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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 2009**

The board of directors (the “Directors” or the “Board”) of Xiwang Sugar Holdings Company Limited (“Xiwang Sugar” or the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) prepared under the Hong Kong Financial Reporting Standards (“HKFRSs”) for the six months ended 30 June 2009 (the “Period”), together with the comparative figures, as follows. The consolidated results are unaudited, but have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2009	2008
	Note	RMB'000	RMB'000
		Unaudited	Unaudited
Revenue	2	1,031,304	1,386,228
Cost of goods sold		<u>(955,997)</u>	<u>(1,122,647)</u>
Gross profit		75,307	263,581
Other gains – net		10,394	11,810
Selling and marketing costs		(45,510)	(40,604)
Administrative expenses		<u>(19,791)</u>	<u>(32,972)</u>
Operating profit		20,400	201,815
Finance income and costs, net	3	<u>(19,256)</u>	<u>25,238</u>
Profit before income tax		1,144	227,053
Income tax expense	4	<u>–</u>	<u>(8,468)</u>
Profit for the Period		1,144	218,585
Other comprehensive income for the Period, net of tax		<u>–</u>	<u>–</u>
Total comprehensive income for the Period		<u>1,144</u>	<u>218,585</u>
Attributable to:			
Equity holders of the Company		1,296	218,585
Minority interest		<u>(152)</u>	<u>–</u>
		<u>1,144</u>	<u>218,585</u>
Earnings per share for profit attributable to equity holders of the Company during the Period (RMB per share)			
– basic	5(a)	<u>0.0016</u>	<u>0.2633</u>
– diluted	5(b)	<u>0.0016</u>	<u>0.2633</u>
Dividends	6	<u>–</u>	<u>–</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2009 <i>RMB'000</i> Unaudited	31 December 2008 <i>RMB'000</i> Audited
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		1,415,995	1,437,558
Land use rights		159,512	160,251
Construction in progress		150,156	50,656
Deferred income tax assets		7,054	7,054
		<u>1,732,717</u>	<u>1,655,519</u>
Current assets			
Inventories	7	310,662	326,483
Trade and other receivables	8	498,463	453,172
Current income tax receivable		7,677	5,485
Amounts due from related companies		12,363	8,130
Cash and cash equivalents		832,715	248,158
		<u>1,661,880</u>	<u>1,041,428</u>
Total assets		<u>3,394,597</u>	<u>2,696,947</u>
EQUITY			
Attributable to equity holders of the Company			
Share capital		86,455	86,455
Share premium		472,731	471,853
Other reserves		247,269	247,269
Retained earnings			
– Declared dividend/proposed dividend		22,420	22,420
– Others		540,985	539,689
		<u>1,369,860</u>	<u>1,367,686</u>
Minority interest in equity		<u>368</u>	<u>520</u>
Total equity		<u>1,370,228</u>	<u>1,368,206</u>

		30 June 2009	31 December 2008
	<i>Note</i>	RMB'000	RMB'000
		Unaudited	Audited
LIABILITIES			
Non-current liabilities			
Borrowings		<u>—</u>	<u>—</u>
Current liabilities			
Trade and other payables	9	430,277	451,391
Amounts due to related companies		2,772	7,940
Borrowings		1,591,320	869,410
		<u>2,024,369</u>	<u>1,328,741</u>
Total liabilities		<u>2,024,369</u>	<u>1,328,741</u>
Total equity and liabilities		<u>3,394,597</u>	<u>2,696,947</u>
Net current liabilities		<u>(362,489)</u>	<u>(287,313)</u>
Total assets less current liabilities		<u>1,370,228</u>	<u>1,368,206</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of preparation and accounting policies

1.1 Basis of preparation

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

The accounting policies and method of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2008.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Group’s audited 2008 annual financial statements, which have been prepared in accordance with HKFRSs.

1.2 Accounting policies

The following new standards and amendments to standards are mandatory for the financial year beginning 1 January 2009:

- HKFRS 2 (Amendment), ‘Share-based payment’
- HKFRS 7 (Amendment), ‘Financial instruments: improving disclosure about financial instruments’
- HKFRS 8, ‘Operating Segments’
- HKAS 1 (Revised), ‘Presentation of financial statements’
- HKAS 23 (Revised), ‘Borrowing costs’
- HKAS 23 (Amendment), ‘Borrowing costs’
- HKAS 36 (Amendment), ‘Impairment of assets’

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2009 but are not currently relevant to the Group’s operations:

- HKFRS 1 (Amendment), ‘First time adoption of HKFRS’
- HKAS 16 (Amendment), ‘Property, plant and equipment’

- HKAS 19 (Amendment), ‘Employee benefits’
- HKAS 20 (Amendment), ‘Accounting for government grants and disclosure of government assistance’
- HKAS 28 (Amendment), ‘Investments in associates’
- HKAS 29 (Amendment), ‘Financial reporting in hyperinflationary economies’
- HKAS 31 (Amendment), ‘Interests in joint ventures’
- HKAS 32 (Amendment), ‘Financial instruments: Presentation’
- HKAS 38 (Amendment), ‘Intangible assets’
- HKAS 39 (Amendment), ‘Financial instruments: Recognition and measurement’
- HKAS 40 (Amendment), ‘Investment property’ (and consequential amendments to HKAS 16)
- HKAS 41 (Amendment), ‘Agriculture’
- HK(IFRIC) – Int 13, ‘Customer Loyalty Programmes’
- HK(IFRIC) – Int 15, ‘Agreements for construction of real estates’
- HK(IFRIC) – Int 16, ‘Hedges of a net investment in a foreign operation’

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2009 and have not been early adopted by the Group:

- HKFRS 1 (Revised), ‘First time adoption of HKFRS’
- HKFRS 3 (Revised), ‘Business combinations’
- HKFRS 5 (Amendment), ‘Non-current assets held for sale and discontinued operations’ (and consequential amendment to HKFRS 1, ‘First-time adoption’)
- HKAS 27 (Revised), ‘Consolidated and separate financial statements’
- HK(IFRIC) – Int 9, ‘Embedded Derivative and HKAS 39’
- HK(IFRIC) – Int 17, ‘Distributions of non-cash assets to owners’
- HK(IFRIC) – Int 18, ‘Transfers of assets from customers’

Improvements to the following HKFRS from HKICPA are published in May 2009:

- HKFRS 5 (Amendment), ‘Non-current assets held for sale and discontinued operations’
- HKFRS 8 (Amendment), ‘Operating segments’
- HKAS 1 (Amendment), ‘Presentation of financial statements’
- HKAS 7 (Amendment), ‘Statement of cash flows’
- HKAS 17 (Amendment), ‘Leases’
- HKAS 36 (Amendment), ‘Impairment of assets’
- HKAS 38 (Amendment), ‘Intangible assets’

For applying the above revised standards, amendments and interpretations to existing standards, the Group is either assessing the impact of or considers that there will have no material impact on the results and the financial position of the Group.

2 Segment information

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

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

The Group is organised on a nationwide basis in the People’s Republic of China (the “PRC”) with two main operating segments:

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

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

	Sweetener Products RMB'000	Corn co-products and others RMB'000	Unallocated RMB'000	Group RMB'000
Segment sales, gross	457,822	1,026,145	–	1,483,967
Intra-segment sales	–	(452,663)	–	(452,663)
Revenue	457,822	573,482	–	1,031,304
Operating profit	10,844	13,563	(4,007)	20,400
Finance income and costs, net				(19,256)
Profit before income tax				1,144
Income tax expense (<i>Note 4</i>)				–
Profit for the Period				1,144

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

	Sweetener Products RMB'000	Corn co-products and others RMB'000	Unallocated RMB'000	Group RMB'000
Segment sales, gross	609,091	1,365,793	–	1,974,884
Intra-segment sales	–	(588,656)	–	(588,656)
Revenue	609,091	777,137	–	1,386,228
Operating profit	78,760	125,184	(2,129)	201,815
Finance income and costs, net				25,238
Profit before income tax				227,053
Income tax expense (<i>Note 4</i>)				(8,468)
Profit for the Period				218,585

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

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

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	Unaudited	Unaudited
REVENUE		
The PRC	916,765	1,182,083
Other countries	114,539	204,145
	1,031,304	1,386,228

3 Finance income and costs, net

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	Unaudited	Unaudited
Interest expenses – borrowings	26,318	29,865
Less: amount capitalised as construction in progress	(3,408)	–
	22,910	29,865
Net foreign exchange translation losses/(gains)	1,161	(51,219)
Finance costs/(income)	24,071	(21,354)
Finance income – interest income on bank balance	(4,815)	(3,884)
Net finance costs/(income)	19,256	(25,238)

4 Income tax expense

The amount of income tax charged to the consolidated statement of comprehensive income represent:

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	Unaudited	Unaudited
Current income tax		
– PRC enterprise income tax	–	8,468

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands (“BVI”), the Group was not subject to any income tax in Bermuda and BVI during the Period presented (first half of 2008: Nil).

No Hong Kong profits tax was provided during the Period as the Group had no assessable profit arising in or derived from Hong Kong (first half of 2008: Nil).

Group companies registered in the PRC are subject to PRC Corporate Income Tax (“CIT”).

All PRC enterprises are subject to a standard enterprise income tax rate of 25%, except for enterprises under specific preferential policies and provisions. Shandong Xiwang Sugar Industry Co., Ltd (“Xiwang Sugar”) and Shandong Xiwang Bio-chem Technology Co., Ltd (“Xiwang Technology”) are production enterprises with foreign investments, and therefore they are eligible to enjoy certain CIT preferential treatments in accordance with the new CIT Law and tax regulation. The applicable tax rate of Xiwang Sugar and Xiwang Technology in 2009 was 12.5%. In 2008, the applicable tax rate of Xiwang Sugar was 12.5% while Xiwang Technology was exempt from the full amounts of CIT.

No CIT was provided during the Period as Xiwang Sugar and Xiwang Technology had no assessable profit.

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.

	Six months ended 30 June	
	2009	2008
	Unaudited	Unaudited
Profit attributable to equity holders of the Company (<i>RMB’000</i>)	1,296	218,585
Weighted average number of ordinary shares in issue (<i>thousands</i>)	830,352	830,343
Basic earnings per share (<i>RMB per share</i>)	0.0016	0.2633

(b) Diluted

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

	Six months ended 30 June	
	2009	2008
	Unaudited	Unaudited
Profit attributable to equity holders of the Company (<i>RMB'000</i>)	1,296	218,585
Weighted average number of ordinary shares in issue (<i>thousands</i>)	830,352	830,343
Adjustments for share options (<i>thousands</i>)	332	–
Weighted average number of ordinary shares for diluted earnings per share (<i>thousands</i>)	830,684	830,343
Diluted earnings per share (<i>RMB per share</i>)	0.0016	0.2633

6 Dividends

A final dividend for the year ended 31 December 2008 of RMB 0.027 per share, which was wholly satisfied by allotment of new ordinary shares of the Company, credited as fully paid, by way of scrip dividend without offering any right to shareholders of the Company to elect to receive the final dividend in cash in lieu of such allotment, was approved at the annual general meeting held on 26 June 2009 and issued in July 2009.

No interim dividend was proposed for the Period (2008: Nil).

7 Inventories

	30 June 2009 RMB'000 Unaudited	31 December 2008 RMB'000 Audited
Raw materials	177,016	199,173
Work in progress	42,841	44,530
Finished goods	90,805	82,780
	310,662	326,483

The cost of inventories recognised as expenses and included in “cost of goods sold” amounted to approximately RMB 955,997,000 for the Period (first half of 2008: RMB 1,122,647,000).

The Group reversed RMB 37,896,000 of a previous inventory net realisable value provision during the Period. The Group has sold all the goods that were written down to independent customers. The amount reversed has been included in “cost of goods sold” of the statement of comprehensive income.

8 Trade and other receivables

	30 June 2009 RMB'000 Unaudited	31 December 2008 RMB'000 Audited
Trade receivables	175,250	135,819
Bill receivables	222,822	205,964
Other receivables	100,391	111,389
	498,463	453,172

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

Ageing analysis of the gross trade receivables is as follows:

	30 June 2009 RMB'000 Unaudited	31 December 2008 RMB'000 Audited
0 – 30 days	38,951	65,273
31 – 60 days	50,046	9,102
61 – 90 days	17,920	19,865
Over 90 days	68,333	41,579
	175,250	135,819

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

Included in other receivables was an advance of RMB 70,663,000 (2008: RMB 56,461,000) paid to the corn, electricity and steam suppliers in order to obtain stable supply and favourable price of corn, electricity and steam purchase.

9 Trade and other payables

	30 June 2009 RMB'000 Unaudited	31 December 2008 RMB'000 Audited
Trade payables	228,117	200,648
Other payables	177,734	236,039
Other taxes payables	798	2,163
Deposits and advance from customers	23,628	12,541
	430,277	451,391

Ageing analysis of the trade payables is as follows:

	30 June 2009 RMB'000 Unaudited	31 December 2008 RMB'000 Audited
0 – 30 days	96,118	95,172
31 – 60 days	64,742	26,398
61 – 90 days	12,772	36,324
Over 90 days	54,485	42,754
	<u>228,117</u>	<u>200,648</u>

Approximately RMB 133,611,000 (2008: RMB 206,323,000) of other payables as at 30 June 2009 represent payables to vendors in relation to the construction of a new production line for crystalline fructose.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Overview

The Group refines natural corn to a variety of sweeteners and corn co-products that are widely applied in food and beverage, animal feed, and many other consumer and industrial products.

Our mission is to provide global customers with healthy sweeteners and ingredients. The Group operates a fully integrated production plant in Shandong Province in the People's Republic of China ("China" or the "PRC"), with a corn processing capacity of 1.5 million tonnes per annum. The Group has a leadership position in the starch sweetener industry in China. The annual production capacity of crystalline glucose is 800,000 tonnes. The Group has its own highly advanced research and development team for developing high value products and continually to enhance operation efficiency.

The Group was honored as the Number 1 of Top 20 Enterprises in the Starch Sweetener Industry in 2006 (awarded by China Fermentation Industry Association) and Capital for Chinese Sweetener Products in 2007 (by State Food Industry Association). The Group has also been accredited as the National Environmental Friendly Corporation since 2005 (by General Administration of State Environment Protection) for its continual effort and compliance in environmental safety matters.

The key products of the Group are divided into two main operating segments, namely,

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

Crystalline glucose is a monosaccharide which can be directly absorbed in the human digestive system. It has a medium sweet taste to complement sweetness in food and drinks. Crystalline glucose has a simple structure. Upon mild industrial heating, the thermal energy in it is released. This chemical property favors it as a fermentation agent. It is also a basic unit of many organic compounds that a wide range of consumer and industrial products are synthesised. The Group derives crystalline glucose from corn starch, and supplies it to food and beverages, fermentation, chemical and pharmaceutical sectors. Besides, the Group sells glucose syrups and high fructose corn syrups (a mixture of glucose and fructose in thick liquid form) of different concentration according to customers' requirements.

Crystalline fructose is a natural sweetener from corn starch with a fruity scent. It is composed of pure fructose and takes the form of white granules. When it is added to food, the sweetness of food will be highly elevated, at maximum 1.8 times higher than cane sugar, thereby effectively reduce the intake of calories for healthy diets. Moreover, crystalline fructose has the lowest Glycemic Index (which measures the rate of increase in blood glucose level after a meal) among ordinary sugars. Hence, it is suitable for the diabetics and is regarded as an ideal sweetening ingredient in healthy lifestyle.

Corn gluten meal contains a high proportion of protein which is essential for animal growth. Corn gluten feed is comprised of corn fiber which is a digestive element for pigs and poultry. Both corn gluten meal and corn gluten feed are basic nourishment in animal feed and pet food. Corn germ is a source of corn oil. The Group sells corn germ to Xiwang Food Company Limited (a connected company owned by the Group's ultimate controlling shareholder) to produce edible corn oil. Corn starch is obtained after protein and germ separation. Corn starch is a raw material for the production of various sweetener products. It is also applied in food, paper and textile industries.

Sodium gluconate is important for construction of buildings. It extends the time before concrete solidifies, therefore increases the flexibility of this material. It is also a safe detergent which cleans glass bottles effectively in the beverages industry. The Group produces sodium gluconate from its fermentation facility with an annual capacity of 100,000 tonnes.

2. Review of operating and financial results

The Group reported a drop in revenue of approximately 25.6% to Renminbi ("RMB") 1.03 billion, and a substantial decline in net profit of approximately 99.5% to RMB 1.1 million for the six months ended 30 June 2009 compared to the corresponding period in 2008. During the Period, the Group focused on the development of new products. Certain production facilities were upgraded, resulting in an overall lower utilisation rates of the production plants. On the other hand, the sales performance of the Group's key products continued to suffer from the adverse impact of the melamine scandal and the global financial crisis which broke out in the fourth quarter of 2008. The operating environment has been gradually recovering and the Group's business has started to improve since April 2009, as evidenced by the continual upward adjustment of the average selling prices and the sales volume of the Group's key products. Nevertheless, the net profit generated in the second quarter of 2009 was just sufficient to offset the loss incurred in the first quarter, and the Group's overall financial results for the first half of 2009 was significantly lower compared to that in the first half of 2008.

Revenue

Revenue of operating segments:

Six months ended 30 June	2009 RMB'000	2008 RMB'000	Increase/(Decrease) %
<i>Sweetener products</i>			
Crystalline glucose	431,359	604,543	(28.6)
Crystalline fructose	613	1,496	(59.0)
Other syrup products	25,850	3,052	747.0
	457,822	609,091	(24.8)
<i>Corn co-products and others</i>			
Corn gluten meal	103,141	149,229	(30.9)
Corn gluten feed	90,754	189,451	(52.1)
Corn germ	104,732	181,000	(42.1)
Corn starch	171,081	63,960	167.5
Sodium gluconate	68,812	—	—
Others	34,962	193,497	(81.9)
	573,482	777,137	(26.2)
	1,031,304	1,386,228	(25.6)

Sales volume of each key product:

Six months ended 30 June	2009 Tonnes	2008 Tonnes	Increase/(Decrease) %
<i>Sweetener products</i>			
Crystalline glucose	198,959	250,543	(20.6)
Crystalline fructose	57	152	(62.5)
Other syrup products	14,491	1,369	958.5
<i>Corn co-products and others</i>			
Corn gluten meal	26,105	34,363	(24.0)
Corn gluten feed	96,415	159,871	(39.7)
Corn germ	41,884	40,218	4.1
Corn starch	110,742	34,423	221.7
Sodium gluconate	16,324	—	—

Average selling price of each key product:

Six months ended 30 June	2009		2008		Increase/ (Decrease) %
	RMB/tonne		RMB/tonne		
	VAT-inclusive	Net of VAT	VAT-inclusive	Net of VAT	
<i>Sweetener products</i>					
Crystalline glucose	2,537	2,168	2,823	2,413	(10.2)
Crystalline fructose	12,640	10,803	11,536	9,860	9.6
Other syrup products	2,087	1,784	2,608	2,229	(20.0)
<i>Corn co-products and others</i>					
Corn gluten meal	4,623	3,951	5,081	4,343	(9.0)
Corn gluten feed	941	941	1,185	1,185	(20.6)
Corn germ	2,825	2,500	5,085	4,500	(44.4)
Corn starch	1,808	1,545	2,174	1,858	(16.8)
Sodium gluconate	4,932	4,215	—	—	—

In the first half of 2009, the Group recorded a revenue of RMB 1.03 billion, representing a decline of 25.6% over that of the corresponding period in 2008. This was generally caused by a significant drop in both the sales volume and the average selling prices of the Group's key products. During the Period, the Group has a lower corn processing volume of 548,000 tonnes compared to 597,000 tonnes in the first half of 2008. The average selling prices of the Group's key products decreased as a result of reduced market demands.

During the Period, the revenue of the sweetener products was approximately RMB 458 million which accounted for 44.4% of the total revenue (first half 2008: 43.9%). Revenue of corn co-products and others was approximately RMB 573 million which was 55.6% of the total revenue (first half 2008: 56.1%).

(1) Sweetener products

1. Crystalline glucose

The Group was engaged in the development of new products that are profitable with distinctive niches. As part of the production facilities in the glucose production plant was being upgraded, the utilisation rate of the plant became lower during the first half of 2009, causing a reduction of the output volume. In addition, crystalline glucose was used internally for the production of the Group's sodium gluconate.

The average selling price of crystalline glucose recorded a 10.2% drop compared to the first half of 2008. However, the price of it continued to rise moderately during the Period. The average selling price in the second quarter of 2009 was approximately RMB 2,600 (VAT inclusive), which was 4% higher than that in the first quarter. The price of cane sugar in China started to climb since the beginning of 2009 due to its declining supply. Also, the consumption of sugar and sweeteners is increasing with the total output of various sugar and sweetener-contained food in China has grown year-on-year.

2. Crystalline fructose

During the Period, the Group continued the research and development of crystalline fructose and commercial production has not begun. A small quantity of crystalline fructose was sold as samples to potential customers.

3. Other syrup products

The Group sold glucose syrups and high fructose corn syrups of different concentration to the food and beverages customers.

(2) *Corn co-products and others*

1. Corn gluten meal and corn gluten feed

Hog prices were weak due to oversupply and there were concerns that the H1N1 influenza virus was connected with pigs. This situation led to an unfavorable market condition for corn gluten feed and corn gluten meal, and therefore the sales performances declined significantly in the Period. However, the Chinese government has started to purchase and reserve frozen pork in June 2009 to stabilize prices in order to protect the pig breeders. It also strengthened the examination on feed producers after the melamine scandal. Although the average selling prices of the Group's corn gluten feed and corn gluten meal declined by 20.6% and 9.0% respectively from the same period of 2008, their prices in the second quarter of 2009 have ascended by about 20% and 5% from the first quarter.

2. Corn germ

It was the global financial crisis in October 2008 that caused the prices of agricultural commodities and corn oil to fall, and that of corn germ was also negatively affected. The average selling price of corn germ dropped by 44.4% from the corresponding period last year. Yet, the average selling price in the second quarter of 2009 rebounded by about 9% from the first quarter, and the demand for corn germ continued to rise in the Period, reflecting a solid recovery.

3. Corn starch

As discussed in the earlier session, the utilisation rate of the glucose production plant was reduced during the Period. As less corn starch is used to produce the Group's crystalline glucose, a higher volume of corn starch was sold directly.

Similar to other key products, although the price of corn starch decreased by 16.8% on a half-year basis comparison, its sales performance continued to improve during the Period. From the first quarter to second quarter of 2009, the price of the Group's corn starch climbed up by around 7%.

4. Sodium gluconate

The Group ceased to produce semi-alcohol but switched to the production of sodium gluconate from the fermentation plant since the beginning of 2009, with sodium gluconate having a higher profit margin in specific markets. The strong growth in the demand for sodium gluconate was supported by a series of infrastructure and reconstruction plans in China.

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

Six months ended 30 June	2009		2008		Increase/ (Decrease)%
	RMB'000	% of total	RMB'000	% of total	
The PRC	916,765	88.9	1,182,083	85.3	(22.4)
Other countries	114,539	11.1	204,145	14.7	(43.9)
	<u>1,031,304</u>	<u>100.0</u>	<u>1,386,228</u>	<u>100.0</u>	(25.6)

The Group's revenue from export dropped by 43.9% in the Period compared to the first half in 2008. The Group's export products included crystalline glucose, corn gluten meal, corn gluten feed and sodium gluconate. The quality of domestic feed products remained an issue after melamine was found in those products. As a result, the demand for the Group's corn gluten meal and corn gluten feed were particularly affected.

Cost of sales

Breakdown of cost of goods sold:

Six months ended 30 June	2009 RMB'000	2008 RMB'000	Increase/(Decrease) %
Corn	748,506	837,656	(10.6)
Other materials	57,917	104,605	(44.6)
Utilities	119,763	103,423	15.8
Depreciation	30,188	31,281	(3.5)
Labour	16,431	20,862	(21.2)
Others*	(16,808)	24,820	(167.7)
	955,997	1,122,647	(14.8)

* Others in first half of 2009 included the reversal of previous inventory with net realisable value provision of RMB 37,896,000 as the Group has sold all the goods that were written down to independent customers (first half 2008: Nil).

The Group's cost of goods sold for the Period amounted to RMB 956 million, which was 14.8% less than the first half of 2008. It was attributable to a lower corn processing volume, and the reduction of corn cost, other materials cost and labour cost.

Domestic corn price was relatively stable over the Period. The average corn cost in the first half of 2009 was about RMB 1,520 per tonne, which was approximately 9.5% lower than RMB 1,680 per tonne in the first half of 2008 (both prices were tax-inclusive).

The Group incurred a higher utilities expense during the Period due to the increase in unit costs of steam and electricity. Meanwhile, several new products such as sodium gluconate were in their start-up stages, and such products consumed a relatively larger amount of energy.

Gross profit margins of each key product:

Six months ended 30 June	2009 %	2008 %	Increase/(Decrease) Percentage points
<i>Sweetener products</i>			
Crystalline glucose	9.2	19.3	(10.1)
Crystalline fructose	2.9	11.9	(9.0)
Other syrup products	15.3	(9.0)	24.3
<i>Corn co-products and others</i>			
Corn gluten meal	1.4	24.2	(22.8)
Corn gluten feed	6.9	27.1	(20.2)
Corn germ	8.5	23.6	(15.1)
Corn starch	4.4	15.5	(11.1)
Sodium gluconate	11.2	—	—
The Group's overall gross profit margin	<u>7.3</u>	<u>19.0</u>	(11.7)

As a result of a lower utilisation rate of the production facilities, and the deteriorated sales performances of all the key products, the gross profit margins of the Group's key products diminished even though corn cost has become more advantageous. The Group's overall gross profit margin for the Period dropped to 7.3% (first half 2008: 19.0%).

Other income

Other income primarily represented the gains on sales of scrap materials (other than the key products and other products).

Selling and marketing costs

Since the second half of 2008, the Group started to offer more one-stop-shop sales service to certain selected customers in order to enhance their loyalty, so selling and marketing costs of the Period increased by approximately 12.1% to RMB 46 million compared to that of the corresponding period in 2008.

Administrative expenses

Administrative expenses reduced by about 40.0% to RMB 20 million from the same period of last year, as the expenditure on research and development was significantly reduced during the Period.

The Group has maintained a relatively stable expenditure on the overall selling, marketing and administrative expenses. They together represented approximately 6.3% of the total revenue in the Period (first half 2008: 5.3%, second half 2008: 8.4%).

Finance income and cost, net

The net finance cost of the Group was approximately RMB 19 million in the Period, versus a net finance income of RMB 25 million in the first half of 2008. There was no significant foreign exchange gain in the first half of 2009 while an exchange gain of RMB 51 million was recorded in the first half of the previous year.

3. Liquidity, Capital Resources and Gearing Ratio

	30 June 2009	31 December 2008
Cash and cash equivalents (RMB million)	833	248
Net current liabilities (RMB million)	362	287
Total borrowings (RMB million)	1,591	869
Shareholders' equity (RMB million)	1,370	1,368
Current ratio	0.82	0.78
Gearing ratio*	0.55	0.45

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

As at 30 June 2009, cash and cash equivalents of the Group amounted to approximately RMB 833 million (as at 31 December 2008: RMB 248 million). During the Period, the Group had net cash inflow of operating activities of approximately RMB 46 million (first half 2008: RMB 209 million). The Group paid RMB 187 million for the acquisition of property, plant and equipment (first half 2008: RMB 111 million) which was mainly used for the construction of crystalline fructose plant and the related facilities, and the upgrade of certain existing production facilities. On the other hand, the Group received a bank interest from fixed deposit of RMB 4 million (first half 2008: RMB 4 million). The Group had a net proceeds of borrowings of RMB 722 million during the Period (first half

2008: net repayment of borrowings of RMB 137 million). In the first half of 2009, the Group obtained new short-term RMB denominated borrowings amounted to RMB 1.22 billion. Majority of it was used to settle the previously held United States dollars (“USD”)-denominated loans. As a result, the gearing ratio increased to 0.55 (as at 31 December 2008: 0.45). With the new RMB borrowings, the Group’s borrowings structure has changed to consist of mainly RMB loans, which represented approximately 76.5% of the total borrowings outstanding as at 30 June 2009 (as at 31 December 2008: 16.1%).

Capital investment

The Group’s capital investment in the first half of 2009 amounted to approximately RMB 109 million (first half 2008: RMB 107 million) mainly for the construction of crystalline fructose plant and the related facilities, and the upgrade of glucose production plant. Apart from this, there was no other major capital investment during the Period.

Contingent liabilities

The Group did not have any material contingent liabilities as at 30 June 2009 (as at 31 December 2008: Nil).

Foreign exchange risk

The Group’s main operation is in China. The functional currency of the Group is RMB. Most of the Group’s assets, liabilities, income, payments and cash balances are denominated in RMB, with a minor portion of bank loans denominated in USD and Hong Kong dollars. Therefore, the Directors considered that the risk exposure of the Group to foreign exchange rate fluctuation was minimal.

Human resources

The Group had 2,654 employees as at 30 June 2009 (as at 31 December 2008: 2,616 employees).

The Group regularly reviewed the remuneration packages of the directors and employees, with respect to their experience, responsibility, workload and the time devoted. The Group has established a remuneration committee to determine and review the terms of remuneration packages, bonuses and other compensation payable to the directors and senior management. In addition to basic remuneration packages and discretionary bonuses, share options may also be granted based on individual performance.

4. Outlook and Development

As the effect of the melamine scandal and the global financial crisis faded off, the sales performance of the Group's key products will continue to improve in the third quarter of 2009. We believe the worst moment of economic recession has passed and the Group's business will gradually recover in the second half of 2009.

China's sugar industry has begun to show an uptrend in the beginning of 2009. The Chinese government's national sugar reserve and industrial reserve program aimed to maintain smooth production operation of cane farmers. The demand for sugar and sweeteners mainly came from beverages and food processing, which has remained a high growth rate over the last decade. In recent years, diabetics or obesity were found correlated to unhealthy diets. Our sweeteners products are safe and functional, which are regarded as ideal sweetening ingredients for people to pursue healthiness.

Hog prices in China were weak in the first half of 2009 and pork producers were hoping for a timely response for government support. In June 2009, the Chinese government started the purchase and reserve of domestic frozen pork. Together with the coming peak season of the pork and chicken consumption in the third and fourth quarters of 2009, we expect the sales performance of our animal feed products will improve.

Domestic corn price is sensitive to government policy. Currently, China's strategic corn reserves have reached 40 million tonnes, holding a dominant position in the market. With the available cropland for corn having expanded this year, the supply and demand of Chinese's corn tend to be balanced.

The Group continued to enrich the product spectrum. Commercial production of crystalline fructose has begun by the middle of August 2009. The Group has completed the upgrade of the glucose production plant for pharmaceutical-grade glucose, and it is expected that the utilisation rate of glucose production plant will gradually resume to normal level in the second half of this year. For the production of sodium gluconate, the Group expects it will reach full utilisation by 2010.

CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the Period with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules ("Listing Rules") governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("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 Directors’ securities transactions. Having made specific enquiries with all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the Period.

REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Group’s unaudited condensed consolidated financial statements for the Period have been reviewed by the audit committee of the Company, 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 REPORT

The 2009 Interim Report will be despatched to shareholders and published on the Stock Exchange’s website (www.hkex.com.hk) and the Company’s website (www.irasia.com/listco/hk/xiawangsugar) in due course.

MISCELLANEOUS

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

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

Hong Kong, 25 August 2009

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors:

Mr. WANG Yong
Mr. WANG Liang
Dr. LI Wei
Mr. WANG Cheng Qing
Mr. HAN Zhong
Mr. LIU Ji Qiang
Mr. SUN Xinhua

Independent non-executive Directors:

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

* *for identification purpose only*