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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 TRANSACTION:
ELECTRICITY AND STEAM SUPPLIED UNDER THE
UTILITIES SUPPLY AGREEMENT**

SUMMARY

The Board wishes to announce a continuing transaction which constituted a continuing connected transaction for the Company for the period from 30 June 2017 to 23 December 2017.

Golden Corn JV, a wholly-owned subsidiary of the Company, used to obtain supply of electricity and steam necessary for its own use and operation from the JV Partner pursuant to the Utilities Supply Agreement. The Utilities Supply Agreement was entered into in 2016 when the JV Partner was not a connected person of the Company and the purchase of electricity and steam by Golden Corn JV under the Utilities Supply Agreement did not constitute connected transaction for the Company.

The purchase of electricity and steam by Golden Corn JV under the Utilities Supply Agreement had subsequently become a continuing connected transaction for the Company since 30 June 2017 when the JV Partner became a connected person of the Company by having a 45% equity interest in Biotechnology JV, a non-wholly owned subsidiary of the Company, on that day.

The purchase of electricity and steam by Golden Corn JV under the Utilities Supply Agreement had ceased since 23 December 2017 upon cessation of operation of the JV Partner in the supply of electricity and steam upon government request as disclosed below in this announcement.

The date, parties and the principal terms and conditions of the Utilities Supply Agreement are set out below in this announcement.

LISTING RULES IMPLICATIONS

Prior to 30 June 2017, the JV Partner was not a connected person of the Company as it only had a 9% equity interest in Golden Corn JV and it was not otherwise an associate of a connected person of the Company.

On 30 June 2017, the JV Partner became a connected person of the Company at the subsidiary level by having a 45% equity interest in Biotechnology JV, a joint venture and a non-wholly owned subsidiary of the Company in which the Company has a 55% equity interest. The purchase of electricity and steam by Golden Corn JV from the JV Partner pursuant to the Utilities Supply Agreement constituted a continuing connected transaction of the Company under Chapter 14A.

The Company had all along genuinely believed that the Continuing Connected Transaction qualified for full exemption under Rule 14A.97 for having satisfied all the conditions (1) to (4) of Rule 14A.97, including, among others, that there was an open market and transparency in the pricing of electricity and steam supply in Linqing, Shandong of the PRC. The Company only realised that such exemption was not applicable to the Continuing Connected Transaction upon a recent consultation with the Stock Exchange who took a contrary view.

In the absence of the full exemption under Rule 14A.97, the Continuing Connected Transaction, being a transaction with a connected person of the Company at the subsidiary level and having been approved by the Board and having been confirmed by the independent non-executive Directors that its terms are fair and reasonable, is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole, is, under Rule 14A.101, subject to disclosure by way of this announcement but is otherwise exempt from the circular, independent financial advice and shareholders' approval requirements.

The Board wishes to announce a continuing transaction which constituted a continuing connected transaction for the Company for the period from 30 June 2017 to 23 December 2017.

Golden Corn JV, a wholly-owned subsidiary of the Company, used to obtain supply of electricity and steam necessary for its own use and operation from the JV Partner pursuant to the Utilities Supply Agreement. The Utilities Supply Agreement was entered into in 2016 when the JV Partner was not a connected person of the Company and the purchase of electricity and steam by Golden Corn JV under the Utilities Supply Agreement did not constitute connected transaction for the Company.

The purchase of electricity and steam by Golden Corn JV under the Utilities Supply Agreement had subsequently become a continuing connected transaction for the Company since 30 June 2017 when the JV Partner became a connected person of the Company by having a 45% equity interest in Biotechnology JV, a non-wholly owned subsidiary of the Company, on that day.

The purchase of electricity and steam by Golden Corn JV under the Utilities Supply Agreement had ceased since 23 December 2017 upon cessation of operation of the JV Partner in the supply of electricity and steam upon government request as disclosed below.

The date, parties and the principal terms and conditions of the Utilities Supply Agreement are set out below.

UTILITIES SUPPLY AGREEMENT

Date : 25 December 2016

Parties : (a) The JV Partner.

The JV Partner was not a connected person of the Company before 30 June 2017 when it became interested in 45% equity interest in Biotechnology JV on that day.

(b) Golden Corn JV

Nature of transaction	:	Pursuant to the Utilities Supply Agreement, electricity and steam were agreed to be supplied by the JV Partner to Golden Corn JV for the period and at the prices as disclosed below.
Term	:	The Utilities Supply Agreement was for a term commenced from 1 January 2017 until its termination in accordance with its terms, including, among others, termination by mutual agreement between the parties to the Utilities Supply Agreement.
Pricing terms	:	The electricity and steam charges were RMB0.4374 per kilowatt-hour and RMB130 per tonne, respectively. The charges were based on the market price movement of coal.

HISTORICAL AMOUNTS

The historical transaction amounts of the electricity and steam supplied (net of value-added tax) under the Utilities Supply Agreement for the period from 30 June 2017 to 23 December 2017, during which the purchase of electricity and steam by Golden Corn JV from the JV Partner pursuant to the Utilities Supply Agreement constituted a continuing connected transaction of the Company under Chapter 14A, were as follows:

	RMB (in million) (approximately) (unaudited)
Electricity	30
Steam	38
Total	<u>68</u>

INFORMATION OF THE JV PARTNER

The JV Partner is a company established in the PRC with limited liability on 17 May 2006 principally engaged in the production and sale of electricity and steam immediately prior to cessation of its electricity and steam production on 23 December 2017 in compliance with the request of the local people's government to cease such production in line with government policy to suspend the operation of small-scale power plants (which the JV Partner was) and to promote and encourage the use of the large-scale power plants for better and efficient use of non-renewable energy.

As at the date of this announcement, the JV Partner is holding (i) 9% equity interest in Golden Corn JV, a 91% non-wholly owned subsidiary of the Company; and (ii) 45% equity interest in Biotechnology JV, a 55% non-wholly owned subsidiary of the Company, and is a connected person of the Company at the subsidiary level under Chapter 14A.

INFORMATION ON THE GROUP

The principal activity of the Company is investment holding. The Group is principally engaged in the manufacture and sale of cornstarch, lysine, starch-based sweetener, modified starch and ancillary corn-based and corn-refined products.

REASONS FOR AND BENEFIT OF THE UTILITY SUPPLY AGREEMENT WITH THE JV PARTNER

Golden Corn JV is situated in Linqing, Shandong and principally engaged in the manufacturing and sale of cornstarch, starch-based sweetener and related products. Electricity and steam are prerequisites for the operation and production of its production plants and offices at Linqing, Shandong. The supply of electricity and steam to Golden Corn JV is wholly necessary for its principal activities and is in the ordinary and usual course of business of the Group.

The JV Partner had been supplying electricity and steam to Golden Corn JV since in or about 2008 and had been providing Golden Corn JV with a stable and quality supply of electricity and steam over the years. There is no other electricity and steam supplier with comparable price, quality and stability of supply to that supplied by the JV Partner in the vicinity of Golden Corn JV. The entering into of the Utilities Supply Agreement enables the Group to secure a stable and quality supply of electricity and steam which is vital to the operation of Golden Corn JV.

The electricity fee payable by Golden Corn JV under the Utilities Supply Agreement was at a price and on terms no less favourable than those available from independent electricity suppliers in the vicinity of Golden Corn JV. The steam fee payable by Golden Corn JV under the Utilities Supply Agreement was lower than that recommended by the local pricing bureau in Linqing, Shandong.

The Directors (including the independent non-executive Directors) are of the view that the Continuing Connected Transaction on terms of the Utilities Supply Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

CONNECTION BETWEEN THE PARTIES INVOLVED AND REQUIREMENTS OF THE LISTING RULES

Prior to 30 June 2017, the JV Partner was not a connected person of the Company as it only had a 9% equity interest in Golden Corn JV and it was not otherwise an associate of a connected person of the Company.

On 30 June 2017, the JV Partner became a connected person of the Company at the subsidiary level by having a 45% equity interest in Biotechnology JV, a joint venture and a non-wholly owned subsidiary of the Company in which the Company has a 55% equity interest. The purchase of electricity and steam by Golden Corn JV from the JV Partner pursuant to the Utilities Supply Agreement constituted a continuing connected transaction of the Company under Chapter 14A.

The Company had all along genuinely believed that the Continuing Connected Transaction qualified for full exemption under Rule 14A.97 for having satisfied all the conditions (1) to (4) of Rule 14A.97, including, among others, that there was an open market and transparency in the pricing of electricity and steam supply in Linqing, Shandong of the PRC. The Company only realised that such exemption was not applicable to the Continuing Connected Transaction upon a recent consultation with the Stock Exchange who took a contrary view.

In the absence of the full exemption under Rule 14A.97, the Continuing Connected Transaction, being a transaction with a connected person of the Company at the subsidiary level and having been approved by the Board and having been confirmed by the independent non-executive Directors that its terms are fair and reasonable, is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole, is, under Rule 14A.101, subject to disclosure by way of this announcement but is otherwise exempt from the circular, independent financial advice and shareholders' approval requirements.

Since no Director is considered to have any material interest in the Continuing Connected Transaction contemplated under the Utilities Supply Agreement, no Director had abstained from voting on the relevant resolutions approving the Continuing Connected Transaction on terms of Utilities Supply Agreement (including the unit price for the electricity and steam charges) at the relevant meeting of the Board.

DEFINITIONS

“associate”	has the meaning ascribed to it under the Listing Rules
“Biotechnology JV”	Shouguang Golden Corn Biotechnology Limited Company* (壽光金玉米生物科技有限公司), a limited liability company established on 30 June 2017 in the PRC which is owned as to 55% by Golden Corn and the remaining 45% by the JV Partner
“Board”	the board of Directors
“Company”	China Starch Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange

“connected person”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transaction”	the purchase of electricity and steam by Golden Corn JV from the JV Partner under the Utilities Supply Agreement
“Director”	a director of the Company
“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 limited liability company established in the PRC on 25 July 1998 and an indirect wholly-owned subsidiary of the Company
“Golden Corn JV”	Linqing Deneng Golden Corn Bio Limited* (臨清德能金玉米生物有限公司), a limited liability company established in the PRC on 13 March 2018 and an indirect wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries from time to time
“JV Partner”	Linqing Deneng Bio Technology Limited* (臨清德能生物科技有限公司), a limited liability company established in the PRC on 17 May 2006
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China and for the purpose of this announcement, excluding the Hong Kong Special Administrative Region of the People’s Republic of China, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Shares”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	holder(s) of Share(s) whose name(s) are duly registered from time to time in the register of members of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Utilities Supply Agreement”	the agreement dated 25 December 2016 entered into between the JV Partner and Golden Corn JV in relation to the supply of electricity and steam by the former to the latter
“%”	per cent.
“*”	unofficial name for identification only

In this announcement, all references to Chapters and Rules are references to chapters and rules of the Listing Rules.

By order of the Board
CHINA STARCH HOLDINGS LIMITED
Gao Shijun
Chief Executive Officer

Shouguang, The People’s Republic of China, 22 January 2018

As at the date of this announcement, the directors of the Company are:

Executive Directors:

Mr. Tian Qixiang (*Chairman*)
Mr. Gao Shijun (*Chief Executive Officer*)
Mr. Yu Yingquan
Mr. Liu Xianggang

Independent non-executive Directors:

Professor Hua Qiang
Mr. Sun Mingdao
Mr. Yue Kwai Wa, Ken