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CHINA STARCH HOLDINGS LIMITED

中國澱粉控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3838)

DISCLOSEABLE TRANSACTION: CONSTRUCTION CONTRACTS

The Board is pleased to announce that on 12 April 2019, (i) Golden Corn, an indirect wholly-owned subsidiary of the Company, and (ii) Golden Corn Biotech, an indirect non-wholly-owned subsidiary of the Company, entered into construction contracts amounting to approximately RMB102 million with Huaye, pursuant to which Huaye is to provide certain construction services to Golden Corn and Golden Corn Biotech.

Pursuant to Rule 14.22 of the Listing Rules, the transactions contemplated under these construction contracts have to be aggregated. As one of the applicable percentage ratios (after aggregation) is more than 5% but less than 25%, the transactions contemplated under these construction contracts constitute discloseable transaction for the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

Each of (i) Golden Corn, an indirect wholly-owned subsidiary of the Company, and (ii) Golden Corn Biotech, an indirect non-wholly-owned subsidiary of the Company, conducted open tenders for the certain construction services. On 12 April 2019, each of Golden Corn and Golden Corn Biotech issued a letter of acceptance to Huaye, confirming that Huaye has become the successful bidder.

The Board is pleased to announce that on 12 April 2019, (i) Golden Corn and (ii) Golden Corn Biotech entered into construction contracts amounting to approximately RMB102 million with Huaye, pursuant to which Huaye is to provide certain construction services to Golden Corn and Golden Corn Biotech on the principal terms as set out below.

CONSTRUCTION CONTRACT I:

The principal terms of the Construction Contract I are set out below:

Date of the construction contract: 12 April 2019

Parties: Golden Corn, and
Huaye, as the contractor.

Scope of construction services: The construction of factory and ancillary facilities at the production site located at the Shouguang production complex.

The scope of services is related to the construction of the sewage plant (phase two) project which includes but not limited to the construction of the BYIC anaerobic reactor foundation, A/O pool, various sedimentation tanks and collection tanks.

The construction work is expected to be completed by the end of 2019.

Contract sum: The contract sum payable by Golden Corn for the construction service is approximately RMB6,000,000, which includes the cost of the construction of the sewage plant and other scope of works as stated in the construction contract, subject to the adjustments in connection to the changes in the design and/or the construction work, the specified contract rebate rate stated in the construction contract and other factors as agreed by both parties.

The contract sum was determined based on the terms of the open tender and after the arm's length negotiations among the parties thereto with reference to the expected scope and complexity of the construction works to be carried out, the material costs and labour costs estimated to be incurred, and the prevailing market prices for carrying out construction works of comparable scale and complexity.

Payment terms:

Monthly progress payment

Huaye will, on or before 20th day of each month, according to the actual work progress of the construction of the sewage plant, issue a monthly payment request to Golden Corn with the monthly progress payment entitled to them stated therein. The monthly progress payment, after deduction of the contract rebate and the cost of material provided by Golden Corn (“**monthly progress payment**”), shall be payable by Golden Corn in the following manner:

- (i) 70% of the monthly progress payment shall be payable by Golden Corn on or before the 20th day of the following month;
- (ii) the remaining 30% of the monthly progress payment shall be held up and settled in the manner as more particularly stated in the subsection headed “Final Payment” below.

Final payment

Upon the completion of the construction of the sewage plant and other scope of works as stated in the construction contract, the remaining 30% of all monthly progress payments (“**balance of the progress payment**”) shall be payable by Golden Corn in the following manner:

- (i) The first 20% of the balance of the progress payment shall be payable after the completion of the audit of final accounts; and
- (ii) the remaining 10% of the balance of the progress payment shall be held up as retention monies, of which half of the retention monies is to be released to Huaye after one year of the normal operation of the sewage plant; and the remaining half of the retention monies is to be released after two years upon the satisfaction of the quality report on the construction of the sewage plant, provided that there is no issues as to the quality of the construction of the sewage plant.

The payment of the consideration will be funded by internal resources of the Group.

Supply of construction materials: Huaye shall procure the purchase of materials for the construction of the sewage plant, except for the steel, concrete, bricks and other materials stated in the construction contract, which shall be supplied by Golden Corn.

The agreed material costs incurred by Golden Corn for the procurement of the construction material shall be deducted from the contract sum in accordance with the terms and conditions set out in the construction contract.

Period of warranty: Two years (commencing from the completion, examination and acceptance of the construction work).

CONSTRUCTION CONTRACT II:

The principal terms of the Construction Contract II are set out below:

Date of the construction contract: 12 April 2019

Parties: Golden Corn Biotech, and Huaye, as the contractor.

Scope of construction services: The construction of factory and ancillary facilities at the production site located at the Shouguang production complex.

The scope of construction services includes but not limited to the civil engineering works in connection with the construction of raw material workshop, packaging workshops, refinery workshop and finished goods warehouses.

The construction work is expected to be completed by the end of 2019.

Contract sum: The contract sum payable by Golden Corn Biotech is RMB96,000,000, which includes the cost of the civil engineering works in connection with the construction of various workshops and warehouses as stated in the construction contract, subject to the adjustments in connection to the changes in the design and/or the construction work, the specified contract rebate rate stated in the construction contract and other factors as agreed by both parties.

The contract sum was determined based on the terms of the open tender and after the arm's length negotiations among the parties thereto with reference to the expected scope and complexity of the construction works to be carried out, the material costs and labour costs estimated to be incurred, and the prevailing market prices for carrying out construction works of comparable scale and complexity.

Payment terms:

Monthly progress payment

Huaye will, on or before 20th day of each month, according to the actual work progress of the civil engineering works in connection with the construction of the various workshops and warehouses, issue a monthly payment request to Golden Corn Biotech with the monthly progress payment entitled to them stated therein. The monthly progress payment, after deduction of the contract rebate and the cost of material provided by Golden Corn Biotech ("**monthly progress payment**"), shall be payable by Golden Corn Biotech in the following manner:

- (i) 70% of the monthly progress payment shall be payable by Golden Corn Biotech on or before the 20th day of the following month;
- (ii) the remaining 30% of the monthly progress payment shall be held up and settled in the manner as more particularly stated in the subsection headed "Final Payment" below.

Final payment

Upon the completion of the construction of the civil engineering works in connection with the construction of the various workshops and warehouses as stated in the construction contract, the remaining 30% of all monthly progress payments ("**balance of the progress payment**") shall be payable by Golden Corn Biotech in the following manner:

- (iii) The first 20% of the balance of the progress payment shall be payable after the completion of the audit of final accounts; and

- (iv) the remaining 10% of the balance of the progress payment shall be held up as retention monies, of which half of the retention monies is to be released to Huaye after one year of the normal operation of various workshops and warehouses; and the remaining half of the retention monies is to be released after two years upon the satisfaction of the quality report on the construction of the various workshops, provided that there in no quality issues as to the civil engineering works.

The payment of the consideration will be funded by internal resources of the Group.

Supply of construction materials: Huaye shall procure the purchase of materials for the civil engineering works in connection with the construction of the various workshops and warehouses, except for the steel, concrete, bricks and other materials stated in the construction contract, which shall be supplied by Golden Corn Biotech.

The agreed material costs incurred by Golden Corn Biotech for the procurement of the construction material shall be deducted from the contract sum with the terms and conditions set out in the construction contract.

Period of warranty: Two years (commencing from the completion, examination and acceptance of the construction work).

REASONS FOR AND BENEFIT OF THE CONSTRUCTION CONTRACTS

Huaye is selected as the contractor of the Group from a tender process. The Construction Contract I and the Construction Contract II are determined based on the terms of the open tender and after the arm's length negotiations among the parties thereto.

The Group is expanding its production base located in Shouguang. The entering into of these construction contracts by Golden Corn and Golden Corn Biotech is for the construction of the production facilities in the Shouguang production complex, which is part of the expansion plan of the Group.

The Directors consider that these terms of the Construction Contract I and the Construction Contract II are on normal commercial terms, fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

INFORMATION OF THE GROUP

The principal activity of the Company is investment holding. The Group is principally engaged in the manufacture and sale of cornstarch, lysine, starch-based sweetener, modified starch and ancillary corn-based and corn-refined products.

INFORMATION OF HUAYE

Huaye is a company incorporated in the PRC with limited liability on 11 October 1986. Its principal business activities include the provision of engineering contracting services, professional contracting, labour subcontracting, engineering survey and design as well as real estate development.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Huaye and its ultimate beneficial owner is not a connected person of the Company and is a third party independent of the Company and its connected persons in accordance with the Listing Rules.

LISTING RULES IMPLICATIONS

Pursuant to Rule 14.22 of the Listing Rules, the transactions contemplated under the Construction Contract I and the Construction Contract II have to be aggregated. As one of the applicable percentage ratios (after aggregation) is more than 5% but less than 25%, the transactions contemplated under the Construction Contract I and the Construction Contract II constitute discloseable transaction for the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Board”	the board of Directors
“Company”	China Starch Holdings Limited (中國澱粉控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3838)

“connected person”	has the same meaning as ascribed to this term under the Listing Rules
“Construction Contract I”	the construction contract dated 12 April 2019 entered into between Golden Corn and Huaye as the contractor
“Construction Contract II”	the construction contract dated 12 April 2019 entered into between Golden Corn Biotech and Huaye as the contractor
“Directors”	the directors of the Company
“Golden Corn”	Shandong Shouguang Juneng Golden Corn Development Co., Ltd.* (山東壽光巨能金玉米開發有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Golden Corn Biotech”	Shouguang Golden Corn Biotechnology Limited* (壽光金玉米生物科技有限公司), a limited liability company established in the PRC and an indirect non-wholly-owned subsidiary of the Company, which is owned as to 55% by Golden Corn and 45% by Linqing Deneng Bio Technology Limited* (臨清德能生物科技有限公司)
“Group”	the Company and its subsidiaries from time to time
“Huaye”	China Huaye Group Co. Ltd* (中國華冶科工集團有限公司), a company established in the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratio(s)”	has the same meaning as ascribed to it under Rule 14.07 of the Listing Rules, as applicable to a transaction
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)

“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

* *Unofficial name for identification only*

By order of the Board
CHINA STARCH HOLDINGS LIMITED
Tian Qixiang
Chairman

Shouguang, The People’s Republic of China, 15 April 2019

As at the date of this announcement, the directors of the Company are:

Executive Directors:

Mr. Tian Qixiang (*Chairman*)
Mr. Gao Shijun (*Chief Executive Officer*)
Mr. Yu Yingquan
Mr. Liu Xianggang

Independent non-executive Directors:

Professor Hua Qiang
Mr. Sun Mingdao
Mr. Yue Kwai Wa, Ken