XIWANG SUGAR HOLDINGS COMPANY LIMITED
西王糖業控股有限公司*

(incorporated in Bermuda with limited liability)
(Stock Code: 2088)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

The board of directors (the "Directors") of the Company is pleased to announce the unaudited condensed consolidated results of the Group prepared under the Hong Kong Financial Reporting Standards for the six months ended 30 June 2007, together with the comparative figures, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 June	
		2007	2006
	Note	***RMB'000***	*RMB'000*
Sales	*2*	**879,028**	687,748
Cost of goods sold		**(692,712)**	(495,846)
Gross profit		**186,316**	191,902
Other gains – net	*3*	**19,132**	2,339
Selling and marketing costs		**(15,069)**	(17,804)
Administrative expenses		**(16,004)**	(6,423)
Operating profit		**174,375**	170,014
Finance costs		**(15,989)**	(11,162)
Profit before income tax		**158,386**	158,852
Income tax expense	*4*	**(6,518)**	–
Profit attributable to equity holders of the Company		**151,868**	158,852
Earnings per share for profit attributable to equity holders of the Company during the period (RMB per share)			
– basic	*5*	**0.1834**	0.1977
– diluted	*5*	**0.1831**	0.1941
Interim dividend (RMB per share)	*6*	**–**	–

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**30 June 2007 Unaudited** *RMB'000*	31 December 2006 Audited *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,267,896**	821,570
Leasehold land		**165,419**	167,141
Construction in progress		**53,974**	296,748
		1,487,289	1,285,459
Current assets			
Inventories	*7*	**262,243**	135,872
Trade and other receivables	*8*	**280,181**	106,671
Amounts due from related companies		**19,534**	4,879
Cash and cash equivalents		**238,605**	662,609
		800,563	910,031
Total assets		**2,287,852**	2,195,490
EQUITY			
Attributable to equity holders of the Group			
Share capital		**86,372**	86,175
Share premium		**468,307**	461,305
Capital reserve		**117,023**	117,023
Statutory reserves		**82,942**	82,942
Retained earnings			
– Proposed final dividend		**–**	115,871
– Others		**459,953**	308,085
Total equity		**1,214,597**	1,171,401
LIABILITIES			
Non-current liabilities			
Borrowings		**365,520**	664,314
Current liabilities			
Trade and other payables	*9*	**256,708**	145,775
Amounts due to related companies		**7,125**	7,200
Current income tax liabilities		**4,908**	–
Borrowings		**438,994**	206,800
		707,735	359,775
Total liabilities		**1,073,255**	1,024,089
Total equity and liabilities		**2,287,852**	2,195,490
Net current assets		**92,828**	550,256
Total assets less current liabilities		**1,580,117**	1,835,715

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 General information and basis of presentation

1.1 General information

Xiwang Sugar Holdings Company Limited (the "Company") was incorporated in Bermuda on 21 February 2005 as an exempted company with limited liability. 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 Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 9 December 2005.

The Company and its subsidiaries (the "Group") are principally engaged in the manufacture, distribution and sale of crystallised glucose, glucose syrup, glutamic acids, lysine, corn germ, corn gluten meal and animal feeds within and outside of the People's Republic of China (the "PRC"). Due to the change in market, the Group ceased production of lysine in late 2006 and uses the related production facilities for producing glutamic acids.

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

These unaudited condensed consolidated financial statements are presented in thousands of units of Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 30 August 2007.

1.2 Basis of preparation and principal accounting policies

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 2006.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Group's audited 2006 annual financial statements.

In the current interim period, HKICPA has issued a number of new standards, amendments to standards and interpretations that are effective for accounting periods beginning on or after 1 January 2007. The Group has carried out an assessment of these standards, amendments and interpretations and considered that they have no significant impact on these unaudited condensed consolidated interim financial statements.

The following new standard, amendment to standard and interpretations are mandatory for financial year ending 31 December 2007. Unless otherwise specified, they are not relevant to the Group's operations or have no material impact on the financial statements of the Group:

- HK(IFRIC)-Int 7, "Applying the Restatement Approach under HKAS 29", effective for annual periods beginning on or after 1 March 2006.
- HK(IFRIC)-Int 8, "Scope of HKFRS 2", effective for annual periods beginning on or after 1 May 2006.
- HK(IFRIC)-Int 9, "Reassessment of Embedded Derivatives", effective for annual periods beginning on or after 1 June 2006.

- HK(IFRIC)-Int 10, "Interim Financial Reporting and Impairment", effective for annual periods beginning on or after 1 November 2006. This interpretation explains that management should not reverse an impairment loss recognised in a previous interim period in respect of goodwill or investment in either an equity instrument or a financial asset carried at cost. This interpretation is applicable to the Group but there is no material impact on this interim financial information of the Group.

- HKFRS 7, "Financial instruments: Disclosures" and Amendments to HKAS 1 "Capital Disclosures", effective for annual periods beginning on or after 1 January 2007. The main additional disclosures is the sensitivity analysis to market risk and capital disclosures required by the amendment of HKAS 1. The Group applies HKFRS 7 and the amendment to HKAS 1 from annual periods beginning 1 January 2007, but they have no immaterial impact on this interim financial information of the Group.

The following new/revised standards and interpretations to existing standards have been issued but are not effective for 2007 and have not been early adopted:

- HK(IFRIC)-Int 11, "HKFRS 2 – Group and Treasury Share Transactions", effective for annual periods beginning on or after 1 March 2007. Management do not expect the interpretation to be relevant for the Group;

- HK(IFRIC)-Int 12, "Service Concession Arrangements", effective for annual periods beginning on or after 1 January 2008. This interpretation applies to companies that participate in service concession arrangements and provides guidance on the accounting by operations in public-to-private service concession arrangements. The management do not expect the interpretation to be relevant to the Group.

- HKFRS 8, "Operating Segments", effective for annual periods beginning on or after 1 January 2009. HKFRS 8 will replace HKAS 14, 'Segment Reporting'. HKFRS 8 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resource to segments and assess its performance. The Group will apply the standard for the annual periods beginning 1 January 2009.

- HKAS 23 (Revised), "Borrowing Costs", effective for annual periods beginning on or after 1 January 2009. In accordance with the revised standard, management no longer has an option to expense borrowing costs on qualifying assets; it only applies to qualifying assets measures at cost; inventories that are routinely manufactured, or otherwise produced in large quantities on a repetitive basis, are outside the scope; companies that expense borrowing costs under their current accounting policies must identify their qualifying assets. This revised standard is applicable to the Group and the Group will apply it for the annual periods beginning 1 January 2009.

2 Segment information

Primary reporting format – business segments

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

(1) Manufacture and sales of crystallised glucose and glucose syrup from the processing of starch paste; lysine products and glutamic acids from the processing of glucose syrup (hereinafter collectively referred to as the "Corn-based biochemical products"). The Group ceased production of lysine products in December 2006 and converted to produce glutamic acids.

(2) Manufacture and sales of corn gluten meal, corn germ and animal feed from the processing of sweet corn (hereinafter collectively referred to as the "Corn refined products").

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

	Corn-based biochemical products *RMB'000*	**Corn refined products** *RMB'000*	**Unallocated** *RMB'000*	**Group** *RMB'000*
Turnover, gross	**558,104**	**745,174**	**–**	**1,303,278**
Intra-segment transactions	**–**	**(424,250)**	**–**	**(424,250)**
Turnover, net	**558,104**	**320,924**	**–**	**879,028**
Operating profit	**118,959**	**54,438**	**978**	**174,375**
Finance costs				**(15,989)**
Profit before income tax				**158,386**
Income tax expense *(Note 4)*				**(6,518)**
Profit for the period				**151,868**

The segments results for the six months ended 30 June 2006

	Corn-based biochemical products *RMB'000*	Corn refined products *RMB'000*	Unallocated *RMB'000*	Group *RMB'000*
Total gross segment sales	506,532	419,602	–	926,134
Intra-segment sales	–	(238,386)	–	(238,386)
Sales	506,532	181,216	–	687,748
Operating profit	132,349	39,175	(1,510)	170,014
Finance costs				(11,162)
Profit before income tax				158,852
Income tax expense *(Note 4)*				–
Profit for the period				158,852

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

Secondary reporting format – geographical segments

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

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

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
REVENUE		
PRC	**743,845**	639,920
Other countries/places	**135,183**	47,828
	879,028	687,748

3 **Other gains – net**

	As at	
	30 June	30 June
	2007	2006
	RMB'000	*RMB'000*
Interest income	**3,920**	2,320
Subsidy income	**13,460**	19
Others	**1,752**	–
	19,132	2,339

4 **Income tax expense**

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

	For the six months ended	
	30 June	30 June
	2007	2006
	RMB'000	*RMB'000*
Current income tax	**–**	–
– Hong Kong profits tax	**–**	–
– PRC enterprise income tax	**6,518**	–
	6,518	–

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

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

Shandong Xiwang Sugar Industry Co., Ltd. ("Xiwang Sugar") and Shandong Xiwang Bio-Chem Technology Co., Ltd. ("Xiwang Bio-Chem") were approved to be production enterprise with foreign investment by the relevant government authority in the PRC. Accordingly, the applicable enterprise income tax ("EIT") rate of these two companies is 30% and the local tax rate is 3%, resulting in an aggregate tax rate of 33%. These companies are also entitled to two years' full exemption from EIT and followed by three years of a 50% tax reduction, commencing from the first cumulative profit-making year net of losses carried forward ("EIT Tax Holiday"). The EIT Tax Holidays of Xiwang Sugar commenced in 2005 and it started to enjoy 50% tax reduction from 2007. Accordingly, provision for EIT had been made by Xiwang Sugar at 15% for the period ended 30 June 2007 (2006: nil). Xiwang Bio-chem started to enjoy the EIT Tax Holidays in 2007 and therefore no EIT provision had been made.

5 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	For the six months ended	
	30 June 2007	30 June 2006
Profit attributable to equity holders of the Company *(RMB'000)*	**151,868**	158,852
Weighted average number of ordinary shares in issue *(thousands)*	**828,071**	803,552
Basic earnings per share *(RMB per share)*	**0.1834**	0.1977

(b) Dilluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of share options. For the share options a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	For the six months ended	
	30 June 2007	30 June 2006
Profit attributable to equity holders of the Company *(RMB'000)*	**151,868**	158,852
Weighted average number of ordinary shares in issue *(thousands)*	**828,071**	803,552
Adjustments for share options *(thousands)*	**1,902**	14,717
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**829,973**	818,269
Diluted earnings per share *(RMB per share)*	**0.1831**	0.1941

6 Dividend

A final dividend for the year ended 31 December 2006 of RMB0.14 per share, amounting to a total dividend of approximately RMB115,871,000, was approved at the annual general meeting held on 18 May 2007 and paid in May 2007.

No interim dividend was proposed for the current period (2006: nil).

7 Inventories

	As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000
Cost		
Raw materials	**151,675**	92,433
Work in progress	**48,222**	17,605
Finished goods	**62,346**	25,834
	262,243	135,872

The cost of inventories recognised as expenses and included in "cost of goods sold" amounted to approximately RMB692,712,000 for the period ended 30 June 2007 (2006: RMB495,846,000).

As at 30 June 2007, there were no inventories stated at net realisable value (2006: Nil).

8 Trade and other receivables

	As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000
Trade receivables	**162,437**	85,250
Less: provision for impairment of receivables	**(560)**	–
	161,877	85,250
Other receivables [(a)]	**118,304**	21,421
	280,181	106,671

Some major customers are allowed with credit periods of 30 to 45 days while most other customers are on a cash on delivery basis, or with prepayment of the full amount of sales be made before delivery is made.

(a) For obtaining discount purpose, RMB67,554,000 (2006: nil) was paid in advance to a gas supplier.

Ageing analysis of the gross trade receivables is as follows:

	As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000
0 – 30 days	**116,834**	65,186
31– 60 days	**38,086**	17,563
61– 90 days	**2,804**	218
Over 90 days	**4,713**	2,283
	162,437	85,250

9 Trade and other payables

	As at	
	30 June	31 December
	2007	2006
	RMB'000	*RMB'000*
Trade payables	**36,131**	17,169
Other payables	**204,307**	114,853
Deposits and advance from customers	**16,270**	13,753
	256,708	145,775

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

Approximately RMB192,746,000 of other payables as at 30 June 2007 represents payables to vendors of fixed assets in relation to the construction of the production facilities for new glucose and search plants.

Ageing analysis of the trade payables is as follows:

	As at	
	30 June	31 December
	2007	2006
	RMB'000	*RMB'000*
0 – 30 days	**9,488**	15,146
31 – 60 days	**15,759**	1,023
61 – 90 days	**7,585**	350
Over 90 days	**3,299**	650
	36,131	17,169

MANAGEMENT DISCUSSION AND ANALYSIS

1. OVERVIEW

As the China's leading glucose production enterprise, the Group operates two main product categories: corn-based biochemical products and corn refined products. Corn-based biochemical products include crystallised glucose, glucose syrup, glutamic acids and lysine products, while corn refined products include corn gluten meal, corn germ, animal feed, starch paste and corn slurry. Although the Group exited lysine production at the end of 2006 and converted the relevant production facilities into glutamic acids production use instead, we kept selling residual lysine products in inventory during the first six months of 2007, which was the period under review of this report.

During the period under review, there was strong market demand for glucose. The Group estimated that the national glucose consumption during the current period increased by more than 30% over the same period in 2006. The continued strength in China's economic growth combined with the rising living standard of its people and their higher awareness for health have been pushing up the overall market demand for glucose on the Mainland. At the same time, the Chinese government has recently introduced certain environmental protection policies to encourage lower energy consumption and reduction of waste discharge. As a result, a substantial number of pharmaceutical and chemical manufacturers which used to produce glucose as raw materials for in-house consumption have turned to procurement from outsource suppliers, giving a further boost to the market demand for glucose.

On the other hand, the price of corn, the Group's key raw materials, increased on average by around 12% during the period under review as compared to the same period of last year. The substantial increase in corn prices had a significant negative impact on the Group's profit margin and overall profitability during the period under review.

In order to capture the market potential for the growth of its business as well as to combat against the threat to our business from the rising cost of corns, the Group implemented a cohesive development strategy that yielded encouraging operating results during the period under review. First of all, the Group completed its glucose production capacity expansion project in early 2007 which raised our designed glucose production capacity to 800,000 tonnes from 250,000 tonnes per annum. With the expanded production capacity, its total production of crystallised glucose, its major product, increased substantially to 263,729 tonnes for the period under review, from 104,047 tonnes for the first half of 2006. In particular, its monthly crystallised glucose production increased from 21,621 tonnes in January 2007 to 49,267 tonnes in June 2007. As a result, the Group's unit production cost has been lowered noticeably.

Secondly, the Group implemented a series of effective marketing and sales strategies, including:

– focusing on exploring more large and core customers: during the period under review, around 40% of the Group's turnover came from large and core customers. The Group aimed to expand it to 55% by the end of 2007.

– developing new customers in new market segments: during the period under review, apart from securing orders from the industries of our existing customers, the Group made aggressive efforts to introduce its products to new customers from different industries, such as alcohols and enzyme manufacturing. The Group made substantial progress in customer development and sales.

– further expanding overseas markets and sales: Our products enjoy good quality reputation and price competitiveness in overseas markets. In light of the continuous economic growth and improved living standards around the world, we will continue to strengthen our efforts to expand our overseas sales and market reach, including the establishment of sales offices in selected core markets, in order to capture growing market opportunities. During the period under review, the products (especially corn-refined products) of the Group achieved significant increase in overseas sales, represented 15% to the total sales. Meanwhile, the Group's focus on direct sales to end-users earned its reward in strengthened customer relationships, more repeat sales orders and higher sales. Sales from new overseas customers secured during the period under review accounted for around 50% of total overseas sales for the reviewed period.

– refining product offerings in order to better tailor to different customer needs as well as to enhance the overall price levels and economic returns.

As a result of the above measures, the Group's sales increased significantly during the period under review. Our total sales of crystallised glucose increased substantially from 103,889 tonnes in the first half of 2006 to 207,715 tonnes in the period under review. In particular, our sales of crystallised glucose increased from 20,590 tonnes in January 2007 to 53,260 tonnes in June 2007.

Moreover, the Group continued its efforts to develop and introduce new downstream products with higher margin potentials, including its crystallised fructose product under development, in order to further capture growing market potential, command bigger pricing power for our product, effectively combat against the threat to its business from the rising cost of corns and enhance the returns to its shareholders. During the period under review, the Group's medium-scale trial production of crystallised fructose successfully passed a series of key production tests.

Meanwhile, the Group has committed to continuously reviewing and improving its management systems, including its internal control system. The Group continued its efforts to attract, retain and motivate its staff through providing continuous on-job training programs, offering performance-linked compensation packages and attracting professionals to join its operations in order to sustain continuous healthy development of the Group.

2. REVIEW OF OPERATING AND FINANCIAL RESULTS

Turnover

During the current period, the Group's major products crystallised glucose, gluten meal, corn germ and animal feed collectively contributed 83.6% of the total turnover, representing an increase of 23.6% as compared to 60.0% in the same period in 2006.

The Group's turnover by product category is as below:

	For the six months ended 30 June 2007	**Percentage of sales**	**For the six months ended 30 June 2006**	**Percentage of sales**	**Percentage of change**
	RMB'000	*%*	*RMB'000*	*%*	*%*
Corn-based biochemical products:	**558,105**	**63.5**	**506,532**	**73.7**	**10.2**
Crystallised glucose	476,885	54.3	258,745	37.6	84.3
Glutamic acids	37,470	4.3	–	–	100.0
Lysine	8,733	1.0	185,300	26.9	(95.3)
Corn refined products:	**320,923**	**36.5**	**181,216**	**26.3**	**77.1**
Gluten meal	94,899	10.8	53,012	7.7	79.0
Corn germ	80,583	9.2	41,738	6.1	93.1
Animal feed	75,171	8.6	58,871	8.6	27.7
Total	**879,028**	**100.0**	**687,748**	**100.0**	**27.8**

During the period under review, the Group realised a turnover of RMB879,028,000, representing an increase of 27.8% compared with the same period in 2006. During the same period, export sales increased RMB87,355,000, representing an increase of 183% compared with the same period in 2006.

Apart from crystallised glucose, corn-refined products were a major growth driver during the period under review. Owing to the growth of export sales, turnover of corn-refined products increased by 77.1% during the period.

The Group ceased the production of lysine in December 2006 and switched to produce glutamic acids. Production of glutamic acids, the by-product of the Group, is mainly for the absorption of the residues from the production of glucose, the major product of the Group. This is crucial to the effective solution of waste water discharge and environmental protection.

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

	Sales Volume			Average Selling Price		
	For the six months ended 30 June 2007 *tones*	For the six months ended 30 June 2006 *tones*	**Percentage of change** %	**For the six months ended 30 June 2007** *RMB*	For the six months ended 30 June 2006 *RMB*	**Percentage of change** %
Crystallised glucose	**207,715**	103,889	99.9	**2,296**	2,491	(7.8)
Gluten meal	**35,480**	19,543	81.5	**2,675**	2,713	(1.4)
Corn germ	**31,187**	19,451	60.3	**2,584**	2,146	20.4
Animal feed	**86,910**	72,614	19.7	**865**	811	6.7
Others	**86,725**	85,707	1.2	**N/A**	N/A	N/A
Total	**448,017**	301,204	48.7	**1,962**	2,283	(14.1)

Turnover of crystallised glucose increased by 84.3% as compared to previous period. It was mainly contributed by the increase in sales volume by 99.9%. Average selling price had a 7.8% decrease compared with the previous period. There was a dramatic increase in the selling price of crystallised glucose in the first half of 2006 in connection to the fierce increase of the cane sugar price then due to imbalance of demand and supply. Glucose with lower selling price was used as a substitute and its price was pushed up accordingly. During the first half of 2007, there was an increase in market supply of glucose due to new entrants and increase in production capacity of existing suppliers, and the selling price returned to a relatively stable level in the second quarter of 2007 after slipping to the low point. In view of the market condition, we expect the selling price of crystallised glucose will keep stable for the rest of the year.

Turnover of gluten meal and animal feed increased 81.5% and 19.7% respectively in the current period. The direct sales strategy was the main reason of these remarkable rises. Over 50% of the turnover were export sales. During the period, the Group switched from sales mainly through agent to direct sales by its own sales team. Over 50% of the export sales were direct sales through its own sales team. This change saved the markup charged by agents and the Group can have more profitable selling prices. Although the average selling price of Gluten meal decreased by 1.4% as compared to the previous period, it had a significant rise during the period. Compared to the end of the first quarter, the average selling price of gluten meal had a 60.5% increase during the second quarter.

Turnover of corn germ increased significantly by 93.1%. Due to increase in market demand for corn oil, sales volume and selling price of corn germ, being its raw material, had a great jump during the period.

Cost of sales

Details of cost of sales are shown as below:

	For the six months ended 30 June 2007		For the six months ended 30 June 2006		**Percentage of change**
		Percentage		*Percentage*	
	RMB'000	***to total***	*RMB'000*	*to total*	*%*
Raw material: corn	**538,446**	**77.7**	310,961	62.7	73.2
Utilities	**64,478**	**9.3**	67,735	13.7	(4.8)
Depreciation	**26,902**	**3.9**	16,248	3.3	65.6
Labour costs	**13,149**	**1.9**	8,351	1.7	57.4
Others	**49,737**	**7.2**	92,551	18.6	(46.3)
Total	**692,712**	**100.0**	495,846	100.0	39.7

During the period under review, cost of sales increased by 39.7% compared to the same period of last year. It was mainly caused by the increase in cost of corn consumed. Having 48.7% increase in sales volume and about 12% increase in the prices of corns, cost of corn consumed increased by 73.2%.

Utilities decreased by 4.8%. Production effectiveness increased after the launch of the new production facilities. Besides, the switch of the production from lysine to glutamic acids saved the electricity cost by 27.7%.

The increase of depreciation and labour costs was arisen from the new production facilities launched in early 2007.

Gross profit analysis

	Gross Profit					**Gross Profit Margin**		
	For the six months ended 30 June 2007	**% to total**	**For the six months ended 30 June 2006**	**% of total**	**Percentage of change**	**For the six months ended 30 June 2007**	**For the six months ended 30 June 2006**	**Percentage of change**
	RMB'000	*%*	*RMB'000*	*%*	*%*	*%*	*%*	*%*
Crystallised glucose	124,283	66.7	95,166	49.6	30.6	26.1	36.8	(10.7)
Gluten meal	21,683	11.6	9,617	5.0	125.5	22.9	18.4	4.5
Corn germ	13,975	7.5	8,588	4.5	62.7	17.3	20.6	(3.3)
Animal feed	17,329	9.3	20,725	10.8	(16.4)	23.1	35.2	(12.1)
Others	9,046	4.9	57,806	30.1	(84.4)	5.9	18.8	(12.9)
	186,316	100.0	191,902	100.0	(2.9)	21.2	27.9	(6.7)

With its expanded production capacity and the higher profitability of crystallised glucose in the whole product structure, the contribution of gross profit from crystallised glucose increased from approximately 50% of total gross profit in the first half of 2006 to about two-thirds during the period under review. This has demonstrated that crystallised glucose, our major product, with the advantages in technology and cost, has further consolidated its importance within the Group's businesses.

During the period under review, due to the rise in the prices of corns, the overall gross margin dropped from 27.9% in the first half of 2006 to 21.2% in the period, and gross profit of the Group reduced 2.9% from RMB191,902,000 in the first of 2006 to RMB186,316,000 in the current period.

Although the overall margin decreased by 10.7% during the current period, gross margin of crystallised glucose increased steadily from the low point of 22.1% in March 2007 to 28.0% at the end of the reviewed period. It was due to the economises of scale realised from its expanded production capacity.

Profit margin of gluten meal kept increasing during the period under review and attained to 29.5% in June 2007. Increase in selling price and sales volume through the direct sale strategy together with 4.9% decrease in cost of sales compared with last period contributed to the significant increase in the gross profit margin of gluten meal.

Both corn germ and animal feed suffered decrease in gross margin. Although their average selling prices increased by 20.4% and 6.7% respectively, but due to the rise in the prices of corns, corn germ and animal feed had larger increase in unit cost of sales, which reached 25.4% and 12.4% respectively at the end of the reviewed period. Benefited from the increased production effectiveness, the profit margins started to increase steadily from March 2007 and reached 21.5 % and 25.0% respectively.

Other gains

Other gains went up by RMB16,793,000 in the reviewed period.

Subsidy income RMB13,460,000 represented 70.4% of other gains. It was a tax subsidy from regional government. This subsidy covered partial of the tax payment refund in relation to both profit tax and VAT payment paid by one of the subsidiaries of the Group which operates in PRC. The subsidy was viewed as an award for the contribution of the subsidiary to the production of glucose as national new product. This subsidy will cease at the end of 2007 unless being granted by the government. The remaining balance of the other gains included bank interest income RMB3,920,000 and sales of by-products RMB1,752,000.

Selling and marketing costs

Selling and marketing costs decreased by 15.4% compared to the first half of 2006. It was mainly due to adopting a more effective performance-linked sales incentive programme and the change of shipment arrangement with customers.

Administrative expenses

Administrative expenses increased by RMB9,581,000 compared to the first half of 2006. There was regular maintenance of existing production facilities in the first quarter of this year. Production ceased during this period. Based on the matching concept, the corresponding depreciation was charged in administrative expenses. Besides, additional amortisation of land use rights and research and development costs were arisen from the launch of new production facilities.

Finance costs

The net increase of finance costs was RMB4,827,000 for the current period as compared to the first half of 2006.

The Group had a USD bank facility since November 2006 and it resulted in the RMB17,194,000 increase in finance costs. On the other hand, repayment of the loans obtained in previous years saved the interest cost by RMB1,580,000. The value of RMB appreciated significantly and the Group enjoyed exchange gain of RMB10,787,000 during the reviewed period.

Income tax expenses

The Group is only subject to the PRC taxes. The two PRC subsidiaries are entitled to two years' full exemption from EIT and followed by another three years of a 50% tax reduction. One of the PRC subsidiaries started its first year of 50% tax reduction and the other PRC subsidiary started to enjoy the full exemption during this period and will need to be liable to income tax two years afterwards.

Liquidity, capital resources and gearing ratio

	As at 30 June 2007 *In RMB million*	As at 31 December 2006 *In RMB million*
Net current assets	**93**	550
Cash and cash equivalents	**239**	663
Bank loans	**805**	871
Shareholders' equity	**1,215**	1,171
Current ratio	**1.13 times**	2.53 times
Gearing ratio (total borrowings to total assets)	**35.2%**	39.7%

Net current assets:

The Group's net current assets decreased by RMB457 million during the reviewed period. Besides, current ratio was worse off by 1.4 times. These were mainly due to the decrease in cash and cash equivalents by RMB424 million. During the period, the Group had capital investment of the new production lines for glucose production amounted to RMB232 million. Additionally, bank loans of RMB66 million were settled and final dividend for 2006 amounted to RMB116 million was paid during the period.

Inventories increased by 92.6% during the period to RMB262 million. Corn, being the raw material, represented 53.6% of the total stock while glucose represented 15.1% of total. As at 30 June 2007, the inventory of corn represented 1.2 times of average monthly consumption, which was in line with the Group's policy of maintaining 1 to 1.5 months of corn stock, if required. The stock level of crystallised glucose represented 0.5 times of the monthly sales.

Trade and other receivables increased 162.7% during the period. It was due to the increase of sales volume and increase in advance to suppliers as discussed below. Trade receivables amounted to RMB162,437,000, represented 25.4 days of debtors' turnover, which was in line with the Group's credit term policy of granting customers 30 to 45 days of receivable credit, depending on the nature of its customers. Other receivables amounted to RMB118,304,000, of which RMB67,554,000 was prepayment to utilities supplier for securing cheaper supply.

Trade and other payables had 76% increase during the period, amounted to RMB256,708,000, of which trade payables amounted to RMB36,131,000 represented an increase of 110.4% compared to the corresponding period of 2006. This was mainly due to increased production. Purchase of raw material and therefore payables to suppliers increased accordingly. Other payables of RMB204,307,000 mainly included the construction payable of the new production facilities launched early this year. It is the common practice to hold up 10-20% of the construction payment as retention money and settled 12 months after the launch of production.

Borrowings:

During the period, the Group had no new borrowings and the repayment of the borrowings contributed to the decrease in gearing ratio by 4.5%.

Equity:

Apart from the sales proceeds from the exercise of employee options and profit attributable to the equity holders during the period, there was no further change to equity.

Capital investment:

The Group had capital investment for the new production facilities amounted to RMB232 million during the period, of which RMB24,420,000 was for the medium scale trial production of the new product, fructose.

3. FUTURE PROSPECTS AND DEVELOPMENT STRATEGIES

With the continuous rapid economic growth, improved living standards and broadened health consciousness around the globe, including China, the Group is confident and excited with its business growth prospects going forward. To capture the business opportunities from increasing market demand for its products, the Group will continue executing its business development strategies as discussed above, in particular, keep expanding its domestic and overseas marketing and sales efforts as well as further explore and launch new high value-added downstream products to enhance its market share, profitability and economic return to its investors.

The Group expects that it will continue benefiting economies of scale from expanded production and sales volume of its existing businesses. While uncertainty exists as regards to future movement in the prices of corns, it notices that corn price has stabilized in China in the recent months. The Group expects the corn price may drop somewhat in the second half of 2007, as a result of a large quantity of new supply of corn coming into the market in the middle of September.

The Group is committed and strives to successfully complete the mid-scale trial production of its crystallised fructose product under development by 2007, and it further expects to set up the production facility and start commercial production and sales by 2008. Crystallised glucose is the sweetest among all natural sugars, with sweetness equals to 1.8 times that of cane sugar. Crystallised glucose is widely applied in food processing and high end nutritious foods, and has better treatment effect on patients with diabetes, arteriosclerosis, high blood pressure, coronary heart disease, cerebrovascular disease and obesity. Global market demand for crystallised glucose is estimated as 350,000 tonnes per annum, with a yearly growth rate of more than 20%. The Group is confident and expects that the crystallised fructose product under development will significantly contribute to its business growth, profitability, and investors return in 2009 and onwards.

Meanwhile, the Group will explore growth opportunities in the same and/or similar businesses through acquisitions in order to capture its industry consolidation opportunities and further strengthen its position as the leading glucose production enterprise in China.

GENERAL DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

On 21 November 2006, the Company (as borrower), Master Team International Limited (a wholly-owned subsidiary of the Company) (as guarantor), Oversea-Chinese Banking Corporation Limited (as the mandated lead arranger), certain financial institutions (as lenders) and Oversea-Chinese Banking Corporation Limited, Hong Kong Branch (as agent) entered into a facility agreement ("Facility Agreement") which contained specific performance obligations on Mr. WANG Yong, the chairman of the Board and Xiwang Investment (BVI), both being the controlling shareholders of the Company. Details of the Facility Agreement are set out in the Company's announcement dated 21 November 2006.

The Facility Agreement is for a term loan facility of up to US$60,000,000, the final maturity date of which shall be the date falling three years from the date of the Facility Agreement or, in respect of any part of the loan facility in respect of which an extension has been agreed pursuant to the Facility Agreement, the date falling five years from the date of the Facility Agreement.

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 under review.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules during the period under review.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has 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.

All Directors of the Company have confirmed their compliance with the required standard set out in the Model Code during the period under review.

AUDIT COMMITTEE

The Company established an Audit Committee with written terms of reference based upon the provisions and recommended practices of the CG Code. The Audit Committee comprises three Independent Non-executive Directors, Mr. WONG Kai Ming as Committee Chairman, Mr. SHI Wei Chen and Mr. SHEN Chi.

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2007 have been reviewed by the audit committee, who is of the opinion that the statements compiled with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

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

Shandong, the PRC, 30 August 2007

* *for identification purpose only*

As at the date of this announcement, the executive Directors are Mr. WANG Yong, Mr. WANG Liang, Dr. LI Wei, Mr. WANG Cheng Qing, Mr. HAN Zhong and Mr. LIU Ji Qiang, the non-executive Director is Mr. LIU Heng Fang and the independent non-executive Directors are Mr. SHI Wei Chen, Mr. SHEN Chi and Mr. WONG Kai Ming.