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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: CONSTRUCTION CONTRACTS

- On 8 June 2012, Golden Corn (an indirect wholly-owned subsidiary of the Company) entered into the First Construction Contract with China Huaye in relation to the First Transaction. As the highest of the applicable percentage ratios (as defined in the Listing Rules) for the First Transaction is less than 5% at the time when it was entered into by Golden Corn, the First Transaction did not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules as at the date of the First Construction Contract.
- On 14 December 2012, Golden Corn entered into the Second Construction Contract in relation to the Second Transaction. As the highest of the applicable percentage ratios for the Second Transaction, alone or together with the First Transaction, is more than 5% but less than 25%, the Second Transaction constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

THE FIRST TRANSACTION

On 8 June 2012, Golden Corn (an indirect wholly-owned subsidiary of the Company) entered into the First Construction Contract with China Huaye, pursuant to which China Huaye is to provide certain construction services to Golden Corn on the principal terms as set out below.

The First Construction Contract

Date: 8 June 2012

Parties: (a) Golden Corn; and
(b) China Huaye, as the contractor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, China Huaye and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Scope of construction services:

The construction of factory premises and ancillary facilities at the new production site of the Group located at the Industrial Development Area of Shouguang* (壽光市開發區工業園). The scope of the construction services includes but not limited to the carrying out of foundation works, construction of pump rooms, packaging workstations and pools and other related construction works.

The construction work is expected to be completed in or around April 2013.

Consideration:

The maximum consideration payable by Golden Corn is RMB32,000,000 (equivalent to approximately HK\$39,438,000), which is determined with reference to the expected scope and complexity of the construction works to be carried out, the material costs and labour costs estimated to be consumed, and the prevailing market prices for carrying out construction works of comparable scale and complexity. The actual consideration payable by Golden Corn is subject to final determination, after downward adjustment for contract rebate, material costs and other factors as agreed by both parties.

Payment terms:

The consideration is payable by Golden Corn in cash by monthly instalments in accordance with the progress of the construction work performed and completed within a month.

Upon completion of the construction work, Golden Corn will have to settle up to 90% of the consideration payable. Out of the remaining 10% balance, 5% shall be paid by Golden Corn after one year of normal operation of the constructed site; and the remaining 5% shall be paid within 30 days after three years of completion of the construction work, in the absence of any quality issues during the three-year period.

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

Approximately 54.5% of the consideration in the amount of RMB17,430,000 (equivalent to approximately HK\$21,481,000) was paid as at the date of this announcement.

THE SECOND TRANSACTION

On 14 December 2012, Golden Corn entered into the Second Construction Contract with China Huaye, pursuant to which China Huaye is to provide certain construction services to Golden Corn on the principal terms as set out below.

The Second Construction Contract

Date: 14 December 2012

Parties: (a) Golden Corn; and
(b) China Huaye, as the contractor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, China Huaye and its ultimate beneficial owners are a third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Scope of construction services:

The construction of factory premises and ancillary facilities at the new production site of the Group located at the Industrial Development Area of Shouguang* (壽光市開發區工業園). The scope of the construction services includes but not limited to the construction of product warehouse, sewage treatment plants, purifying towers, packaging workstations, various production workstations and other related construction works.

The construction work is expected to be completed in or around May 2013.

Consideration:

The maximum consideration payable by Golden Corn is RMB150,000,000 (equivalent to approximately HK\$184,866,000), which is determined with reference to the expected scope and complexity of the construction works to be carried out, the material costs and labour costs estimated to be consumed, and the prevailing market prices for carrying out construction works of comparable scale and complexity. The actual consideration payable by Golden Corn is subject to final determination, after downward adjustment for contract rebate, material costs and other factors as agreed by both parties.

Payment terms:

The consideration is payable by Golden Corn in cash by monthly instalments in accordance with the progress of the construction work performed and completed within a month.

Upon completion of the construction work, Golden Corn will have to settle up to 90% of the consideration payable. Out of the remaining 10% balance, 5% shall be paid by Golden Corn after one year of normal operation of the constructed site; and the remaining 5% shall be paid within 30 days after three years of completion of the construction work, in the absence of any quality issues during the three-year period.

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

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

China Huaye was selected from a tender process conducted in May 2012 for the First Construction Contract and the Second Construction Contract. After due and careful consideration and an overall evaluation of its price quotation, qualification, experience and quality of work, China Huaye was selected as the contractor for the Construction Contracts.

The entering into of the Construction Contracts by Golden Corn is for the construction of factory premises and ancillary facilities at the new production site of the Group, which is part of the expansion plan of the Group.

The Board considered that the respective Construction Contracts, which are determined after arm's length negotiations, are entered into on normal commercial terms and the terms are fair and reasonable. The Transactions contemplated thereunder are 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 is principally engaged in the manufacture and sales of cornstarch, lysine, starch-based sweetener and its related products and the generation and sales of electricity and steam.

INFORMATION ON CHINA HUAYE

China Huaye is a limited liability company incorporated in the PRC. Its principal business activities include the development of real estate as well as the construction of large-scale buildings, thermal power plants and highways.

LISTING RULES IMPLICATIONS

The First Transaction

As the highest of the applicable percentage ratios (as defined in the Listing Rules) for the First Transaction is less than 5% at the time when it was entered into by Golden Corn, the First Transaction did not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules as at the date of the First Construction Contract.

The Second Transaction

As the highest of the applicable percentage ratios (as defined in the Listing Rules) for the Second Transaction, alone or together with the First Construction Contract, is more than 5% but less than 25%, the Second Transaction constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements 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
“China Huaye”	China Huaye Group Company Limited* (中國華冶科工集團有限公司), a limited liability company incorporated in the PRC
“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)
“Construction Contracts”	the First Construction Contract and the Second Construction Contract
“Directors”	the directors of the Company
“First Construction Contract”	the construction contract dated 8 June 2012 entered into between Golden Corn and China Huaye as the contractor for the provision of construction services on and subject to its terms
“First Transaction”	the transaction contemplated under the First Construction Contract
“Golden Corn”	Shandong Shouguang Juneng Golden Corn Development Co., Ltd.* (山東壽光巨能金玉米開發有限公司), a wholly foreign owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company.
“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
“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

“Second Construction Contract”	the construction contract dated 14 December 2012 entered into between Golden Corn and China Huaye as the contractor for the provision of construction services on and subject to its terms
“Second Transaction”	the transaction contemplated under the Second Construction Contract
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the First Transaction and the Second Transaction
“%”	per cent.

*Unless otherwise specified, the conversion of **RMB** into **HK\$** are based on an exchange rate of **RMB0.8114 = HK\$1.00**. No presentation is made that any amounts in 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, 14 December 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.