



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

Smile for  
a Great Future!  
開心迎接未來!



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# Corporate Information

## Board of Directors

### Executive Directors

Mr. WANG Yong (*Chairman*)

Mr. WANG Di (*Deputy Chairman*)

Dr. ZHANG Yan (resigned on 5 July 2012)

Mr. WANG Fangming

(appointed on 5 July 2012)

Dr. LI Wei

Mr. Han Zhong

### Non-Executive Director

Mr. SUN Xihu

(re-designated on 5 July 2012)

### Independent Non-Executive Director

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. WONG Kai Ming (*Chairman*)

(appointed on 30 March 2012)

Dr. ZHANG Yan (*Chairman*)

(resigned on 30 March 2012)

Mr. SHI Wei Chen

Mr. SHEN Chi

### Nomination Committee

Mr. WONG Kai Ming (*Chairman*)

(appointed on 30 March 2012)

Dr. ZHANG Yan (*Chairman*)

(resigned on 30 March 2012)

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 Xihu (*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

People's Republic of China

## Principal Place of Business in Hong Kong

Unit 2110, 21/F

Harbour Centre

25 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  
22<sup>nd</sup> Floor, Prince's Building  
Central  
Hong Kong

### Legal Advisers

As to Hong Kong law:  
*Chiu & Partners*  
40<sup>th</sup> 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  
Bermuda

### Hong Kong Branch Share Registrar and Transfer Office

*Tricor Investor Services Limited*  
26<sup>th</sup> Floor, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

### Investor Relations and Corporate Communication

Ms. Gisele Suen  
Tel : (852) 3104 0576  
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### Company Website

[www.xiwang-sugar.com](http://www.xiwang-sugar.com)





# Management Discussion & Analysis

## 1. Introduction

Xiwang Sugar Holdings Company Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) processes corn into starch sugars and corn co-products, which are healthy and functional ingredients mainly applied to food and beverage, nutrition, fermentation, chemical, construction and animal feed industries.

The headquarters of the Group is located in Zouping County, Shandong Province of the People's Republic of China (the “**PRC**” or “**China**”). The Group was established in 2001 and the Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since December 2005. Currently, the Group's annual corn processing capacity is approximately 2.5 million tonnes. The Group is the largest provider of crystalline glucose in China, with an annual production capacity of 800,000 tonnes. The Group is also the largest provider of crystalline fructose in China, with an annual production capacity of 50,000 tonnes.

With such capacities, the Group becomes a leading starch sugar producer in China. We were named as the “Town of Sugar” in China by the China National Food Industry Association since 2007. We were also recognized as one of the Top 10 enterprises of Fermentation Industry in China by the China Fermentation Industry in 2010. The Group's production facilities are integrated,





which enhances resource utilization and reduces waste. We have been accredited as the National Environmental Friendly Corporation by the Ministry of Environmental Protection of the PRC since 2005. We were further regarded 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.

Our major raw material is corn. 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 starch sugars which include crystalline glucose, crystalline fructose, crystalline fructose-glucose, fructose-glucose syrup, and other products such as sodium gluconate.

The Group organizes its key products into two business segments:

- (1) Starch sugars, which include crystalline glucose, crystalline fructose, crystalline fructose-glucose and fructose-glucose syrup,
- (2) Corn co-products and others, which include corn gluten meal, corn gluten feed, corn germ, corn starch and sodium gluconate.





# Management Discussion & Analysis

## (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 biscuits. 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 of which a number of products such as vitamin C, 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. It is soluble in water. Both crystalline fructose and crystalline glucose are six-carbon compounds. Since their chemical bondings are different, their properties are different. Fructose is the sweetest sugar among all the natural sugars. It is often used in low-calorie food. In addition, the fruity fragrance of fructose gives a good sensation to mouth. Fructose has the lowest Glycemic Index (GI)<sup>(note)</sup> among 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.

Crystalline fructose-glucose is in white, fine-crystalline form and soluble in water. Crystalline fructose-glucose is a solid mixture of crystalline fructose and crystalline glucose, in a proportion of 4:6. Crystalline fructose-glucose has the same sweetness as white sugar. As the product is in a solid form, it can be conveniently stored and transported.

Fructose-glucose syrup, also known as high fructose corn syrup, is sweet, colorless liquid which is viscous in texture. It is a collective name of various mixtures of fructose and glucose in different proportion. The most common one is F42, which has approximately 42% fructose content. 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 can be directly used in the manufacturing process of the food and beverage producers.

Note Glycemic Index ("**GI**") is a measure of rate of blood glucose increase after the intake of food. The values take from 0 to 100. Glucose has a value of 100 as it is absorbed into the blood immediately.





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

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

## (2) Corn co-products and others

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

Corn gluten feed is a yellowish powder. It contains mostly fiber and some protein (about 20-25%). 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 and therefore it is mainly used to produce 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 and odorless powder. It is non-corrosive and non-toxic. Sodium gluconate is widely used in construction industry. Sodium gluconate functions as a retarder. It is added to concrete to help adjusting the setting time, which is important for suiting different construction schedules. Moreover, sodium gluconate can increase the workability of the concrete and reduce the amount of water and cement to be used.



# Management Discussion & Analysis

## 2. Review of Financial Results

A summary of the unaudited financial results of the Group for the six months ended 30 June 2012 (the “**Period**”), together with the comparative figures of the corresponding period in 2011, is as follow:

Six months ended 30 June	2012 RMB'000	2011 RMB'000	Increase/(Decrease) %
Revenue	1,786,299	1,712,702	4.3
Gross profit	134,404	261,374	(48.6)
Operating profit	42,223	155,161	(72.8)
Net profit	3,015	110,403	(97.3)
Gross profit margin	7.5%	15.3%	(7.8)
Operating profit margin	2.4%	9.1%	(6.7)
Net profit margin	0.2%	6.4%	(6.2)

The Group recorded deteriorated financial results during the Period when compared with the same period of 2011.

With Europe debt crisis spreading, global economic environment was volatile. In addition, the Chinese Government maintained prudent monetary policy to control inflation, and strengthened the magnitude against real estate speculation. China's GDP recorded a three-year low in the second quarter of 2012 and growth of food and beverage and construction industries slowed down. As a result, the selling prices of the Group's major products starch sugars and sodium gluconate were negatively affected. On the contrary, domestic corn price did not come down but continued to rise, adding further pressure to our profitability.

During the Period, our corn cost increased by approximately 10.7% year-on-year. Although the average selling prices of our corn co-products had a certain degree of rebound – corn gluten feed and corn germ increased by approximately 15.1% and 5.0%, the average selling prices of our major products crystalline glucose, fructose-glucose syrup and sodium gluconate dropped by approximately 10.9%, 4.4% and 5.4% respectively. So overall it was unable to compensate the increase in cost and our gross profit margin substantially squeezed. During the Period, the Group's gross profit margin decreased by approximately 7.8 percentage points to 7.5% (first half of 2011: 15.3%) and net profit declined by 97.3% to approximately Reminbi (“**RMB**”) 3 million (first half of 2011: RMB 110 million).





## Revenue

### Revenue by products:

Six months ended 30 June

2012  
RMB'000

2011  
RMB'000

Increase/(Decrease)  
%

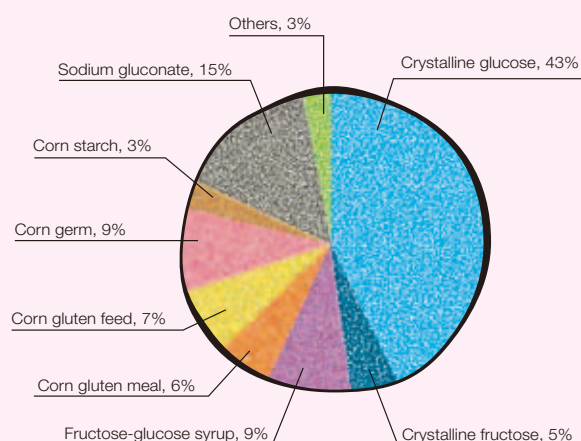
#### Starch sugars:

Crystalline glucose	774,191	823,177	(6.0)
Crystalline fructose	84,273	30,349	177.7
Crystalline fructose-glucose	4,599	Nil	N.A.
Fructose-glucose syrup	163,084	172,781	(5.6)
	1,026,147	1,026,307	(0.02)

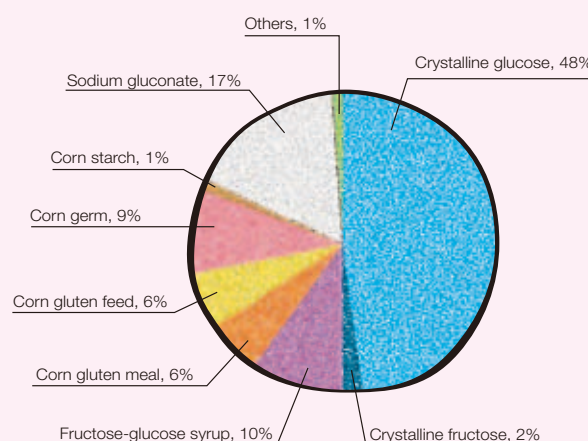
#### Corn co-products and others:

Corn gluten meal	101,774	100,163	1.6
Corn gluten feed	122,016	106,100	15.0
Corn germ	164,456	158,410	3.8
Corn starch	59,987	9,582	526.0
Sodium gluconate	257,438	282,603	(8.9)
Others	54,481	29,537	84.5
	760,152	686,395	10.7
	1,786,299	1,712,702	4.3

### Revenue contribution by products:



1H 2012



1H 2011



# Management Discussion & Analysis

During the Period, revenue of starch sugars was approximately RMB 1,026 million (first half of 2011: RMB 1,026 million) which accounted for approximately 57% of the total revenue (first half of 2011: 60%). Revenue of corn co-products and others was approximately RMB 760 million (first half of 2011: RMB 686 million), which accounted for 43% of the total revenue (first half of 2011: 40%).

## Sales volume of key products:

Six months ended 30 June	2012 Tonnes	2011 Tonnes	Increase/(Decrease) %
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### Starch sugars:

Crystalline glucose	243,570	230,772	5.5
Crystalline fructose	12,813	4,510	184.1
Crystalline fructose-glucose	942	Nil	N.A.
Fructose-glucose syrup	79,440	80,454	(1.3)

### Corn co-products and others:

Corn gluten meal	27,776	25,425	9.2
Corn gluten feed	88,996	89,074	(0.1)
Corn germ	45,695	46,236	(1.2)
Corn starch	21,754	3,767	477.5
Sodium gluconate	58,496	60,767	(3.7)





### Average selling prices of key products:

Six months ended 30 June	2012		2011		Increase/(Decrease)
	RMB per tonne		RMB per tonne		%
	Tax-inclusive	Tax-exclusive	Tax-inclusive	Tax-exclusive	
<i>Starch sugars:</i>					
Crystalline glucose	3,719	3,179	4,173	3,567	(10.9)
Crystalline fructose	7,695	6,577	7,873	6,729	(2.3)
Crystalline fructose-glucose	5,713	4,883	N.A.	N.A.	N.A.
Fructose-glucose syrup	2,402	2,053	2,513	2,148	(4.4)
<i>Corn co-products and others:</i>					
Corn gluten meal	4,287	3,664	4,610	3,940	(7.0)
Corn gluten feed	1,371	1,371	1,191	1,191	15.1
Corn germ	4,067	3,599	3,871	3,426	5.0
Corn starch	3,227	2,758	2,976	2,544	8.4
Sodium gluconate	5,149	4,401	5,442	4,651	(5.4)

#### 1. Crystalline glucose

During the Period, the Group supplied crystalline glucose to food and beverage, fermentation and chemical customers. Being the largest provider of crystalline glucose in China, the Group captures approximately one-third of the domestic market share.

As glucose is used in the food and beverage sector, its price has a close relationship with white sugar which is the main stream of sugar in China. In 2012, domestic sugar supply is expected to be sufficient. According to Guangxi Sugar Market Net ([www.gsmn.com.cn](http://www.gsmn.com.cn)), white sugar production in 2011/12 extraction period was approximately 11.52 million tonnes which increased from 10.45 million tonnes in that of 2010/2011. Since the beginning of 2012, spot price of white sugar in China has declined by about 10% year-to-date. During the Period, the average selling price of our crystalline glucose decreased by approximately 10.9% year-on-year.





# Management Discussion & Analysis

## 2. Crystalline fructose

Crystalline fructose is a unique functional sweetening ingredient that fulfills the trend of healthy diet nowadays. During the Period, the Group continued to explore food and beverage manufacturers to use fructose to develop new healthy food products.

## 3. Crystalline fructose-glucose

The Group started to produce crystalline fructose-glucose since the second half of 2011. The product is supplied to food and beverage manufacturers.

## 4. Fructose-glucose syrup

As discussed above, sugar supply in 2012 is expected to be sufficient. However, food and beverage production in China recorded slower growth in the first half of 2012. According to National Bureau of Statistics of China, food production growth rate was 12.5% versus 17.4% in same period of 2011 and beverage production growth rate was 9.4% versus 29.4% in the same period of 2011. Therefore, the market demand for fructose-glucose syrup also slowed down. As a result, the sales volume and the average selling prices of our fructose-glucose syrup dropped.

## 5. Corn feed products

During the Period, price of corn gluten feed increased mainly because corn price increased. On the other hand, subject to the suspected use of melamine in corn gluten meal, its average selling price in the Period dropped.

## 6. Corn germ

The selling price of corn germ increased during the Period which was driven by the higher selling price and consumption of edible corn oil in China.

## 7. Corn starch

The Group completed the acquisition of several production lines and related facilities (the “**Acquisition**”) by the end of April 2012, which included starch production facilities. As a result, the Group’s starch production capacities increased. Accordingly, the production volume and sales volume of corn starch increased.



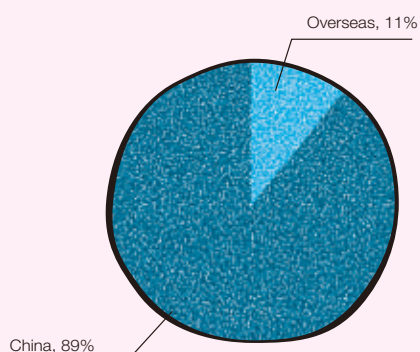
## 8. Sodium gluconate

With an attempt to prohibit speculative investment in the real estate market, the Chinese Government has enforced stricter regulation. As a result, China's fixed asset investment slowed down. According to National Bureau of Statistics of China, China's capital investment on real estate development was 16.6% in the first half of 2012 versus 32.9% in the first half of 2011. This negatively affected the market demand for and the selling prices of cement and cement related products such as sodium gluconate.

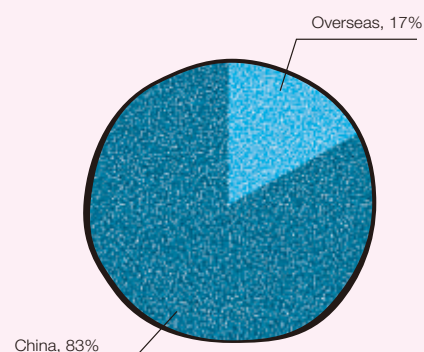
### Revenue by geographical segments:

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

Six months ended 30 June	2012 RMB'000	2011 RMB'000	Increase/(Decrease) %
China	1,593,506	1,422,066	12.1
Other countries	192,793	290,636	(33.7)
	1,786,299	1,712,702	4.3



1H 2012



1H 2011

During the Period, the Group's revenue mainly came from China. Revenue from China accounted for approximately 89% (first half of 2011: 83%) while revenue from other countries accounted for approximately 11% (first half of 2011: 17%).



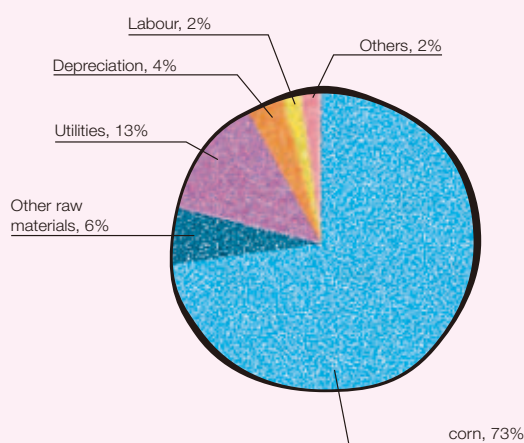
# Management Discussion & Analysis

During the Period, our revenue growth was mainly driven by domestic sales, which increased by approximately 12.1%. Although growth of food and beverage production and construction industries slowed down, they still recorded double-digit growth as mentioned above. Due to the threat from European debt crisis, global demand was weakened. As a result, the Group exports sales decreased significantly by approximately 33.7%.

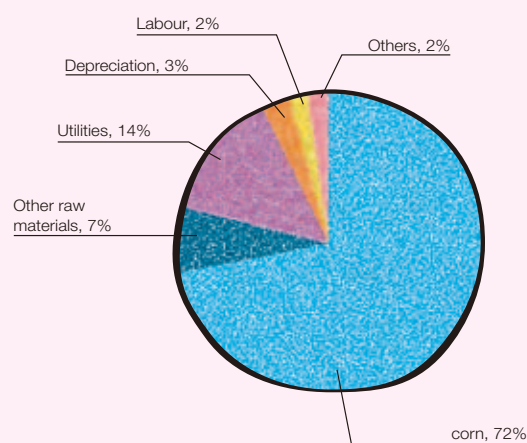
## Cost of goods sold

The breakdown of cost of goods sold was as follows:

Six months ended 30 June	2012 RMB'000	2011 RMB'000	Increase/(Decrease) %
Corn	1,205,784	1,043,754	15.5
Other raw materials	103,612	97,361	6.4
Utilities	207,851	197,401	5.3
Depreciation	62,561	43,314	44.4
Labour	38,663	36,718	5.3
Others	33,424	32,780	2.0
	1,651,895	1,451,328	13.8



1H 2012



1H 2011





The total cost of goods sold for the Period amounted to approximately RMB 1,652 million (first half of 2011: 1,451 million), an approximate 13.8% increment from the same period of 2011. The increase in cost of goods sold was mainly resulted from the rising corn cost and other raw material cost, higher utilities and depreciation expenses.

Corn cost represented approximately 73% of the total cost of goods sold for the Period (first half of 2011: 72%). During the Period, the Group processed approximately 583,000 tonnes of corn (first half of 2011: 592,000 tonnes), which represented the effective utilization rate<sup>(note)</sup> of our corn processing facility of approximately 75% (first half of 2011: 79%). The average corn cost for the Period was approximately RMB 2,068 per tonne – tax exclusive or RMB 2,337 per tonne – tax inclusive, which rose by approximately 10.7% from the same period of 2011 (first half of 2011: RMB 1,868 per tonne – tax exclusive or RMB 2,111 per tonne – tax inclusive).

Other raw materials include auxiliary material for production and packaging materials.

Utilities are mainly steam and electricity.

Note Effective utilization rate is calculated based on actual processing volume over the effective capacity times 100%, where effective capacity means the designed annual capacity divided by 12 and multiplied by the number of months that such production line was under normal operation.





# Management Discussion & Analysis

## Gross profit margins:

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

Six months ended 30 June	2012 Tonnes	2011 Tonnes	Increase/(Decrease) %
<i>Starch sugars:</i>			
Crystalline glucose	9.7	21.9	(12.2)
Crystalline fructose	18.1	21.1	(3.0)
Crystalline fructose-glucose	16.6	N.A.	N.A.
Fructose-glucose syrup	5.9	8.5	(2.6)
<i>Corn co-products and others:</i>			
Corn gluten meal	(27.1)	(11.9)	(15.2)
Corn gluten feed	0.2	(6.4)	6.6
Corn germ	5.9	11.0	(5.1)
Corn starch	9.2	10.9	(1.7)
Sodium gluconate	11.2	18.2	(7.0)
<i>The Group's overall gross profit margin</i>	7.5	15.3	(7.8)

During the Period, the gross profit margins of most of the Group's products decreased. Accordingly, the Group's overall gross profit margin reduced to 7.5% (first half of 2011: 15.3%).

## Other income

The amount of other income – net was approximately RMB 7 million (first half of 2011: RMB 6 million) mainly came from the sales of scrap materials.

## 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 decreased to approximately RMB 50 million (first half of 2011: RMB 70 million) as the export sales diminished and the corresponding freight charges reduced.



### Administrative expenses

The Group's administrative expenses, including general administrative overheads, staff cost for management and non-production staff, research and development expenditure etc.. Administrative expenses during the Period amounted to RMB 49 million (first half of 2011: RMB 42 million).

During the Period, the Group's selling and marketing costs and administrative expenses altogether represented approximately 5.6% of the total revenue (first half of 2011: 6.6%).

### Finance costs

The net finance costs of the Group comprised of interest expenses and foreign exchange effect. The net finance cost of the Group was approximately RMB 38 million (first half of 2011: RMB 26 million).

Interest expenses during the Period increased to approximately RMB 38 million (first half of 2011: RMB 29 million) as capitalisation of interest ceased after all the construction of qualifying assets had been completed in 2011.

The Group recorded a net exchange loss of approximately RMB 0.6 million during the Period (first half of 2011: net exchange gain of RMB 2 million). During the Period, RMB has devalued against United States Dollars ("**USD**") by around 0.4%, which caused the Group's USD-denominated borrowings to appreciate.

### Income tax expense

The Group's income tax expense was approximately RMB 2 million during the Period (first half of 2011: 19 million).

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. In 2012, the applicable tax rate for Xiwang Sugar (Beijing) Co., Ltd ("**Xiwang Sugar (Beijing)**"), an indirectly wholly owned subsidiary of the Company, is 25% (2011: 25%). In November 2010, Shandong Xiwang Bio-chem Technology Co., Ltd ("**Xiwang Technology**"), an indirectly wholly owned subsidiary of the Company, 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 2012, the applicable tax rate for Xiwang Technology is 15%.

During the Period, the Group's taxable profit came from Xiwang Technology, while Xiwang Sugar (Beijing) incurred a loss and no deferred income tax assets was recognised during the period. Accordingly, the Group's effective tax rate for the Period increased to approximately 33% (first half of 2011: 15%).



# Management Discussion & Analysis

## Liquidity, capital resources and gearing ratio:

	30 June 2012 RMB million	31 December 2011 RMB million
Cash and cash equivalents	215	232
Total borrowings	1,420	1,432
Net current assets	49	404
Total equity	2,951	2,149
Current ratio <sup>(note 1)</sup>	1.02	1.24
Gearing ratio <sup>(note 2)</sup>	0.41	0.56

Note 1 Current ratio is calculated as total current assets divided by total current liabilities.

Note 2 Gearing ratio is 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 2012 amounted to approximately RMB 215 million (31 December 2011: RMB 232 million). During the Period, the Group had net cash inflow from operating activities of approximately RMB 98 million (first half of 2011: net cash outflow of RMB 148 million). The Group had net cash used in investing activities of approximately RMB 903 million (first half of 2011: RMB 62 million). The Group paid an amount of approximately RMB 825 million for the Acquisition during the Period. The Group had a net cash inflow from financing activities of approximately RMB 787 million (first half of 2011: net cash outflow of RMB 158 million). During the Period, the Group received net proceeds from the subscriptions of convertible preference shares of the Company of approximately RMB 862 million. The Group had a net repayment of bank loans of approximately RMB 12 million, so that total borrowings reduced to approximately RMB 1,420 million as at 30 June 2012 (31 December 2011: RMB 1,432 million). The Group also paid out final dividends of 2011 totaling the amount of approximately RMB 63 million during the Period.

As at 30 June 2012, the Group's total borrowings amounted to approximately RMB 1,420 million, of which approximately RMB 973 million were short term bank borrowings. The Group had a long term borrowing amounted to approximately RMB 97 million with maturity within five years as at 30 June 2012, while other long term borrowings had maturity within one year as at 30 June 2012. RMB 710 million of the total borrowings were of fixed rate structures.



Long term borrowing which amounted to approximately RMB 78 million was originally repayable after one year as at 30 June 2012. This amount was classified as current liabilities in the financial statements because the Group has breached certain financial covenants of the loan agreements and the lenders are entitled to demand repayments of such loans prior to the original repayment due dates.

Part of the borrowings of the Group are secured by certain property, plant and equipment, prepaid land lease payments and inventories of the Group with an aggregate carrying value of approximately RMB 432 million, RMB 222 million and RMB 100 million respectively as of 30 June 2012.

### **Capital investment**

The Group's capital investment during the Period amounted to approximately RMB 903 million (first half of 2011: RMB 74 million) which was mainly due to the completion of the Acquisition.

### **Contingent liabilities**

As at 30 June 2012, the Group has no material contingent liabilities.

### **Foreign exchange risk**

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





# Management Discussion & Analysis

## Human Resources

The Group had approximately 3,242 employees as at 30 June 2012 (31 December 2011: 3,226). The Group regularly reviews 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 the basic remuneration packages and discretionary bonuses, share options may be granted based on individual performance.

## 3. Outlook and Development

Supply of sugar mainly comes from white sugar which is mainly produced from sugar cane. In the global market, major white sugar producing countries such as Brazil, India and Thailand reported increases in supply. White sugar output in China has also confirmed to increase. Together with higher import volume, domestic sugar supply (white sugar and starch sugar) is expected to exceed 14 million tonnes, while domestic consumption is estimated to be around 13.5 million tonnes. The Government has indicated in the Twelve Five-year plan (2011-2015) for Sugar Industry that current Chinese sugar consumption is significantly lower than the world average (10.6 kg per capita versus 24.5 kg per capita). There would be large room for consumption to boost. Therefore, we expect this will support the growth of starch sugars in the long run.

China is used to satisfy majority of its corn consumption by its own supply. In China, corn is mainly used for animal feed (roughly 70%) and deep processing (roughly 30%), with an estimated consumption of approximately 191 million tonnes in 2012. China National Grain and Oils Information Centre estimated the country's corn output in 2012 will reach 197.5 million tonnes. Added with the increasing corn imports, the market anticipates sufficient supply. Corn price has been rising in the previous years, but due to close supervision on food prices by the Chinese Government and expansion of farmland area, the pace of increase has slowed down. It is observed that the year-on-year increase of corn price was around 20% in the previous years and has reduced to around 10% this year. However, corn harvest in the United States this year was severely affected because of extreme hot and dry weather. This may affect food prices globally. Therefore, the Group expects corn price will still be on upward trend.



In the first half of 2012, the threat of Europe debt crisis deepened and the economies around the world showed signs of weakening. While the potential impact from Europe debt crisis still exists, the economic outlook for the rest of 2012 remains uncertain. We expect our export will continue to be affected due to weakening global demand. However, China consumption on food and beverages particularly for high-end products are still strong given the large population and increasing wealth. As crystalline fructose has distinctive functions to our health, we see it has been keeping up the growth momentum. We will continue our development of fructose in B2B and B2C channels with a goal to achieve higher penetration in sugar market in China.

The Group completed the Acquisition of several production facilities in the second quarter of 2012. The Group's corn processing capacity has increased to approximately 2.5 million tonnes per year. Since 2007, the PRC Government commissioned for healthy development of corn processing sector. In 2011 and 2012, the PRC Government speeded up the removal of small and inefficient capacities, while encouraging large scale enterprises with good management to be in operation. With our enhanced production capacity and our mission of providing healthy starch sugars products, we are confident to maintain the leadership position in the industry and achieve sustainable development in the future.



# 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 2012 (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	
		2012	2011
		RMB'000	RMB'000
	Note	Unaudited	Unaudited
<b>Turnover</b>	2	<b>1,786,299</b>	1,712,702
Cost of goods sold	3	(1,651,895)	(1,451,328)
<b>Gross profit</b>		<b>134,404</b>	261,374
Other income, net		7,238	6,299
Selling and marketing costs	3	(50,450)	(70,270)
Administrative expenses	3	(48,969)	(42,242)
<b>Operating profit</b>		<b>42,223</b>	155,161
Finance costs, net	4	(37,715)	(26,047)
<b>Profit before income tax</b>		<b>4,508</b>	129,114
Income tax expense	5	(1,493)	(18,711)
<b>Profit for the Period</b>		<b>3,015</b>	110,403
Other comprehensive income for the Period, net of tax		–	–
Total comprehensive income for the Period		<b>3,015</b>	110,403
<b>Profit attributable to:</b>			
Equity holders of the Company		<b>3,015</b>	110,403
<b>Earnings per share for profit attributable to equity holders of the Company during the Period (expressed in RMB per share)</b>			
– basic	6(a)	<b>0.0030</b>	0.1097
– diluted	6(b)	<b>0.0023</b>	0.1096
<b>Dividends</b>	7	–	–

The notes on pages 27 to 43 are an integral part of these condensed consolidated financial statements.



# Condensed Consolidated Statement of Financial Position



		30 June 2012 RMB'000 Unaudited	31 December 2011 RMB'000 Audited
	Note		
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	2,626,067	1,824,965
Land use rights		271,369	234,298
Deferred income tax assets		5,051	5,051
		<b>2,902,487</b>	<b>2,064,314</b>
<b>Current assets</b>			
Inventories	9	953,818	584,148
Trade and other receivables	10	865,775	1,156,885
Amounts due from related parties	15(c)	93,048	101,879
Cash and cash equivalents		214,634	232,491
		<b>2,127,275</b>	<b>2,075,403</b>
<b>Total assets</b>		<b>5,029,762</b>	<b>4,139,717</b>
<b>Equity</b>			
<b>Attributable to equity holders of the Company</b>			
Share capital	11		
– Ordinary shares		102,086	102,086
– Convertible preference shares		73,586	–
Share premium	11	1,121,040	332,207
Other reserves			
– Proposed final dividend		–	62,733
– Others	12	1,107,287	933,015
Retained earnings		547,273	718,611
		<b>2,951,272</b>	<b>2,148,652</b>



# Condensed Consolidated Statement of Financial Position

		30 June 2012 RMB'000 Unaudited	31 December 2011 RMB'000 Audited
	Note		
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings		–	319,447
<b>Current liabilities</b>			
Trade and other payables	13	629,104	483,008
Current income tax liabilities		1,351	8,084
Amounts due to related parties	15(c)	28,368	67,731
Borrowings		1,419,667	1,112,795
		2,078,490	1,671,618
<b>Total liabilities</b>		2,078,490	1,991,065
<b>Total equity and liabilities</b>		5,029,762	4,139,717
<b>Net current assets</b>		48,785	403,785
<b>Total assets less current liabilities</b>		2,951,272	2,468,099

The notes on pages 27 to 43 are an integral part of these condensed consolidated financial statements.

**WANG Yong**

Director

**WANG Di**

Director

# Condensed Consolidated Statement of Changes in Equity



		Unaudited Attributable to equity holders of the Company					
	Note	Ordinary shares RMB'000	Convertible preference shares RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
<b>Balance at 1 January 2011</b>		<b>101,896</b>	<b>-</b>	<b>328,531</b>	<b>921,492</b>	<b>613,586</b>	<b>1,965,505</b>
<b>Comprehensive Income</b>							
Profit for the Period		-	-	-	-	110,403	110,403
<b>Transactions with owners</b>							
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	-
Total transactions with owners		187	-	2,675	54,884	(54,884)	2,862
<b>Balance at 30 June 2011</b>		<b>102,083</b>	<b>-</b>	<b>331,206</b>	<b>976,376</b>	<b>669,105</b>	<b>2,078,770</b>
<b>Balance at 1 January 2012</b>		<b>102,086</b>	<b>-</b>	<b>332,207</b>	<b>995,748</b>	<b>718,611</b>	<b>2,148,652</b>
<b>Comprehensive Income</b>							
Profit for the Period		-	-	-	-	3,015	3,015
<b>Transactions with owners</b>							
Proceeds from bonus issue of warrants	11	-	-	2	-	-	2
Proceeds from issue of convertible preference shares	11	-	73,586	787,957	-	-	861,543
Employee share option scheme – value of services provided	11	-	-	874	-	-	874
Dividend	12	-	-	-	(62,814)	-	(62,814)
Appropriation to reserves	12	-	-	-	174,353	(174,353)	-
Total transactions with owners		-	73,586	788,833	111,539	(174,353)	799,605
<b>Balance at 30 June 2012</b>		<b>102,086</b>	<b>73,586</b>	<b>1,121,040</b>	<b>1,107,287</b>	<b>547,273</b>	<b>2,951,272</b>

The notes on pages 27 to 43 are an integral part of these condensed consolidated financial statements.



# Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	Unaudited	Unaudited
<b>Net cash inflow/(outflow) from operating activities</b>	97,697	(148,331)
<b>Net cash outflow from investing activities</b>	(902,522)	(61,501)
<b>Net cash outflow before financing activities</b>	(804,825)	(209,832)
<b>Net cash inflow/(outflow) from financing activities</b>	786,968	(158,336)
<b>Net decrease in cash and cash equivalents</b>	(17,857)	(368,168)
Cash and cash equivalents at beginning of the Period	232,491	548,502
<b>Cash and cash equivalents at end of the Period</b>	214,634	180,334

# Notes to the Condensed Consolidated Financial Statements



## 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 (the “**Board**”) on 28 August 2012.

## 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 to 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 2011.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Group’s audited 2011 annual financial statements, which have been prepared in accordance with HKFRSs.



# Notes to the Condensed Consolidated Financial Statements

## 1.3 Accounting policies

The following amendments and interpretations to existing standards are effective in 2012 but not relevant to the Group:

HKFRS 1 Amendments	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopter
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets
HKAS 12 Amendments	Amendments to HKAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets

## 2 Segment information

Management has determined the operating segments based on the Group's internal reporting.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax.

The unaudited segment results for the six months ended 30 June 2012 are as follows:

	Note	Starch sugars RMB'000	Corn co-products and others RMB'000	Group RMB'000
Gross segment sales		1,026,147	1,807,144	2,833,291
Inter-segment sales		–	(1,046,992)	(1,046,992)
<b>Sales from external customers</b>		<b>1,026,147</b>	<b>760,152</b>	<b>1,786,299</b>
Operating profit/(loss)/Segment results		47,455	(5,232)	42,223
Finance costs – net	4			(37,715)
<b>Profit before income tax</b>				<b>4,508</b>
Income tax expense	5			(1,493)
<b>Profit for the Period</b>				<b>3,015</b>



## 2 Segment information (*continued*)

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)
<b>Sales from external customers</b>		1,026,307	686,395	1,712,702
Operating profit/Segment results		137,797	17,364	155,161
Finance costs – net	4			(26,047)
<b>Profit before income tax</b>				129,114
Income tax expense	5			(18,711)
<b>Profit for the period</b>				110,403

Total revenue derived from external customers in the PRC was RMB1,593,506,000 for the Period (first half of 2011: RMB 1,422,066,000), and the total revenue derived from external customers from other countries was RMB192,793,000 (first half of 2011: RMB 290,636,000).

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

As management reviews the financial position of the Group as a whole, no segment assets/liabilities are disclosed.



# Notes to the Condensed Consolidated Financial Statements

## 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	
	2012	2011
	RMB'000	RMB'000
	Unaudited	Unaudited
Changes in inventory levels of finished goods and work in progress	22,192	(44,927)
Depreciation and amortization	65,064	52,415
Directors' emoluments	161	323
Employee benefit expenses	63,474	59,403
Raw materials and consumables used	1,291,805	1,176,150
Transportation expenses	37,588	59,911
Utility expenses	205,185	203,682

## 4 Finance costs – net

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	Unaudited	Unaudited
Interest expenses – borrowings	50,758	41,601
Less:		
– interest: expenses borne by suppliers (a)	(12,970)	–
– amount capitalized in construction in progress	–	(12,257)
	37,788	29,344
Net exchange loss/(gains)	641	(1,881)
Finance costs	38,429	27,463
Interest income on bank balances	(714)	(1,416)
Net finance costs	37,715	26,047





#### 4 Finance costs – net (*continued*)

- (a) As stated in Note 10(c), the Group incurred advance to suppliers. During the Period, the Group entered into an agreement with an independent supplier. Pursuant to the aforesaid agreement, the supplier was obliged to bear interest on the Group's bank loans of RMB 410 million. The related interest expenses bore the same interest rate which was being charged by the banks.

#### 5 Income tax expense

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	Unaudited	Unaudited
Current tax		
– PRC corporate income tax	1,493	18,711

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 2011: 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 2011: 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. In 2012, the applicable tax rate for Xiwang Sugar (Beijing) Co., Ltd. (“**Xiwang Sugar (Beijing)**”), an indirectly wholly owned subsidiary of the Company, is 25% (2011: 25%).

In November 2010, Shandong Xiwang Bio-chem Technology Co., Ltd. (“**Xiwang Technology**”), an indirectly wholly owned subsidiary of the Company, 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 2012, the applicable tax rate of Xiwang Technology is 15%.

Pursuant to the new CIT Law and relevant regulations, withholding tax is levied on dividends paid to foreign investors from PRC enterprises relating to profit earned after 1 January 2008. The directors of the Company consider that its subsidiary in the PRC, Xiwang Technology, would not distribute its profits earned after 1 January 2008 in the foreseeable future, accordingly, no deferred tax had been recognized for the undistributed retained earnings as at 30 June 2012.



# Notes to the Condensed Consolidated Financial Statements

## 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	
	2012	2011
	RMB'000	RMB'000
	Unaudited	Unaudited
Profit attributable to equity holders of the Company (RMB'000)	3,015	110,403
Weighted average number of ordinary shares in issue (thousands)	1,008,566	1,006,307
Basic earnings per share (RMB per share)	0.0030	0.1097

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible preference shares and share options. The convertible preference shares are assumed to have been converted into ordinary shares, and there is no effect on net profit arisen from this assumption. 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. As the average market price of ordinary shares during the Period was lower than the exercise prices of the options, the effect of the outstanding options granted to employees has no dilutive impact on the earnings per share.



## 6 Earnings per share (*continued*)

### (b) Diluted (*continued*)

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	Unaudited	Unaudited
Profit attributable to equity holders of the Company (RMB'000)	3,015	110,403
Weighted average number of ordinary shares in issue (thousands)	1,008,566	1,006,307
Adjustments for		
– assumed conversion of convertible preference shares (thousands)	294,258	–
– share options (thousands)	–	1,424
Weighted average number of ordinary shares for diluted earnings per share (thousands)	1,302,824	1,007,731
Diluted earnings per share (RMB per share)	0.0023	0.1096

The weighted average number of ordinary shares and convertible preference shares included 907,709,900 convertible preference shares issued on 17 May 2012.

## 7 Dividends

A final dividend for the year ended 31 December 2011 of RMB 2.8 cents per ordinary share for ordinary shareholders and of RMB 3.8 cents per convertible preference share, both payable in cash, totaling approximately RMB 63 million, was approved at the annual general meeting held on 11 May 2012 and paid in May 2012.

No interim dividend was proposed for the Period (first half of 2011: Nil).



# Notes to the Condensed Consolidated Financial Statements

## 8 Property, plant and equipment

The net additions of property, plant and equipment during the Period mainly included the acquisition of property, plant and equipment at a consideration of RMB825 million. This acquisition was approved in a special general meeting held on 27 March 2012 and was completed in April 2012.

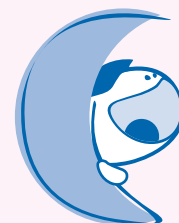
## 9 Inventories

	30 June 2012 RMB'000 Unaudited	31 December 2011 RMB'000 Audited
Raw materials	697,078	305,216
Work in progress	88,261	95,576
Finished goods	168,479	183,356
	<b>953,818</b>	<b>584,148</b>

The cost of inventories recognized as expenses and included in cost of goods sold amounted to RMB 1,651,895,000 for the Period (first half of 2011: RMB 1,451,328,000).

## 10 Trade and other receivables

	Note	30 June 2012 RMB'000 Unaudited	31 December 2011 RMB'000 Audited
Trade receivables – gross and net	(a)	143,154	117,206
Bills receivables	(b)	653,891	568,426
Advance to suppliers	(c)	54,806	462,873
Other receivables		13,924	8,380
		<b>865,775</b>	<b>1,156,885</b>



## 10 Trade and other receivables (*continued*)

- (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 six months.
- (c) Such advance payments were made by the Group in order to ensure stable supplies of corn kernels at more favourable price. During the Period, the Group entered into an agreement with an independent supplier. Please refer to Note 4(a) for more details.

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

	30 June 2012 RMB'000 Unaudited	31 December 2011 RMB'000 Audited
0 – 30 days	47,887	66,045
31 – 60 days	58,662	32,885
61 – 90 days	31,466	7,876
Over 90 days	5,139	10,400
	<b>143,154</b>	117,206



# Notes to the Condensed Consolidated Financial Statements

## 11 Share capital and share premium

		Number of ordinary shares (thousands)	Number of convertible preference shares (thousands)	Ordinary shares RMB'000 Unaudited	Convertible preference shares RMB'000	Share premium RMB'000
<b>At 1 January 2011</b>		<b>1,006,303</b>	<b>-</b>	<b>101,896</b>	<b>-</b>	<b>328,531</b>
Proceeds from warrants to shareholders exercised	(a)	35	-	3	-	73
Proceeds from employee share options exercised		2,193	-	184	-	2,247
Employee share options scheme – value of service provided		-	-	-	-	355
<b>At 30 June 2011</b>		<b>1,008,531</b>	<b>-</b>	<b>102,083</b>	<b>-</b>	<b>331,206</b>
<b>At 1 January 2012</b>		<b>1,008,565</b>	<b>-</b>	<b>102,086</b>	<b>-</b>	<b>332,207</b>
Proceeds from warrants to shareholders exercised	(a)	1	-	-	-	2
Proceeds from issue of convertible preference shares	(c)	-	907,710	-	73,586	787,957
Employee share options scheme – value of service provided		-	-	-	-	874
<b>At 30 June 2012</b>		<b>1,008,566</b>	<b>907,710</b>	<b>102,086</b>	<b>73,586</b>	<b>1,121,040</b>



## 11 Share capital and share premium (*continued*)

- (a) On 21 January 2011, the Board proposed a bonus issue of warrants on the basis of one warrant for every six shares held ("**bonus issue of warrants scheme**"). Each registered holder of the warrants has the right, which may be exercised in whole or in part, to subscribe for fully paid shares of the Company before 22 February 2012 at a price of HK\$2.55 per share. During the Period, 1,047 shares were issued upon the exercise of warrants at a price of HK\$2.55 per share under the bonus issue of warrants scheme (first half of 2011: 35,000 shares).
- (b) In the special general meeting of the shareholders held on 27 March 2012, the authorized share capital of the Company has been increased from HK\$200,000,000 divided into 2,000,000,000 ordinary shares to HK\$600,000,000 divided into 4,000,000,000 ordinary shares and 2,000,000,000 convertible preference shares.
- (c) On 27 January 2012, the Board proposed an issue of convertible preference shares by way of an open offer, on the basis of nine convertible preference shares at subscription price of HK\$1.18 per convertible preference share for every ten ordinary shares held by qualifying shareholders as determined on the record date. On 17 May 2012, 907,709,900 convertible preference shares were issued. The increase in the share premium is related to the difference of the proceeds raised, net of directly related costs, and the par value of the new shares issued.
- (d) **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 Share Option 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.



# Notes to the Condensed Consolidated Financial Statements

## 11 Share capital and share premium (*continued*)

### (d) Share option scheme (*continued*)

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

	2012		2011	
	Average exercise price in HK dollar per share	Options (thousands)	Average exercise price in HK dollar per share	Options (thousands)
<b>At 1 January</b>	1.50	9,693	1.32	4,386
Granted	–	–	–	–
Exercised	–	–	–	(2,193)
<b>At 30 June</b>	1.50	9,693	1.32	2,193

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)
13 March 2017	1.55	500
7 May 2019	1.32	2,193
13 September 2021	1.55	7,000
		<u>9,693</u>





## 12 Other reserves

	Capital reserve RMB'000	Statutory reserve RMB'000	Discretionary reserve RMB'000 Unaudited	Contributed surplus RMB'000	Total RMB'000
<b>At 1 January 2011</b>	<b>117,023</b>	<b>168,023</b>	<b>164,593</b>	<b>471,853</b>	<b>921,492</b>
Appropriation to discretionary reserve	–	–	211,972	–	211,972
Transfer of reserves upon merger of subsidiaries	(13,963)	(99,929)	(43,196)	–	(157,088)
<b>At 30 June 2011</b>	<b>103,060</b>	<b>68,094</b>	<b>333,369</b>	<b>471,853</b>	<b>976,376</b>
<b>At 1 January 2012</b>	<b>103,060</b>	<b>87,466</b>	<b>333,369</b>	<b>471,853</b>	<b>995,748</b>
Appropriation to discretionary reserve (a)	–	–	174,353	–	174,353
Dividend payment	–	–	–	(62,814)	(62,814)
<b>At 30 June 2012</b>	<b>103,060</b>	<b>87,466</b>	<b>507,722</b>	<b>409,039</b>	<b>1,107,287</b>

(a) In March 2012, the directors of Xiwang Technology resolved that amounts totalling RMB174,353,000 be set aside from profits earned in 2011 by this company to the discretionary reserve for future expansion of operations of this subsidiary.

## 13 Trade and other payables

	30 June 2012 RMB'000 Unaudited	31 December 2011 RMB'000 Audited
Trade payables	378,337	190,909
Other payables	167,667	195,864
Accruals	59,295	35,283
Other taxes payables	3,471	24,510
Deposits and advance from customers	20,334	36,442
	<b>629,104</b>	<b>483,008</b>



# Notes to the Condensed Consolidated Financial Statements

## 13 Trade and other payables (*continued*)

An ageing analysis of the trade payables is as follows:

	30 June 2012 RMB'000 Unaudited	31 December 2011 RMB'000 Audited
0 – 30 days	9,538	48,817
31 – 60 days	58,136	59,277
61 – 90 days	60,539	32,827
Over 90 days	250,124	49,988
	<b>378,337</b>	190,909

Approximately RMB 137,234,000 (31 December 2011: RMB 153,017,000) of other payables as at 30 June 2012 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 2012 RMB'000 Unaudited	31 December 2011 RMB'000 Audited
Property, plant and equipment		
– Contracted but not provided for	5,074	4,844
– Authorised but not provided for	62,260	69,530
	<b>67,334</b>	74,374



## 15 Related party transactions

The Group is controlled by Xiwang Investment Company Limited (“**Xiwang Investment**”) (incorporated in BVI), which owned about 56% of the Company’s ordinary shares as at 30 June 2012. The remaining 44% of the ordinary shares were held by public. The ultimate holding company of the Group is Xiwang Holdings Limited (“**Xiwang Holdings**”), a company incorporated in the BVI. 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 (“ <b>Xiwang Group</b> ”)	西王集團有限公司 (「西王集團」)	Company controlled by Mr. Wang Yong
Shandong Xiwang Food Company Limited (“ <b>Xiwang Food</b> ”) <sup>(a)</sup>	山東西王食品有限公司 (「西王食品」)	Subsidiary of Xiwang Group
Xiwang Pharmaceutical Company Limited (“ <b>Xiwang Pharmaceutical</b> ”)	西王藥業有限公司 (「西王藥業」)	Subsidiary of Xiwang Group
Xiwang Investment Company Limited (“ <b>Xiwang Investment</b> ”)	西王投資有限公司 (「西王投資」)	Immediate holding company

- (a) Xiwang Food is a wholly owned subsidiary of Xiwang Foodstuffs Co., Ltd (“**Xiwang Foodstuffs**”) since December 2010. Xiwang Foodstuffs is a company publicly listed on the Main Board of the Shenzhen Stock Exchange and is effectively held as 52.08% by Xiwang Group.



# Notes to the Condensed Consolidated Financial Statements

## 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 provision of services

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	Unaudited	Unaudited
<b>Sales of corn germ</b>		
– Xiwang Food	152,408	125,681
<b>Sales of crystalline glucose</b>		
– Xiwang Pharmaceutical	164,084	180,105
<b>Sales of corn starch</b>		
– Xiwang Pharmaceutical	26,659	1,387
<b>Provision of sewage services</b>		
– Xiwang Group	1,049	1,266
	<b>344,200</b>	<b>308,439</b>

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 pursuant to the guidance laid down in the relevant framework agreements executed.



## 15 Related party transactions (*continued*)

### (b) Guarantee provided by a related party

As at 30 June 2012, the Company's related party, Xiwang Group, provided guarantee to Xiwang Technology for bank borrowings amounting to RMB710,000,000 (31 December 2011: RMB200,000,000).

### (c) Balances due from/to related parties

	30 June 2012 RMB'000 Unaudited	31 December 2011 RMB'000 Audited
<b>Outstanding at end of the periods:</b>		
Receivables	93,048	101,879
Payables	28,368	67,731

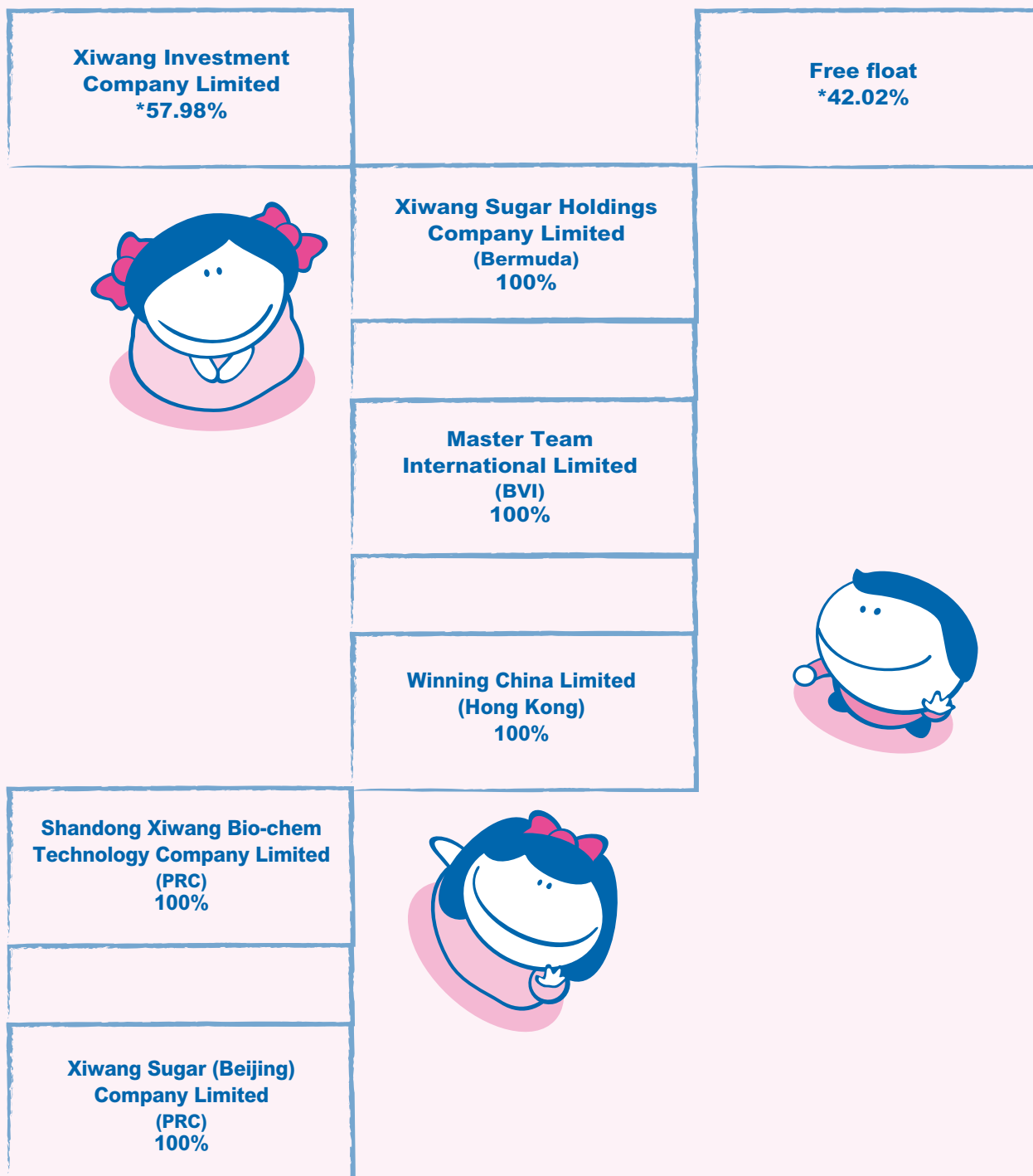
The related parties were all under the control of Mr. Wang Yong, the chairman and director of the Company.

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



# Organization Structure

As at the date of this interim report:



\* These represent the percentage shareholdings of ordinary shares of the Company issued as at the date of this interim report.

# Other Information



## Corporate Governance Practices

The Company has complied throughout the six months ended 30 June 2012 (the “**Period**”) with all the code provisions set out in the “Corporate Governance Code and Corporate Governance Report” (“**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 2011: Nil).



## Other Information

### 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 2012, the outstanding share options were 9,693,000 shares of the Company, details of which are set out in note 11(d) to the condensed consolidated financial information and below:

Class of grantee	Date of grant	During the six months ended 30 June 2012				Outstanding as at 1 January 2012	Outstanding as at 30 June 2012	Exercise price per share (HK\$)	Exercise period
		Granted	Exercised	Cancelled	Lapsed				
Employees (Note 1)	8 May 2009	-	-	-	-	2,193,000	2,193,000	1.32 (Note 2)	(Note 4)
	14 September 2011	-	-	-	-	7,500,000	7,500,000	1.55 (Note 3)	(Note 4)
		-	-	-	-	9,693,000	9,693,000		

#### Notes:

- (1) Employees include employees of the Group (other than the Directors) working under employment contracts with the Group which are regarded as “continuous contracts” for the purpose of the Employment Ordinance (Chapter 571 of the Laws of Hong Kong).
- (2) The closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on 7 May 2009, being the trading day immediately preceding the date of grant of options, was HKD1.28 per share.
- (3) The closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on 12 September 2011, being the trading day immediately preceding the date of grant of options, was HKD1.49 per share.
- (4) 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
13 September 2012	2,333,333
13 September 2013	2,333,333
13 September 2014	2,333,334
13 September 2016	500,000





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

As at 30 June 2012, 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 2012
Company	WANG Yong	Interest of controlled corporations (Note 2)	562,494,077 ordinary shares (L) (Note 4)	55.77%
			904,454,180 convertible preference shares (L) (Note 4)	99.64%
Xiwang Holdings Limited (" <b>Xiwang Holdings</b> ")	WANG Yong	Beneficial owner (Note 2)	128,722 shares (L)	64.36%
		Other (Note 2)	71,278 shares (L)	35.64%
Xiwang Investment Company Limited (" <b>Xiwang Investment</b> ")	WANG Yong	Interest of controlled corporations (Note 2)	3 shares (L)	100%
Xiwang Special Steel Company Limited (" <b>Xiwang Steel</b> ")	WANG Yong	Interest of controlled corporations (Note 3)	1,500,000,000 shares (L) (Note 4)	75%
Xiwang Holdings	WANG Di	Beneficial owner	3,546 shares (L)	1.77%
Xiwang Holdings	HAN Zhong	Beneficial owner	3,546 shares (L)	1.77%
Xiwang Holdings	LI Wei	Beneficial owner	1,773 shares (L)	0.89%
Xiwang Holdings	SUN Xihu	Beneficial owner	1,773 shares (L)	0.89%



## Other Information

*Notes:*

- (1) The letter “L” represents the director’s interests in the shares.
- (2) Xiwang Investment is a wholly-owned subsidiary of Xiwang Holdings, the voting right of which is in turn controlled as to 100% by Mr. WANG Yong and the shares of which are directly and beneficially owned as to 64.36% by Mr. WANG Yong. Mr. WANG Yong is therefore deemed to be interested in the entire issued share capital in Xiwang Investment and Xiwang Holdings.  
  
Xiwang Holdings is 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 Xinhua respectively.
- (3) As at 30 June 2012, Xiwang Investment, which is deemed to be wholly owned by Mr. WANG Yong, held 75% of Xiwang Steel, a company publicly listed on the Stock Exchange.
- (4) 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 2012, 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 2012
Xiwang Investment	Beneficial owner	562,494,077	55.77%
		ordinary shares (L)	
		904,454,180	99.64%
		convertible preference shares (L)	
Xiwang Holdings	Interest of a controlled corporation (Note 2)	562,494,077	55.77%
		ordinary shares (L)	
		904,454,180	99.64%
		convertible preference shares(L)	
Zhang Shufang	Interest of spouse (Note 3)	562,494,077	55.77%
		ordinary shares (L)	
		904,454,180	99.64%
		convertible preference shares(L)	

#### Notes:

- (1) The letter "L" represents the entity's interests in the shares.
- (2) Xiwang Investment is a wholly-owned subsidiary of Xiwang Holdings. Xiwang Holdings is deemed to be interested in the shares in which Xiwang Investment is interested.
- (3) Ms. ZHANG Shufang, being the spouse of Mr. WANG Yong, is deemed to be interested in all the shares in which Mr. WANG Yong is deemed to be interested.



## Other Information

- (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 2012, 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 ceases to hold directly or indirectly at least 45% of the entire issued share capital of the Company;
- (2) Xiwang Holdings ceases to hold directly or indirectly 100% of the entire issued share capital of Xiwang Investment; and
- (3) Mr. WANG ceases 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.



## Other Information

As at 30 June 2012, the Group has breached certain financial covenants as required by the loan agreements mentioned above, with USD23.38 million outstanding at the date of this interim report. The management of the Group is in the process of discussion with the relevant lenders for a waiver of the breach. The lenders have the right to demand immediate repayment of the loans according to the terms of the agreements. However, the management of the Group believes that the lenders will not demand immediate repayment of the loans outstanding as the lenders had during the process of initial discussion with the Company, indicated that they are willing to further negotiate with the Company for a revised terms of the outstanding loans, without making any request to the Company to demand for immediate repayment of the loans. On the other hand, the Board believes that the Group will have sufficient financial resources and liquidity to meet its short term financial obligations, including immediate repayment of the abovesaid USD loans outstanding if the lenders request.

### Cautionary Statement Regarding Forward-Looking Statements

This interim report contains certain forward-looking statements and opinions with respect to the operations and businesses of 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. Shareholders and potential investors should not place undue reliance on these forwardlooking statements and opinions, which apply only as of the date of this interim report. These forwardlooking 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 turn out to be incorrect. Subject to the requirements of the Listing Rules, the Company does not undertake to update any forward-looking statements or opinions contained in this interim report.

### Miscellaneous

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



Thank you!  
謝謝!





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

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

*\* For identification purpose only 僅供識別*