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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 REGARDING ACQUISITION OF THE REMAINING 51% EQUITY INTEREST IN AN ASSOCIATED COMPANY**

- On 25 October 2012, CSG (a wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with the Vendor to acquire the remaining 51% registered capital of Target held by the Vendor.
- Immediately prior to completion of the Equity Transfer, Target is owned as to 49% by the Company (being held through Golden Corn, a wholly-owned subsidiary of the Company) and as to the remaining 51% by the Vendor.
- Immediately upon completion of the Equity Transfer, Target will be wholly-owned by the Company to be held through its two wholly-owned subsidiaries, namely Golden Corn (as to 49%) and CSG (as to the remaining 51%).
- Given that all the applicable percentage ratios under Rule 14.07 of the Listing Rules for the Equity Transfer are more than 5% and less than 25%, the Equity Transfer constitutes a discloseable transaction for the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

The Company is pleased to announce that on 25 October 2012, CSG (a wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with the Vendor to acquire the remaining 51% registered capital of Target held by the Vendor. The principal terms of the Equity Transfer Agreement are disclosed in this announcement.

## THE EQUITY TRANSFER AGREEMENT

**Date:** 25 October 2012

**Parties:** (a) Ingredion Incorporated as vendor  
(b) CSG (a wholly-owned subsidiary of the Company) as purchaser

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save that the Vendor is the current owner of 51% interest in Target, the Vendor and its ultimate beneficial owners are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

**Asset to be acquired by the Group:** The Sale Interest, being 51% of the existing registered capital of Target.

**Consideration:** The consideration for the Equity Transfer is at a cash consideration of US\$3,280,000 (equivalent to approximately HK\$25,584,000), which is payable by CSG in two instalments as follows:

- 50% of the consideration in the sum of US\$1,640,000 (equivalent to approximately HK\$12,792,000) shall be paid within ten working days from the date of signing of the Equity Transfer Agreement; and
- the remaining balance of the consideration in the sum of US\$1,640,000 (equivalent to approximately HK\$12,792,000), representing 50% of the consideration, shall be paid within ten working days upon completion of the Equity Transfer, that is, the issuance of a new business licence of the Target with CSG registered as the holder of the Sale Interest, and completion of the change in authorised signatories of bank accounts of Target.

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

The consideration for the Equity Transfer was agreed between the parties to the Equity Transfer Agreement after arm's length negotiation with reference to a combination of factors, including but not limited to the business and growth prospects of Target, the potential financial contribution of Target to the Group and the book value of Target.

As at 30 September 2012, the book value of Target is approximately RMB118,264,000.

**Completion:**

The Equity Transfer is to be completed on the date of issue of a new business licence of Target with CSG registered as the holder of the Sale Interest.

**Termination and Mutual Release Agreement**

At or about the time of establishment of Target in 2004, various agreements, including the Non-compete Agreement, the Trademark and Technology Licence and Technical Assistance Agreement and the Export Distributor Agreement were entered into among, among other parties, Golden Corn, the Vendor and Target to facilitate the business and operation of Target. As the Vendor will cease as the shareholder of Target as a result of the Equity Transfer, Golden Corn, the Vendor and Target entered into the Termination and Mutual Release Agreement on 25 October 2012 for the forthwith termination of all such agreements and mutual release of their respective obligations thereunder without the payment of any consideration by any of them, other than the settlement by Target of all amount due and owing to the Vendor in respect of fees payable by Target under the Trademark and Technology License and Technical Assistance Agreement calculated up to 30 September 2010 in the aggregate amount of US\$400,000 (equivalent to approximately HK\$3,120,000).

**EFFECT OF THE EQUITY TRANSFER ON SHAREHOLDING STRUCTURE OF TARGET**

Immediately prior to completion of the Equity Transfer, Target is an associated company of the Company owned as to 49% by the Company (being held through Golden Corn, a wholly-owned subsidiary of the Company) and as to the remaining 51% by the Vendor. Immediately upon completion of the Equity Transfer, Target will become a wholly-owned subsidiary of the Company to be held through its two wholly-owned subsidiaries, namely Golden Corn (as to 49%) and CSG (as to the remaining 51%).

The shareholding structure of Target immediately before and upon completion of the Equity Transfer is set out below:

Shareholders	Interest held in Target immediately before completion of the Equity Transfer		Interest held in Target immediately after completion of the Equity Transfer	
	(US\$)	(%)	(US\$)	(%)
The Vendor	4,896,000	51.00	Nil	Nil
<i>The Group</i>				
Golden Corn (Note)	4,704,000	49.00	4,704,000	49.00
CSG (Note)	<u>Nil</u>	<u>Nil</u>	<u>4,896,000</u>	<u>51.00</u>
<b>Total</b>	<u><u>9,600,000</u></u>	<u><u>100.00</u></u>	<u><u>9,600,000</u></u>	<u><u>100.00</u></u>

*Note:* As Golden Corn and CSG are both wholly-owned subsidiaries of the Company, immediately upon completion of the Equity Transfer, the Company will, in effect, be interested in 100% of the entire registered share capital of Target.

## **REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER**

Modified starch includes oxidized starch, positively ionized starch, acidified starch, fabrics coating starch and acetic anhydride starch which can be used in different industrial sectors, such as paper, chemical and textile, are considered as high value-added products derived from corn kernels. Given the relevant experience of the Group in the research, development, manufacture and sales of modified starch and related products sector in the PRC through its interest as the 49% shareholder of Target through Golden Corn, the Board considered that the Equity Transfer offers a good opportunity for the Group to tap on opportunities in and expand its business to the modified starch and related products sector in the PRC and therefore entered into the Equity Transfer Agreement with the Vendor for the acquisition of the Sale Interest by its wholly-owned subsidiary, CSG.

The Directors consider that the terms of the Equity Transfer Agreement are fair and reasonable and the Equity Transfer is in the interests of the Company and its shareholders as a whole.

## **INFORMATION ON THE COMPANY**

The Company is an investment holding company. The Group is one of the largest cornstarch manufacturers and suppliers in the PRC and principally engaged in the manufacture and sales of cornstarch, lysine, starch-based sweetener and its related products and generation and sales of electricity and steam.

## INFORMATION ON TARGET

### Brief details of Target

Target is a sino-foreign equity joint venture company established in the PRC on 25 September 2004. The principal activity of Target is the research, development, manufacture and sale of modified starch and their related products. The current annual production capacity of Target in modified starch is approximately 100,000 tonnes.

### Financial information of Target

The audited net profits or loss (both before and after taxation and extraordinary items) of Target for the two financial years ended 31 December 2010 and 31 December 2011 immediately preceding the Acquisition are set out below:

	<b>For the year ended 31 December 2010</b>	<b>For the year ended 31 December 2011</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Net profits/(loss) (before taxation and extraordinary items)	3,524	(1,109)
Net profits/(loss) (after taxation and extraordinary items)	3,524	(1,109)

## INFORMATION ON THE VENDOR

The Vendor is a company organised under the laws of the State of Delaware, the United States of America and listed on the New York Stock Exchange. The Vendor is a global producer of corn-refined and starch-based ingredients, and its principal activity is the manufacture and sale of starch and sweetener to packaged foods, beverage, brewing and industrial customers around the world.

## LISTING RULES IMPLICATIONS

As all the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Equity Transfer are more than 5% and less than 25%, the Equity Transfer constitutes a discloseable transaction for the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

## DEFINITIONS

In this announcement, the following expressions, 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)
“CSG”	China Starch Group Limited (中國澱粉集團有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Directors”	the directors of the Company
“Equity Transfer”	the transfer of the Sale Interest by the Vendor to CSG on and subject to the terms of the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 25 October 2012 entered into between the Vendor as vendor and CSG as purchaser in relation to the Equity Transfer
“Export Distributor Agreement”	the export distributor agreement entered into between Target and the Vendor on 26 June 2004 for the appointment of the Vendor as the exclusive distributor of Target in respect of its products covering all regions outside of 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, which is holding 49% of the equity interest in Target as at the date of this announcement and immediately before and after completion of the Equity Transfer
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-compete Agreement”	the non-compete agreement entered into among, among others, Golden Corn and the Vendor on 26 June 2004 pursuant to which the parties agreed to refrain from conducting, or procure any third party to conduct, any production or sales of modified starch in various provinces in the PRC so long as the Vendor and Golden Corn remain as the shareholders of Target

“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
“Sale Interest”	the registered capital of Target agreed to be sold and transferred by the Vendor to CSG (representing 51% of the existing registered capital of Target) pursuant to the Equity Transfer as contemplated under the Equity Transfer Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	壽光金遠東變性澱粉有限公司 (Shouguang Golden Far East Modified Starch Co., Ltd.*), a sino-foreign equity joint venture established in the PRC, which is owned as to 49% by Golden Corn and as to the remaining 51% by the Vendor as at the date of this announcement and immediately prior to completion of the Equity Transfer
“Trademark and Technology Licence and Technical Assistance Agreement”	the trademark and technology licence and technical assistance agreement entered into between Target and the Vendor on 26 June 2004 (as varied and supplemented by a supplemental agreement dated 14 December 2007) pursuant to which Target has been granted the right to use the trademarks and technologies owned and/or patented by the Vendor for the production and sales of its modified starch products in the PRC for a fee equal to 2% of the revenue of Target
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendor”	Ingredion Incorporated, formerly known as Corn Products International, Inc., a company organised under the laws of the State of Delaware, the United States of America and listed on the New York Stock Exchange
“%”	per cent.

*Unless otherwise specified, the conversion of US\$ into HK\$ and RMB into HK\$ are based on an exchange rate of US\$1.00 = HK\$7.80 and RMB0.8139 = HK\$1.00 respectively. No presentation is made that any amounts in US\$, RMB and HK\$ have been or could be converted at the relevant dates at the above rates or any other rates or at all.*

\* *Unofficial names for identification purpose only*

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

Shouguang, 26 October 2012

*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, Mr. Cao Zenggong and Mr. Yue Kwai Wa, Ken.*