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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)*

### **PLACING OF EXISTING SHARES AND TOP-UP SUBSCRIPTION OF NEW SHARES**

**Placing Agent**



**MACQUARIE**

#### **PLACING OF EXISTING SHARES AND TOP-UP SUBSCRIPTION OF NEW SHARES**

On 4 February 2010, the Placing Agreement was entered into among the Vendor, the Company and the Placing Agent, pursuant to which the Placing Agent has agreed to place, on a fully underwritten basis, 277,340,000 Placing Shares held by the Vendor to independent third parties who (and where applicable, their ultimate beneficial owners) are independent of and not connected with the Company or any member of the Group, their respective directors, chief executive or substantial shareholders, or any of their respective associates, and otherwise not connected person of the Company nor acting in concert (as defined in the Takeovers Code) with the Vendor or its associates, at HK\$1.40 per Placing Share.

Under the Subscription Agreement dated 4 February 2010 and entered into between the Vendor (as subscriber) and the Company, the Vendor has conditionally agreed to subscribe for the Subscription Shares (the number of which is equal to the number of Placing Shares agreed to be sold under the Placing Agreement), at HK\$1.40 per Subscription Share. The Subscription is subject to various conditions set out below under the section headed “Conditions of the Subscription”.

This price represents (i) a discount of approximately 19.08% to the closing price of HK\$1.73 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 16.17% to the average closing price of approximately HK\$1.67 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and (iii) a discount of approximately 15.15% to the average closing price of approximately HK\$1.65 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day.

The Placing Shares represent approximately 10.62% of the issued share capital of the Company as at the date of this announcement and approximately 9.59% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares pursuant to the Subscription.

The shareholding of the Vendor will decrease from approximately 66.99% to approximately 56.37% immediately after completion of the Placing and will increase to approximately 60.56% immediately after completion of the Subscription.

The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Directors by a resolution of the Shareholders passed at the annual general meeting of the Company held on 1 June 2009. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Upon completion of the Placing, the gross proceeds and net proceeds from the Subscription are estimated to be approximately HK\$388,276,000 and HK\$380,691,000 respectively. The Company intends to retain the net proceeds for expansion of the Group production capacity and as general working capital of the Group.

## **THE PLACING**

The Placing Agreement dated 4 February 2010 was entered into by and among the Vendor, the Company and the Placing Agent.

### **Vendor:**

The Vendor, a company incorporated in the British Virgin Islands, is owned as to approximately 54.5833% by Mr. Tian Qixiang (the Chairman of the Company and an executive Director), 25% by Mr. Gao Shijun (the Chief Executive Officer of the Company and an executive Director), approximately 0.4163% by Mr. Yu Yingquan (an executive Director), approximately 16.67% by Guo Zhibo and approximately 0.4163% by each of Huo Dengke, Zhou Jincheng, Wang Shaofa, Zhang Junhua, Liu Bo, Tian Xiaoli, Zhang Mingrong and Li Mingwen.

The Vendor is a controlling Shareholder of the Company (within the meaning of the Listing Rules) holding 1,750,000,000 Shares (including the Placing Shares), representing approximately 66.99% of the existing issued share capital of the Company as at the date of this announcement.

**Placing Agent:**

Macquarie Capital Securities Limited.

**Number of Placing Shares:**

The Placing Agent has agreed to procure, on a fully-underwritten basis, places for the purchase of (or, which failing, itself purchase) 277,340,000 Shares owned by the Vendor, representing approximately 10.62% of the issued share capital of the Company as at the date of this announcement and approximately 9.59% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares pursuant to the Subscription.

**Placing price:**

HK\$1.40 per Placing Share.

This price was agreed after arm's length negotiations between the Vendor, the Company and the Placing Agent with reference to recent market prices of the Shares. This price represents (i) a discount of approximately 19.08% to the closing price of HK\$1.73 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 16.17% to the average closing price of approximately HK\$1.67 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and (iii) a discount of approximately 15.15% to the average closing price of approximately HK\$1.65 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day.

**Placees:**

The Placing Shares will be placed at the Placing Price on a fully underwritten basis. It is expected that the Placing Shares will be placed to not less than six independent professional institutional or other investors, who (and where applicable, their ultimate beneficial owners) are independent of and not connected with the Company or any members of the Group, their respective directors, chief executive or substantial shareholders, or any of their respective associates, and otherwise not connected person of the Company nor acting in concert (as defined in the Takeovers Code) with the Vendor or its associates.

**Independence of the Placees:**

To the best knowledge of the Directors:

- (a) the placees, (where applicable) their ultimate beneficial owners, are independent of and not connected to nor acting in concert (as defined in the Takeovers Code) with the Vendor or its associates;

- (b) the placees, (where applicable) their ultimate beneficial owners, are not connected persons of the Company and are independent of and not connected with the Company, the directors, chief executive or substantial shareholders of the Company or its subsidiaries, or any of their respective associates; and
- (c) none of the placees will become substantial shareholders of the Company immediately following the Placing.

**Completion of the Placing:**

The completion of the Placing will take place at or before 10 a.m. on 8 February 2010 (being the second business day following the date of the Placing Agreement) (or such later time or date as the Vendor and the Placing Agent may agree in writing).

**Rights of the Placing Shares:**

The Placing Shares will be sold by the Vendor free from all claims, liens, charges and encumbrances and together with all rights attaching to the Placing Shares as at the date of the Placing Agreement, including the right to receive all dividends declared, made or paid in respect of the Placing Shares on or after the date of the Placing Agreement if the record date thereof shall fall on or after the date of completion of the Placing.

**Termination:**

Pursuant to the Placing Agreement, the obligation of the Placing Agent to proceed to completion of the Placing is conditional upon the following:

- (a) the Subscription Agreement having been entered into;
- (b) there not having come to the attention of the Placing Agent at any time prior to completion of the Placing (i) any event rendering untrue, incorrect, misleading or breached in any respect, any of the representations, warranties or undertakings provided by the Company and the Vendor under the Placing Agreement; or (ii) any breach of, or failure to perform, any of the other obligations of the Company or the Vendor which are required to be performed at or before completion of the Placing;
- (c) there has not been any adverse change or prospective adverse change in the condition, financial or otherwise, or in the earnings, business, operations, trading position or prospects of the Company and the Group as a whole, respectively, which in the sole opinion of the Placing Agent, is likely to prejudice materially the success of the Placing;
- (d) there not having come to the attention of the Placing Agent at any time prior to completion of the Placing (i) any change or prospective change (whether or not permanent) in local or international financial, political, military, economic or market (including stock market) conditions or currency

exchange rates or exchange controls including any outbreak or escalation of hostilities, terrorism, declaration by the United States, the United Kingdom, the People's Republic of China or Hong Kong of a national emergency or war or other calamity or crisis or (ii) any suspension of dealings in the Shares for any period whatsoever (even if such suspension is subsequently lifted prior to completion of the Placing) (other than solely in relation to the Placing and the Subscription), or any cancellation of the listing of the Shares, on the Stock Exchange or (iii) any adverse announcement, determination or ruling of any governmental or other regulatory body (including delay in approval of this announcement or any other relevant announcement by any relevant stock exchange), which would (in any case mentioned in (i), (ii) or (iii) above), in the sole opinion of the Placing Agent, be likely to prejudice materially the success of the Placing;

- (e) there not having occurred a general moratorium on commercial banking activities in the United Kingdom, the United States or Hong Kong by any United Kingdom, New York State, United States federal or Hong Kong authorities which would in the sole opinion of the Placing Agent be likely to prejudice materially the success of the Placing;
- (f) there not having been imposed any moratorium, suspension or material restriction or limitation in trading in shares or securities generally on the Stock Exchange, the New York stock exchange or the London stock exchange due to exceptional financial circumstances or otherwise at any time prior to completion of the Placing.

If any of the above conditions shall not have been fulfilled or (alternatively) waived by the Placing Agent by completion of the Placing, the Placing Agreement and the obligations of the Placing Agent thereunder shall ipso facto cease and terminate at that time (or at such earlier time as the relevant condition shall have become incapable of fulfilment and the Placing Agent shall have determined not to waive fulfilment and notified the same to the Vendor and the Company) and no party to the Placing Agreement shall be under any liability to any other for costs, damages, charges, compensation or otherwise under the Placing Agreement.

#### **Non-disposal and issue of Shares:**

Pursuant to the Placing Agreement:

- (a) the Vendor has undertaken to the Placing Agent that (except for the sale of the Placing Shares pursuant to the Placing Agreement) from the date of the Placing Agreement and on or prior to the date being 3 months after the date of the Placing Agreement it will not and will procure that none of its nominees and companies controlled by it or trusts associated with it (whether individually or together and whether directly or indirectly) will (without the prior written consent of the Placing Agent) (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares (including the new Shares to be issued under the Subscription Agreement but excluding the Placing Shares) or any interests therein or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Shares or interests or (ii)

enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above. For the avoidance of doubt, the above undertakings do not restrict the Vendor or any of its nominees, companies controlled by it and/or trusts associated with it from purchasing any Shares; and

- (b) the Company has undertaken to the Placing Agent that (except for (i) the new Shares to be allotted and issued to the Vendor pursuant to the Subscription and (ii) any Shares or other securities or rights issued or granted to Shareholders by way of bonus or under any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company or on the exercise of rights existing at the date of the Placing Agreement or under any employee share option scheme of the Company) from the date of the Placing Agreement and on and prior to the date being 3 months after the date of the Placing Agreement it will not (without the prior written consent of the Placing Agent) (i) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares or (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (i) above or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

**THE SUBSCRIPTION**

The Subscription Agreement dated 4 February 2010 was entered into between the Vendor (as subscriber) and the Company.

**Subscriber:** The Vendor

**Issuer:** The Company

**Number of Subscription Shares:**

The Company has conditionally agreed to allot and issue and the Vendor has conditionally agreed to subscribe for 277,340,000 new Shares (the number of which is equal to the number of Placing Shares agreed to be sold under the Placing Agreement), which have an aggregate nominal value of HK\$27,734,000 and represents approximately 10.62% of the issued share capital of the Company as at the date of this announcement and approximately 9.59% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares pursuant to the Subscription.

**Subscription price:**

HK\$1.40 per Subscription Share, which is equivalent to the price per Placing Share.

**Mandate to allot and issue new Shares:**

The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Directors by a resolution of the Shareholders passed at the annual general meeting of the Company held on 1 June 2009. The Company is authorised to issue 522,500,000 Shares under such mandate. The Company has not exercised the power to allot and issue any new Shares pursuant to such mandate prior to the Placing and the Subscription. Accordingly, the issue of the Subscription Shares is not subject to Shareholders' approval.

**Ranking:**

The Subscription Shares will, when fully paid, rank equally in all respects among themselves and with all other Shares in issue as at the date of completion of the Subscription, including the rights to all dividends and other distributions declared, made or paid at any time on or after the date of completion of the Subscription.

**Conditions of the Subscription:**

The Subscription is conditional upon:

- (a) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Subscription Shares; and
- (b) completion of the Placing having occurred pursuant to the Placing Agreement.

The shareholding of the Vendor in the Company will decrease from approximately 66.99% to approximately 56.37% immediately after completion of the Placing and will increase to approximately 60.56% immediately after completion of the Subscription.

**Completion of the Subscription:**

Completion of the Subscription will take place on the business day immediately after the day on which the last of the conditions referred to above are fulfilled, provided that it shall take place on a date no later than 14 days after the date of the Placing Agreement or such later time and/or date as the Company and the Vendor may agree in writing.

If the conditions to the Subscription are not fulfilled on or prior to 17 February 2010 (or such later date as may be agreed by the Vendor and the Company), the Subscription Agreement shall terminate and none of the parties thereto shall have any claim against any other for costs, damages, compensation or otherwise in respect of the Subscription save in respect of any antecedent breach.

## CHANGES TO SHAREHOLDING AS A RESULT OF THE PLACING AND THE SUBSCRIPTION

The shareholding of the Vendor in the Company (a) immediately before the Placing; (b) immediately after the Placing but before the Subscription; and (c) immediately after the Placing and the Subscription are as follows:

Shareholders	Existing Shareholding		Immediately after the Placing but before the Subscription		Immediately after the Placing and the Subscription	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
The Vendor (Note)	1,750,000,000	66.99	1,472,660,000	56.37	1,750,000,000	60.56
Placees	-	-	277,340,000	10.62	277,340,000	9.59
Public (excluding the Placees)	<u>862,500,000</u>	<u>33.01</u>	<u>862,500,000</u>	<u>33.01</u>	<u>862,500,000</u>	<u>29.85</u>
<b>Total:</b>	<b><u>2,612,500,000</u></b>	<b><u>100.00</u></b>	<b><u>2,612,500,000</u></b>	<b><u>100.00</u></b>	<b><u>2,889,840,000</u></b>	<b><u>100.00</u></b>

*Note:* The Vendor, a company incorporated in the British Virgin Island, is owned as to approximately 54.5833% by Mr. Tian Qixiang (the Chairman of the Company and an executive Director), 25% by Mr. Gao Shijun (the Chief Executive Officer of the Company and an executive Director), approximately 0.4163% by Mr. Yu Yingquan (an executive Director), approximately 16.67% by Guo Zhibo and approximately 0.4163% by each of Huo Dengke, Zhou Jincheng, Wang Shaofa, Zhang Junhua, Liu Bo, Tian Xiaoli, Zhang Mingrong and Li Mingwen.

As disclosed in the above shareholding table, immediately after the completion of the Placing as well as immediately after the completion of the Placing and the Subscription, over 25% of the then issued share capital of the Company will be in public hands (including the Placees).

## REASONS FOR THE PLACING AND SUBSCRIPTION AND USE OF PROCEEDS

The Directors consider that it is in the interests of the Company to raise capital from the equity market in order to increase working capital of the Group and to enhance the capital base of the Company. The Directors (including the independent non-executive Directors) consider the terms of each of the Placing Agreement and the Subscription Agreement to be fair and reasonable and are in the best interests of the Company, as far as the Company and the Shareholders as a whole are concerned.

Upon completion of the Placing:

- (i) the gross proceeds from the Subscription are estimated to be approximately HK\$388,276,000;



- (ii) the net proceeds, after deducting related placing commission, professional fees and all related expenses, from the Subscription are estimated to be approximately HK\$380,691,000; and
- (iii) the net price per Subscription Share is approximately HK\$1.37.

The Company intends to retain the net proceeds for expansion of the production capacity of the Group and as general working capital of the Group.

## **GENERAL INFORMATION**

The Company is an investment holding company. The principal activities of the Group are in the manufacture and sale of cornstarch and ancillary corn-refined products, lysine, starch-based sweetener, its related products and sales of electricity and steam.

## **FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS**

The Group has not conducted any equity fund raising activities in the past 12 months from the date of this announcement.

## **APPLICATION FOR LISTING**

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

## **MISCELLANEOUS**

In the event of inconsistency, the English version of this announcement shall prevail over the Chinese version.

## **DEFINITIONS**

The following defined terms are used in this announcement:

“associates”	having the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“business day”	means any day (excluding a Saturday) on which banks generally are open for business in Hong Kong
“Company”	China Starch Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange

“connected persons”	having the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	3 February 2010, being the last trading day immediately prior to the date of the Placing Agreement and the Subscription Agreement
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the placing of the Placing Shares pursuant to the terms of the Placing Agreement
“Placing Agent”	Macquarie Capital Securities Limited. The Placing Agent is independent of and not connected with the Company or any of its connected persons
“Placing Agreement”	a placing agreement dated 4 February 2010 and made among the Vendor, the Company and the Placing Agent in relation to the Placing
“Placing Shares”	277,340,000 Shares beneficially owned by the Vendor to be placed pursuant to the Placing Agreement
“Share(s)”	ordinary share(s) of HK\$0.10 in the capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by the Vendor pursuant to the Subscription Agreement
“Subscription Agreement”	a subscription agreement dated 4 February 2010 and made between the Vendor and the Company in relation to the Subscription

“Subscription Shares”	a total of 277,340,000 new Shares, which is equal to the number of Placing Shares agreed to be sold under the Placing Agreement
“substantial shareholders”	having the meaning ascribed thereto in the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendor”	Merry Boom Group Limited, a company incorporated in the British Virgin Islands and a controlling Shareholder of the Company (within the meaning of the Listing Rules), which is owned as to approximately 54.5833% by Mr. Tian Qixiang (the Chairman of the Company and an executive Director), 25% by Mr. Gao Shijun (the Chief Executive Officer of the Company and an executive Director), approximately 0.4163% by Mr. Yu Yingquan (an executive Director), approximately 16.67% by Guo Zhibo and approximately 0.4163% by each of Huo Dengke, Zhou Jincheng, Wang Shaofa, Zhang Junhua, Liu Bo, Tian Xiaoli, Zhang Mingrong and Li Mingwen
%	per cent.

By Order of the Board of  
**China Starch Holdings Limited**  
**Tian Qixiang**  
*Chairman*

Hong Kong, 4 February 2010

*As at the date of this announcement, the Company’s 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 Zengcong and Mr. Yue Kwai Wa, Ken.*