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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 FORMATION OF A JOINT VENTURE COMPANY**

The Board is pleased to announce that on 24 August 2020, Golden Far East, an indirect wholly-owned subsidiary of the Company, entered into the JV Agreement with the JV Partner for the formation of the JV Company with registered capital of RMB100 million, of which 75% is to be contributed by Golden Far East and the remaining 25% is to be contributed by the JV Partner. The JV Company is proposed primarily to be engaged in the research, development, production and sale of lactate and other related products.

As the highest of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the total capital commitment of the Group to the JV Company pursuant to the JV Agreement exceeds 5% but is less than 25%, the entering into of the JV Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and requires disclosure by way of this announcement.

The Board is pleased to announce that on 24 August 2020, Golden Far East, an indirect wholly-owned subsidiary of the Company, entered into the JV Agreement with the JV Partner for the formation of the JV Company with registered capital of RMB100 million. The date, parties and the principal terms of the JV Agreement are set out below.

## THE JV AGREEMENT

Date:	24 August 2020
Parties:	(a) Golden Far East (b) the JV Partner
Total investment:	The total investment of the JV Company amounted to RMB150 million.
Registered capital:	The registered capital of the JV Company is RMB100 million which was determined on an arm's length basis between Golden Far East 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 will be contributed as to RMB75 million by Golden Far East and as to the remaining RMB25 million by the JV Partner by way of cash.

Golden Far East has to make its share of registered capital contribution to the JV Company within three months from the date of establishment of the JV Company upon issuance of its business licence.

The JV Partner has to make its share of registered capital contribution to the JV Company upon (a) obtaining by the JV Company of its business licence for the research, development, production and sale of lactate and its safety assessment certificate in respect thereof; and (b) agreement on the use and development, construction plan and investment budget of the production site of the JV Company between Golden Far East and the JV Partner.

The excess funding need of the JV Company beyond its registered capital and up to its total investment amount would first be financed by bank loans or other source but neither Golden Far East nor the JV Partner is committed to provide the shortfall, if any.

Apart from the registered capital commitment, there is no further capital commitments required to be made by Golden Far East or the JV Partner pursuant to the terms of the JV Agreement.

The Group intends to finance its registered capital commitment to the JV Company by internal resources of the Group.

Principal business:	The principal business of the JV Company is research, development, production and sale of lactate and other related products.
Board composition:	<p>The board of directors of the JV Company shall consist of three directors, two of them shall be appointed by Golden Far East and one of them shall be appointed by the JV Partner.</p> <p>The chairman and vice chairman of the JV Company shall be appointed by Golden Far East and the JV Partner respectively.</p>
Profit sharing:	Golden Far East and the JV Partner are to share the profits of the JV Company available for distribution in proportion to their respective shares of registered capital in the JV Company.
Right of first refusal:	Each of Golden Far East and the JV Partner shall have a right of first refusal (“ <b>Right of First Refusal</b> ”) on any transfer by the other (“ <b>Transferring Shareholder</b> ”) of its interest in the JV Company (whether in whole or in part) (“ <b>Offered Interest</b> ”). The non-transferring shareholder shall be entitled to acquire the Offered Interest on terms no less favourable than the terms offered by the Transferring Shareholder to a third party. Consent to transfer the Offered Interest by the Transferring Shareholder to a third party is deemed to have been given by the non-transferring shareholder if the latter does not exercise the Right of First Refusal.
Term of business of the JV Company:	20 years from the date of the JV Company obtaining the business licence, which may be further extended upon unanimous approval of Golden Far East and the JV Partner six months before the expiry date of the term of the JV Company.
Termination of the JV Agreement:	The JV Agreement may be terminated by Golden Far East and the JV Partner if all or any of them cannot perform their obligations under the JV Agreement due to, among other matters, force majeure, including COVID-19.

## THE JV COMPANY

As at the date of this announcement, the JV Company has not been established and no registered capital contribution was made by Golden Far East or the JV Partner.

The JV Company plans to construct a production site with production plant and facilities (“**Possible Production Site Construction**”) in Shouguang for its own use and operation. No binding agreement has been entered into by the JV Company or the Group in respect of or in connection with the Possible Production Site Construction as at the date of this announcement. In case the Possible Production Site Construction does materialise, the Company will comply with the relevant requirements of the Listing Rules applicable to or in connection with the Possible Production Site Construction.

The financial results of the JV Company, of which the Company has a 75% equity interest, will be consolidated into the results of the Company.

## **REASONS FOR AND BENEFITS OF THE FORMATION OF THE JV COMPANY**

The Group has been placing emphasis on new product development in the past years. Through the formation of the JV Company, Golden Far East and the JV Partner will be able to draw their expertise and resources together and achieve greater innovation in the development of lactate and other related products. The parties can also complement each other in the respective resources advantages on technology, management and marketing, and thus promotes stronger competitiveness of the products of the Group.

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 of the Company as a whole.

## **INFORMATION ON THE JV PARTNER**

The JV Partner is a company established in Japan with limited liability on 19 November 1949 principally engaged in the production, sale and export of lactic acid, lactic acid derivatives, alanine, pyruvic acid and pyruvic acid derivatives, and other highly functional chemical products.

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.

## **INFORMATION ON THE GROUP**

The principal activity of the Company is research, development, manufacture and sale of modified starch, cornstarch, glucose, maltose, dextrin, animal feed additives, food-grade enzymes, biobased materials and related products. 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.

## LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the total capital commitment of the Group to the JV Company pursuant to the JV Agreement exceeds 5% but is less than 25%, the entering into of the JV Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and requiring disclosure by way of this announcement.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the terms used herein have the followings meaning:

“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
“Director”	a director of the Company
“Group”	the Company and its subsidiaries from time to time
“JV Agreement”	the sino-foreign equity joint venture agreement dated 24 August 2020 entered into between Golden Far East and the JV Partner in relation to the formation of the JV Company as supplemented by a supplemental agreement dated 24 August 2020 made between the same parties
“JV Company”	壽光巨能武藏野生物科技有限公司 (Shouguang Juneng Musashino Biotechnology Co., Ltd.*), a limited liability company to be established on pursuant to the JV Agreement, which is owned as to 75% by Golden Far East and the remaining 25% by the JV Partner
“JV Partner”	株式會社武藏野化學研究所 (Musashino Chemical Laboratory, Ltd.*), a limited liability company established in Japan on 19 November 1949
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Golden Far East”	壽光金遠東變性澱粉有限公司 (Shouguang Golden Far East Modified Starch Company Limited*), a limited liability company established in the People’s Republic of China on 25 September 2004
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.
* <i>unofficial name for identification only</i>	

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

Shouguang, The People’s Republic of China, 25 August 2020

*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