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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)

POSITIVE PROFIT ALERT

This announcement is made by China Starch Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors (the “**Board**”) of the Company wishes to inform its shareholders (the “**Shareholders**”) and potential investors that, based on the preliminary review of the unaudited consolidated management accounts of the Group for the five months ended 31 May 2020 (the “**Period**”), the Group is expected to record a net profit of approximately RMB95 million, representing an increase of net profit for the corresponding period in 2019 by approximately 252%.

The Board believes that the substantial increase in the Group’s net profit for the Period as compared to the corresponding period in 2019 is mainly attributable to the following factors:

- (i) The increase in total sales volume of the Group in cornstarch and lysine production attributable to the commencement of cornstarch and lysine production and sale by Shouguang Golden Corn Biotechnology Limited, an indirect non-wholly owned subsidiary of the Company, in April 2019 and March 2020, respectively.
- (ii) The reduction in the Group’s unit cost of sales by the adoption of advanced production method, strengthening of production control and an increase in production yield.
- (iii) The increase in the selling prices of some of the Group’s products, such as corn germ, corn gluten meal and corn fibre, during the Period to compensate the increase in the Group’s costs in material in purchasing corn kernel.

The Board considered that whether the performance of the Group in the second half of 2020 can remain as profitable as it was in the Period depends much on the accelerating Sino-US trade row, stagnant market demand, any resurgence COVID-19, the Group's material costs and the excessive production capacity in corn-refinery industry. The corn kernel market price records a significant increase in May and June 2020 may adversely affect the profitability of the Group in the second half of 2020. The management of the Company will continue to strengthen cost control, increase in production effectiveness as well as increase in market share of the Group to cope with any change in market conditions.

The information contained in this announcement is based on the preliminary assessment by the Board mainly with reference to information currently available, including the unaudited consolidated management accounts of the Group for the Period, which is yet to be finalized and has not yet been audited or reviewed by the auditor of the Company. As such, the actual financial results of the Group for the six months ending 30 June 2020 may be different from what is disclosed in this announcement.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Shouguang, The People's Republic of China, 17 June 2020

As at the date of this announcement, the directors of the Company are:

Executive Directors:

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

Independent non-executive Directors:

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