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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)

CONTINUING CONNECTED TRANSACTIONS: PURCHASE OF ELECTRICITY AND STEAM FOR PRODUCTION

During the Relevant Period when Deneng Bio Tech was a connected person of the Company, Deneng Golden Corn had purchased electricity and steam from Deneng Bio Tech pursuant to the Supply Agreements.

As the aggregate purchases of electricity and steam effected under the Supply Agreements during the Relevant Period when aggregated with that of the amount of the Reimbursement or such aggregated amount on an annualised basis is more than 0.1% but less than 2.5% of the applicable percentage ratios of the Company under Rule 14.07 of the Listing Rules, the transactions contemplated under the Supply Agreements are not subject to independent shareholders' approval but subject to the announcement requirement of Rule 14A.47 of the Listing Rules and the reporting requirements of Rules 14A.45 to 14A.46 of the Listing Rules.

The Company should have complied with but was in breach of the announcement requirement of Rule 14A.47 of the Listing Rules by failing to publish an announcement on the transactions contemplated under the Supply Agreements and to notify the Stock Exchange as soon as possible after the terms of the Supply Agreements have been agreed. Also, the Company is treated as being in breach of Rule 14A.35(1) of the Listing Rules by failing to enter into a written agreement with Deneng Bio Tech in respect of the transactions contemplated under the Supply Agreements in a timely manner when the transactions were entered into.

INTRODUCTION

In November 2008, in the course of preparing the financial results of the Company for the year ending 31 December 2008, the financial controller of the Company identified that the Company should have announced the following continuing connected transactions mentioned in this announcement in accordance with the requirements as applicable to continuing connected transactions under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS: THE SUPPLY AGREEMENTS

The Electricity Supply Agreement

Date	:	20 May 2008
Parties	:	Deneng Golden Corn (as purchaser) and Deneng Bio Tech (as supplier)
Term	:	The Electricity Supply Agreement does not provide for a specified term of supply
Service to be provided by Deneng Bio Tech to Deneng Golden Corn	:	Provision of electricity
Pricing term and adjustment	:	Initially, RMB0.45 per kwh (including VAT), by reference to the cost of electricity production of Deneng Bio Tech plus a profit margin of 20%. In principle, the unit price per kwh of electricity supplied is to be adjusted half yearly save when there is a substantial variation in the production cost (whether upward or downward), both of Deneng Golden Corn and Deneng Bio Tech may adjust the unit price in accordance with the actual change in the production cost of electricity earlier otherwise than half yearly
Payment term	:	To be paid on the 5th day of each month in cash

Supplemental agreements : As varied and supplemented by the following agreements varying (among other matters) the unit price per kwh of electricity supplied:

- Electricity and Steam Supplemental Agreement dated 1 June 2008 (“First Supplemental Agreement”)
- The Second Electricity Supply Supplemental Agreement dated 29 July 2008

The Steam Supply Agreement

Date : 20 May 2008

Parties : Deneng Golden Corn (as purchaser) and Deneng Bio Tech (as supplier)

Term : The Steam Supply Agreement does not provide for a specified term of supply

Service to be provided : Provision of steam
by Deneng Bio Tech to
Deneng Golden Corn

Pricing term and adjustment : Initially, RMB90 per tonne (including VAT), by reference to the cost of steam production of Deneng Bio Tech. In principle, the unit price per tonne of steam supplied is to be adjusted half yearly save when there is a substantial variation in the production cost (whether upward or downward, both of Deneng Golden Corn and Deneng Bio Tech may adjust the unit price in accordance with the actual change in the production cost of steam earlier otherwise than half yearly

Payment term : To be paid on the 5th day of each month in cash

Supplemental agreements : As varied and supplemented by the following agreements varying (among other matters) the unit price per tonne of steam supplied:

- The First Supplemental Agreement
- The Second Steam Supply Supplemental Agreement dated 26 August 2008

Each of the Supply Agreements was entered into in the ordinary and usual course of business of the Group. The terms of each of the Supply Agreements were determined at after arm's length negotiation between Deneng Golden Corn and Deneng Bio Tech.

The Directors (including the independent non-executive Directors) consider that each of the Supply Agreements was entered into on normal commercial terms and that the terms of each of the Supply Agreements are fair and reasonable and each of the Supply Agreement is in the interests of the Company and its shareholders as a whole.

ONE-OFF CONNECTED TRANSACTION

As announced in the Company's announcement dated 11 April 2008 and the circular of the Company dated 14 May 2008:

- (a) Deneng Golden Corn had on 9 April 2008 entered into a provisional sale and purchase agreement ("**SP Agreement**") with Deneng Bio Tech for the acquisition from Deneng Bio Tech assets including but not limited to machineries, equipments (the aforesaid collectively, the "**Production Assets**"), land, buildings and ancillary structures relating to the production of, among other things, cornstarch and starch-based sweeteners.
- (b) A repayment guarantee agreement ("**Repayment Guarantee Agreement**") was entered into among Deneng Golden Corn, Deneng Bio Tech and a guarantor on 9 April 2008 in conjunction with the SP Agreement for the purpose of governing the performance by Deneng Bio Tech of its financial obligations in the occurrence of certain events stipulated in the SP Agreement.

During the period from 13 March 2008 to 8 April 2008 (“**Trial Period**”) when Deneng Golden Corn conducted test runs on the Production Assets as part of its due diligence review prior to entering into of the SP Agreement and the Repayment Guarantee Agreement and when Deneng Bio Tech was a connected person of the Company, Deneng Bio Tech provided the electricity and steam necessary for the production test runs. On 20 May 2008 when Deneng Golden Corn and Deneng Bio Tech entered into the Supply Agreements, the parties also agreed that Deneng Golden Corn would reimburse (“**Reimbursement**”) to Deneng Bio Tech such amount of electricity and steam consumed during the Trial Period for the purpose of test-running the Production Assets, which amounted to an aggregate of approximately RMB808,150 and is less than the de minimis threshold set out in Rule 14A.31(2) of the Listing Rules (being 0.1% of each of the applicable percentage ratios of Rule 14.07 of the Listing Rules).

REQUIREMENTS OF THE LISTING RULES IN RESPECT OF THE CONTINUING CONNECTED TRANSACTIONS

Prior to 18 June 2008, Deneng Bio Tech was holding approximately 14.06% interest in Deneng Golden Corn and was therefore a substantial shareholder of Deneng Golden Corn, which is a subsidiary of the Company. Deneng Bio Tech is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Supply Agreements constitute continuing connected transactions of the Company under the Listing Rules.

On 18 June 2008, Deneng Bio Tech transferred its interest in Deneng Golden Corn to the extent of approximately 6.25% to 石風旗 (transliterated as Mr. Shi Feng Qi) and 董振濤 (transliterated as Mr. Dong Zhen Tao), both being Independent Third Parties to the Company. After the transfer and up till now, Deneng Bio Tech is holding approximately 7.81% interest in Deneng Golden Corn and ceased to be a substantial shareholder nor a connected person of the Company under the Listing Rules. As such, the transactions contemplated under the Supply Agreements ceased to be continuing connected transactions of the Company under the Listing Rules on and subsequent to 18 June 2008.

Pursuant to Rule 14A.25 of the Listing Rules, the amount of the Reimbursement should be aggregated to the total amount transacted under the Supply Agreements during the Relevant Period for the purpose of determining the size tests in respect of the transactions contemplated under the Supply Agreements.

The following set out (a) the invoice amounts (net of VAT) for the supply of electricity and steam under the Supply Agreements during the Relevant Period; (b) the invoice amounts as aforesaid when aggregated with that of the amount of the Reimbursement; and (c) the aggregated amount as aforesaid on an annualised basis:

Period of continuing connected transactions	9 April 2008 – 17 June 2008
Invoice amount (electricity)	RMB1,046,400 (equivalent to HK\$1,175,730)
Invoice amount (steam)	RMB2,359,729 (equivalent to HK\$2,651,381)
Total amount transacted during the Relevant Period under the Supply Agreements (A)	RMB3,406,129 (equivalent to HK\$3,827,111)
Total amount of the Reimbursement (B)	RMB808,150 (equivalent to HK\$908,034)
(A) + (B)	RMB4,214,279 (equivalent to HK\$4,735,145)
(A) + (B) on an annualised basis	Approximately RMB15,858,000 (equivalent to approximately HK\$17,818,000)

In respect of the transactions contemplated under the Supply Agreements, the de minimis threshold under Rule 14A.33(3) of the Listing Rules, which means 0.1% of each of the applicable percentage ratios of Rule 14.07 of the Listing Rules, was exceeded in mid April 2008 when the transactional amount contemplated thereunder is aggregated with that of the amount of the Reimbursement.

As the aggregate purchases of electricity and steam effected under the Supply Agreements as aggregated above during the Relevant Period when aggregated with that of the amount of the Reimbursement or such aggregated amount on an annualised basis is more than 0.1% but less than 2.5% of the applicable percentage ratios of the Company under Rule 14.07 of the Listing Rules, the transactions contemplated under the Supply Agreements are not subject to independent shareholders' approval but subject to the announcement requirement of Rule 14A.47 of the Listing Rules and the reporting requirements of Rules 14A.45 to 14A.46 of the Listing Rules.

The Company should have complied with but was in breach of the announcement requirement of Rule 14A.47 of the Listing Rules by failing to publish an announcement on the transactions contemplated under the Supply Agreements and to notify the Stock Exchange as soon as possible after the terms of the Supply Agreements have been agreed.

Prior to the signing of the Supply Agreements on 20 May 2008, the respective terms of the Supply Agreements were still being negotiated by the parties and in particular, the pricing terms were outstanding. As a result, Deneng Golden Corn was not in a position to ascertain the magnitude of the transactions for the purpose of ascertaining whether the transactions were being fully exempted under Rule 14A.33 of the Listing Rules nor to secure the signing of a written agreement in respect of the transactions contemplated under the Supply Agreements prior to the parties reaching an agreement on the terms. Deneng Golden Corn had exercised its best endeavours to expedite the negotiations with Deneng Bio Tech and caused the written Supply Agreements to be signed on 20 May 2008 soon after their terms had been agreed. Notwithstanding the aforesaid, the Company is treated as being in breach of Rule 14A.35(1) of the Listing Rules by failing to enter into a written agreement with Deneng Bio Tech in respect of the transactions contemplated under the Supply Agreements in a timely manner when the transactions were entered into.

The particulars of the transactions contemplated under the Supply Agreements will be included in the annual report and accounts of the Company for each of the relevant financial years in compliance with the requirements of Rules 14A.45 and 14A.46 of the Listing Rules.

REASONS FOR AND BENEFITS OF THE SUPPLY AGREEMENTS

The Group is principally engaged in the manufacture and sale of cornstarch and ancillary corn-refined products, L-lysine hydrochloride salt and agricultural fertilizers and the sale of steam and electricity. The approved business scope of Deneng Golden Corn is the 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.

Deneng Bio Tech is one of the major suppliers of electricity and steam in 臨清 (Linqing) where the production facilities of Deneng Golden Corn are located nearby. The provision of electricity and steam is requisite for the operation and production of Deneng Golden Corn and the provision of electricity and steam as contemplated under the Supply Agreements benefits Deneng Golden Corn by reducing the set up time and the cost for construction of infrastructure for the transmission of electricity and provision of steam, such as steam pipelines and electricity grid.

INFORMATION OF THE SUPPLIER

Deneng Bio Tech is a company established in the PRC with limited liability on 17 May 2006, principally engaged in the processing and sale of cornstarch through Deneng Golden Corn.

Deneng Bio Tech is the joint venture partner of Deneng Golden Corn, which is a subsidiary of the Company.

DEFINITIONS

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

“Associate”	has the meaning ascribed to it under the Listing Rules
“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
“Deneng Bio Tech”	臨清德能生物科技有限公司 (Linqing Deneng Bio Technology Limited*), a limited liability company established in the PRC on 17 May 2006
“Deneng Golden Corn”	臨清德能金玉米生物有限公司 (Linqing Deneng Golden Corn Bio Limited*), a limited liability company established in the PRC on 13 March 2008 and owned as to approximately 85.94% by Golden Corn
“Director(s)”	the director(s) of the Company
“Electricity Supply Agreement”	the agreement entered into between Deneng Bio Tech and Deneng Golden Corn on 20 May 2008 as varied and supplemented as mentioned in this announcement for the provision of electricity by Deneng Bio Tech to Deneng Golden Corn

“Golden Corn”	山東壽光巨能金玉米開發有限公司 (Shangdong 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 having an equity interest of approximately 85.94% in Deneng Golden Corn
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	party who is (i) not a connected person of the Company and (ii) independent of and not connected with 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
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
“Relevant Period”	between 9 April 2008 and 17 June 2008 (inclusive of both dates) when Deneng Bio Tech was a connected person of the Company for the purpose of the Supply Agreements
“Supply Agreements”	the Electricity Supply Agreement and the Steam Supply Agreement
“Steam Supply Agreement”	the agreement entered into between Deneng Bio Tech and Deneng Golden Corn on 20 May 2008 as varied and supplemented as mentioned in this announcement for the provision of steam by Deneng Bio Tech to Deneng Golden Corn
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“VAT”	value-added tax
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	Per cent

Unless otherwise specified, the conversion of HK\$ into RMB is based on the exchange rate of HK\$1.00 = RMB0.89. No presentation is made that the amounts stated in this announcement have been or could be converted at the above rate.

** Unofficial name for identification purposes only*

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

Hong Kong, 1 December 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.