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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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 licensed securities dealer, 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 and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or licensed securities dealer 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)**

**(1) RE-ELECTION OF DIRECTORS,  
(2) GRANT OF GENERAL MANDATES TO ISSUE AND  
BUY BACK SHARES,  
(3) ADOPTION OF THE NEW SHARE OPTION SCHEME,  
AND  
(4) NOTICE OF ANNUAL GENERAL MEETING**

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A notice convening the AGM to be held at Victoria Room II, 3/F, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong at 10:30 a.m. on 16 May 2017 (Tuesday) is set out on pages 34 to 39 of this circular.

Whether or not you intend to attend the AGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish.

6 April 2017

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

|                                   |                                                                                                                                                                                                                                                                                                   |
|-----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Adoption Date”                   | the date on which the Scheme becomes unconditional upon fulfillment of the conditions set out in the paragraph headed “Adoption of the New Share Option Scheme – Conditions” in the Letter from the Board of this circular                                                                        |
| “Annual General Meeting” or “AGM” | the annual general meeting of the Company to be convened and held at Victoria Room II, 3/F, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong at 10:30 a.m. on 16 May 2017 (Tuesday) and any adjournment thereof, the notice of which is set out on pages 34 to 39 of this circular |
| “Articles”                        | the articles of association of the Company, as amended from time to time                                                                                                                                                                                                                          |
| “associates”                      | has the same meaning as defined under the Listing Rules                                                                                                                                                                                                                                           |
| “Board”                           | the board of Directors                                                                                                                                                                                                                                                                            |
| “Business Day(s)”                 | any day on which the Stock Exchange is open for the business of dealing in securities                                                                                                                                                                                                             |
| “Branch Share Registrar”          | Tricor Investor Services Limited, located at Level 22, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, the branch share registrar and transfer office of the Company in Hong Kong                                                                                                     |
| “Buy-back Mandate”                | a general and unconditional mandate proposed to be granted to the Directors to enable them to buy back Shares, the aggregate number of which shall not exceed 10% of the total number of issued Shares as at the date of passing the relevant resolution at the AGM                               |
| “close associates”                | has the same meaning as defined under the Listing Rules                                                                                                                                                                                                                                           |
| “Companies Law”                   | the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands                                                                                                                                                                                                  |

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## DEFINITIONS

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|-------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “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                                                                                   |
| “core connected person”       | has the same meaning as defined under the Listing Rules                                                                                                                                                                                                                        |
| “Current Share Option Scheme” | the share option scheme of the Company adopted by the Company pursuant to a resolution in writing passed by the then sole Shareholder of the Company on 5 September 2007                                                                                                       |
| “Director(s)”                 | director(s) of the Company                                                                                                                                                                                                                                                     |
| “Eligible Employee(s)”        | any employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, of any of the Company’s subsidiaries or of any Invested Entity                                                                        |
| “Eligible Participant(s)”     | any person who may be invited by the Directors to take up Options pursuant to the Scheme                                                                                                                                                                                       |
| “Exercise Price”              | the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option pursuant to the terms of the Scheme                                                                                                                                               |
| “Extension Mandate”           | a general and unconditional mandate proposed to be granted to the Directors to the effect that any Shares bought back under the Buy-back Mandate will be added to the total number of Shares which may be allotted, issued and dealt with under the General Mandate            |
| “General Mandate”             | a general and unconditional mandate proposed to be granted to the Directors to exercise the power of the Company to allot, issue and deal with Shares up to a maximum of 20% of the total number of issued Shares as at the date of passing the relevant resolution at the AGM |
| “Grantee(s)”                  | any Eligible Participant who accepts the Offer in accordance with the terms of the Scheme                                                                                                                                                                                      |

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## DEFINITIONS

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|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Group”                               | the Company and its subsidiaries                                                                                                                                                                                                                                                                                                                                                                                   |
| “Hong Kong”                           | the Hong Kong Special Administrative Region of the People’s Republic of China                                                                                                                                                                                                                                                                                                                                      |
| “Invested Entity”                     | any entity in which the Group holds any entity interest                                                                                                                                                                                                                                                                                                                                                            |
| “Latest Practicable Date”             | 31 March 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein                                                                                                                                                                                                                                                                                |
| “Listing Rules”                       | the Rules Governing the Listing of Securities on the Stock Exchange                                                                                                                                                                                                                                                                                                                                                |
| “New Share Option Scheme” or “Scheme” | the new share option scheme proposed to be conditionally adopted by the Company at the AGM, a summary of its principal terms is set out in Appendix III to this circular                                                                                                                                                                                                                                           |
| “PRC”                                 | the People’s Republic of China                                                                                                                                                                                                                                                                                                                                                                                     |
| “RMB”                                 | Renminbi, the lawful currency of the PRC                                                                                                                                                                                                                                                                                                                                                                           |
| “Option(s)”                           | an option to subscribe for shares granted pursuant to the Scheme                                                                                                                                                                                                                                                                                                                                                   |
| “Option Period”                       | in respect of any particular Option, the period (which may not be later than 10 years from the Offer Date of that Option) to be determined and notified by the Directors to the Grantee thereof and, in the absence of such determination, from the Offer Date to the earlier of (i) the date on which such Option lapses under the provisions of the Scheme; and (ii) 10 years from the Offer Date of that Option |
| “Offer”                               | an offer for the grant of an Option made in accordance with the Scheme                                                                                                                                                                                                                                                                                                                                             |
| “Offer Date”                          | the date, which must be a Business Day, on which an Offer is made to an Eligible Participant                                                                                                                                                                                                                                                                                                                       |

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## DEFINITIONS

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|---------------------------|---------------------------------------------------------------------------------------------------------------------|
| “SFO”                     | the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong                                          |
| “Share(s)”                | ordinary share(s) of HK\$0.10 each in the share capital of the Company                                              |
| “Shareholder(s)”          | 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                                                                             |
| “substantial shareholder” | has the same meaning as defined under the Listing Rules                                                             |
| “Takeovers Code”          | The Hong Kong Code on Takeovers and Mergers                                                                         |
| “HK\$”                    | Hong Kong dollars, the lawful currency of Hong Kong                                                                 |
| “%”                       | per cent.                                                                                                           |

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## LETTER FROM THE BOARD

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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 (*Chief Executive Officer*)  
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:*

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

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

Suite 3312, Tower 1,  
Times Square,  
1 Matheson Street,  
Causeway Bay,  
Hong Kong

6 April 2017

*To the Shareholders,*

Dear Sir or Madam,

**(1) RE-ELECTION OF DIRECTORS,  
(2) GRANT OF GENERAL MANDATES TO ISSUE AND  
BUY BACK SHARES,  
(3) ADOPTION OF THE NEW SHARE OPTION SCHEME,  
AND  
(4) NOTICE OF ANNUAL GENERAL MEETING**

#### INTRODUCTION

The primary purposes of this circular are to provide you with information regarding the resolutions to be proposed at the AGM and to give you notice of the AGM.

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## LETTER FROM THE BOARD

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Resolutions to be proposed at the AGM include ordinary resolutions relating to (i) the re-election of Directors, (ii) the grant of each of the General Mandate, the Buy-back Mandate and the Extension Mandate; and (iii) the adoption of the New Share Option Scheme.

### RE-ELECTION OF DIRECTORS

Pursuant to article 108(A) of the Articles, at least one-third of the Directors shall retire from office by rotation at each annual general meeting of the Company. Any Director who retires under this article shall then be eligible for re-election as Director. Mr. Gao Shijun, Mr. Yu Yingquan and Mr. Yue Kwai Wa, Ken shall retire as Directors by rotation at the AGM and, all being eligible, offer themselves for re-election as Directors.

The nomination committee of the Board has recommended to the Board the re-election of Mr. Gao Shijun, Mr. Yu Yingquan and Mr. Yue Kwai Wa, Ken at the AGM. Biographical details of Mr. Gao Shijun, Mr. Yu Yingquan and Mr. Yue Kwai Wa, Ken are set out in Appendix I to this circular.

Furthermore, according to code provision A.4.3 set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules, if an independent non-executive director serves more than 9 years, his/her further appointment should be subject to a separate resolution to be approved by shareholders. Given that Mr. Yue Kwai Wa, Ken has been serving as independent non-executive Director for more than 9 years, his re-election and further appointment as independent non-executive Director will be subject to a separate resolution to be considered and, if thought fit, approved by the Shareholders at the Annual General Meeting.

Mr. Yue Kwai Wa, Ken does not have any management role in the Company or interests in any business activities of, and has not been involved in any business dealings with, the Company or any connected persons of the Company. He has no relationship with any other Directors, senior management, substantial or controlling Shareholders of the Company. At all times during the period of his directorship with the Company, he has properly discharged his duties and responsibilities as an independent non-executive Director and has made positive contribution to the development of the Company through his independent, constructive and informed advice to the Board and his participation at the business and other affairs relating to the Company. Based on Mr. Yue's annual confirmation of his independence pursuant to the independence guidelines as set out in Rule 3.13 of the Listing Rules, as well as his objectivity and independent frame of mind as exhibited throughout his tenure, the Board is satisfied that Mr. Yue remain to be independent. In addition, the Board believes that Mr. Yue has the required character, integrity and experience to continue to fulfill and discharge the roles and duties of an independent non-executive Director. Therefore, the Board recommended the re-election of Mr. Yue as an independent non-executive Director at the AGM.



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## LETTER FROM THE BOARD

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### GRANT OF GENERAL MANDATE, BUY-BACK MANDATE AND EXTENSION MANDATE

The following mandates, which were granted to the Directors pursuant to the ordinary resolutions passed by the Shareholders at the 2016 annual general meeting of the Company held on 17 May 2016, will expire at the conclusion of the AGM:

- (A) a general unconditional mandate to allot, issue and deal with the Shares up to a maximum of 20% of the total number of issued Shares as at the date of passing of the relevant resolution;
- (B) a general unconditional mandate to exercise all the powers of the Company to buy back the Shares up to a maximum of 10% of the total number of issued Shares as at the date of passing of the relevant resolution; and
- (C) the power to extend the general mandate mentioned in paragraph (A) immediately above by the number of Shares bought back by the Company pursuant to the mandate to buy back the Shares as referred to in paragraph (B) immediately above.

In view of the forthcoming expiration of the mandates granted to the Directors as mentioned above, the following ordinary resolutions, among other matters, will be proposed at the AGM:

- (1) that the Directors be granted the General Mandate to exercise the powers of the Company to allot, issue and otherwise deal with the Shares up to a maximum of 20% of the total number of issued Shares as at the date of passing of such resolution;
- (2) that the Directors be granted the Buy-back Mandate to enable them to buy back the Shares on the Stock Exchange or any other stock exchange on which the Shares may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for such purpose up to a maximum of 10% of the total number of issued Shares as at the date of passing of such resolution; and
- (3) that the Directors be granted the Extension Mandate to increase the total number of Shares which may be allotted, issued and dealt with under the General Mandate by an additional number representing such number of Shares bought back under the Buy-back Mandate.

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## LETTER FROM THE BOARD

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Each of the General Mandate, the Buy-back Mandate and the Extension Mandate will expire (a) at the conclusion of the next annual general meeting of the Company following the AGM; or (b) at the end of the period within which the next annual general meeting of the Company is required by the Companies Law or the Articles to be held; or (c) when the authority given to the Directors thereunder is revoked or varied by an ordinary resolution of the Shareholders in a general meeting prior to the next annual general meeting of the Company, whichever is the earliest.

Based on 5,995,892,043 issued Shares as at the Latest Practicable Date and on the basis that no new Shares will be issued and no Shares will be bought back by the Company for the period from the Latest Practicable Date up to and including the date of the AGM:

- (1) subject to the passing of the proposed resolution granting the General Mandate to the Directors and on the basis that the General Mandate is not to exceed 20% of the total number of issued Shares as at the date of passing of such resolution, the Company will be allowed under the General Mandate to issue up to a maximum of 1,199,178,408 Shares; and
- (2) subject to the passing of the proposed resolution granting the Buy-back Mandate to the Directors and on the basis that the Buy-back Mandate is not to exceed 10% of the total number of issued Shares as at the date of passing of the such resolution, the Company will be allowed under the Buy-back Mandate to buy back up to a maximum of 599,589,204 Shares.

The Board has no immediate plans to allot and issue any new Shares other than Shares which may fall to be allotted and issued upon the exercise of any options granted under the share option scheme of the Company.

Under the Listing Rules, the Company is required to give the Shareholders all information which is reasonably necessary to enable them to make an informed decision as to whether to vote for or against the resolution in respect of the Buy-back Mandate at the AGM. An explanatory statement for such purpose is set out in Appendix II to this circular.

### **ADOPTION OF THE NEW SHARE OPTION SCHEME**

#### **Current Share Option Scheme**

The Current Share Option Scheme will expire on 4 September 2017 and no further options can be granted thereafter. There are no outstanding share options under the Current Share Option Scheme as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### **Adoption of the New Share Option Scheme**

In view of the nearing expiry of the Current Share Option Scheme, the Board proposes the adoption of the New Share Option Scheme for approval by the Shareholders at the AGM. A summary of the principal terms of the New Share Option Scheme is set out in Appendix III to this circular. A copy of the Share Option Scheme will be available for inspection at the Company's principal place of business in Hong Kong at Suite 3312, Tower 1, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong during normal business hours from the date of this circular up to and including the date of the AGM.

The purpose of the New Share Option Scheme is to grant Options to participants as incentives or rewards for their contributions to the Group and to enable the Group to attract, recruit and retain senior management, key employees and other human resources that are valuable to the Group. It provides the Eligible Participants with an opportunity to attain a personal stake in the Company, which is expected to motivate the Eligible Participants to contribute to the long term development of the Group and optimize their performance and efficiency to the benefit of the Group. The Directors therefore consider that the adoption of the New Share Option Scheme is in the interests of the Company and the Shareholders as a whole.

### **Conditions**

The adoption of the New Share Option Scheme is conditional upon:

- (i) the passing of an ordinary resolution by the Shareholders at the AGM to approve and adopt the New Share Option Scheme; and
- (ii) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares to be issued by the Company pursuant to the exercise of the Options which may be granted under the New Share Option Scheme.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued and allotted pursuant to the exercise of the Options that may be granted in accordance with the terms and conditions of the New Share Option Scheme.

If the conditions set out above are not satisfied on or before the date following 90 days after the date of the circular of the Company in connection with its proposed adoption of the New Share Option Scheme by the Shareholders, the New Share Option Scheme shall be cancelled immediately and any Option agreed to be granted pursuant to the New Share Option Scheme shall be of no effect and no person shall be entitled to any rights or benefits or obligations under or in respect of the New Share Option Scheme.

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## LETTER FROM THE BOARD

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The New Share Option Scheme will be administered by the Board. Under the New Share Option Scheme, the Board has the authority to set the terms and conditions in the grant of the Options (e.g. to set conditions in relation to the minimum period of the Options to be held and/or the performance targets to be achieved before such Options can be exercised and the requirement for a minimum Exercise Price). With such authority, the Directors has more flexibility in specifying terms and imposing conditions of the Options under particular circumstances of each grant to the Eligible Participants as they consider appropriate with a view to achieving the purpose of the New Share Option Scheme as stated above, and hence facilitate the Board's aim to offer meaningful incentive to attract, retain and motivate valuable human resources towards the performance goals in the business operation and other long-term performance targets set by the Group. With respect to the operation of the Share Option Scheme, the Company will, where applicable, comply with the relevant requirements under Chapter 17 of the Listing Rules.

### **Interest of Directors**

None of the Directors is a trustee of the New Share Option Scheme nor has any direct or indirect interests in such trustees, if any.

### **Maximum number of Shares to be issued**

Subject to the obtaining of Shareholders' approval with respect to the adoption of the New Share Option Scheme at the AGM, the total number of Shares which may fall to be issued upon the exercise of all options to be granted under the New Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the total issued Shares of the Company as at the date of approval of this Scheme by the Shareholders, unless the Company obtains a fresh approval from Shareholders to refresh the said 10% limit provided that, inter alia, the maximum number of Shares in respect of which Options may be granted under the New Share Option Scheme together with any Options outstanding and yet to be exercised under the New Share Option Scheme and any other schemes must not exceed 30% of the number of issued Shares of the Company from time to time.

As at the Latest Practicable Date, there were 5,995,892,043 Shares in issue. Assuming that there is no further change in the issued Shares of the Company between the period from the Latest Practicable Date to the date of approval of this Scheme by the Shareholders, and based on the 5,995,892,043 issued Shares as at the Latest Practicable Date, the initial maximum number of Shares (unless refreshed pursuant to the New Share Option Scheme) that can be issued under the New Share Option Scheme will be 599,589,204 Shares, representing 10% of the issued Shares of the Company on the date of approval of this Scheme by the Shareholders.

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## LETTER FROM THE BOARD

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### Value of the Options

The Board considers that it would not be appropriate to state the value of all Options that can be granted under the New Share Option Scheme as if they have been granted on the Latest Practicable Date. Any such valuation will have to be made on the basis of specific option pricing model or other methodology, which depends on various assumptions including the Exercise Price payable for the Shares, exercise period, interest rate and other relevant variables, which cannot be ascertained at this stage. The Board believes that any calculation of the value of the Options as at the Latest Practicable Date would be based on a number of speculative assumptions and would therefore be misleading to the Shareholders.

### ANNUAL GENERAL MEETING

In order to determine Shareholders' eligibility to attend and vote at the AGM, the register of members of the Company will be closed from 11 May 2017 (Thursday) to 16 May 2017 (Tuesday) (both days inclusive) during which period no transfer of Shares may be effected. All transfers of Shares accompanied by the relevant share certificates must be lodged with the Branch Share Registrar for registration no later than 4:30 p.m. on 10 May 2017 (Wednesday). As at the Latest Practicable Date, to the extent that the Directors are aware having made all reasonable enquires, none of the Shareholders is required to abstain from voting on any resolutions at the AGM.

### ACTIONS TO BE TAKEN

Set out on pages 34 to 39 of this circular is a notice convening the AGM at which resolutions will be proposed to approve, among other matters, the following:

- (a) the re-election of Directors;
- (b) the grant of the General Mandate, Buy-back Mandate and Extension Mandate; and
- (c) the adoption of the New Share Option Scheme.

Any vote of the Shareholders at the AGM will be taken by poll.

Whether or not you intend to attend the AGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish.

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## LETTER FROM THE BOARD

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### RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

### RECOMMENDATIONS

The Board considers that the ordinary resolutions in relation to (i) the re-election of Directors, (ii) the grant of the General Mandate, the Buy-back Mandate and the Extension Mandate, and (iii) the adoption of New Share Option Scheme are in the best interests of the Company and the Shareholders as a whole and recommends the Shareholders to vote in favour of such resolutions at the AGM.

### GENERAL INFORMATION

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

### MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

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

Set out below are the biographical details of the retiring Directors, who being eligible, would offer themselves for re-election at the AGM:

**EXECUTIVE DIRECTORS****Mr. Gao Shijun**

Mr. Gao Shijun, aged 49, is the chief executive officer of the Company. Mr. Gao is principally responsible for overseeing the Group's operations and business management. Mr. Gao joined Shandong Shouguang Juneng Golden Corn Development Co., Ltd ("Golden Corn") in August 1998, and was later appointed as the deputy manager of Golden Corn in January 2000. Mr. Gao has been a director of Golden Corn since July 2003 and its general manager since May 2005. Mr. Gao is also a director of Linqing Deneng Golden Corn Bio Limited and Shouguang Golden Far East Modified Starch Co., Ltd.

Mr. Gao obtained an undergraduate degree in Physics in 1989 and a Master of Business Administration degree in 2012 from Shandong University. He was also awarded the qualification of senior engineer in 2010. Mr. Gao was appointed as the permanent vice-president of China Starch Industry Association (the "CSIA") for a term from June 2016 to May 2021.

Mr. Gao has entered into a service contract with the Company for an initial term of three years with effect from 5 September 2007, which shall be renewed and extended automatically for successive terms of one year upon expiry of the then current term, unless terminated by either party by giving three month's written notice to the other. With effect from 1 January 2017, Mr. Gao's annual salary has been revised from RMB264,000 to RMB450,000. He is also entitled to a discretionary management bonus provided that the aggregate amount of bonuses payable to all the executive Directors for any financial year of the Company shall not exceed 5% of all the audited consolidated or combined net profit of the Group (after taxation and minority interests and payment of such bonuses but before extraordinary or exceptional items) in respect of that financial year of the Company. Mr. Gao's annual salary and bonus are determined with reference to his duties and responsibilities with the Company and the Company's remuneration policy and are subject to review by the Board from time to time.

Save as disclosed above, (a) Mr. Gao did not hold any directorships in other listed public companies in the past three years; (b) he does not have any relationship with any other directors, senior management, substantial or controlling Shareholder of the Company and had no interests in the Shares, underlying Shares and debenture of the Company within the meaning of Part XV of the SFO as at the Latest Practicable Date; (c) there is no other information which is discloseable pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules; and (d) there are no other matters that need to be brought to the attention of the Shareholders.

**Mr. Yu Yingquan**

Mr. Yu Yingquan, aged 48, is principally responsible for the overall management in investment and corporate finance of the Group. Mr. Yu first joined the Group as a director of Golden Corn during the period from July 2003 to October 2005, and was reappointed as director in March 2007.

Mr. Yu graduated from Shandong Hydro Institute in 1990 with a diploma in Hydro Economic and Financial Management, and obtained a diploma in Finance Management from Shandong Economics Management Institute in 1998. Mr. Yu obtained the Certificate of Accounting Professional of the People's Republic of China issued by Finance Bureau of Shouguang City in 1997.

Mr. Yu has entered into a service contract with the Company for an initial term of three years with effect from 5 September 2007, which shall be renewed and extended automatically for successive terms of one year upon expiry of the then current term, unless terminated by either party by giving three month's written notice to the other. With effect from 1 January 2017, Mr. Yu's annual salary has been revised from RMB210,000 to RMB410,000. He is also entitled to a discretionary management bonus provided that the aggregate amount of bonuses payable to all the executive Directors for any financial year of the Company shall not exceed 5% of all the audited consolidated or combined net profit of the Group (after taxation and minority interests and payment of such bonuses but before extraordinary or exceptional items) in respect of that financial year of the Company. Mr. Yu's annual salary and bonus are determined with reference to his duties and responsibilities with the Company and the Company's remuneration policy and are subject to review by the Board from time to time.

Save as disclosed above, (a) Mr. Yu did not hold any directorships in other listed public companies in the past three years; (b) he does not have any relationship with any other directors, senior management, substantial or controlling Shareholder of the Company and had no interests in the Shares, underlying Shares and debenture of the Company within the meaning of Part XV of the SFO as at the Latest Practicable Date; (c) there is no other information which is discloseable pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules; and (d) there are no other matters that need to be brought to the attention of the Shareholders.



**INDEPENDENT NON-EXECUTIVE DIRECTOR****Mr. Yue Kwai Wa, Ken**

Mr. Yue Kwai Wa, Ken, aged 51, has been appointed as an independent non-executive Director of the Company on 5 September 2007. Mr. Yue also serves as the chairman of each of the Audit Committee, Nomination Committee and Remuneration Committee of the Board. Mr. Yue is also an executive director, the company secretary and the compliance officer of Roma Group Limited (“**Roma**”). He is also an independent non-executive director of Major Holdings Limited (“**Major**”) and Manfield Chemicals Holdings Limited (“**Manfield**”). During the period from 4 July 2014 to 18 November 2014, Mr. Yue was appointed as an executive director of Legend Strategy International Holdings Group Company Limited (“**Legend Strategy**”). Roma, Major, Manfield and Legend Strategy are listed on The Stock Exchange of Hong Kong Limited. Mr. Yue is a certified public accountant with solid experience in accounting, auditing and corporate finance. Mr. Yue is also a member of the American Institute of Certified Public Accountants and the Colorado State Society of Certified Public Accountants. He is also holding a specialist certificate and a practicing certificate in corporate finance of the Hong Kong Securities Institute.

Mr. Yue had been appointed as an independent non-executive Director for a fixed term of one year commencing from 5 September 2013 and is automatically renewable annually by both parties each year, for successive terms of one year, upon expiry. Mr. Yue is entitled to an annual director’s fee of HK\$110,000 under his letter of appointment, which is determined with reference to his duties and responsibilities in the Company. Save for the director’s fees, Mr. Yue is not expected to receive any other remuneration for holding his office as an independent non-executive Director.

Save as disclosed above, (a) Mr. Yue did not hold any directorships in other listed public companies in the past three years; (b) he does not have any relationship with any other directors, senior management, substantial or controlling Shareholder of the Company and had no interests in the Shares, underlying Shares and debenture of the Company within the meaning of Part XV of the SFO as at the Latest Practicable Date; (c) there is no other information which is discloseable pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules; and (d) there are no other matters that need to be brought to the attention of the Shareholders.

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide the Shareholders with all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the ordinary resolution to approve the grant of the Buy-back Mandate to the Directors.

### **1. LISTING RULES RELATING TO THE BUY-BACK OF SHARES**

The Listing Rules permit companies whose primary listings are on the Stock Exchange to buy back their securities on the Stock Exchange and any other stock exchange on which securities of the company are listed and such exchange is recognised by the Securities and Futures Commission of Hong Kong subject to certain restrictions. Among such restrictions, the Listing Rules provide that the shares of such company must be fully paid up and all buy-backs of shares by such company must be approved in advance by an ordinary resolution of shareholders, either by way of a general mandate or by specific approval of a particular transaction.

### **2. SHARE CAPITAL**

As at the Latest Practicable Date, there were a total of 5,995,892,043 issued Shares.

Subject to the passing of the proposed resolution granting the Buy-back Mandate and on the basis that the Buy-back Mandate is not to exceed 10% of the total number of issued Shares as at the date of passing of the such resolution and that no new Shares are issued and no Shares are bought back for the period from the Latest Practicable Date up to and including the date of the Annual General Meeting, the Company will be allowed under the Buy-back Mandate to buy back up to a maximum of 599,589,204 Shares.

### **3. REASONS FOR THE BUY-BACKS**

The Directors believe that the Buy-back Mandate is in the best interests of the Company and the Shareholders as a whole to seek a general authority from the Shareholders to enable the Company to buy back Shares on the Stock Exchange or any other stock exchange on which the Shares are listed. Such buy-backs may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when the Directors believe that such buy-backs will benefit the Company and the Shareholders as a whole.

**4. FUNDING OF BUY-BACKS**

Buy-backs made pursuant to the Buy-back Mandate would be funded out of funds legally available for the purpose in accordance with the Company's memorandum of association, the Articles, the Companies Law, other applicable laws of the Cayman Islands and the Listing Rules. A listed company is prohibited from buying back its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the Listing Rules as in force from time to time. Under the Companies Law, buy-backs by the Company may be made out of the profits of the Company, out of the Company's share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the buy-back, or, if so authorised by the Articles and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or bought back over the par value of the Shares to be bought back must be provided for out of profits of the Company or from sums standing to the credit of the Company's share premium account, or, if so authorised by the Articles and subject to the provisions of the Companies Law, out of capital.

**5. MATERIAL ADVERSE IMPACT IN THE EVENT OF BUY-BACK IN FULL**

Taking into account the current working capital position of the Group, the Directors consider that, if the Buy-back Mandate were to be carried out in full at any time during the proposed buy-back period, it might have a material adverse impact on the working capital and/or gearing position of the Company as compared with the position as at 31 December 2016, being the date to which its latest published audited consolidated financial statements were made up. However, the Directors do not intend to exercise the Buy-back Mandate to such extent as would, in the circumstances, have a material adverse impact on the working capital requirements or the gearing position of the Company and would only exercise the Buy-back Mandate to such extent which, in the opinion of the Directors, are from time to time appropriate for the Company.

**6. SHARE PRICES**

The highest and lowest prices at which the Shares have been traded on the Stock Exchange in each of the twelve calendar months immediately preceding (and including) the Latest Practicable Date were as follows:–

|                                           | <b>Highest</b><br><i>HK\$</i> | <b>Lowest</b><br><i>HK\$</i> |
|-------------------------------------------|-------------------------------|------------------------------|
| <b>2016</b>                               |                               |                              |
| April                                     | 0.183                         | 0.145                        |
| May                                       | 0.182                         | 0.150                        |
| June                                      | 0.161                         | 0.148                        |
| July                                      | 0.161                         | 0.153                        |
| August                                    | 0.173                         | 0.155                        |
| September                                 | 0.169                         | 0.159                        |
| October                                   | 0.179                         | 0.163                        |
| November                                  | 0.183                         | 0.155                        |
| December                                  | 0.181                         | 0.162                        |
| <b>2017</b>                               |                               |                              |
| January                                   | 0.179                         | 0.166                        |
| February                                  | 0.235                         | 0.170                        |
| March (up to the Latest Practicable Date) | 0.295                         | 0.220                        |

**7. UNDERTAKING**

The Directors have undertaken to the Stock Exchange that they will exercise the power of the Company to make buy-backs under the Buy-back Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands and in accordance with the regulations set out in the memorandum of association of the Company and the Articles.

**8. CORE CONNECTED PERSON**

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates, have any present intention to sell any Shares to the Company if the Buy-back Mandate is approved by the Shareholders at the AGM.

No core connected person of the Company has notified the Company that he/she/it has a present intention to sell Shares to the Company nor has any such core connected person undertaken not to sell any Shares held by him/her/it to the Company, in the event that the grant of Buy-back Mandate to the Directors is approved by the Shareholders at the AGM.

## 9. THE TAKEOVERS CODE AND MINIMUM PUBLIC HOLDING

If a Shareholder's proportionate interest in the voting rights of the Company increases on the Company exercising its powers to buy back securities pursuant to the Buy-back Mandate, such increase will be treated as an acquisition of the voting rights for the purposes of Rule 32 of the Takeovers Code. As a result, a Shareholder or group of Shareholders acting in concert (as defined in the Takeovers Code) could obtain or consolidate control of the Company and thereby become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, according to the register of interests kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons were directly or indirectly interested in 5% or more of the issued Shares:

| Name                                             | Capacity                                           | Number of<br>Shares held<br>(Note 1) | Approximate<br>percentage of<br>existing<br>shareholding<br>(Note 5) | Approximate<br>percentage of<br>shareholding<br>if the Buy-back<br>Mandate is<br>exercised in full<br>(Note 6) |
|--------------------------------------------------|----------------------------------------------------|--------------------------------------|----------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|
| Merry Boom Group Limited                         | Beneficial owner                                   | 3,705,385,194 (L)                    | 61.79%                                                               | 68.66%                                                                                                         |
| Mr. Tian Qixiang                                 | Interest of a controlled corporation               | 3,705,385,194 (L)<br>(Note 2)        | 61.79%                                                               | 68.66%                                                                                                         |
| Victory Investment China Group Limited ("VICGL") | Beneficial owner Person having a security interest | 292,000,000 (L)<br>99,000,000 (L)    | 6.52%<br>(Notes 3 & 4)                                               | 7.24%                                                                                                          |
| Wang Ruiyun                                      | Interest in a controlled corporation               | 391,000,000 (L)                      | 6.52%<br>(Note 3)                                                    | 7.24%                                                                                                          |

Notes:

(1) The letter "L" denotes long position in the Shares.

- (2) These Shares were held by Merry Boom Group Limited, which is owned as to approximately 54.58% by Mr. Tian Qixiang. Mr. Tian Qixiang is deemed to be interested in all the Shares held by Merry Boom Group Limited under the SFO.
- (3) In accordance with the corporate and individual substantial shareholder notices of VICGL and Wang Ruiyun filed on 17 August 2010, they are interested in 145,000,000 underlying Shares through the holding of certain unlisted cash-settled equity derivatives, and VICGL is wholly owned by Wang Ruiyun. Wang Ruiyun is deemed to be interested in all the Shares held by VICGL under the SFO.
- (4) In accordance with the corporate substantial shareholder notice of VICGL filed on 17 August 2010, VICGL holds a long position in 99,000,000 Shares jointly with another corporate shareholder named “Goldstone Fund Ltd (金石基金有限公司) ”.
- (5) The percentage of shareholding is calculated on the basis of 5,995,892,043 issued Shares as at the Latest Practicable Date.
- (6) The percentage of shareholding is calculated on the basis of 5,396,302,839 issued Shares upon full exercise of the Buy-back Mandate, assuming that 5,995,892,043 Shares are issued as at the date of the AGM.

On the basis of 5,995,892,043 issued Shares as at the Latest Practicable Date and assuming there is no further issue or buy-back of Shares during the period from the Latest Practicable Date up to and including the date of the AGM, if the Buy-back Mandate were exercised in full, the percentage shareholding of (i) Merry Boom Group Limited and Mr. Tian Qixiang and (ii) VICGL and Wang Ruiyun would respectively increase to approximately 68.66% and 7.24% of the total number of issued Shares. Such increase would not give rise to an obligation on the part of any of the above substantial shareholders to make a mandatory offer under Rule 26 of the Takeovers Code but would result in a reduction of the percentage shareholding held in public hands to less than 25% of the total number of issued Shares.

Save as mentioned above, the Directors are currently not aware of any consequences which will arise under the Takeovers Code as a result of any purchase made under the Buy-back Mandate.

The Directors have no intention to exercise the Buy-back Mandate to such an extent that would result in the number of Shares in the hands of public falling below the prescribed minimum percentage of 25%.

## **10. SHARE BUY-BACK MADE BY THE COMPANY**

The Company had not bought back any of the Shares (whether on the Stock Exchange or otherwise) in the six months immediately preceding the Latest Practicable Date.

This Appendix summarises the principal terms of the New Share Option Scheme and does not form, nor is intended to be, part of the New Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the New Share Option Scheme.

**1. PURPOSE OF THE SCHEME**

The purpose of the Scheme is to enable the Group to grant Options to the Eligible Participants as incentives or rewards for their contributions to the Group and to enable the Group to attract, recruit and retain senior management, key employees and human resources that are valuable or potentially valuable to the Group.

**2. ELIGIBLE PARTICIPANTS OF THE SCHEME**

The Directors may at their discretion make Offers to any person belonging to any of the following classes of persons to take up Options, subject to such conditions as the Directors may think fit:

- (a) any Eligible Employee;
- (b) any non-executive directors (including independent non-executive directors), of the Company, of any of its subsidiaries or of any Invested Entity;
- (c) any supplier of goods or services to any member of the Group or any Invested Entity;
- (d) any customer of any member of the Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- (f) any Shareholder of any member of the Group or any Invested Entity or any holder of any securities issued or proposed to be issued by any member of the Group or any Invested Entity;

- (g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and
- (h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group,

and, for the purposes of the New Share Option Scheme, the Offer may be made to any company wholly owned by one or more Eligible Participants.

The eligibility of any of the Eligible Participants to an Offer shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his contribution to the development and growth of the Group.

### **3. DURATION OF THE SCHEME**

The Scheme shall be valid and effective for a period of ten (10) years commencing on the Adoption Date, after which period no further Options will be granted but the provisions of the Scheme shall remain in force to the extent necessary to give effect to the exercise of any Options granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of the Scheme.

### **4. PERFORMANCE TARGET(S)**

The New Share Option Scheme allows the Board, when offering an Option, to determine in its absolute discretion to impose any condition including any specified performance target(s) which must be achieved before the Option shall become exercisable. In the absence of such determination, a Grantee is not required to achieve any performance targets before the exercise of an Option granted to him.

### **5. MINIMUM PERIOD FOR WHICH AN OPTION MUST BE HELD**

The New Share Option Scheme allows the Company, when offering an Option, to impose any minimum period for which the Option must be held if approved by the Board. Unless otherwise determined by the Directors and stated in the Offer to a Grantee, a Grantee is not required to hold an Option for any minimum period before the exercise of an Option granted to him.



**6. GRANT OF OPTIONS AND RESTRICTION ON TIME OF GRANT OF OPTIONS**

The Board shall, subject to and in accordance with the provisions of the Scheme and the Listing Rules, be entitled but shall not be bound at any time within a period of ten (10) years commencing from the Adoption Date to make an Offer to such Eligible Participant as it may in its absolute discretion select, and subject to such conditions as the Board may think fit, to subscribe for such number of Shares at such Exercise Price as the Board may determine in accordance with the provisions of the Scheme, provided that no Option shall be granted by the Board:

- (a) after inside information has come to the Company's knowledge until the Company has announced the information;
- (b) during the period commencing one month immediately preceding the earlier of:
  - (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
  - (ii) the deadline for the Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),and ending on the date of the relevant results announcement; and
- (c) to an Eligible Participant who is a Director during the periods or times in which the Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

**7. EXERCISE OF OPTIONS****(a) Acceptance of an Offer**

An Offer shall have been accepted by an Eligible Participant in respect of all Shares under the Option which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the Offer duly signed by the Eligible Participant together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company within such time as may be specified in the Offer (which shall not be later than 28 days from the Offer Date). Such remittance shall in no circumstances be refundable. If the Offer is not accepted within the stated period, it will be deemed to have been irrevocably declined.

**(b) Time of exercise of Options**

An Option shall be exercisable at any time during the Option Period which must not end later than ten (10) years from the date of grant of the Option.

**(c) Rights personal to the Option holder**

An Option shall be personal to the Grantee and shall not be transferable or assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any Option or enter into any agreement so to do. Any breach of the foregoing by a Grantee shall entitle the Company to cancel any Option granted to such Grantee to the extent not already exercised.

**(d) Ranking of Shares**

Shares to be allotted and issued upon the exercise of an Option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the then existing fully paid issued Shares on the date on which the Option is duly exercised or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members (“Exercise Date”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an Option shall not carry voting rights until the name of the Grantee has been duly entered on the register of members of the Company as the holder thereof.

**(e) Rights on death, ill-health or retirement**

If the Grantee is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the Option in full, his Personal Representative(s), or, as appropriate, the Grantee may exercise the Option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the Grantee was at work with the Group or the Invested Entity whether salary is paid in lieu of notice or not, or such longer period as the Directors may determine.

**(f) Rights on ceasing employment**

If the Grantee is an Eligible Employee and ceases to be an Eligible Employee for any reason other than his death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds referred to in paragraph 7(g) below before exercising his Option in full, the Option (to the extent not already exercised) shall lapse on the date of cessation or termination and shall not be exercisable unless the Directors otherwise determine in which event the Grantee may exercise the Option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation or termination, which date shall be the last day on which the Grantee was at work with the Group or the Invested Entity whether salary is paid in lieu of notice or not.

**(g) Rights on dismissal**

If the Grantee is an Eligible Employee and ceases to be an Eligible Employee by reason of termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the Grantee or any member of the Group or any Invested Entity into disrepute), his Option (to the extent not already exercised) will lapse automatically on the date of such cessation.

**(h) Rights on breach of contract**

If the Directors shall at their absolute discretion determine that:

- (i) (1) the Grantee (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the Grantee or his associate on the one part and the Group or any Invested Entity on the other part; or
  - (2) the Grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or
  - (3) the Grantee could no longer make any contribution to the growth and development of the Group by reason of the cessation of its relations with the Group or by other reason whatsoever; and
- (ii) the Option granted to the Grantee under the Scheme shall lapse as a result of any event specified in paragraphs 7(h)(i)(1), (2) or (3) above,

the relevant Grantee's option will lapse automatically on the date on which the Directors have so determined.

**(i) Rights on a general offer, a compromise or arrangement**

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all reasonable endeavours to procure that such offer is extended to all the Grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to Shareholders, the Grantee shall be entitled to exercise his Option (to the extent not already exercised) to its full extent or to the extent specified in the Grantee's notice to the Company in exercise of his Option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an Option will lapse automatically (to the extent not exercised) on the date which such offer (or, as the case may be, revised offer) closed or the relevant date for entitlements under such scheme of arrangement, as the case may be.

**(j) Rights on winding up**

In the event of a resolution being proposed for the voluntary winding-up of the Company during the option period, the Grantee may, subject to the provisions of all applicable laws, by notice in writing to the Company at any time not less than two Business Days before the date on which such resolution is to be considered and/or passed, exercise his Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Scheme and the Company shall allot and issue to the Grantee the Shares in respect of which such Grantee has exercised his Option not less than one Business Day before the date on which such resolutions to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of the Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all Options then outstanding shall lapse and determine on the commencement of the winding-up of the Company.

**(k) Grantee being a company wholly owned by eligible participants**

If the Grantee is a company wholly owned by one or more Eligible Participants:

- (i) paragraphs 7(e), (f), (g) and (h) shall apply to the Grantee and to the Options to such Grantee, *mutatis mutandis*, as if such Options had been granted to the relevant Eligible Participant, and such Options shall accordingly lapse or fall to be exercisable after the event(s) referred to in paragraphs 7(e), (f), (g) and (h) shall occur with respect to the relevant Eligible Participant; and
- (ii) the Options granted to the Grantee shall lapse and determine on the date the Grantee ceases to be wholly owned by the relevant Eligible Participant provided that the Directors may in their absolute discretion decide that such Options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

**8. EXERCISE PRICE**

The Exercise Price in respect of any Option shall be, subject to any adjustments made pursuant to paragraph 11 below, at the discretion of the Board, provided that it shall not be less than the highest of:

- (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date;
- (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the Offer Date; and
- (c) the nominal value of a Share.

**9. TERMINATION OF OPTION PERIOD**

The Option Period in respect of any Option shall automatically terminate and that Option (to the extent not already exercised) shall automatically lapse on the earliest of:

- (a) the expiry of the Option Period;
- (b) the expiry of any of the periods referred to in paragraphs 7(e), (f), (g), (h), (i), (j) and (k); and
- (c) the date on which the Directors shall exercise the Company's right to cancel the Option by reason of a breach of paragraph 7(c) by the Grantee in respect of that or any other Option.

**10. MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION****(a) 10% Limit**

- (i) The total number of Shares which may be allotted and issued upon exercise of all options to be granted under this Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the number of issued Shares as at the date of approval of this Scheme by the Shareholders (the “General Scheme Limit”). Options lapsed in accordance with the terms of this Scheme or any other share option scheme of the Company will not be counted for the purpose of calculating the General Scheme Limit.
- (ii) Subject to paragraph 10(b) below but without prejudice to paragraph 10(a)(iii) below, the Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit under this Scheme provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under this Scheme and any other share option scheme of the Group must not exceed 10% of the number of issued Shares as at the date of approval of the refreshed limit and, for the purpose of calculating the refreshed limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with this Scheme and any other share option scheme of the Group) previously granted under this Scheme and any other share option scheme of the Group will not be counted.
- (iii) Subject to paragraph 10(b) below but without prejudice to paragraph 10(a)(ii) above, the Company may seek separate approval of the Shareholders in general meeting to grant Options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in paragraph 10(a)(ii) above to Eligible Participants specifically identified by the Company before such approval is sought.

**(b) 30% Limit**

The maximum number of Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes adopted by the Group shall not exceed 30% of the number of issued Shares from time to time. No Options may be granted under the Scheme or any other share option schemes adopted by the Group if the grant of such option will result in this limit being exceeded.

**(c) Maximum entitlement for each Grantee**

Subject to paragraph 10(d) below and unless separately approved by the Shareholders in the manner set out in this sub-paragraph, the total number of Shares issued and which may fall to be issued upon exercise of the Options and the options granted under other share option scheme of the Group (including both exercised or outstanding options) to each Grantee in any 12-month period must not exceed 1% of the number of issued Shares for the time being. Where any further grant of Options to a Grantee under the Scheme would result in the Shares issued and to be issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding Options) under the Scheme and any other share option schemes of the Group in the 12-month period up to and including the date of such further Grant representing in aggregate over 1% of the issued Shares, such further Grant must be separately approved by the Shareholders in general meeting with such Grantee and his/her close associates (or his/her associates if the Grantee is a connected person of the Company) abstaining from voting.

**(d) Grant of Option to substantial Shareholder or Director**

- (i) The making of an Offer to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who or whose associate is the proposed Grantee of an Option).



(ii) Where any grant to a substantial shareholder of the Company or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (1) representing in aggregate over 0.1% of this issued Shares; and
- (2) having an aggregate value, based on the closing price of the Shares at the Offer Date of each grant, in excess of HK\$5 million.

such further grant of Options must be approved by the Shareholders in general meeting (with such Grantee, his associates and all core connected persons of the Company abstaining from voting in favour).

(iii) Any change in the terms of Options granted to any Grantee who is a substantial shareholder of the Company or an independent non-executive Director, or any of his/her respective associates must be approved by the Shareholders in general meeting.

#### **11. ADJUSTMENTS TO THE EXERCISE PRICE**

In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable or the Scheme remains in effect, and such event arises from a capitalisation issue, rights issue, consolidation or sub-division of the Shares, or reduction of the share capital of the Company, then, in any such case the Company shall instruct the auditor of the Company or an independent financial adviser to certify in writing the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular Grantee, to:

- (a) the number of Shares to which the Scheme or any Option(s) relates (insofar as it is/ they are unexercised); and/or
- (b) the Exercise Price of any Option; and/or
- (c) (unless the relevant Grantee elects to waive such adjustment) the number of Shares comprised in an Option or which remains comprised in an Option,

and an adjustment as so certified by the auditor of the Company or such independent financial adviser shall be made, provided that:

- (i) any such adjustment shall give the Grantee the same proportion of the number of issued shares in the Company as that to which such Grantee was entitled immediately prior to such adjustment;
- (ii) no such adjustment may be made to the extent that a Share would be issued at less than its nominal value;
- (iii) the issue of Shares or other securities of the Group as consideration in a transaction may not be regarded as a circumstance requiring any such adjustment; and
- (iv) any such adjustment shall be in compliance with the Listing Rules and such applicable rules, codes, guidance notes and/or interpretation of the Listing Rules from time to time promulgated by the Stock Exchange.

For the avoidance of doubt, the issue of securities by the Company as consideration in a transaction shall not be regarded as a circumstance requiring any such alterations.

## **12. CANCELLATION OF OPTIONS**

Any Option granted but not exercised may not be cancelled except with the prior written consent of the relevant Grantee and the approval of the Directors. Where the Company cancels any Option granted to a Grantee and issues new Option(s) to the same Grantee, the issue of such new Option(s) may only be made with available unissued Options (excluding, for this purpose, the Options so cancelled) within the General Scheme Limit or the limits approved by the Shareholders pursuant to paragraph 10(a)(ii) or 10(a)(iii).

## **13. ALTERATION OF THE SCHEME**

- (a) The Scheme may be altered from time to time in any respect by a resolution of the Directors except that the following alterations shall require the prior sanction of a resolution of the Shareholders in general meeting (with all Grantees, prospective Grantees and their associates abstaining from voting and the votes taken by poll):
  - (i) the provisions of this Scheme as to the definitions of “Eligible Participants”, “Grantee”, “Option Period” and “Termination Date” in paragraph 1.1; and

- (ii) the provisions of this Scheme relating to the matters governed by Rule 17.03 of the Listing Rules,

provided that no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Grantees as would be required of the Shareholders under the Articles for the time being for a variation of the rights attached to the Shares.

- (b) Any alterations to the terms and conditions of this Scheme which are of a material nature or any change to the terms of any Options granted shall be approved by the Shareholders in general meeting except where the alterations take effect automatically under the existing terms of this Scheme.
- (c) Any change to the authority of the Directors or the administrators of this Scheme in relation to any alteration to the terms of this Scheme must be approved by the Shareholders in general meeting.
- (d) The terms of the Scheme and/or any Options amended pursuant to this paragraph 13 must comply with the applicable requirements of the Listing Rules.

#### **14. TERMINATION OF THE SCHEME**

The Company by a resolution in general meeting may at any time terminate the operation of the Scheme and in such event no further Options will be offered but in all other respects the provisions of the Scheme shall remain in force to the extent necessary to give effect to the exercise of any Options (to the extent not already exercised) granted prior thereto or otherwise as may be required in accordance with the provisions of the Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Scheme.

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## NOTICE OF ANNUAL GENERAL MEETING

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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)**

### NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the annual general meeting of China Starch Holdings Limited (“**Company**”) will be held at Victoria Room II, 3/F, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong at 10:30 a.m. on 16 May 2017 (Tuesday) to consider and, if thought fit, transact the following ordinary businesses:

1. to receive and approve the audited consolidated financial statements of the Company and its subsidiaries and the reports of the directors (“**Directors**”) and the auditor (“**Auditor**”) of the Company for the year ended 31 December 2016;
2. to declare a final dividend for the year ended 31 December 2016;
3. to re-elect the retiring Directors, each as separate resolution, and to authorise the board (“**Board**”) of Directors to fix the remuneration of the Directors;
4. to re-appoint SHINEWING (HK) CPA Limited as the Auditor for the year ending 31 December 2017 and to authorise the Board to fix their remuneration;
5. to pass, with or without modifications, the following resolutions as **ordinary resolutions**:
  - (1) “**THAT**:
    - (a) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and all other applicable laws, the exercise by the directors (“**Directors**”) of the Company during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to allot, issue and deal with the unissued shares (“**Shares**”) of HK\$0.10 each in the share capital of the Company, and to make or grant offers, agreements and options

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## NOTICE OF ANNUAL GENERAL MEETING

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(including warrants, bonds, notes and other securities which carry rights to subscribe for or are convertible into Shares) which would or might require the exercise of such powers be and the same is hereby generally and unconditionally approved;

- (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds, notes and other securities which carry rights to subscribe for or are convertible into Shares) which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate number of Shares allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to:
  - (i) a Rights Issue (as hereinafter defined in paragraph (d) below);
  - (ii) the exercise of options granted under the share option scheme or similar arrangement for the time being adopted by the Company from time to time;
  - (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association (“**Articles**”) of the Company and other relevant regulations in force from time to time; or
  - (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares;

shall not exceed 20% of the total number of issued Shares as at the date of the passing of this resolution, and the said approval shall be limited accordingly; and

- (d) for the purpose of this resolution numbered 5(1):

“**Relevant Period**” means the period from the date of passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;

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## NOTICE OF ANNUAL GENERAL MEETING

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- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable law of the Cayman Islands to be held; or
- (iii) the date on which such mandate granted under this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.

“**Rights Issue**” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to the holders of Shares or any class of Shares whose names appear on the registers of members of the Company on a fixed record date in proportion to their then holdings of such Shares as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expenses or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).”

(2) “**THAT:**

- (a) subject to paragraph (b) below, the exercise by the directors (“**Director**”) of the Company during the Relevant Period (as defined in paragraph (c) below) of all the powers of the Company to buy back the shares (“**Shares**”) of HK\$0.10 each in the share capital of the Company on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) or any other stock exchange on which Shares may be listed and recognised by the Securities and Futures Commission of Hong Kong (“**SFC**”) and the Stock Exchange for such purpose, and subject to and in accordance with the rules and regulations of the SFC, the Stock Exchange, the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and all other applicable laws as amended from time to time in this regard, be and the same is hereby generally and unconditionally approved;

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## NOTICE OF ANNUAL GENERAL MEETING

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- (b) the aggregate number of Shares which may be bought back or agreed to be bought back by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10% of the total number of issued Shares as at the date of the passing of this resolution, and the said approval shall be limited accordingly; and
- (c) for the purpose of this resolution numbered 5(2), “**Relevant Period**” means the period from the date of passing of this resolution until whichever is the earliest of:
  - (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of the Company or any other applicable law of the Cayman Islands to be held; or
  - (iii) the date on which such mandate granted under this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.”
- (3) “**THAT** conditional upon resolutions numbered 5(1) and 5(2) above being passed, the unconditional general mandate granted to the directors (“**Director**”) of the Company to allot, issue and deal with the shares of the Company pursuant to resolution numbered 5(1) above be and it is hereby extended by the addition to the total number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by the Director pursuant to or in accordance with such general mandate of an amount representing the aggregate number of Shares bought back by the Company pursuant to or in accordance with the authority granted under paragraph (a) of resolution numbered 5(2) above.”

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## NOTICE OF ANNUAL GENERAL MEETING

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6. As special business, to pass with or without modifications, the following resolution as an **ordinary resolution**:

“**THAT** conditional upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in shares to be issued by the Company pursuant to the exercise of the options which may be granted under the new share option scheme (a copy of which having been produced to the meeting marked “A” and signed by the Chairman for the purpose of identification (the “**Share Option Scheme**”)) be and is hereby approved and adopted to be the share option scheme of the Company, and that the directors of the Company be and are hereby authorised to grant options to subscribe for shares of the Company thereunder and to allot, issue and deal with shares of the Company pursuant to the exercise of any options granted under the Share Option Scheme, and to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Share Option Scheme.”

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

Hong Kong, 6 April 2017

*Registered office:*  
Cricket Square, Hutchins Drive,  
P.O. Box 2681,  
Grand Cayman KY1-1111,  
Cayman Islands

*Head office and principal place  
of business in Hong Kong:*  
Suite 3312, Tower 1,  
Times Square,  
1 Matheson Street,  
Causeway Bay,  
Hong Kong



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## NOTICE OF ANNUAL GENERAL MEETING

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*Notes:*

1. A member of the Company entitled to attend and vote at the meeting above is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more shares (“Shares”) of the Company may appoint more than one proxy to represent him and vote on his behalf at the above meeting. A proxy need not be a member of the Company.
2. In the case of joint holders of Shares, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if it/he/she were solely entitled thereto, but if more than one of such joint holders are present at the above meeting, personally or by proxy, that one of the said persons so present whose name stands first in the register in respect of such Shares shall alone be entitled to vote in respect thereof.
3. To be valid, a form of proxy in the prescribed form together with the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, must be deposited at the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the meeting (or any adjourned meeting).
4. To ascertain shareholders’ eligibility to attend and vote at the annual general meeting, the register of members will be closed from 11 May 2017 (Thursday) to 16 May 2017 (Tuesday), both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for attending the above meeting or any adjournment thereof, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong by no later than 4:30 p.m. on 10 May 2017 (Wednesday).

To ascertain shareholders’ entitlement to the proposed final dividend upon passing of the resolution numbered 2 set out in this notice above, the register of members will be closed from 24 May 2017 (Wednesday) to 25 May 2017 (Thursday), both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the proposed final dividend, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office at the above address by no later than 4:30 p.m. on 23 May 2017 (Tuesday).

5. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.

*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. Yue Kwai Wa, Ken  
Mr. Sun Mingdao