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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)

**PLACING OF EXISTING SHARES AND
SUBSCRIPTION OF NEW SHARES**

Placing Agent



CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES

On 18 January 2010, the Placing Agreement was entered into among the Vendor, the Company and the Placing Agent, pursuant to which the Placing Agent has agreed to place, on a best effort basis, up to 135,000,000 Placing Shares held by the Vendor to independent third parties who are not connected persons of the Company and are independent of and not connected with the directors, chief executive or substantial shareholders of each of the Company or the Vendor or its subsidiaries, or any of their respective associates at HK\$2.51 per Placing Share.

The Placing Price represents (i) a discount of approximately 16.05% to the closing price of HK\$2.99 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 16.33% to the average closing price of HK\$3.00 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and (iii) a discount of approximately 14.97% to the average closing price of HK\$2.952 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day.

Under the Subscription Agreement dated 18 January 2010 and entered into between the Vendor (as subscriber) and the Company, the Vendor has conditionally agreed to subscribe for 120,000,000 Subscription Shares at HK\$2.51 (which is equal to the Placing Price) per Subscription Share. The Subscription is subject to conditions set out below under the section headed “Conditions of the Subscription”.

The Placing Shares represent approximately 15.93% of the issued share capital of the Company as at the date of this announcement and approximately 13.96% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares pursuant to the Subscription.

As at the date of this announcement, the Vendor holds 533,580,010 Shares, representing approximately 62.97% of the existing issued share capital of the Company. The shareholding of the Vendor will decrease from approximately 62.97% to approximately 47.04% immediately after completion of the Placing and will increase to approximately 53.61% immediately after completion of the Subscription.

The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Directors by a resolution of the Shareholders passed at the annual general meeting of the Company held on 26 June 2009. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

As the Subscription is subject to the fulfillment of a number of conditions and may or may not proceed to completion, Shareholders and prospective investors are advised to exercise caution when dealing in the Shares.

Assuming that the Placing Shares are fully placed, upon completion of the Placing and the Subscription, the gross proceeds and net proceeds from the Subscription are estimated to be approximately HK\$301 million and HK\$292 million respectively.

THE PLACING

The Placing Agreement dated 18 January 2010 was entered into by and among the Vendor, the Company and the Placing Agent.

Vendor:

The Vendor is a company incorporated in the British Virgin Islands and is wholly-owned by Xiwang Holdings, which is in turn ultimately held by the 28 Individuals (among which Mr. Wang Yong, an executive Director, is the ultimate shareholder of approximately 60.32% of the shares of Xiwang Holdings as at the date of this announcement).

The Vendor is a controlling Shareholder of the Company (within the meaning of the Listing Rules) holding 533,580,010 Shares, representing approximately 62.97% of the existing issued share capital of the Company as at the date of this announcement.

Placing Agent:

China International Capital Corporation Hong Kong Securities Limited, the Placing Agent, is independent of and not connected with the directors, chief executive or substantial shareholders of each of the Vendor or the Company or its subsidiaries or any of their respective associates.

Number of Placing Shares:

The Placing Agent has agreed to procure, on a best effort basis, places for the purchase of up to 135,000,000 existing Shares owned by the Vendor, representing approximately 15.93% of the issued share capital of the Company as at the date of this announcement and, assuming the Placing Shares are fully placed under the Placing, approximately 13.96% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares pursuant to the Subscription.

Placing price:

HK\$2.51 per Placing Share.

This price was agreed after arm's length negotiations between the Vendor, the Company and the Placing Agent with reference to recent market prices of the Shares. This price represents (i) a discount of approximately 16.05% to the closing price of HK\$2.99 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 16.33% to the average closing price of HK\$3.00 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and (iii) a discount of approximately 14.97% to the average closing price of HK\$2.952 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day.

The Directors (including the independent non-executive Directors) are of the opinion that the Placing Price is fair and reasonable and in the interests of the Company and its shareholders as a whole.

Placees:

The Placing Shares will be placed at the Placing Price on a best effort basis. It is expected that the Placing Shares will be placed to not less than six independent professional institutional or other investors, who are independent of and not connected nor acting in concert (as defined in the Takeovers Code) with the Directors, chief executive or substantial shareholders of the Company or its subsidiaries or associated companies, or any of their respective associates, or the Vendor or parties acting in concert with it.

Independence of the Placees and the Placing Agent:

To the best knowledge of the Directors:

- (a) the placees, (where applicable) their ultimate beneficial owners, the Placing Agent and its beneficial owners are third parties independent of and not connected to nor acting in concert with the Vendor or any persons acting in concert with it or its associates (as defined under the Takeover Code);
- (b) the placees, (where applicable) their ultimate beneficial owners, the Placing Agent and its beneficial owners are not connected persons of the Company and are third parties independent of and not connected with the Company, the Directors, chief executive or substantial shareholders of the Company or its subsidiaries, or any of their respective associates; and
- (c) none of the placees will become substantial shareholders of the Company immediately following the Placing.

Completion of the Placing:

The completion of the Placing will take place at or before 10:00 a.m. on 20 January 2010 (being the second business day following the date of the Placing Agreement) (or such later time and/or date as the Vendor and the Placing Agent may agree in writing).

Rights of the Placing Shares:

The Placing Shares will be sold by the Vendor free from all claims, liens, charges, option, warrant, pre-emptive right, security interest, third party right or encumbrances and together with all rights attaching to the Placing Shares as at the date of the Placing Agreement, including the right to receive all dividends declared, made or paid in respect of the Placing Shares on or after the date of the Placing Agreement.

Undertakings:

Pursuant to the Placing Agreement, the Vendor has undertaken to the Placing Agent that (except for the sale of the Placing Shares pursuant to the Placing Agreement and any existing arrangements) for a period commencing on the date of the Placing Agreement and ending on 90th day after 20 January 2010, it will not and will procure that none of its nominees and companies controlled by it and trusts associated with it (whether individually or together and whether directly or indirectly) will (i) offer, lend,

pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares (including the Subscription Shares) or any interests therein beneficially owned or held by the Vendor or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Shares or interests or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above, unless with the prior written consent of the Placing Agent.

The Company has further undertaken to the Placing Agent, and the Vendor has undertaken to the Placing Agent to procure, that for a period commencing on the date of the Placing Agreement and ending on the 90th day after 20 January 2010, the Company will not, except for the Subscription Shares and save pursuant to (i) the terms of any employee share option scheme of the Company (if any) or (ii) any outstanding subscription warrants (if any) or (iii) bonus or scrip dividend or similar arrangements which provide for the allotment of Shares in lieu of the whole or part of a dividend on Shares of the Company in accordance with its bye-laws or (iv) conversion of outstanding convertible bonds (if any), (a) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares or (b) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (a) above or (c) announce any intention to enter into or effect any such transaction described in (a) or (b) above without first having obtained the written consent of the Placing Agent.

THE SUBSCRIPTION

The Subscription Agreement dated 18 January 2010 was entered into between the Vendor (as subscriber) and the Company.

Subscriber: The Vendor

Issuer: The Company

Number of Subscription Shares:

The Company has agreed to allot and issue and the Vendor has agreed to subscribe for 120,000,000 new Shares, which, having an aggregate nominal value of HK\$12,000,000, represents approximately 14.16% of the issued share capital of the Company as at the date of this announcement and, assuming the Placing Shares are fully placed under the Placing, approximately 12.40% of the issued share capital as enlarged by the allotment and issue of the Subscription Shares.

Subscription price:

HK\$2.51 per Subscription Share, which is equivalent to the price per Placing Share.

Mandate to allot and issue new Shares:

The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Directors by a resolution of the Shareholders passed at the annual general meeting of the Company held on 26 June 2009. The Company is authorised to issue 166,070,400 Shares under such mandate. As at the date of this announcement, the Company had not exercised the power to allot and issue any new Shares pursuant to such mandate prior to the Placing and the Subscription. Accordingly, the issue of the Subscription Shares is not subject to Shareholders' approval.

Ranking:

The Subscription Shares will, when fully paid, rank equally in all respects among themselves and with all other Shares in issue as at the date of completion of the Subscription, including the rights to all dividends and other distributions declared, made or paid at any time on or after the date of completion of the Subscription.

Conditions of the Subscription:

The Subscription is conditional upon:

- (a) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Subscription Shares; and
- (b) completion of the Placing pursuant to the Placing Agreement.

Assuming the Placing Shares are fully placed under the Placing, the shareholding of the Vendor will decrease from approximately 62.97% to approximately 47.04% immediately after completion of the Placing and will increase to approximately 53.61% immediately after completion of the Subscription.

As the Subscription is subject to the fulfillment of a number of conditions and may or may not proceed to completion, Shareholders and prospective investors are advised to exercise caution when dealing in the Shares.

Completion of the Subscription:

Completion of the Subscription will take place on the business day immediately after the day on which the conditions referred to above are fulfilled, or such later time and/or date as the Company and the Vendor may agree, provided that it shall take place on a date no later than 14 days after the date of the Placing Agreement.

If the conditions to the Subscription are not fulfilled on or prior to 1 February 2010 (or such later date as may be agreed by the Vendor and the Company), the Subscription Agreement shall terminate and none of the parties thereto shall have any claim against any other in respect of the Subscription save in respect of any antecedent breach.

CHANGES TO SHAREHOLDING AS A RESULT OF THE PLACING AND THE SUBSCRIPTION

Assuming the Placing Shares are fully placed under the Placing, the shareholding of the Vendor in the Company (a) as at the date of this announcement; (b) immediately after completion of the Placing but before the Subscription; and (c) immediately after completion of the Placing and the Subscription are as follows:

Shareholders	As at the date of this announcement		Immediately after completion of the Placing but before the Subscription		Immediately after completion of the Placing and the Subscription	
	<i>Approx.</i>		<i>Approx.</i>		<i>Approx.</i>	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
The Vendor (<i>Note</i>)	533,580,010	62.97	398,580,010	47.04	518,580,010	53.61
Placees	–	–	135,000,000	15.93	135,000,000	13.96
Public (excluding the Placees)	313,796,396	37.03	313,796,396	37.03	313,796,396	32.43
Total:	<u>847,376,406</u>	<u>100.00</u>	<u>847,376,406</u>	<u>100.00</u>	<u>967,376,406</u>	<u>100.00</u>

Note: The Vendor is wholly-owned by Xiwang Holdings, which is in turn wholly and ultimately held by the 28 Individuals (among which Mr. Wang Yong, an executive Director, is the ultimate shareholder of approximately 60.32% of the shares of Xiwang Holdings as at the date of this announcement).

As disclosed in the above shareholding table, immediately after the completion of the Placing as well as immediately after the completion of the Placing and the Subscription, over 25% of the then issued share capital of the Company will be held by public shareholders (including the placees).

REASONS FOR THE PLACING AND SUBSCRIPTION AND USE OF PROCEEDS

The Directors consider that it is in the interests of the Company to raise capital from the equity market in order to increase working capital of the Group and to enhance the capital base of the Company. The Directors (including the independent non-executive Directors) consider the terms of each of the Placing Agreement and the Subscription Agreement to be fair and reasonable and are in the best interests of the Company, as far as the Company and the Shareholders as a whole are concerned.

Assuming that the Placing Shares are fully placed under the Placing, upon completion of the Placing and the Subscription:

- (i) the gross proceeds from the Subscription are estimated to be approximately HK\$301 million;

- (ii) the net proceeds, after deducting related placing commission, professional fees and all related expenses, from the Subscription are estimated to be approximately HK\$292 million; and
- (iii) the net price per Subscription Share is approximately HK\$2.43.

The Company intends to utilise the net proceeds in the following manner:

- (i) approximately HK\$90 million for the construction of a production line for a new product of the Group, being oligosaccharide (which is a kind of direct consumable sugar that helps promoting the bacterial balance of intestine in human bodies and the production process of which will consume part of the residue glucose syrup from the production of crystalline glucose, the Group's main product);
- (ii) approximately HK\$160 million for the repayment of the short-term borrowings of the Group; and
- (iii) the remaining balance to be retained as general working capital of the Group.

GENERAL INFORMATION

The Company is an investment holding company. The Group is principally engaged in the production of functional starch sugars and corn products which are widely applied in food and beverages, pharmaceuticals, animal feeds and many other consumer and industrial products. Currently, the Group is the largest manufacturer and supplier of crystalline glucose and crystalline fructose in the People's Republic of China.

FUND-RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Group has not conducted any equity fund-raising activities in the past 12 months from the date of this announcement.

APPLICATION FOR LISTING

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

MISCELLANEOUS

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

DEFINITIONS

The following defined terms are used in this announcement:

“associates”	having the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“business day”	means any day (excluding a Saturday, Sunday and any day on which a tropical cyclone warning no.8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which banks generally are open for business in Hong Kong
“Company”	Xiwang Sugar Holdings Company Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“connected persons”	having the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	15 January 2010, being the last trading day immediately prior to the date of the Placing Agreement and Subscription Agreement
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the placing of the Placing Shares pursuant to the terms of the Placing Agreement

“Placing Agent”	China International Capital Corporation Hong Kong Securities Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
“Placing Agreement”	a placing agreement dated 18 January 2010 and made among the Vendor, the Company and the Placing Agent in relation to the Placing
“Placing Price”	HK\$2.51 per Placing Share
“Placing Shares”	a total of 135,000,000 Shares beneficially owned by the Vendor to be placed pursuant to the Placing Agreement
“Share(s)”	ordinary share(s) of HK\$0.10 in the capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by the Vendor pursuant to the Subscription Agreement
“Subscription Agreement”	a subscription agreement dated 18 January 2010 and made between the Vendor and the Company
“Subscription Shares”	a total of 120,000,000 new Shares
“substantial shareholders”	having the meaning ascribed thereto in the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendor”	Xiwang Investment Company Limited, a company incorporated in the British Virgin Islands which is owned as to 100% by Xiwang Holdings

“Xiwang Holdings”	Xiwang Holdings Limited, a company incorporated in the British Virgin Islands with limited liability which is ultimately held by the 28 Individuals (among which Mr. Wang Yong, an executive Director, is the ultimate shareholder of approximately 60.32% of the shares of Xiwang Holdings as at the date of this announcement)
“28 Individuals”	28 individuals who are ordinary residents in the People’s Republic of China which includes, among others, Mr. Wang Yong, an executive Director
“%”	per cent.

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

Hong Kong, 19 January 2010

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 Xinqu

Independent non-executive Directors:

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

* *For identification purpose only*