

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of China Starch Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2012, together with the comparative figures as follows.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six months ended 30 June	
		2012 RMB'000	2011 RMB'000
Turnover	2	1,564,330	1,434,227
Cost of goods sold		(1,387,561)	(1,192,892)
Gross profit		176,769	241,335
Distribution expenses		(29,613)	(36,519)
Administrative expenses		(37,046)	(37,240)
Other income		9,527	2,996
Operating profit		119,637	170,572
Finance income		19,132	6,776
Finance costs		(318)	(512)
Share of result of an associate		(1,498)	149
Profit before taxation	3	136,953	176,985
Income tax expenses	4	(34,398)	(45,928)
Profit and total comprehensive income for the period		102,555	131,057
Attributable to:			
— Equity holders of the Company		101,941	130,023
— Non-controlling interests		614	1,034
		102,555	131,057
Basic and diluted earnings per share (RMB)	6	0.0176	0.0225

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June	31 December
	2012	2011
<i>Note</i>	RMB'000	RMB'000
	(Unaudited)	(Audited)
Non-current assets		
Property, plant and equipment	574,173	537,660
Prepaid lease payments	56,814	57,570
Interest in an associate	39,850	41,135
Deposit for acquisition of prepaid lease payments	89,249	47,249
	760,086	683,614
Current assets		
Inventories	181,125	207,065
Prepaid lease payments	1,512	1,512
Trade and other receivables	360,158	293,966
Pledged bank deposits	—	2,683
Fixed deposits with maturity period over three months	620,000	450,000
Cash and cash equivalents	181,317	374,539
	1,344,112	1,329,765
Total Assets	2,104,198	2,013,379
Equity		
Equity attributable to equity holders of the Company		
Share capital	515,234	515,234
Reserves	1,192,066	1,121,707
	1,707,300	1,636,941
Attributable to equity holders	1,707,300	1,636,941
Non-controlling interests	19,810	19,196
	1,727,110	1,656,137
Non-current liabilities		
Deferred tax liabilities	754	619
Borrowings	5,097	5,540
Deferred income	25,070	26,693
	30,921	32,852

		30 June	31 December
		2012	2011
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
Current liabilities			
Trade and other payables	8	268,568	265,999
Income tax payable		14,730	30,533
Employee housing deposits		26,307	26,307
Dividend payable	5	31,568	—
Borrowings		4,994	1,551
		<u>346,167</u>	<u>324,390</u>
Total liabilities		<u>377,088</u>	<u>357,242</u>
Total equity and liabilities		<u>2,104,198</u>	<u>2,013,379</u>
Net current assets		<u>997,945</u>	<u>1,005,375</u>
Total assets less current liabilities		<u>1,758,031</u>	<u>1,688,989</u>

Notes:

1. BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 June 2012 have been prepared in accordance with the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated interim financial statements should be read in conjunction with the annual audited financial statements for the year ended 31 December 2011 (the “2011 Financial Statements”), which have been prepared in accordance with Hong Kong Financial Reporting Standards.

The accounting policies applied in the condensed consolidated interim financial statements are consistent with those of the 2011 Financial Statements, except for the accounting policy changes that are expected to be reflected in the 2012 annual audited financial statements. Details of these changes in accounting policies are set out in note 2.1 of the 2011 Financial Statements. The adoption of these changes has no material financial effect on the Group’s results and financial position for the current or prior periods. The Group has not applied any new standard or amendment that is not effective for the current accounting period.

These condensed consolidated interim financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These condensed consolidated interim financial statements have not been audited.

2. SEGMENT INFORMATION

An analysis of the Group’s turnover for the period is as follows:

	Cornstarch RMB’000	Lysine RMB’000	Starch- based sweetener RMB’000	Electricity and steam RMB’000	Unallocated RMB’000	Total RMB’000
Six months ended 30 June 2012						
TURNOVER						
Total sales	1,150,177	288,835	83,726	119,603	—	1,642,341
Inter-segment sales	—	—	—	(78,011)	—	(78,011)
External sales	<u>1,150,177</u>	<u>288,835</u>	<u>83,726</u>	<u>41,592</u>	<u>—</u>	<u>1,564,330</u>
Segment results	<u>70,393</u>	<u>101,252</u>	<u>2,202</u>	<u>4,392</u>	<u>(58,602)</u>	<u>119,637</u>
Six months ended 30 June 2011						
TURNOVER						
Total sales	1,011,303	310,972	67,816	113,040	—	1,503,131
Inter-segment sales	—	—	—	(68,904)	—	(68,904)
External Sales	<u>1,011,303</u>	<u>310,972</u>	<u>67,816</u>	<u>44,136</u>	<u>—</u>	<u>1,434,227</u>
Segment results	<u>137,043</u>	<u>99,328</u>	<u>3,317</u>	<u>3,041</u>	<u>(72,157)</u>	<u>170,572</u>
TOTAL SEGMENT ASSETS						
At 30 June 2012	<u>582,540</u>	<u>124,741</u>	<u>113,225</u>	<u>145,102</u>	<u>1,138,590</u>	<u>2,104,198</u>
At 31 December 2011	<u>570,518</u>	<u>116,437</u>	<u>106,348</u>	<u>163,882</u>	<u>1,056,194</u>	<u>2,013,379</u>

A reconciliation of results of reportable segments to profit before taxation is provided as follows:

	Six months ended	
	30 June	
	2012	2011
	RMB'000	<i>RMB'000</i>
Results of reportable segments	178,239	242,729
Unallocated income	8,057	1,603
Unallocated expenses	(66,659)	(73,760)
	<hr/>	<hr/>
Total segment results	119,637	170,572
Finance income	19,132	6,776
Finance costs	(318)	(512)
Share of result of an associate	(1,498)	149
	<hr/>	<hr/>
Profit before taxation	136,953	176,985
	<hr/> <hr/>	<hr/> <hr/>

Reportable segments' assets are reconciled to total assets as follows:

	30 June	31 December
	2012	2011
	RMB'000	<i>RMB'000</i>
Reportable segments' assets	965,608	957,185
Unallocated:		
Prepaid lease payments	58,326	59,082
Deposit for acquisition of prepaid lease payments	89,249	47,249
Interest in an associate	39,850	41,135
Pledged bank deposits	—	2,683
Fixed deposits with maturity period over three months	620,000	450,000
Cash and cash equivalents	181,317	374,539
Other unallocated assets	149,848	81,506
	<hr/>	<hr/>
Total assets as per condensed consolidated statement of financial position	2,104,198	2,013,379
	<hr/> <hr/>	<hr/> <hr/>

3. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging/(crediting):

	Six months ended	
	30 June	
	2012	2011
	RMB'000	<i>RMB'000</i>
Depreciation of property, plant and equipment	33,043	31,954
Amortisation of prepaid lease payments	756	758
	<hr/>	<hr/>
Total depreciation and amortisation	33,799	32,712
(Gain)/loss on disposal of property, plant and equipment	(369)	2,257
Net foreign exchange (gain)/loss	(311)	853
Cost of inventories recognised as expenses	1,326,244	1,121,003
Employee benefits expenses (including directors' emoluments)	43,950	47,019
Research and development expenses	1,580	598
	<hr/> <hr/>	<hr/> <hr/>

4. INCOME TAX EXPENSES

No provision for Hong Kong profits tax has been made as the Group entities' profit neither arose in nor was derived from Hong Kong during both periods. Taxation on overseas profits has been calculated on the estimated assessable profits for the periods at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Current income tax		
— PRC corporate income tax	34,263	44,104
Deferred tax	135	1,824
	<u>34,398</u>	<u>45,928</u>

5. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: Nil).

A final dividend of HK0.67 cents per share (with a scrip dividend option) for the year ended 31 December 2011 (2010: HK0.67 cents per share) has been approved at the annual general meeting (the "AGM") held on 13 June 2012. The payment of the final dividend and the issue of the scrip dividend shares have been completed on 23 July 2012.

6. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2012 is based on earnings of RMB101,941,000 (2011: RMB130,023,000) and on the weighted average number of 5,779,680,000 ordinary shares in issue for both periods.

No diluted earnings per share has been presented because no dilutive potential ordinary shares exist for both six months ended 30 June 2012 and 2011 respectively.

7. TRADE AND OTHER RECEIVABLES

	30 June 2012	31 December 2011
	RMB'000	RMB'000
Trade receivables	177,442	126,437
Bank acceptance bills	158,230	147,160
Other receivables	24,486	20,369
	<u>360,158</u>	<u>293,966</u>

The Group normally grants credit period ranging 0 to 60 days to customers.

An ageing analysis of trade receivables at the end of the reporting period is shown as follows:

	30 June 2012 RMB'000	31 December 2011 RMB'000
0–30 days	139,890	89,250
31–60 days	25,085	21,533
61–90 days	4,200	6,737
Over 90 days	8,267	8,917
	<u>177,442</u>	<u>126,437</u>

Included in trade and other receivables are amount due from an associate of RMB32,087,000 (31 December 2011: RMB32,745,000). No impairment has been made to receivables from related companies.

As at 31 December 2011, amount due from non-controlling interests was RMB12,965,000.

Bank acceptance bills

The detail of bank acceptance bills at the end of the reporting period is shown as follows:

	30 June 2012 RMB'000	31 December 2011 RMB'000
Discounted bills	3,000	—
Endorsed bills	95,450	30,167
Bills on hand	59,780	116,993
	<u>158,230</u>	<u>147,160</u>

The bank acceptance bills are normally with maturity period of 180 days (31 December 2011: 180 days). There is no recent history of default on bank acceptance bills.

8. TRADE AND OTHER PAYABLES

	30 June 2012 RMB'000	31 December 2011 RMB'000
Trade and bills payables		
0–60 days	37,380	56,476
61–90 days	8,684	3,519
Over 90 days	22,114	18,769
	<u>68,178</u>	<u>78,764</u>
Advances from customers	78,866	85,994
Others	121,524	101,241
	<u>268,568</u>	<u>265,999</u>

Included in trade and other payables are payables to non-controlling interests of RMB1,432,000 (31 December 2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The year 2011 was a fruitful year, but this wonderful time was not long-lasting. As the credit crisis in Europe cannot be extinguished and the pace of economic recovery in the United States of America was in doubt, these two major factors affect the overall economic performance across each business sectors all over the world. Therefore, the economy of the People's Republic of China (the "PRC") has inevitably lost some steam in the first half of 2012.

During the period under review, the Group's turnover increased slightly by 9.1% to approximately RMB1,564,330,000 (2011: RMB1,434,227,000). However, gross profit and net profit of the Group decreased by 26.8% and 21.7% to approximately RMB176,769,000 (2011: RMB241,335,000) and RMB102,555,000 (2011: RMB131,057,000) respectively. The Directors believe that the cost of corn kernel will remain high and the selling price of cornstarch and lysine products will be subject to price adjustment until the end of the year. Although the Group records a recession on profit margin, the financial position of the Group remains sound and healthy. The Board still has a positive view on the Group's expansion plan and considers this threat offers an opportunity for market consolidation in the corn-refinery industry.

Basic earnings per share of the Company was RMB0.0176 (2011: RMB0.0225) per share based on the weighted average number of 5,779,680,000 ordinary shares for both periods.

As reported in our 2011 annual report, the Board took a cautiously optimistic view on our business for the year 2012. Our management team will monitor our business conservatively in order to maintain its profitability in the second half of the year.

Business Review

Business Analysis

Cornstarch and ancillary corn-refined products

Six months ended 30 June	2012	2011
	RMB'000	RMB'000
<i>Turnover:</i>		
Cornstarch	813,263	707,796
Corn gluten meal	106,494	112,131
Corn fibre	75,742	58,128
Corn germ	149,174	131,292
Corn slurry	5,504	1,956
Total	<u>1,150,177</u>	<u>1,011,303</u>
Gross profit	70,393	137,043
Gross profit margin	6.1%	13.6%

The average selling price per tonne and sales volume of cornstarch and ancillary corn-refined products are set out below:

Six months ended 30 June	2012		2011	
	<i>RMB/Tonne</i>	<i>Tonnes</i>	<i>RMB/Tonne</i>	<i>Tonnes</i>
Cornstarch	2,624	309,969	2,732	259,036
Corn gluten meal	3,723	28,604	4,124	27,187
Corn fibre	1,196	63,352	871	66,705
Corn germ	3,496	42,671	3,442	38,149
Corn slurry	214	25,689	136	14,378

Sales of cornstarch and ancillary corn-refined products increased by 13.7% to approximately RMB1,150,177,000 (2011: RMB1,011,303,000). This business segment represented about 73.5% (2011: 70.5%) of total turnover of the Group for the period under review.

As cornstarch is of non-reusable nature and is hard to substitute, its demand would not be affected by the economic environment easily. Thanks to the increase in utilisation rate of the cornstarch production facilities of 臨清德能金玉米生物有限公司 (Linqing Deneng Golden Corn Bio Limited) (“Deneng Golden Corn”), a non-wholly owned subsidiary of 山東壽光巨能金玉米開發有限公司 (Shandong Shouguang Juneng Golden Corn Development Co., Ltd.) (“Golden Corn”), the Group’s cornstarch sales volume increased by 19.7% to 309,969 tonnes (2011: 259,036 tonnes).

The average selling price of corn gluten meal in export sales was higher than that of domestic sales. As the export sales volume in corn gluten meal has dropped, the sales of corn gluten meal decreased accordingly.

Corn fibre market was relatively stable as compared with our other products during the period under review.

The average selling price of corn germ was stable during the period under review. The increase in the sales of corn germ was mainly attributable to the increase in utilisation rate of Deneng Golden Corn.

Despite the increase in sales volume of cornstarch and its related products, gross profit reduced by 48.6% to approximately RMB70,393,000 (2011: RMB137,043,000). The rapid decrease in gross profit margin was mainly due to the decrease in selling price of cornstarch and the increase in corn kernel cost during the period under review.

Lysine and fertilisers

Six months ended 30 June	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
<i>Turnover:</i>		
Lysine	285,778	300,486
Fertilisers	3,057	10,486
Total	288,835	310,972
Gross profit	101,252	99,326
Gross profit margin	35.1%	31.9%

The average selling price per tonne and sales volume of lysine and fertilisers are set out below:

Six months ended 30 June	2012		2011	
	<i>RMB/Tonne</i>	<i>Tonnes</i>	<i>RMB/Tonne</i>	<i>Tonnes</i>
Lysine	11,000	25,979	11,236	26,743
Fertilisers	491	6,225	670	15,640

Lysine and fertilisers were the second largest segment of the Group, which represented about 18.5% (2011:21.7%) of total turnover of the Group in the period under review.

The average selling price of lysine for the period under review fell from the top in 2011. Sales volume of lysine decreased because the Group temporarily suspended its lysine production facilities for regular maintenance for about 3 weeks in May 2012.

Gross profit margin of this business segment for the period under review was higher than that of the corresponding period of last year, but in fact the market condition of lysine in the second quarter of 2012 deteriorated rapidly and caused a slump in selling price and profitability. The Directors believe that the selling price of lysine may still have room for adjustment in the second half of 2012.

Starch-based sweetener

Six months ended 30 June	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
<i>Turnover:</i>		
Starch-based sweetener	83,726	67,816
Gross profit	2,202	3,317
Gross profit margin	2.6%	4.9%

The average selling price per tonne and sales volume of starch-based sweetener are set out below:

Six months ended 30 June	2012		2011	
	<i>RMB/Tonne</i>	<i>Tonnes</i>	<i>RMB/Tonne</i>	<i>Tonnes</i>
Starch-based sweetener	<u>2,455</u>	<u>34,108</u>	<u>2,428</u>	<u>27,932</u>

Turnover of starch-based sweetener increased by 23.5% to approximately RMB83,726,000 (2011: RMB67,816,000), which represented about 5.4% (2011: 4.7%) of total turnover of the Group. During the period under review, the performance of starch-based sweetener was mostly affected by the increasing cost of corn kernel.

In the second quarter of 2012, the Group introduced crystallised starch-based sweetener, which extended its market dimensions from the original liquid-form starch-based sweetener market.

Electricity and steam

Six months ended 30 June	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Turnover:</i>		
Electricity	1,335	1,480
Steam	<u>40,257</u>	<u>42,656</u>
	<u>41,592</u>	<u>44,136</u>
Gross profit	2,922	1,649
Gross profit margin	<u>7.0%</u>	<u>3.7%</u>

Turnover of this business segment represented 2.6% (2011: 3.1%) of total turnover of the Group. Benefited from the decrease in coal price, gross profit margin increased from 3.7% to 7.0% during the period under review.

Export Sales Analysis

Six months ended 30 June	Corn				Total
	Cornstarch	gluten meal	Corn fibre	Lysine	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2012					
Export sales	688	39,954	14,463	27,629	82,734
Export sales to total turnover	—	2.6%	0.9%	1.8%	5.3%
2011					
Export sales	758	83,295	19,737	62,999	166,789
Export sales to total turnover	<u>—</u>	<u>5.8%</u>	<u>1.4%</u>	<u>4.4%</u>	<u>11.6%</u>

The prospect of international market was unclear and full of uncertainty factors. The Group shifted its marketing focus from overseas market to domestic market in the second half of 2011. Export sales during the period under review decreased by 50.4% from approximately RMB166,789,000 to approximately RMB82,734,000.

Cost of goods sold analysis

Six months ended 30 June	2012		2011	
	RMB'000	%	RMB'000	%
Corn kernel	1,130,250	81.5%	895,571	75.1%
Coal and utilities	142,506	10.3%	141,679	11.9%
Other materials	28,515	2.1%	38,597	3.2%
Direct labour	24,522	1.8%	30,700	2.6%
Manufacturing overhead	23,571	1.7%	33,320	2.8%
Depreciation	19,908	1.4%	30,601	2.6%
Others	18,289	1.2%	22,424	1.8%
	<u>1,387,561</u>	<u>100.0%</u>	<u>1,192,892</u>	<u>100.0%</u>

The price movements of corn kernel and coal were in opposite directions during the period under review. The average corn kernel price increased by 6.1% to approximately RMB2,047 per tonne (2011: RMB1,930 per tonne), while the average coal price decreased by 4.8% to approximately RMB842 per tonne (2011: RMB884 per tonne). The consequences of these two major raw material price movements resulted in a decrease in gross profit margin of cornstarch and its related products and an increase in gross profit margin of the electricity and steam segment.

Review of Other Operations

Other income

Other income mainly represented government grants, sales of scrap oil and coal and steam connection income. Other income increased significantly from approximately RMB2,996,000 to RMB9,527,000 because the Group recorded a loss on disposal of fixed assets in 2011 and has received a government subsidy for supporting its business during the period under review.

Distribution and administrative expenses

Distribution expenses decreased mainly attributable to the decrease in export sales for the period under review.

There was no material fluctuation in administrative expenses for the period under review.

Share of result from an associate

The Group recorded a loss from an associate, 壽光金遠東變性澱粉有限公司 (Shouguang Golden Far East Modified Starch Co., Ltd.) (“Golden Far East”) in the period under review. The share of loss from Golden Far East was approximately RMB1,498,000 (2011 share of profit: RMB149,000) for the period under review. The product of Golden Far East is modified starch where the demand is relatively more sensitive than general cornstarch products.

Income tax

Income tax expenses decreased mainly attributable to the decrease in profit before taxation.

Human Resources and Remuneration Policies

As at 30 June 2012, the Group had approximately 2,240 full time staff (2011: 2,186). Total staff costs, including Directors’ emoluments, of the Group was approximately RMB43,950,000 (2011: RMB47,019,000). The Group considers the experience, responsibility, and performance of the Directors and employees of the Group in order to determine their respective remuneration packages. The Company has also adopted a share option scheme (the “Share Option Scheme”) pursuant to the shareholder’s written resolution passed on 5 September 2007 with a primary purpose of motivating our employees and other eligible persons entitled under the Share Option Scheme to optimise their contributions to the Group and to reward them for their contribution to the Group. In addition, a remuneration committee is delegated by the Board to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management.

As at 30 June 2012, no share options have been granted under the Share Option Scheme.

Financial Review

Financial management and treasury policy

The Group adopts a conservative approach for cash management and investment on uncommitted funds. Any unused fund was placed on short term/fixed deposits with authorised financial institutions in Hong Kong and/or the PRC.

Foreign currency exposure

The Directors consider that the Group has limited foreign currency exposure because our operations are mainly conducted in the PRC. Sales and purchases are mainly denominated in Renminbi and the foreign currency risk associated with export sales is not material. In view of the minimal foreign currency exchange risk, we monitored the exchange rate closely instead of entering into any foreign exchange hedging arrangement.

Liquidity, financial resources and capital structure

As at 30 June 2012, the available and unutilised banking facilities of the Group amounted to approximately RMB280,000,000. The Directors are of the opinion that the working capital available to the Group is sufficient for its present requirements.

The major financial figures and key financial ratios are summarised below:

	30 June	31 December
	2012	2011
	RMB'000	RMB'000
Borrowings:		
— Within 1 year	4,994	1,551
— Between 1 and 2 years	886	886
— Between 2 and 5 years	2,659	2,659
— Over 5 years	1,552	1,995
	10,091	7,091
Including:		
Fixed-rate borrowings		
— Government loan	7,091	7,091
— Cash advances for discounted bills	3,000	—
	10,091	7,091
Debtors turnover (days)	35	37
Creditors turnover (days)	10	10
Inventories turnover (days)	25	29
Current ratio	3.9	4.1
Quick ratio	3.4	3.5
Gearing ratio — borrowings to total assets	0.5%	0.4%

Pledge of Assets and Contingent Liabilities

As at 30 June 2012, the Group did not pledge any leasehold land and building to secure banking facilities and did not have any material contingent liabilities.

Use of Net Proceeds From Placing

As at 30 June 2012, the group utilised approximately RMB223,384,000 for the expansion of production capacity and general working capital of the Group. The unutilised net proceeds from the placing agreement entered into on 4 February 2010 was approximately RMB112,471,000.

Future Plan and Prospect

The Directors believe that the Group will be inevitably affected by the global economic downturn in the second half of 2012. With a low profit margin and a competitive market environment, cornstarch and lysine business environment will be more difficult than the financial crisis in the second half of 2008. Small-scale cornstarch and lysine manufacturers are expected to be eliminated naturally in this challenge. As we are one of the leading cornstarch manufacturers in the PRC, we still have an optimistic view in long-run and will continue to invest our resources in our businesses. Therefore, our expansion plan is still in process. It is expected that the application of the land use right will be completed in the second half of 2012. The Directors expect that the expansion project should be completed within one year after obtaining such land use right. The expansion plan is expected to be financed by internal resources and bank borrowings.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2012 (2011: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

During the six months ended 30 June 2012, the Company has complied with the applicable code provisions as set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) contained in Appendix 14 to the Listing Rules, except as noted below.

- (i) The Company has not arranged any insurance cover in respect of legal action against its Directors as required by the code provision A.1.8. The Directors considered that the potential legal action against the Directors is practically remote given the nature of businesses of the Group and that the Company can nonetheless achieve good corporate governance to minimize the risk of possible legal action against the Directors by various management and control mechanisms, such as regular review on the effectiveness of internal control system, whistleblowing policy, well-defined segregation of duties, and provision of staff and management trainings. The Board will regularly review the necessity of arranging an insurance cover in respect of legal action against the Directors.
- (ii) Mr. Yu Yingquan and Mr. Liu Xianggang, both being executive Directors, and Ms. Dong Yanfeng and Mr. Cao Zeng Gong, both being independent non-executive Directors, were not able to attend the AGM as required by the code provision A.6.7 because they were occupied with other business engagements.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) comprises all independent non-executive Directors. The Audit Committee has reviewed and discussed with the management of the Company the unaudited consolidated interim results for the six months ended 30 June 2012.

The consolidated interim results of the Company for the six months ended 30 June 2012 have not been audited.

INTERIM REPORT

The 2012 Interim Report will be published on the website of The Stock Exchange of Hong Kong Limited and the Company (www.chinastarch.com.hk) in due course.

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

Shouguang, 23 August 2012

As at the date of this announcement, the executive Directors are Mr. Tian Qixiang, Mr. Gao Shijun, Mr. Yu Yingquan and Mr. Liu Xianggang and the independent non-executive Directors are Ms. Dong Yanfeng, Mr. Cao Zenggong and Mr. Yue Kwai Wa, Ken.