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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 FORMATION OF A JOINT VENTURE COMPANY

The Board is pleased to announce that Golden Corn, an indirect wholly-owned subsidiary of the Company, has on 10 March 2008 entered into the JV Agreement with the JV Partner in relation to the formation of a PRC limited liability joint venture company to be owned as to approximately 85.94% by Golden Corn and the remaining approximately 14.06% by the JV Partner, to facilitate the Proposed Acquisition. The Group is currently conducting due diligence review on the production facilities proposed to be acquired pursuant to, and is negotiating with the JV Partner on the terms and conditions of, the Proposed Acquisition.

The registered capital of the JV Company will be RMB128 million (equivalent to approximately HK\$140.47 million), which will be contributed as to RMB110 million (equivalent to approximately HK\$120.71 million) by Golden Corn and as to RMB18 million (equivalent to approximately HK\$19.75 million) by the JV Partner by way of cash.

The JV Agreement constitutes a discloseable transaction of the Company under Rule 14.06 of the Listing Rules. A circular containing further details of the JV Agreement will be dispatched to the Shareholders in accordance with the Listing Rules as soon as practicable.

As the Proposed Acquisition may or may not proceed, Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that Golden Corn, an indirect wholly-owned subsidiary of the Company, has on 10 March 2008 entered into the JV Agreement with the JV Partner in relation to the formation of a PRC limited liability joint venture company to be owned as to approximately 85.94% by Golden Corn and the remaining approximately 14.06% by the JV Partner, to facilitate the Proposed Acquisition.

THE JV AGREEMENT

Date: 10 March 2008

Parties: (i) Golden Corn, an indirect wholly-owned subsidiary of the Company; and
(ii) the JV Partner, 臨清德能生物科技有限公司 (Linqing Deneng Bio Technology Limited*)

Registered capital: The registered capital of the JV Company will be RMB128 million (equivalent to approximately HK\$140.47 million) which was determined on an arm's length basis between Golden Corn and the JV Partner with reference to the intended scale of operation of the JV Company.

Capital contribution: The registered capital of the JV Company will be contributed as to RMB110 million (equivalent to approximately HK\$120.71 million) by Golden Corn and as to RMB18 million (equivalent to approximately HK\$19.75 million) by the JV Partner by way of cash.

The Group intends to finance its portion of capital contribution to the JV Company from the proceeds arisen from the Global Offering.

Apart from the capital commitments of RMB110 million (equivalent to approximately HK\$120.71 million) as set out above, there is no further capital commitments required to be made by the Group pursuant to the JV Agreement.

It is a term of the JV Agreement that the respective share of registered capital contribution of Golden Corn and the JV Partner should be made within five business days following the signing of the JV Articles.

Scope of business: The scope of business of the JV Company shall be purchase and sale of corn, processing, manufacture and sale of cornstarch, starch-based sweeteners, amino acids and other ancillary products, and the provision of related services.

Profit distribution: The profits of the JV Company available for distribution shall be distributed to Golden Corn and the JV Partner in proportion to their respective share of registered capital contribution.

Board composition: The board of directors of the JV Company will consist of seven directors, of which five will be appointed by Golden Corn and two will be appointed by the JV Partner. The chairman and deputy chairman of the JV Company will be nominated by the JV Partner and Golden Corn respectively and will be appointed by the board of directors of the JV Company.

Upon establishment of the JV Company, the Company will indirectly hold approximately 85.94% equity interest in the JV Company. The financial results of the JV Company will be consolidated into the results of the Group.

INFORMATION ON THE JV PARTNER

臨清德能生物科技有限公司 (Linqing Deneng Bio Technology Limited*) is a company established in the PRC with limited liability on 17 May 2006 and is located at Linqing City, Shandong Province, the PRC. The approved scope of business of the JV Partner is processing and sale of cornstarch. There were no prior transactions or relationship between the Group and the JV Partner in the past save for the entering into of the JV Agreement.

To the best of the Directors' knowledge, the major assets of the JV Partner include, among other things, (i) a cornstarch production and corn processing plant which has not been put into operation since its establishment; and (ii) a starch-based sweetener production plant which is still under construction.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the JV Partner and its ultimate beneficial owner are third parties independent of the Company and its connected persons as defined under the Listing Rules.

THE PROPOSED ACQUISITION AND REASONS FOR THE FORMATION OF THE JV COMPANY

The Group is principally engaged in the manufacture and sale of cornstarch and ancillary corn-refined products, L-lysine hydrochloride salt and agricultural fertilisers and the sale of steam and electricity.

As stated in the prospectus of the Company dated 12 September 2007, it is one of the Group's business strategies to increase its annual cornstarch and lysine production capacity. To facilitate the planned expansion in production capacity of the Group, it is part of the Group's future plans to acquire additional production capacity from small-to-medium-sized cornstarch and/or lysine producers. As stipulated in the JV Agreement, the JV Company will be established for the purpose of, among others, acquiring the production facilities relating to the intended business scope of the JV Company from the JV Partner through utilizing the injected capital of the JV Company.

The Group is currently conducting due diligence review on the production facilities proposed to be acquired pursuant to, and is negotiating with the JV Partner on the terms and conditions of, the Proposed Acquisition. **Accordingly, the Proposed Acquisition may or may not proceed.** The JV Articles has provided that the JV Company can be dissolved in accordance with its terms should the Proposed Acquisition fail to materialise in whatever reasons.

The Directors (including the independent non-executive Directors) consider that the terms of the JV Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL

The JV Agreement constitutes a discloseable transaction of the Company under Rule 14.06 of the Listing Rules. A circular containing further details of the JV Agreement will be dispatched to the Shareholders in accordance with the Listing Rules as soon as practicable.

As the Proposed Acquisition may or may not proceed, Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	China Starch Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Global Offering”	the global offering of an aggregate of 172,500,000 new Shares by the Company as detailed in the prospectus of the Company dated 12 September 2007
“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
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Agreement”	the joint venture agreement dated 10 March 2008 entered into between Golden Corn and the JV Partner in relation to the formation of a PRC limited liability joint venture company to facilitate the Proposed Acquisition
“JV Articles”	the articles of the JV Company entered into on 10 March 2008 in conjunction with the JV Agreement
“JV Company”	臨清德能金玉米生物有限公司 (Linqing Deneng Golden Corn Bio Limited*), a limited liability joint venture company to be formed under the laws of the PRC pursuant to the JV Agreement
“JV Partner”	臨清德能生物科技有限公司 (Linqing Deneng Bio Technology Limited*), a company established in the PRC with limited liability on 17 May 2006
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
“Proposed Acquisition”	the proposed acquisition of the production facilities relating to the intended business scope of the JV Company from the JV Partner by the JV Company
“RMB”	Renminbi, the lawful currency of PRC
“Shareholder(s)”	Holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of par value of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

** For identification purposes only*

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

Hong Kong, 11 March 2008

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.