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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)

**SUPPLEMENTAL AGREEMENT IN RELATION TO  
MAJOR AND CONNECTED TRANSACTION**

**Financial adviser to the Company**



**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**



Shenyin Wanguo Capital (H.K.) Limited

Reference is made to the Announcement.

**THE SUPPLEMENTAL AGREEMENT**

After trading hours on 10 December 2012, the Company and Xiwang Investment entered into the Supplemental Agreement to amend certain terms and conditions of the Acquisition Agreement. Pursuant to the Supplemental Agreement, Xiwang Investment undertakes to the Company (a) to use its best effort, in the period ending on the expiry of 5 years after Completion, to assist the Group to enter into the State-owned Land Use Rights Grant Contract(s) and to obtain the State-owned Land Use Certificate(s) in respect of the project site and the Construction Work Planning Permit(s) in respect of the properties under the Yintaishan Corn Cultural Project; and (b) to compensate the Company for the Group's failure to (i) enter into the State-owned Land Use Rights Grant Contract(s) or obtain the State-owned Land Use Certificate(s) and to (ii) obtain the Construction Work Planning Permit(s) both for residential development in respect of the gross floor area of at least 800,000 sq.m. and commercial development in respect of the gross floor area of at least 200,000 sq.m. under the Yintaishan Corn Cultural Project within 5 years following Completion.

**Completion of the Acquisition is subject to the satisfaction and/or waiver of the conditions precedent in the Acquisition Agreement and therefore, may or may not be taken place. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 18 November 2012 (the “Announcement”), in relation to, among other things, the Acquisition. Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless otherwise stated.

## **THE SUPPLEMENTAL AGREEMENT**

The Board announced that on 10 December 2012 (after trading hours), the Company and Xiwang Investment entered into the supplemental agreement (the “Supplemental Agreement”) to amend certain terms and conditions of the Acquisition Agreement.

### **Principal terms of the Supplemental Agreement**

Pursuant to the Supplemental Agreement, Xiwang Investment has undertaken to the Company, among other things, as follows:

- (a) in the period ending on the expiry of 5 years after Completion, Xiwang Investment will use its best effort to assist the Group to enter into the State-owned Land Use Rights Grant Contract(s) and to obtain the State-owned Land Use Certificate(s) in respect of the project site and the Construction Work Planning Permit(s) in respect of the properties under the Yintaishan Corn Cultural Project; and
- (b) If the Group fails to (i) enter into the State-owned Land Use Rights Grant Contract(s) or obtain the State-owned Land Use Certificate(s) and to (ii) obtain the Construction Work Planning Permit(s) both for residential development in respect of the gross floor area of at least 800,000 sq.m. and commercial development in respect of the gross floor area of at least 200,000 sq.m. under the Yintaishan Corn Cultural Project within 5 years following Completion, Xiwang Investment will compensate the Company the shortfall by paying the Company within 10 Business Days after the expiry of the aforesaid 5-year period in cash an amount to be calculated based on the following formulae:

*Shortfall in respect of the residential development*

the gross floor area in respect of which the  
Construction Work Planning Permit(s) is      x      RMB217.2 per sq.m.  
not available (in sq.m.)

*Shortfall in respect of the commercial development*

the gross floor area in respect of which the Construction Work Planning Permit(s) is x RMB203.8 per sq.m. not available (in sq.m.)

For the avoidance of doubt, Xiwang Investment will not have any liability under this compensation undertaking so long as the Group is able to obtain the Construction Work Planning Permit(s) in respect of the gross floor area of not less than 200,000 sq.m. for commercial development and the gross floor area of not less than 800,000 sq.m. for residential development under the Yintaishan Corn Cultural Project and to (i) enter into the corresponding State-owned Land Use Rights Grant Contract(s) or (ii) obtain the corresponding State-owned Land Use Certificate(s) within the post Completion 5-year period notwithstanding the site area covered under the corresponding State-owned Land Use Rights Grant Contract(s) or the State-owned Land Use Certificate(s).

Save as disclosed above, all other terms of the Acquisition Agreement shall remain unchanged.

**The compensation undertaking**

The registered capital of Yintaishan Cultural of US\$15 million (equivalent to approximately RMB93.5 million) has been taken into account by the Independent Valuer in determining the fair market value of Yintaishan Cultural. Accordingly, the difference between the Consideration of RMB308 million and the registered capital of Yintaishan Cultural of RMB93.5 million in an amount of approximately RMB214.5 million represents the consideration payable by the Company for the right to cooperate with 鄒平縣人民政府 (People's Government of Zouping County) (the "Zouping County Government") to develop the Yintaishan Corn Cultural Project and the preferential right to enter into the land use right contract with respect to that project site subject to conditions pursuant to the Framework Agreement.

As further advised by the Independent Valuer, in deriving the indicative market value of the project site of the Yintaishan Corn Cultural Project, the Independent Valuer takes into consideration the gross development value of only the residential portion of 800,000 sq.m. and commercial portion of 200,000 sq.m. The Independent Value has ascribed no commercial value to the cultural portion because this portion is a cultural promotion and public welfare facilities required to erect on the property instructed by the relevant government organization and a solid development schedule on the cultural portion is not available as at the date of valuation. The split of residential portion and commercial portion of the gross development value of the project site is 81% and 19% respectively.

On this basis, the compensation for the failure to (i) enter into the State-owned Land Use Rights Grant Contract(s) or obtain the State-owned Land Use Certificate(s) and to (ii) obtain the Construction Work Planning Permit(s) both for the residential development portion and commercial development portion within five years following Completion in dollar amount per sq.m. is calculated as below:

*Residential development portion:* RMB214,500,000 x 0.81/800,000 sq.m. = RMB217.2 per sq.m.

*Commercial development portion:* RMB214,500,000 x 0.19/200,000 sq.m. = RMB203.8 per sq.m.

## **VIEW OF THE DIRECTORS**

It is stated in the Announcement that one of the conditions precedent of the Acquisition Agreement is that the registered capital of Yintaishan Cultural of US\$15 million has to be contributed in full. Therefore, the Directors are of the view that the compensation of Xiwang Investment as mentioned above based on RMB214.5 million apportioned to the Consideration is fair and reasonable.

The Consideration of RMB308 million is determined after taking into account the preliminary fair market value of 100% equity interest in the Target Company of RMB341.4 million as appraised by the Independent Valuer. Since (1) the preliminary fair market value of the Target Company of RMB341.4 million is derived by the Independent Valuer by taking into consideration of the indicative market value of the project site of the Yintaishan Corn Cultural Project; (2) the gross development value of project site as appraised by the Independent Valuer is composed of the residential portion of 800,000 sq.m. and commercial portion of 200,000 sq.m. but not the cultural portion of 400,000 sq.m.; (3) the Independent Valuer adopts the gross development value to determine indicative market value of the project site of the Yintaishan Corn Cultural Project; (4) the duration of the Yintaishan Corn Cultural Project construction is 5 years pursuant to the Framework Agreement; and (5) the PRC legal advisers of the Company advised that, where a State-owned Land Use Rights Grant Contract has been entered into, it is relatively certain that the relevant State-owned Land Use Certificate(s) will be granted and a Construction Work Planning Permit is usually granted after the availability of the corresponding State-owned Land Use Certificate, the Directors consider that the terms of the compensation undertaking (including the calculation mechanism) is fair and reasonable. Moreover, the purpose of the compensation undertaking is to safeguard the interests of the Group and the shareholders of the Company. On the basis set out above, the Directors take the view that the compensation undertaking is in the interests of the Company and its shareholders as a whole.

**Completion of the Acquisition is subject to the satisfaction and/or waiver of the conditions precedent in the Acquisition Agreement and therefore, may or may not be taken place. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

*English translation of the Chinese name is for information purposes only, and should not be regarded as the official English translation of such name. In the event of any inconsistency, the Chinese name prevails.*

*For ease of reference, the exchange rate between United States dollars and Renminbi provided in this announcement is US\$1 = RMB6.236. The provision of such exchange rate does not mean that United States dollars could be converted into Renminbi based on such exchange rate.*

By order of the Board  
**XIWANG SUGAR HOLDINGS  
COMPANY LIMITED**  
**LAM Wai Lin**  
*Company Secretary*

Hong Kong, 10 December 2012

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

*Executive Directors:*

Mr. WANG Yong  
Mr. WANG Di  
Mr. WANG Fangming  
Dr. LI Wei  
Mr. HAN Zhong

*Independent Non-executive Directors:*

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

*Non-executive Director:*

Mr. SUN Xihu

\* *For identification purpose only*