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

If you have sold or transferred all your shares in **China Starch Holdings Limited**, you should at once hand this circular with the accompanying form of election to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

Executive Directors:

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

Registered office:

Cricket Square, Hutchins Drive,
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Cayman Islands

Independent non-executive Directors:

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

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of business in Hong Kong:*

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Hong Kong

28 May 2013

To the Shareholders,

Dear Sir or Madam,

SCRIP DIVIDEND SCHEME

INTRODUCTION

By the announcement dated 25 March 2013, the board (the “**Board**”) of directors (the “**Directors**”) of China Starch Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) announced the final results of the Group for the year ended 31

December 2012 and, among other matters, recommended the payment of a final dividend (the “**Final Dividend**”) of HK0.67 cents per share of HK\$0.10 each (each a “**Share**”) in the share capital of the Company by way of cash with an option to elect to receive wholly or partly an allotment and issue of new Shares (the “**Scrip Shares**”), credited as fully paid, in lieu of cash payment (the “**Scrip Dividend Scheme**”). The Final Dividend is payable to the shareholders of the Company (the “**Shareholders**”) whose names appeared on the register of members (the “**Register**”) of the Company on 24 May 2013 (Friday) (the “**Record Date**”).

At the annual general meeting of the Company held on 15 May 2013 (Wednesday), the Final Dividend and the Scrip Dividend Scheme were approved by the Shareholders by way of poll.

SCRIP DIVIDEND SCHEME

Particulars of the Scrip Dividend Scheme

Under the Scrip Dividend Scheme, each Shareholder has an option to elect to receive the Final Dividend:

- (a) by way of cash payment; or
- (b) by way of an allotment and issue of the Scrip Shares; or
- (c) by way of a combination of (a) and (b) above.

For the purpose of calculating the number of Scrip Shares to be allotted pursuant to the Scrip Dividend Scheme, the market value of the Scrip Shares has been fixed at HK\$0.2284 each, representing the average of the closing prices per Share as quoted on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the five consecutive trading days from 20 May 2013 (Monday) up to and including the Record Date.

Accordingly, the number of Scrip Shares which the Shareholders will receive in respect of the existing Shares registered in their names at the close of business on the Record Date under the Scrip Dividend Scheme will be calculated as follows:

$$\begin{array}{rcll} \text{Number of Scrip Shares} & & \text{Number of Shares held} & \\ \text{to be allotted} & = & \text{on the Record Date for} & \times \frac{\text{HK0.67 cents}}{\text{HK\$0.2284}} \\ & & \text{which election is made} & \end{array}$$

The number of Scrip Shares to be issued to each Shareholder pursuant to the Scrip Dividend Scheme will be rounded down to the nearest whole number. Fractional entitlements to the Scrip Shares will not be issued to the Shareholders and will be cancelled accordingly. The Scrip Shares to be issued pursuant to the Scrip Dividend Scheme will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Scrip Shares, except that they will not be entitled to the Final Dividend. The Scrip Shares to be issued to the Shareholders under the Scrip Dividend Scheme may be issued in odd lots (of number less than a board lot of 5,000 Shares). No special dealing arrangements will be put in place by the Company to facilitate the trading or disposal of Scrip Shares to be issued in odd lots. Shareholders shall be aware that odd lots are usually traded at a discount to the price of board lots.

Based on the 5,883,097,465 Shares in issue on the Record Date, if all Shareholders elect to receive the Scrip Shares instead of cash in respect of the Final Dividend, the Company will issue approximately 172,577,727 Shares, representing an increase of approximately 2.93% of the existing issued share capital of the Company, and approximately 2.85% of the issued share capital of the Company as enlarged by the issue of the said number of Scrip Shares. If no election for the Scrip Shares were received, based on the 5,883,097,465 Shares in issue on the Record Date, the total cash dividend payable by the Company would be approximately HK\$39,417,000.

Advantages of the Scrip Dividend Scheme

The Directors considered that while the Company should declare the Final Dividend, the retention of cash, which would otherwise have been paid to the Shareholders as cash dividend, within the Group would enhance the continuous growth, maintain the financial stability and reduce the financing costs of the Group. In addition, the Scrip Dividend Scheme will give Shareholders an opportunity to increase their investment in the Company without incurring brokerage fees, stamp duty and related costs of dealings.

Form of election

Enclosed with this circular is a form of election. No action is required if you wish to receive the Final Dividend to which you are entitled wholly in cash.

If you wish to elect to receive the Final Dividend either wholly or partly in Scrip Shares, you must complete and sign the enclosed form of election in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on 13 June 2013 (Thursday). No acknowledgement of receipt of the form of election will be issued.

Please note that if you sign the form of election but do not specify the number of Shares in respect of which you wish to receive your Final Dividend in Scrip Shares or, if you elect for payment of the Final Dividend in Scrip Shares in respect of a greater number of Shares than your registered holding of Shares as at the Record Date, then in either case you will be deemed to have exercised your election for Scrip Shares in lieu of cash dividend in respect of all the Shares registered in your name as at the Record Date.

If you do not complete and return the form of election before the time and in the manner stated above, you will receive the whole of your Final Dividend in cash.

Overseas Shareholders

This circular and the form of election will not be registered or filed under any securities legislation of any jurisdiction.

Any Shareholders with registered addresses outside Hong Kong (the “**Overseas Shareholders**”) receiving this circular and the form of election may not treat the same as an offer or invitation to participate in the Scrip Dividend Scheme unless such offer or invitation could lawfully be made to them without the Company being required to comply with any registration or other legal and regulatory requirements in the relevant territory. In such circumstances, this circular and the form of election will be deemed to have been sent to the Overseas Shareholders for information purposes only. It is the responsibility of the Overseas Shareholders who wish to receive Scrip Shares under the Scrip Dividend Scheme to satisfy themselves as to the full compliance with the laws and regulations of the relevant jurisdiction(s), including without limitation the obtaining of all necessary government or other consents and compliance with all necessary formalities and requirements, in order for them to lawfully participate in the Scrip Dividend Scheme, to receive the Scrip Shares thereunder and to lawfully resale or trade the Scrip Shares as may be allotted and issued to them.

As at the Record Date, there was one Shareholder (the “**Canadian Shareholder**”) with registered address in the province of British Columbia, Canada as appeared on the Register holding 20,000 Shares. The Board has been advised by its legal advisers on the laws of Canada that (1) under the applicable laws of the relevant province or territory of Canada or the requirement of the relevant securities regulatory authorities or stock exchange of the relevant province or territory of Canada, either there is no restriction or there are exemptions available to the Company with respect to the offer of the Scrip Shares to the Canadian Shareholder under the Scrip Dividend Scheme; and (2) the Canadian Shareholder may lawfully participate in the Scrip Dividend Scheme without registration and/or other formalities.

The Board has also been advised by its legal advisers on the laws of Canada that **unless certain conditions are satisfied, the first trade by the Canadian Shareholder of Shares obtained by way of the Scrip Shares can only be traded in accordance with applicable prospectus and registration requirements or pursuant to exemptions from such prospectus and registration requirements.** While the Canadian Shareholder will not be excluded from the Scrip Dividend Scheme, **the Canadian Shareholder is advised to consult his/her own professional advisers with regard to the relevant legal and regulatory requirements for the trading in the Scrip Shares and as to whether it would be beneficial or expedient for him/her to participate in the Scrip Dividend Scheme. It is the responsibility of the Canadian Shareholder, and not the obligation of the Company, to comply with the applicable Canadian resale restrictions pertaining to any Scrip Shares acquired under the Scrip Dividend Scheme.**

This circular and the form of election do not constitute or form part of an offer or solicitation of any offer to buy securities of the Company, and the form of election is not transferable. **Overseas Shareholders who are in any doubt as to their position should consult their own appropriately authorised professional advisers without delay.**

Listing of and dealings in the Scrip Shares and despatch of certificates of the Scrip Shares

Application has been made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Scrip Shares to be allotted and issued pursuant to the Scrip Dividend Scheme. No part of the Company's securities is listed or dealt in on any other stock exchange except the Stock Exchange, and no such listing or permission to deal is being, or is proposed to be, sought by the Company. Subject to the Scrip Shares being admitted to listing, it is expected that certificates for the Scrip Shares and/or dividend warrants will be despatched to the Shareholders entitled at their own risk on or about 21 June 2013 (Friday). On this basis, dealings in the Scrip Shares on the Stock Exchange are expected to commence on or about 25 June 2013 (Tuesday). If such condition is not satisfied, the Final Dividend will then be paid wholly in cash.

Subject to the granting of the listing of, and permission to deal in, the Scrip Shares on the Stock Exchange, the Scrip Shares will be accepted as eligible securities by the Hong Kong Securities Clearing Company Limited (the "HKSCC") for deposit, clearance and settlement in the Central Clearing and Settlement System (the "CCASS") with effect from the commencement date of dealings in the Scrip Shares on the Stock Exchange or such other date as determined by the HKSCC. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek the advice of their licensed securities dealers or other professional advisers for details of these settlement arrangements and how such arrangements will affect their rights and interests.

Recommendation and advice

Whether or not it is to your advantage to receive the Final Dividend (i) wholly in cash or (ii) wholly in Scrip Shares or (iii) partly in cash and partly in Scrip Shares, depends upon your own individual circumstances and on the movement of the Company's share price in the market. The decision in this regard and all consequences resulting therefrom are the sole responsibility of each Shareholder. If you are in any doubt as to what to do, you should consult your own professional adviser. Shareholders who are trustees are recommended to seek professional advice as to whether they have the powers to make any relevant election and as to the effect of the election having regard to the terms of the relevant trust instrument.

Disclosure of interests

Shareholders should note that an acquisition of Scrip Shares under the Scrip Dividend Scheme may give rise to notification requirements under Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Shareholders who are in any doubt as to how these provisions may affect them are recommended to seek their own professional advice.

Yours faithfully,
By order of the Board
China Starch Holdings Limited
Tian Qixiang
Chairman