

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Manpower Provision Agreement entered into between Golden Corn and Juneng Holding Group as disclosed in the paragraph headed “Discloseable continuing connected transaction” under the section headed “Business” contained in the Prospectus.

On 5 September, 2007, Golden Corn entered into the Manpower Provision Agreement with Juneng Holding Group for the provision of staff by Juneng Holding Group to Golden Corn. The term of the Manpower Provision Agreement is for a period commencing from the date of signing of the Manpower Provision Agreement on 5 September, 2007 and ending on 31 December, 2008.

As Juneng Holding Group is owned as to 55% by Mr. Tian, who is an executive Director and a controlling shareholder of the Company, Juneng Holding Group is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (other than the profits ratio) calculated pursuant to Rule 14.07 of the Listing Rules is on an annual basis less than 2.5%, the transactions contemplated under the Manpower Provision Agreement constitute continuing connected transactions of the Company under Rule 14A.34 of the Listing Rules and is subject to the reporting and announcement requirements but not subject to the independent shareholders’ approval requirement.

The Directors (including the independent non-executive Directors) consider that the terms of the Manpower Provision Agreement are fair and reasonable and on normal commercial terms and that the entering into of the Manpower Provision Agreement is in the interests of the Company and the Shareholders as a whole.

Details of the transactions contemplated under the Manpower Provision Agreement will be included in the annual report and financial statements of the Company for the year in which the Manpower Provision Agreement subsists.

Reference is made to the Manpower Provision Agreement as disclosed in the paragraph headed “Discloseable continuing connected transaction” under the section headed “Business” contained in the Prospectus.

THE MANPOWER PROVISION AGREEMENT

The principal terms of the Manpower Provision Agreement are as follows:

Date :

5 September, 2007

Parties :

- (1) Golden Corn (as customer), an indirect wholly owned subsidiary of the Company held through Sourcestar; and
- (2) Juneng Holding Group (as service provider), a company owned as to 55% by Mr. Tian and as to the remaining 45% in the equity proportion of 5% by each of Yu Yingquan (who is an executive Director), Huo Dengke, Zhou Jincheng, Wang Shaofa, Zhang Junhua (who is a director of Golden Corn), Liu Bo, Tian Xiaoli, Zhang Mingrong and Li Mingwen. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the principal activity of Juneng Holding Group is investment holdings and, other than Mr. Tian who is an executive Director and a controlling shareholder of the Company, Mr. Yu Yingquan who is an executive Director and Mr. Zhang Junhua who is a director of Golden Corn, the ultimate beneficial owners of Juneng Holding Group do not hold any position in the Group and are independent third parties independent of the Company and its connected persons.

Term:

For a period commencing from the date of signing of the Manpower Provision Agreement on 5 September, 2007 and ending on 31 December, 2008.

Service provided:

Provision of staff by Juneng Holding Group to Golden Corn.

Service fee payable by Golden Corn and basis upon which the service fee was determined :

Golden Corn shall pay to Juneng Holding Group, for each staff provided, a fixed monthly Service Fee at a rate determined with reference to the average monthly salary of staff of Golden Corn engaging in similar functions. The monthly Service Fee payable for each staff provided can be adjusted subject to the written consents by both parties to the Manpower Provision Agreement but shall, in any event, not exceed the average monthly salary of staff of Golden Corn engaging in similar functions or fees chargeable by independent third parties providing similar service. In the event that the length of service of a particular staff provided by Juneng Holding Group be less than a whole calendar month, the monthly Service Fee payable shall be determined and paid to Juneng Holding Group on a pro rata basis.

Other principal terms :

Golden Corn has the right to terminate the Manpower Provision Agreement by giving three months' written notice to Juneng Holding Group and either party to the Manpower Provision Agreement can effect a termination of the Manpower Provision Agreement in the event of breach by the other party by serving not less than three months' written notice to the other.

Juneng Holding Group has no right to effect a termination of the Manpower Provision Agreement otherwise than by the default of Golden Corn of the terms of the Manpower Provision Agreement.

Juneng Holding Group is to provide the details of potential staff for review and selection by Golden Corn on a regular basis. The staff as selected by Golden Corn will be provided for use by Golden Corn but under the employment of Juneng Holding Group and Juneng Holding Group shall be responsible for their salaries under the employment contracts entered into between Juneng Holding Group and the relevant staff. Juneng Holding Group shall inform Golden Corn of any non-compliance by such staff in the performance of their employment contract with Juneng Holding Group.

HISTORICAL TRANSACTION AMOUNTS OF SERVICE FEE PAID OR PAYABLE TO JUNENG HOLDING GROUP

As disclosed in the Prospectus, Juneng Holding Group had provided staff provision service to Golden Corn under its own employment since 1 January, 2006. For the year ended 31 December, 2006 and the four months ended 30 April, 2007, payments in the amount of approximately RMB14,844,000 and RMB2,711,000 respectively were made by Golden Corn to Juneng Holding Group for the provision of the staff provision service.

Based on the unaudited management accounts of the Group, the Service Fee paid or payable to Juneng Holding Group for the staff provision service provided to Golden Corn for the period from 1 January, 2007 to 31 August, 2007 and for the month of September 2007 were approximately RMB4,704,000 and approximately RMB508,000 respectively.

TRANSACTION ANNUAL CAPS UNDER THE MANPOWER PROVISION AGREEMENT

The proposed annual caps for the Service Fee payable by the Group under the Manpower Provision Agreement in respect of each of the two years ending 31 December, 2008 are as follows:

	Year ending	
	31 December	
	2007	2008
	<i>(RMB)</i>	<i>(RMB)</i>
Annual cap	8,000,000	7,000,000

The proposed annual caps for the two financial years ending 31 December, 2008 were estimated primarily based on (a) the historical amount of payments made by Golden Corn for the staff provision service for the three years ended 31 December, 2006 and the four months ended 30 April, 2007; (b) the intention of the Group to migrate the relevant staff provided by Juneng Holding Group to the Group's own employment; and (c) the Group's estimates on the time required for a full migration of such staff to the Group's own employment. Having considered these bases, the Directors (including the independent non-executive Directors) are of the view that the proposed annual caps are fair and reasonable.

REASONS FOR AND THE BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

Juneng Holding Group had provided staff provision service to Golden Corn, which were under its employment since 1 January, 2006. The staff provision service has been providing the flexibility of allowing the Group to cease using any of the staff provided at any time without payment of any compensation or other payment. The staff provided by Juneng Holding Group under the staff provision service are principally engaged in the production and other administrative positions which do not require high level of technical skills. While the duties required of these staff are basically the same as those employed by the Group in the same level of positions, since they are under the employment of Juneng Holding Group and not the Group, they are not entitled to the staff benefits provided by the Group and the Group is not obliged to provide staff benefits to them. Taking into account the flexibility and the historical satisfactory result of the arrangement, the Directors consider that the provision of staff by Juneng Holding Group has been beneficial to the Group.

The terms of the Manpower Provision Agreement (including the price) are on normal commercial terms and determined between Golden Corn and Juneng Holding Group on an arm's length basis. Having considered the terms of the Manpower Provision Agreement and the reasons for and benefits of the transactions contemplated thereunder, the Directors (including the independent non-executive Directors) consider that the terms of the Manpower Provision Agreement are fair and reasonable and on normal commercial terms and that the entering into of the Manpower Provision Agreement is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As Juneng Holding Group is owned as to 55% by Mr. Tian, who is an executive Director and a controlling shareholder, Juneng Holding Group is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (other than the profits ratio) calculated pursuant to Rule 14.07 of the Listing Rules is on an annual basis less than 2.5%, the transactions contemplated under the Manpower Provision Agreement therefore constitute continuing connected transactions of the Company under Rule 14A.34 of the Listing Rules and is subject to the reporting and announcement requirements but not subject to the independent shareholders' approval requirement.

Details of the transactions contemplated under the Manpower Provision Agreement will be included in the annual report and financial statements of the Company for the year in which the Manpower Provision Agreement subsists.

The transactions contemplated under the Manpower Provision Agreement, which constitute continuing connected transactions under the Listing Rules, are subject to the annual review requirements as set out in Rules 14A.37 to 14A.39 of the Listing Rules.

Save as disclosed in this announcement, the Group had no prior transactions or relationship with Juneng Holding Group and its ultimate beneficial owners immediately upon the listing of the Shares on the Stock Exchange that requires aggregation under Rule 14.22 or Rule 14A.25 of the Listing Rules.

GENERAL

The Group is principally engaged in the manufacture and sale of cornstarch, 98.5% L-lysine hydrochloride salt and other ancillary corn-refined and corn based products such as corn slurry, corn germ, corn fibre, corn gluten meal and agricultural fertilisers. In addition, the Group has also been engaging in the sale of steam and electricity serving principally local customers in Shouguang City, Shandong Province, the PRC.

DEFINITIONS

Unless otherwise defined, the following expressions shall have the following meanings in this announcement:

“Company”	China Starch Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Juneng Holding Group”	山東壽光巨能控股集團有限公司 (Shandong Shouguang Juneng Holding Group Co., Ltd.), a company established in the PRC
“Golden Corn”	山東壽光巨能金玉米開發有限公司 (Shandong Shouguang Juneng Golden Corn Development Co., Ltd.), a wholly foreign-owned enterprise established in the PRC and an indirect wholly owned subsidiary of the Company held through Sourcestar
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“independent third party”	party who is independent of and not connected with the Company and any of the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Manpower Provision Agreement”	the manpower provision agreement entered into between Juneng Holding Group and Golden Corn on 5 September, 2007 for the provision of the staff provision service by Juneng Holding Group to the Group
“Mr. Tian”	Mr. Tian Qixiang, an executive Director and a controlling shareholder of the Company
“PRC”	the People’s Republic of China (for the purpose of this announcement, excludes Taiwan, the Macau Special Administrative Region of the PRC and Hong Kong)
“Prospectus”	the prospectus of the Company dated 12 September, 2007
“Service Fee”	the service fee paid or payable by Golden Corn to Juneng Holding Group for the provision of the staff provision service by Juneng Holding Group
“Share(s)”	ordinary share(s) of par value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sourcestar”	Sourcestar Worldwide Inc., a company incorporated in the British Virgin Islands with limited liability and a direct wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“RMB” Renminbi, the lawful currency of the PRC

“%” per cent.

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

Hong Kong, 15 October, 2007

As at the date of this announcement, the executive Directors are Mr. TIAN Qixiang, Mr. GAO Shijun, Mr. YU Yingquan and Mr. LIU Xianggang and the independent non-executive Directors are Ms. DONG Yanfeng, Ms. YU Shumin, Mr. Cao Zenggong and Mr. YUE Kwai Wa, Ken.