 83%) of the Group's assets, liabilities, income, payments and cash balances were denominated in RMB, the rest were sales from export and bank loans which was denominated in USD. Therefore, the directors of the Company believed that the risk exposure of the Group to fluctuation of foreign exchange rate was not significant as a whole.

Human Resources

The Group had approximately 3,140 employees as at 30 June 2011 (31 December 2010: approximately 3,050). 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

Domestic corn price continued its upward trend in the last few years, which was mainly supported by a faster growth in its demand than its supply. In China, more than half of the corn produced is consumed directly as animal feed. In addition, corn is used in deep processing by which it is processed into a variety of consumer and industrial products. Due to the large population and rapid economic development, the amount of corn being processed industrially is increasing. According to the China National Grain and Oils Information Center, industrial use of corn now accounts for approximately 29% of the total consumption, which surpassed the government's target of 26%. The government is highly devoted to ensure the national's self-sufficiency of corn. In fact, farmers are motivated to grow corn and corn growing areas are enlarged. Also, industrial processing is more regulated by disallowing inefficient and polluting operators. It is expected that the country demand for corn will be approximately 181 million tonnes in 2011/2012, which is to be satisfied with the output estimated to be approximately 182 million in 2011/2012. Under such a dynamic, we expect corn price in China will move up at a pace similar to that in the last few years.

In China, food and beverage production is the key driver for the demand for sugar. The food and beverage industry in China has continued to grow in a double-digit rate, largely driven by the large population base and increasing income per capita. The country demand for sugar is expected to be about 14 millions tonnes in 2011. Supply of sugar comes from starch sugar and white sugar, of which their annual outputs will be maintained at approximately 2 million tonnes and 11.8 million tonnes respectively. The government does not have price control on sugar but may gently regulate the market through imports and national reserve from time to time. Overall, we expect the domestic market will be in strong demand and tight supply situation in the foreseeable future, which will be supportive to the sugar prices.

Our mission is to enhance people's health and life quality by providing healthy and functional ingredients. We are successful in diversifying our product mix of the starch sugar products. Besides crystalline glucose, crystalline fructose will also become one of our major products in the foreseeable future. In China, there is an observable phenomenon of increasing obesity, diabetes and diet-related diseases. Therefore, people become more aware of healthy eating habits and start to look for low GI diets. Our crystalline fructose is probably the best sugar with high sweetness, fewer calories and the lowest GI. As a pioneer and market leader of fructose in China, we are devoted to help the public to better understand the benefits of fructose over traditional white sugar and sugar substitutes. We also aim to increase the visibility of our fructose product in China through retail channels to reach a wider group of potential users. Foreseeing the trend of healthy living, we are confident that our crystalline fructose will set off to become a new type of table sugar in the Chinese market.

Currently, the starch production facility of the Group has reached its maximum utilization, as a larger amount of corn starch is converted to the Group's higher-value products of starch sugars and sodium gluconate. Anticipating its future expansion and accordingly the starch needs, the Company has agreed to acquire from Shandong Xiwang Pharmaceutical Company Limited ("Xiwang Pharmaceutical") two production lines of starch with a total annual capacity of 750,000 tonnes[6], The Company also agreed to acquire two production lines of maltodextrin with a total annual capacity of 120,000 tonnes[6] and related land, properties and facilities. Details were disclosed in the announcement of the Company "Major and Connected Transaction: Acquisition of Production Facilities and Subscription of New Shares" dated June 30, 2011. Upon the conditions are fulfilled, the Group will be able to enhance its starch output by more than 80%. Further, the Group will further increase the product offerings with maltodextrin, a multi-functional, natural food ingredient applicable to numerous food products. Overall, we expect the acquisition will support us to sustain the leadership position in the starch sugar industry and will enhance the financial performance of the Group.

Notes:

6 These are designed capacities. They are based on 300 days per year of normal production.

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 2011 (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	
		2011	2010
		RMB'000	RMB'000
	Note	**Unaudited**	Unaudited
Turnover	2	**1,712,702**	1,484,809
Cost of goods sold	3	**(1,451,328)**	(1,248,757)
Gross profit		**261,374**	236,052
Other income, net		**6,299**	7,611
Selling and marketing costs	3	**(70,270)**	(57,799)
Administrative expenses	3	**(42,242)**	(29,420)
Operating profit		**155,161**	156,444
Finance costs, net	4	**(26,047)**	(50,985)
Profit before income tax		**129,114**	105,459
Income tax expense	5	**(18,711)**	(5,823)
Profit for the Period		**110,403**	99,636
Other comprehensive income for the Period, net of tax		**–**	–
Total comprehensive income for the Period		**110,403**	99,636
Profit attributable to:			
Equity holders of the Company		**110,403**	99,636
Earnings per share for profit attributable to equity holders of the Company during the Period (expressed in RMB per share)			
– basic	6(a)	**0.1097**	0.1045
– diluted	6(b)	**0.1096**	0.1042
Dividends	7	**–**	–

The notes on pages 28 to 47 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

	Note	30 June 2011 RMB'000 Unaudited	31 December 2010 RMB'000 Audited
Assets			
Non-current assets			
Property, plant and equipment	8	**1,785,662**	1,760,168
Land use rights		**236,775**	239,510
Deferred income tax assets		**5,512**	5,512
		2,027,949	2,005,190
Current assets			
Inventories	9	**639,683**	560,570
Trade and other receivables	10	**1,249,994**	766,898
Prepaid current income tax		**–**	13,264
Amounts due from related parties	15(c)	**80,150**	86,535
Cash and cash equivalents		**180,334**	548,502
		2,150,161	1,975,769
Total assets		**4,178,110**	3,980,959
Equity			
Attributable to equity holders of the Company			
Share capital	11	**102,083**	101,896
Share premium	11	**331,206**	328,531
Other reserves	12	**976,376**	921,492
Retained earnings			
– Declared dividend/proposed dividend		**–**	–
– Others		**669,105**	613,586
Total equity		**2,078,770**	1,965,505

	Note	30 June 2011 RMB'000 Unaudited	31 December 2010 RMB'000 Audited
Liabilities			
Non-current liabilities			
Borrowings		**749,836**	831,549
Current liabilities			
Trade and other payables	13	**679,322**	420,636
Current income tax liabilities		**10,285**	–
Amounts due to related parties	15(c)	**11,712**	29,910
Borrowings		**648,185**	733,359
		1,349,504	1,183,905
Total liabilities		**2,099,340**	2,015,454
Total equity and liabilities		**4,178,110**	3,980,959
Net current assets		**800,657**	791,864
Total assets less current liabilities		**2,828,606**	2,797,054

The notes on pages 28 to 47 are an integral part of these condensed consolidated financial statements.

WANG Yong
Director

ZHANG Yan
Director

Condensed Consolidated Statement of Changes in Equity

		Unaudited					
		Attributable to equity holders of the Company					
	Note	Share Capital RMB'000	Share Premium RMB'000	Other Reserves RMB'000	Retained Earnings RMB'000	Minority Interest RMB'000	Total Equity RMB'000
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
Balance at 1 January 2011		101,896	328,531	921,492	613,586	–	1,965,505
Profit for the Period		–	–	–	110,403	–	110,403
Appropriation to reserves		–	–	211,972	(211,972)	–	–
Proceeds from warrants to shareholders exercised	11	3	73	–	–	–	76
Proceeds from share options exercised	11	184	2,247	–	–	–	2,431
Employee share options scheme-value of services provided	11	–	355	–	–	–	355
Transfer of reserves upon merger of subsidiaries	12	–	–	(157,088)	157,088	–	–
Balance at 30 June 2011		102,083	331,206	976,376	669,105	–	2,078,770

The notes on pages 28 to 47 are an integral part of these condensed consolidated financial statements.

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	Unaudited	Unaudited
Net cash outflow from operating activities	**(148,331)**	(24,757)
Net cash outflow from investing activities	**(61,501)**	(204,903)
Net cash outflow before financing activities	**(209,832)**	(229,660)
Net cash outflow from financing activities	**(158,336)**	(209,577)
Net decrease in cash and cash equivalents	**(368,168)**	(439,237)
Cash and cash equivalents at beginning of the Period	**548,502**	777,664
Cash and cash equivalents at end of the Period	**180,334**	338,427

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 shares of the Company have 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 condensed consolidated financial statements have been approved for issue by the Board of Directors on 30 August 2011.

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 2010.

1.2 Basis of preparation *(continued)*

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Group's audited 2010 annual financial statements, which have been prepared in accordance with HKFRSs.

1.3 Accounting policies

The following amendment to standard is mandatory for the first time for the financial year beginning 1 January 2011:

- Amendment to HKAS 34 'Interim financial reporting' is effective for annual periods beginning on or after 1 January 2011.

The following new standards amendments and interpretations to existing standards effective in 2011 but not relevant to or have no impact on the Group:

- HKAS 24 (Revised), "Related Party Disclosures" is effective for annual period beginning on or after January 2011.

- Amendment to HKAS 32 'Classification of rights issues' is effective for annual periods beginning on or after 1 February 2010.

- Amendment to HK(IFRIC) – Int-14 'Prepayments of a minimum funding requirement' is effective for annual periods beginning on or after 1 January 2011.

- HK(IFRIC) – Int 19 'Extinguishing financial liabilities with equity instruments' is effective for annual periods beginning on or after 1 July 2010.

- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by the HKICPA, except for amendment to HKAS 34 'Interim financial reporting' as disclosed above and the clarification to allow the presentation of an analysis of the components of other comprehensive income by item within the notes, all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

1.3 Accounting policies *(continued)*

The following new standards and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:

- HKFRS 9 'Financial instruments'
- HKAS 12 (Amendment) 'Deferred tax'
- HKFRS 7 (Amendment) 'Disclosures'

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 2011 are as follows:

	Note	Starch sugars RMB'000	Corn co-products and others RMB'000	Group RMB'000
Gross segment sales		1,026,307	1,679,664	2,705,971
Inter-segment sales		–	(993,269)	(993,269)
Sales from external customers		1,026,307	686,395	1,712,702
Operating profit/Segment results		137,797	17,364	155,161
Finance costs – net	4			(26,047)
Profit before income tax				129,114
Income tax expense	5			(18,711)
Profit for the Period				110,403

2 Segment information *(continued)*

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

Total revenue derived from external customers in the PRC is RMB1,422,066,000 for the Period (2010: RMB 1,325,301,000), and the total revenue derived from external customers from other countries is RMB290,636,000 (2010: RMB 159,508,000).

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	
	2011	2010
	RMB'000	RMB'000
	Unaudited	Unaudited
Changes in inventory levels of finished goods and work in progress	**(44,927)**	(90,583)
Depreciation and amortization	**52,415**	47,367
Directors' emoluments	**323**	511
Employee benefit expenses	**59,403**	43,802
Raw materials and consumables used	**1,176,150**	1,075,862
Transportation expenses	**59,911**	46,457
Utility expenses	**203,682**	162,044

4 Finance costs

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	Unaudited	Unaudited
Interest expenses – borrowings	**(41,601)**	(61,551)
Less: amount capitalized in construction in progress	**12,257**	8,851
	(29,344)	(52,700)
Net exchange gain/(loss)	**1,881**	(1,407)
Finance costs	**(27,463)**	(54,107)
Interest income on bank balances	**1,416**	3,122
Net finance costs	**(26,047)**	(50,985)

5 Income tax expense

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	Unaudited	Unaudited
Current tax		
– PRC corporate income tax	**18,711**	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 2010: 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 2010: Nil).

The Commerce Bureau of Shandong Province approved Shandong Xiwang Bio-Chem Technology Co., Ltd ("**Xiwang Technology**") to merge through absorption with Shandong Xiwang Sugar Industry Co., Ltd ("**Xiwang Sugar**") with Xiwang Technology as the surviving company. The merger process was completed during the Period.

Both Xiwang Sugar and Xiwang Technology are production enterprises with foreign investments and eligible to enjoy certain Corporate Income Tax ("**CIT**") preferential treatments in accordance with the CIT Law and tax regulation ("**CIT Tax Holiday**"). The CIT Tax Holidays of Xiwang Sugar and Xiwang Technology commenced in 2005 and 2007 respectively. The CIT Tax Holiday of Xiwang Sugar ended in 2009 while Xiwang Technology is entitled to enjoy its last year of CIT Tax Holiday in 2011.

In November 2010, Xiwang Technology was recognized as the enterprise with "**New and Advanced Technology**" by the relevant authorities in the PRC. Xiwang Technology is therefore eligible to enjoy relief of CIT from 25% to 15% from January 2011 onwards.

In view of the merger of Xiwang Sugar and the commencement of the CIT preferential treatment granted to Xiwang Technology for the recognition as an enterprise with New and Advanced Technology, the applicable tax rate of Xiwang Technology in 2011 is 15% (2010: 12.5%), while the applicable tax rate of Xiwang Sugar (Beijing) Co., Ltd and Xiwang Sugar before the merger is 25% (2010: 25%).

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 and Xiwang Technology 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	
	2011	2010
	RMB'000	RMB'000
	Unaudited	Unaudited
Profit attributable to equity holders of the Company (RMB'000)	**110,403**	99,636
Weighted average number of ordinary shares in issue (thousands)	**1,006,307**	953,454
Basic earnings per share (RMB per share)	**0.1097**	0.1045

(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	
	2011	2010
	RMB'000	RMB'000
	Unaudited	Unaudited
Profit attributable to equity holders of the Company (RMB'000)	**110,403**	99,636
Weighted average number of ordinary shares in issue (thousands)	**1,006,307**	953,454
Adjustments for share options (thousands)	**1,424**	2,824
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,007,731**	956,278
Diluted earnings per share (RMB per share)	**0.1096**	0.1042

7 Dividends

No final dividend was proposed in respect of the year ended 31 December 2010.

No interim dividend was proposed for the Period (2010: Nil).

8 Property, plant and equipment

The net additions of property, plant and equipment mainly included the construction costs incurred for the production line for oligosaccharide.

9 Inventories

	30 June 2011 RMB'000 Unaudited	31 December 2010 RMB'000 Audited
Raw materials	**426,551**	392,365
Work in progress	**85,184**	78,156
Finished goods	**127,948**	90,049
	639,683	560,570

The cost of inventories recognized as expenses and included in cost of goods sold amounted to RMB 1,451,328,000 for the Period (first half of 2010: RMB 1,248,757,000).

10 Trade and other receivables

	Note	30 June 2011 RMB'000 Unaudited	31 December 2010 RMB'000 Audited
Trade receivables – gross and net	(a)	**126,617**	66,458
Bills receivables	(b)	**1,047,593**	359,642
Advance to suppliers	(c)	**54,893**	322,069
Other receivables		**20,891**	18,729
		1,249,994	766,898

(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 2011 RMB'000 Unaudited	31 December 2010 RMB'000 Audited
0 – 30 days	**78,398**	35,326
31 – 60 days	**41,076**	10,602
61 – 90 days	**4,447**	3,203
Over 90 days	**2,696**	17,327
	126,617	66,458

11 Share capital and share premium

	Number of shares (thousands)	Share capital RMB'000	Share premium RMB'000
At 1 January 2010	847,376	87,953	24,036
Proceeds from new shares issued	120,000	10,560	247,385
Employee share options scheme – value of service provided	–	–	833
At 30 June 2010	967,376	98,513	272,254
At 1 January 2011	1,006,303	101,896	328,531
Proceeds from warrants to shareholders exercised	35	3	73
Proceeds from employee share options exercised	2,193	184	2,247
Employee share options scheme – value of service provided	–	–	355
At 30 June 2011	1,008,531	102,083	331,206

The total authorised number of ordinary shares is 2,000 million shares (2010: 2,000 million shares) with a par value of HK$0.1 per share (2010: HK$0.1 per share). All issued shares are fully paid up.

According to the announcement of the Company dated 21 January 2011, 167,717,242 warrants were issued to the qualified shareholders of the Company on 23 February 2011. Each warrant entitles the holder to subscribe for a share at a subscription price of HK$2.55, and is exercisable for 1 year from the date of the issue of the warrants.

During the Period, 35,036 warrants were exercised and 35,036 new shares were allotted and issued to the respective warrant holders accordingly.

11 Share capital and share premium *(continued)*

(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:

	2011		2010	
	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**	**4,386**	1.32	6,579
Granted	**–**	**–**	–	–
Exercised	**1.32**	**(2,193)**	–	–
At 30 June	**1.32**	**2,193**	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**	2,193

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 or cancelled during the Period.

12 Other reserves

		Capital reserve RMB'000	Statutory reserves RMB'000	Discretionary reserve RMB'000	Contributed surplus RMB'000	Total RMB'000
At 1 January 2010 and 30 June 2010		117,023	144,471	36,569	471,853	769,916
At 1 January 2011		117,023	168,023	164,593	471,853	921,492
Appropriation to discretionary reserves	(a)	–	–	211,972	–	211,972
Transfer of reserves upon merger of subsidiaries	(b)	(13,963)	(99,929)	(43,196)	–	(157,088)
At 30 June 2011		103,060	68,094	333,369	471,853	976,376

12 Other reserves *(continued)*

(a) In March 2011, the directors of Xiwang Sugar and Xiwang Technology resolved that amounts totalling RMB211,972,000 be set aside from profits earned in 2010 by these two companies to the discretionary reserves for future expansion of operations of these subsidiaries.

(b) The Commerce Bureau of Shandong Province approved Xiwang Technology to merge through absorption with Xiwang Sugar, with Xiwang Technology as the surviving company. The merger process was completed during the Period. The other reserves of Xiwang Sugar were transferred to retained earnings accordingly.

13 Trade and other payables

	30 June 2011 RMB'000 Unaudited	31 December 2010 RMB'000 Audited
Trade payables	**408,045**	124,191
Other payables	**214,724**	238,123
Other taxes payables	**18,364**	4,341
Deposits and advance from customers	**38,189**	53,981
	679,322	420,636

13 Trade and other payables *(continued)*

An ageing analysis of the trade payables is as follows:

	30 June 2011 RMB'000 Unaudited	31 December 2010 RMB'000 Audited
0 – 30 days	**106,538**	32,697
31 – 60 days	**116,688**	24,996
61 – 90 days	**52,330**	30,638
Over 90 days	**132,489**	35,860
	408,045	124,191

Approximately RMB 102,032,000 (2010: RMB 164,111,000) of other payables as at 30 June 2011 represented payables to vendors mainly in relation to the construction of a production line for oligosaccharide.

14 Capital commitments

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

	30 June 2011 RMB'000 Unaudited	31 December 2010 RMB'000 Audited
Property, plant and equipment		
– Contracted but not provided for	**73,811**	125,877
– Authorised but not provided for	**–**	486
	73,811	126,363

15 Related party transactions

As at 30 June 2011, the Group was controlled by Xiwang Investment Company Limited ("**Xiwang Investment**") (incorporated in BVI), which owned about 56% of the Company's shares. The remaining 44% of the shares were held by public. As at 30 June 2011, the ultimate holding company of the Group was Xiwang Group Company Limited (incorporated in the PRC), the controlling interest of which was held by Mr. Wang Yong. 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 subsidiary
Shandong Xiwang Pharmaceutical Company Limited ("**Xiwang Pharmaceutical**")	山東西王藥業有限公司	Fellow subsidiary

15 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

	Note	Six months ended 30 June 2011 RMB'000 Unaudited	2010 RMB'000 Unaudited
Sales of corn germ			
– Xiwang Food		**125,681**	131,571
Sales of pharmaceutical-grade glucose			
– Xiwang Pharmaceutical		**180,105**	92,770
Sales of corn starch			
– Xiwang Pharmaceutical		**1,387**	38,349
Sales of crystalline glucose			
– Xiwang Pharmaceutical		**–**	5,323
Sales of glucose syrup			
– Xiwang Leavening	(i)	**–**	2,678
Provision of sewage services			
– Xiwang Group		**1,266**	620
		308,439	271,311

(i) Shandong Xiwang Leavening Co., Ltd. ("**Xiwang Leavening**") ceased to be a related party during the year ended 2010 since Xiwang Group disposed of its equity interest held in this company.

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

15 Related party transactions *(continued)*

(b) Purchase of goods and services

	Note	**Six months ended 30 June** **2011** **RMB'000** **Unaudited**	2010 RMB'000 Unaudited
Purchase of packaging materials			
– Xiwang Leavening	(i)	**–**	22,097
Purchase of glucose mother liquid			
– Xiwang Pharmaceutical		**–**	1,126
		–	23,223

(i) Xiwang Leavening ceased to be a related party during the year ended 2010 since Xiwang Group disposed of its equity interest held in this company

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

15 Related party transactions *(continued)*

(c) Balances due from/to related parties

	30 June 2011 RMB'000 Unaudited	31 December 2010 RMB'000 Audited
Receivables:		
Outstanding at end of the periods	**80,150**	86,535
Maximum amounts outstanding during the periods	**115,969**	222,904
Payables, end of the periods	**11,712**	29,910

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.

16 Post balance sheet events

On 30 June 2011, the Company announced Xiwang Technology entered into an acquisition agreement with Xiwang Pharmaceutical for the purchase of certain assets at a consideration of RMB850 million (the "**Acquisition**").

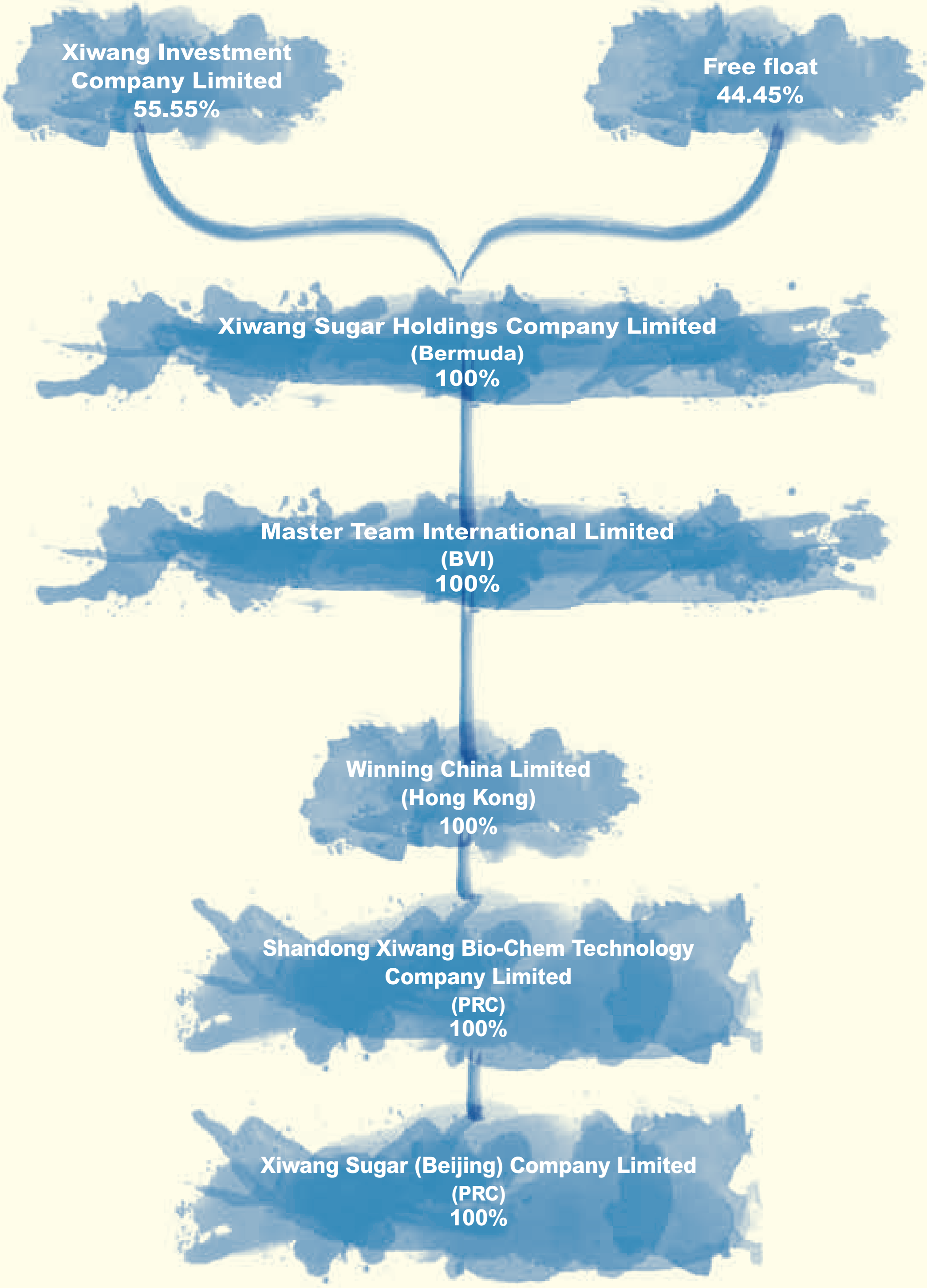
On 30 June 2011, the Company entered into a subscription agreement with Xiwang Investment for the allotment and issue of 436,000,000 subscription shares at the subscription price of HK$2.35 per subscription share (the "**Subscription**").

Details of the Acquisition and the Subscription were disclosed in the announcement of the Company "Major and Connected Transaction: Acquisition of Production Facilities and Subscription of New Shares" dated 30 June 2011.

Both the Acquisition and Subscription will be subject to, among others, the approval by the independent shareholders at a special general meeting. The Subscription will also be subject to the approval by the Listing Committee of the Stock Exchange.

Organization Structure

At of the date of the interim report:



Corporate Governance Practices

The Company has complied throughout the six months ended 30 June 2011 (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 Governing the Listing of Securities (the "**Listing Rules**") 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 2010: 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 2011, the outstanding share options were 2,193,000 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 2011				Outstanding as at 1 January 2011	Outstanding as at 30 June 2011	Exercise price per Share (HK$)	Exercise period
		Granted	Exercised	Cancelled	Lapsed				
Employees *(Note 1)*	8 May 2009	–	2,193,000	–	–	4,386,000	2,193,000	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 2012	2,193,000

(3) The closing price of shares of the Company immediately before the date on which the options were granted was HKD1.28 per share.

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

As at 30 June 2011, 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 2011
Company	WANG Yong	Interest of controlled corporations *(Note 2)*	560,270,077 ordinary shares (L) *(Note 3)*	55.55%
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	6,338 shares (L)	3.17%
		Interest of controlled corporations *(Note 2)*	190,000 shares (L)	95%
Xiwang Holdings	WANG Di	Beneficial owner	177 shares (L)	0.09%
Xiwang Holdings	HAN Zhong	Beneficial owner	177 shares (L)	0.09%
Xiwang Holdings	LI Wei	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) As at 30 June 2011, Xiwang Investment was a wholly-owned subsidiary of Xiwang Holdings which was in turn directly and beneficially owned as to 3.17% 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 was held as to approximately 64.36% by Mr. WANG Yong. Mr. WANG Yong was therefore deemed to be interested in the 95% interest in Xiwang Holdings and the entire issued share capital in Xiwang Investment as at 30 June 2011.

As at 30 June 2011, Xiwang Group was directly and beneficially owned as to 64.36% by Mr. WANG Yong, 1.77% by each of Mr. WANG Di and Mr. HAN Zhong respectively and 0.89% by each of Dr. LI Wei 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 2011, 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 2011
Xiwang Investment	Beneficial owner	560,270,077 ordinary shares (L)	55.55%
Xiwang Holdings	Interest of a controlled corporation *(Note 2)*	560,270,077 ordinary shares (L)	55.55%
Xiwang HK	Interest of controlled corporations *(Note 2)*	560,270,077 ordinary shares (L)	55.55%
Xiwang Group	Interest of controlled corporations *(Note 2)*	560,270,077 ordinary shares (L)	55.55%
Zhang Shufang	Interest of spouse *(Note 3)*	560,270,077 ordinary shares (L)	55.55%

Notes:

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

(2) As at 30 June 2011, Xiwang Investment was a wholly-owned subsidiary of Xiwang Holdings. Xiwang Holdings was deemed to be interested in the shares in which Xiwang Investment is interested.

(3) Ms. ZHANG Shufang, being the spouse of Mr. WANG Yong, was deemed to be interested in all the shares in which Mr. WANG Yong was 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 2011, 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. There was no breach of the above specific performance as at the date of the report.

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; and

(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.

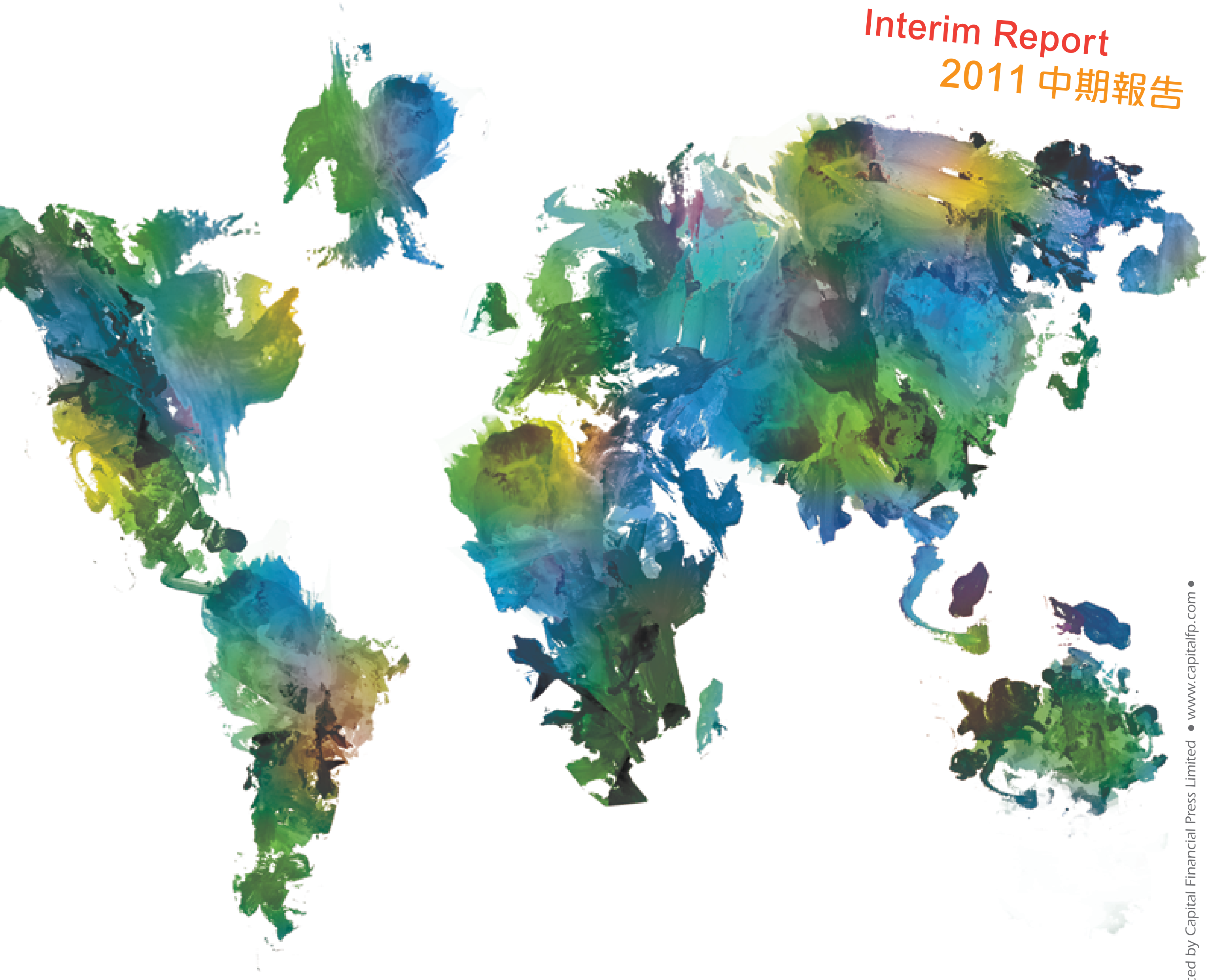
Miscellaneous

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

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

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

Interim Report 2011 中期報告



* For identification purpose only 僅供識別

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