
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Starch Holdings Limited, you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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
FORMATION OF A JOINT VENTURE COMPANY**

CONTENT

	<i>Page</i>
Definitions	1
Letter from the Board	3
Appendix – General Information	7

DEFINITIONS

Capitalised terms used in this circular shall have the following meanings unless the context requires otherwise:

“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
“Director(s)”	the director(s) of the Company
“Global Offering”	the global offering of an aggregate of 172,500,000 new Shares by the Company as detailed in the prospectus of the Company dated 12 September 2007
“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
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Agreement”	the joint venture agreement dated 10 March 2008 entered into between Golden Corn and the JV Partner in relation to the formation of the JV Company to facilitate the Proposed Acquisition
“JV Articles”	the articles of the JV Company entered into on 10 March 2008 in conjunction with the JV Agreement
“JV Company”	臨清德能金玉米生物有限公司 (Linqing Deneng Golden Corn Bio Limited*), a limited liability company established on 13 March 2008 in the PRC pursuant to the JV Agreement, which is owned as to approximately 85.94% by Golden Corn and the remaining approximately 14.06% by the JV Partner
“JV Partner”	臨清德能生物科技有限公司 (Linqing Deneng Bio Technology Limited*), a company established in the PRC with limited liability on 17 May 2006

DEFINITIONS

“Latest Practicable Date”	27 March 2008, being the latest practicable date for ascertaining certain information for inclusion in this circular
“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 circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
“Proposed Acquisition”	the proposed acquisition of the production facilities relating to the business of the JV Company from the JV Partner by the JV Company
“RMB”	Renminbi, the lawful currency of PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of par value of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

Unless otherwise specified, the conversion of HK\$ into RMB is based on the exchange rate of HK\$1.00:RMB0.9112. No presentation is made that the amounts stated in the circular have been or could be converted at the above rates.

* *Unofficial name for identification purposes only*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Tian Qixiang
Mr. Gao Shijun
Mr. Yu Yingquan
Mr. Liu Xianggang

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Independent non-executive Directors:

Ms. Dong Yanfeng
Ms. Yu Shumin
Mr. Cao Zenggong
Mr. Yue Kwai Wa, Ken

*Head office and principal place of
business in Hong Kong*

Room 2408, 24/F
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

31 March 2008

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION FORMATION OF A JOINT VENTURE COMPANY

INTRODUCTION

Reference is made to the announcement of the Company dated 11 March 2008 in which the Board announced that Golden Corn, an indirect wholly-owned subsidiary of the Company, has on 10 March 2008 entered into the JV Agreement with the JV Partner for the formation of the JV Company to facilitate the Proposed Acquisition.

The entering into of the JV Agreement constitutes a discloseable transaction of the Company under Rule 14.06 of the Listing Rules. The purpose of this circular is to provide you with further details of the JV Agreement.

LETTER FROM THE BOARD

THE JV AGREEMENT

- Date: 10 March 2008
- Parties: (i) Golden Corn, an indirect wholly-owned subsidiary of the Company; and
- (ii) the JV Partner, 臨清德能生物科技有限公司 (Linqing Deneng Bio Technology Limited*)
- Registered capital: The registered capital of the JV Company would be RMB128 million (equivalent to approximately HK\$140.47 million) which was determined on an arm's length basis between Golden Corn and the JV Partner with reference to the intended scale of operation of the JV Company.
- Capital contribution: The registered capital of the JV Company would be contributed as to RMB110 million (equivalent to approximately HK\$120.71 million and represented approximately 85.94% of the registered capital) by Golden Corn and as to RMB18 million (equivalent to approximately HK\$19.75 million and represented approximately 14.06% of the registered capital) by the JV Partner by way of cash.
- Apart from the capital commitments of RMB110 million (equivalent to approximately HK\$120.71 million) as set out above, there is no further capital commitments required to be made by the Group pursuant to the JV Agreement.
- Scope of business: The scope of business of the JV Company would be 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.
- Profit distribution: The profits of the JV Company available for distribution shall be distributed to Golden Corn and the JV Partner in proportion to their respective share of registered capital contribution.
- Board composition: The board of directors of the JV Company would consist of seven directors, of which five would be appointed by Golden Corn and two would be appointed by the JV Partner. The chairman and deputy chairman of the JV Company would be nominated by the JV Partner and Golden Corn respectively and would be appointed by the board of directors of the JV Company.

LETTER FROM THE BOARD

THE JV COMPANY

It is a term of the JV Agreement that the respective share of registered capital contribution of Golden Corn and the JV Partner should be made within five business days following the signing of the JV Articles. Pursuant to a capital verification report dated 12 March 2008, the entire registered capital of the JV Company was contributed in accordance with the terms of the JV Agreement as at 12 March 2008. The Group financed its share of capital contribution to the JV Company by the proceeds raised from the Global Offering. The JV Company was duly established on 13 March 2008 with an approved business scope of 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.

INFORMATION ON THE JV PARTNER

臨清德能生物科技有限公司 (Linqing Deneng Bio Technology Limited*) is a company established in the PRC with limited liability on 17 May 2006 and is located at Linqing City, Shandong Province, the PRC. The approved scope of business of the JV Partner is processing and sale of cornstarch. There were no prior transactions or relationship between the Group and the JV Partner prior to the entering into of the JV Agreement.

To the best of the Directors' knowledge, the major assets of the JV Partner include, among other things, (i) a cornstarch production and corn processing plant which has only been put into trial production as at the Latest Practicable Date; and (ii) a starch-based sweetener production plant which is still under construction.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the JV Partner and its ultimate beneficial owner are third parties independent of the Company and its connected persons as defined under the Listing Rules.

THE PROPOSED ACQUISITION AND REASONS FOR THE FORMATION OF THE JV COMPANY

The Group is principally engaged in the manufacture and sale of cornstarch and ancillary corn-refined products, L-lysine hydrochloride salt and agricultural fertilisers and the sale of steam and electricity.

As stated in the prospectus of the Company dated 12 September 2007, it is one of the Group's business strategies to increase its annual cornstarch and lysine production capacity. To facilitate the planned expansion in production capacity of the Group, it is part of the Group's future plans to acquire additional production capacity from small-to-medium-sized cornstarch and/or lysine producers. The JV Company has been established for the purpose of, among others, acquiring the production facilities relating to the business of the JV Company from the JV Partner through utilizing the injected capital of the JV Company.

LETTER FROM THE BOARD

The Group is currently conducting due diligence review on the production facilities proposed to be acquired pursuant to, and is negotiating with the JV Partner on the terms and conditions of, the Proposed Acquisition. **Accordingly, the Proposed Acquisition may or may not proceed.** The JV Articles has provided that the JV Company can be dissolved in accordance with its terms should the Proposed Acquisition fail to materialise in whatever reasons.

The Directors (including the independent non-executive Directors) consider that the terms of the JV Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE FORMATION OF THE JV COMPANY

The JV Company is an indirect non-wholly owned subsidiary of the Company and the financial results of the JV Company will be consolidated into the results of the Group. As the JV Company has not yet commenced business operation as at the Latest Practicable Date, it is not expected to have any immediate financial or operational impact on the Group. It is expected that the formation of the JV Company would not have any material effect on the earnings and assets and liabilities of the Group.

LISTING RULES IMPLICATION

The entering into of the JV Agreement constitutes a discloseable transaction of the Company under Rule 14.06 of the Listing Rules.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully
On behalf of the Board
China Starch Holdings Limited
Tian Qixiang
Chairman

* *Unofficial name for identification purposes only*

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

Interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and any of its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) were as follows:

Name of Director	The Company/ associated corporation	Capacity/nature of interest	Number and class of securities held (<i>Note 1</i>)	Approximate percentage of shareholding
Mr. Tian Qixiang (“ Mr. Tian ”)	The Company	Interest of a controlled corporation	350,000,000 Shares (L) (<i>Note 2</i>)	66.99%
	Merry Boom Group Limited	Beneficial owner	131 ordinary shares of US\$1 each (L)	54.58%
Mr. Gao Shijun	Merry Boom Group Limited	Beneficial owner	60 ordinary shares of US\$1 each (L)	25.00%
Mr. Yu Yingquan	Merry Boom Group Limited	Beneficial owner	1 ordinary share of US\$1 each (L)	0.42%

Notes:

- (1) The letter “L” denotes the Directors’ long position in the shares of the Company or the relevant associated corporation.
- (2) These Shares were held by Merry Boom Group Limited. Merry Boom Group Limited is owned as to approximately 54.58% by Mr. Tian. Mr. Tian is deemed to be interested in all the Shares held by Merry Boom Group Limited under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company and their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests discloseable under Divisions 2 and 3 of the SFO and substantial shareholders

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of shareholder	The Company/ Name of Group member	Capacity/nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Merry Boom Group Limited	The Company	Beneficial owner	350,000,000 (L) (Note 2)	66.99%
Victory Investment China Group Limited	The Company	Beneficial owner	44,000,000 (L)	8.42%
Wang Rui Yun	The Company	Interest in controlled corporation, Victory Investment China Group Limited	44,000,000 (L)	8.42%
Corn Products International, Inc.	壽光金遠東變性澱粉有限公司 (Shouguang Golden Far East Modified Starch Co., Ltd.*)	Beneficial owner	Registered capital of US\$4,896,000 (L)	51.00%
JV Partner	JV Company	Beneficial owner	Registered capital of RMB18,000,000 (L)	14.06%

Notes:

- (1) The letter “L” denotes the long position in the shares of the Company or the relevant Group member.
- (2) These Shares were held by Merry Boom Group Limited. Merry Boom Group Limited is owned as to approximately 54.58% by Mr. Tian, an executive Director and Chairman of the Company. Mr. Tian is deemed to be interested in all the Shares held by Merry Boom under the SFO as disclosed under the paragraph headed “Interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and any of its associated corporations” above. Mr Tian is also a director of Merry Boom Group Limited.

Save as disclosed above, as at the Latest Practicable Date and so far as known to the Directors or chief executive of the Company, no other person (other than the Directors or chief executive of the Company) had any interests or short position in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of any other member of the Group.

As at the Latest Practicable Date, save for Mr. Tian who is also a director of Merry Boom Group Limited, a substantial shareholder of the Company, none of the Directors and chief executive of the Company held any directorship or employment in a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into any service contract with the Company or any other member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation other than statutory compensation).

4. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, 山東壽光巨能控股集團有限公司 (Shandong Shouguang Juneng Holding Group Co., Ltd.*) (“**Juneng Holding Group**”), an investment holding company established in the PRC, was 55% owned by Mr. Tian (who is a Director and a controlling shareholder of the Company) and accordingly is an associate of Mr. Tian for the purpose of the Listing Rules. As at the Latest Practicable Date, Juneng Holding Group was interested in approximately 33% of the equity interest of 山東壽光巨能熱電發展有限公司

(Shandong Shouguang Juneng Heat and Electricity Development Co., Ltd.*) (“**Juneng Heat and Electricity Development**”), a company established in the PRC and is principally engaged in the provision of electricity to the provincial power grid of Shandong Province. Each of Juneng Holding Group and Juneng Heat and Electricity Development has given an irrevocable non-competition undertaking in favour of the Company. For further details, please refer to the paragraph headed “Competing business of controlling shareholders” under the section headed “Business” in the prospectus of the Company dated 12 September 2007.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor any of their respective associates who was a controlling shareholder of the Company was considered to have an interest in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group.

6. MISCELLANEOUS

- (i) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (ii) The head office and principal place of business of the Company in Hong Kong is located at Room 2408, 24/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (iii) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited of 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.
- (iv) The company secretary and qualified accountant of the Company is Mr. Leung Siu Hong who is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.
- (v) The English language text of this document shall prevail over the Chinese language text.

* *Unofficial name for identification purposes only*