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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

FINAL RESULTS

The board (the "Board") of directors (the "Directors") of China Starch Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008, together with the comparative figures for the year ended 31 December 2007 as follows:

FINAL DIVIDEND

The Directors recommend the payment of a final dividend of HK1.14 cents per share, totalling HK$29,782,500, in respect of the year ended 31 December 2008. Subject to the approval of the shareholders of the Company at the forthcoming annual general meeting (the "AGM") of the Company, the final dividend is expected to be paid to those shareholders whose names appear on the register of members of the Company on 1 June 2009.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

	Note	2008 RMB'000	2007 RMB'000
Turnover	5	**1,530,446**	1,349,962
Cost of goods sold		**(1,341,283)**	(1,084,677)
Gross profit		**189,163**	265,285
Distribution expenses		**(51,640)**	(40,976)
Administrative expenses		**(54,379)**	(37,985)
Other income	6	**16,269**	31,695
Operating profit		**99,413**	218,019
Finance income	7	**3,852**	8,756
Finance costs	8	**(3,728)**	(20,495)
Share of result of an associate		**6,444**	(2,375)
Profit before taxation	9	**105,981**	203,905
Income tax expenses	10	**(10,755)**	(185)
Profit for the year		**95,226**	203,720
Attributable to:			
Equity holders of the Company		**98,234**	203,720
Minority interests		**(3,008)**	–
		95,226	203,720
Basic and diluted earnings per share (RMB)	12	**0.0376**	0.1251
Dividends	11	**17,870**	70,794

CONSOLIDATED BALANCE SHEET

As at 31 December

	Note	2008 RMB'000	2007 RMB'000
Non-current assets			
Property, plant and equipment		**539,706**	425,518
Prepaid lease payments		**27,539**	28,190
Deposits paid for acquisition of property, plant and equipment		**18,000**	–
Interest in an associate		**36,517**	29,643
Deferred tax assets		**206**	1,183
		621,968	484,534
Current assets			
Inventories	*13*	**132,292**	117,695
Prepaid lease payments		**831**	819
Trade and other receivables	*14*	**113,555**	144,559
Amount due from a related company		**–**	230
Pledged bank deposits		**–**	2,000
Cash and cash equivalents		**242,825**	362,648
		489,503	627,951
Current liabilities			
Trade and other payables	*15*	**152,463**	133,260
Income tax payable		**5,128**	11,379
Employee housing deposits			
– Basic deposit portion		**26,499**	26,846
– Instalment portion		**12,407**	3,857
Borrowings		**1,551**	92,885
		198,048	268,227
Net current assets		**291,455**	359,724
Total assets less current liabilities		**913,423**	844,258
Non-current liabilities			
Employee housing deposits			
– Instalment portion		**–**	15,409
Borrowings		**8,199**	19,085
Deferred income		**17,527**	17,423
		25,726	51,917
Net assets		**887,697**	792,341
Capital and reserves			
Share capital		**237,762**	50,477
Reserves		**634,943**	741,864
Attributable to equity holders		**872,705**	792,341
Minority interests		**14,992**	–
Total equity		**887,697**	792,341

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with limited liability on 29 November 2006. Its ultimate holding company is Merry Boom Group Limited ("Merry Boom") (incorporated in the British Virgin Islands). The address of the registered office is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal activities of the Company and its subsidiaries (collectively, the "Group") are the manufacture and sale of cornstarch, lysine and its related products and generation and sales of electricity and steam.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, except for certain financial assets and financial liabilities, which are measured at fair values, as appropriate.

3. AMENDMENTS AND INTERPRETATIONS EFFECTIVE IN 2008

The HKAS 39, 'Financial instruments: Recognition and measurement', amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, 'Financial instruments: Disclosures', introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any impact on the Group's financial statements, as the Group has not reclassified any financial assets.

HK(IFRIC) – Int 11, 'HKFRS 2 – Group and treasury share transactions', provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group's financial statements.

HK(IFRIC) – Int 14, 'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the Group's financial statements.

HK(IFRIC) – Int 12, 'Service concession arrangements' applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. This interpretation does not have impact on the Group's financial statements.

4. STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN EARLY ADOPTED BY THE GROUP

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

HKFRS 1 (Revised)	First-time Adoption[2]
HKFRS 1 and HKAS 27 (Amendments)	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements –Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [1]
HKFRS 2 (Amendment)	Amendment to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [2]
HKFRS 7 (Amendment)	Financial Investments: Disclosures – Improving Disclosures about Financial Investments[1]
HKFRS 8	Operating Segments [1]
HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [2]
HKAS 32 and HKAS 1 (Amendments)	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKAS 39 (Amendment)	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items [2]
HK(IFRIC)-Int 9	HKAS 39 Embedded Derivatives[5]
HK(IFRIC)-Int 13	Customer Loyalty Programmes [3]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate [1]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation [4]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners [2]
HK(IFRIC)-Int 18	Transfer of Assets from Customers [6]

In addition, Hong Kong Institute of Certified Public Accountants ("HKICPA") has also issued Improvements to HKFRSs which sets out amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41, primarily with a view to removing inconsistencies and to clarify wordings. Except for the amendments to HKFRS 5, which is effective for the financial periods on or after 1 July 2009, other amendments are effective for financial periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

Note:

1 Effective for financial periods beginning on or after 1 January 2009
2 Effective for financial periods beginning on or after 1 July 2009
3 Effective for financial periods beginning on or after 1 July 2008
4 Effective for financial periods beginning on or after 1 October 2008
5 Effective for financial periods ending on or after 30 June 2009
6 Effective for transfer of assets from customers received on or after 1 July 2009

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application and does not anticipate that these will result in any material impact on the Group's result of operations and financial position.

5. TURNOVER AND BUSINESS SEGMENTS

An analysis of the Group's turnover for the year is as follows:

	2008	2007
	RMB'000	*RMB'000*
Cornstarch and corn-refined products	**1,065,915**	914,652
Lysine and its related products	**369,832**	319,966
Electricity and steam	**94,699**	115,344
	1,530,446	1,349,962

(a) Business segments

For management purposes, the Group is currently organised into three operating divisions – cornstarch, lysine, electricity and steam. These divisions are the bases on which the Group reports its primary segment information.

Principal activities are as follows:

Cornstarch	–	the manufacture and sale of cornstarch and its corn-refined by products
Lysine	–	the manufacture and sale of lysine and its corn based by-products.
Electricity and steam	–	the production and sale of electricity and steam

Segment information about these businesses is presented below.

Results for the year ended 31 December 2008

	Cornstarch *RMB'000*	Lysine *RMB'000*	Electricity and steam *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Turnover					
External sales	**1,065,915**	**369,832**	**94,699**	**–**	**1,530,446**
Inter-segment sales	**6,900**	**–**	**140,589**	(147,489)	**–**
Total	**1,072,815**	**369,832**	**235,288**	(147,489)	**1,530,446**
Result					
Segment result	**89,941**	**66,831**	**19,396**	**–**	**176,168**
Unallocated distribution and administrative expenses					**(86,091)**
Other income					**9,336**
Finance income					**3,852**
Finance costs					**(3,728)**
Share of result of an associate					**6,444**
Profit before taxation					**105,981**
Income tax expenses					**(10,755)**
Profit for the year					**95,226**

Results for the year ended 31 December 2007

	Cornstarch *RMB'000*	Lysine *RMB'000*	Electricity and steam *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Turnover					
External sales	914,652	319,966	115,344	–	1,349,962
Inter-segment sales	–	–	81,771	(81,771)	–
Total	914,652	319,966	197,115	(81,771)	1,349,962
Result					
Segment result	88,889	103,843	39,835	–	232,567
Unallocated distribution and administrative expenses					(44,076)
Other income					29,528
Finance income					8,756
Finance costs					(20,495)
Share of result of an associate					(2,375)
Profit before taxation					203,905
Income tax expenses					(185)
Profit for the year					203,720

Balance sheet as at 31 December 2008

	Cornstarch *RMB'000*	Lysine *RMB'000*	Electricity and steam *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Assets					
Segment assets	**380,321**	**164,481**	**170,709**	**–**	**715,511**
Interest in an associate					**36,517**
Unallocated assets					**359,443**
Total assets					**1,111,471**
Liabilities					
Segment liabilities	**43,716**	**25,414**	**9,473**	**–**	**78,603**
Unallocated liabilities					**145,171**
Total liabilities					**223,774**

Balance sheet as at 31 December 2007

	Cornstarch *RMB'000*	Lysine *RMB'000*	Electricity and steam *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
Assets					
Segment assets	234,131	181,889	205,148	–	621,168
Interest in an associate					29,643
Unallocated assets					461,674
Total assets					1,112,485
Liabilities					
Segment liabilities	28,155	29,786	31,596	–	89,537
Unallocated liabilities					230,607
Total liabilities					320,144

(b) Geographical segment

The Group's operations and assets are located in the PRC, thus no geographical segment by location was presented. Moreover, segment revenue from customers by geographical location for each of the countries other than PRC is less than 10% of the total revenue of the Group. Therefore, no geographical segment is presented.

6. OTHER INCOME

	2008	2007
	RMB'000	*RMB'000*
Government grants received for being a manufacturer of lysine and its related products *(Notes (i), (ii) and (iii))*	**5,737**	1,000
Amortisation of staff quarters rental income	**2,476**	811
Amortisation of steam connection income	**1,932**	1,167
Realised gain arising on injecting property, plant and equipment and land use right as capital to an associate	**430**	430
Gain on sales of scrap of coal and oil	**1,744**	509
Gain on disposal of leasehold land *(Notes (iv) and (v))*	**–**	24,402
Others	**3,950**	3,376
	16,269	31,695

Note:

(i) Government grant of RMB5,000,000 was paid by 壽光市科學技術局 (Shouguang Technology Bureau) for the year ended 31 December 2008 in respect of the development of 65% lysine technology. It was granted at the discretion of the government and was not recurring in nature.

(ii) Government grant of RMB737,000 was paid by 壽光市財政局 (Shouguang City Finance Bureau) for the year ended 31 December 2008 to support a subsidiary, 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"), being one of the largest agricultural businesses in the city and the application of environmental-friendly and energy-saving facilities. It was granted at the discretion of the government and was not recurring in nature.

(iii) Government grant of RMB1,000,000, for the year ended 31 December 2007 was paid to Golden Corn by 壽光市聖城街道辦事處財政所 (Finance office of Shouguang Shengcheng Street Office) to support the use of advanced technology in the production of lysine. It was granted at the discretion of the government and was not recurring in nature.

(iv) Gain on disposal of leasehold land of RMB24,332,000 for the year ended 31 December 2007 was arising from the disposal of leasehold land with a carrying amount of RMB6,045,000 to 壽光市土地儲備中心 (Shouguang Land Reserves).

(v) Gain on disposal of leasehold land of RMB70,000 for the year ended 31 December 2007 was arising from the disposal of leasehold land with a carrying amount of RMB47,000 to 壽光市供電公司 (Electricity Supply Company of Shouguang City).

7. FINANCE INCOME

	2008	2007
	RMB'000	*RMB'000*
Interest income on bank deposits	**3,852**	8,756

8. FINANCE COSTS

	2008	2007
	RMB'000	*RMB'000*
Imputed interest on employee housing deposits	**2,034**	910
Imputed interest on loan from a shareholder	**–**	5,939
Interest on bank borrowing wholly repayable within 5 years	**1,694**	13,646
	3,728	20,495

9. PROFIT BEFORE TAXATION

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

	2008	2007
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**53,353**	46,429
Amortisation of prepaid lease payments	**830**	939
Total depreciation and amortisation	**54,183**	47,368
(Gain)/loss on disposal of property, plant and equipment	**(173)**	970
Net foreign exchange loss	**7,406**	2,509
Cost of inventories recognised as expenses	**1,224,103**	1,002,070
Provision for impairment of inventories	**3,839**	–
Operating lease payments	**552**	196
Employee benefits expense including director's emoluments	**45,948**	27,967
Research and development expenses	**1,151**	774
Auditor's remuneration	**1,197**	2,676
Listing expenses	**–**	8,814

10. 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 years. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2008	2007
	RMB'000	*RMB'000*
Current PRC income tax	**9,778**	–
Deferred tax	**977**	185
	10,755	185

The tax expense for the year can be reconciled to the profit before taxation is as follows:

	2008	2007
	RMB'000	*RMB'000*
Profit before taxation	**105,981**	203,905
Tax at the foreign enterprise income tax rate at 25% (2007: 27%)	**26,495**	55,055
Tax effect of share of results of an associate net of tax	**(1,611)**	641
Effect of different tax rate	**(15,719)**	(60,956)
Tax effect of expenses that are not deductible in determining taxable profit	**5,187**	7,190
Tax effect of income not taxable	**(548)**	(1,814)
Change of deferred taxation resulting from the applicable change in tax rate	**–**	69
Tax loss for which no deferred tax asset was recognised	**4,357**	–
Reduction of income tax in respect of tax benefit	**(7,406)**	–
	10,755	185

Note:

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Tax Law") by Order No. 63 of the President of the People's Republic of China. On 26 December 2007, the State Council of the PRC issued the Notice of the Implementation of the Grandfathering Preferential Policies under the New Tax Law (the "Notice"), (Guofa [2007] No. 39), the applicable tax rate for all the PRC enterprises will change to 25% from 1 January 2008. The Notice provides a five-year transition period from its effective date for those enterprises which were established before the promulgation date of the New Tax Law and which were entitled to a preferential lower tax rate under the then effective tax laws or regulations. Thus, Golden Corn can still entitle to 50% relief of PRC Foreign Enterprise Income Tax for the next three years from 2008.

Further under the New Tax Law, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax (depending on the applicable tax rate on the treaty) on various types of passive income such as dividends derived from sources within the PRC.

According to the notice Caishui [2008] No. 1 released by the Ministry of Finance and the State Administration of Taxation, distributions of the pre-2008 retained profits of a foreign-invested enterprise to a foreign investor in 2008 or after are exempt from withholding tax. Therefore, the retained profits at 31 December 2007 in the Group's foreign-invested enterprises' books and accounts will not be subject to withholding tax on future distributions.

11. DIVIDENDS

The dividends paid in 2008 was RMB17,870,000 (HK3.83 cents per share). Prior to the listing of the Company's share on the Stock Exchange in September 2007, the dividend of RMB70,794,000 was paid by the Company to Merry Boom, the ultimate holding company for the year ended 31 December 2007.

A final dividend of HK1.14 cents per share has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

	2008	2007
	RMB'000	*RMB'000*
Interim dividend	**–**	70,794
Final dividend, proposed of HK1.14 cents (2007: HK3.83 cents) per ordinary share	**26,265**	17,870
	26,265	88,664

12. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2008	2007
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to equity holders of the Company)	**98,234**	203,720

	2008	2007
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,612,500,000**	1,628,125,000

The weighted average number of ordinary shares for the purpose of basic earnings per share for 2007 has been adjusted for the bonus issue made on 16 May 2008.

No diluted earnings per share has been presented because no dilutive potential ordinary shares exist for both 2008 and 2007.

13. INVENTORIES

	2008	2007
	RMB'000	*RMB'000*
Raw materials	**61,226**	87,526
Work in progress	**7,168**	9,921
Finished goods	**63,898**	20,248
	132,292	117,695

The cost of inventories recognised as expense and included in "cost of goods sold" amounted to RMB1,224,103,000 (2007: RMB1,002,070,000).

The provision for impairment of inventories recognised as expense and included in "cost of goods sold" amounted to RMB3,839,000 (2007: Nil).

14. TRADE AND OTHER RECEIVABLES

	2008	2007
	RMB'000	*RMB'000*
Trade receivables	**43,105**	42,146
Bank acceptance bills	**63,548**	99,734
Other receivables	**6,902**	2,679
	113,555	144,559

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

An ageing analysis of trade receivables at the balance sheet date is shown as follows:

	2008	2007
	RMB'000	*RMB'000*
0 – 30 days	**38,138**	39,337
31 – 60 days	**1,474**	1,134
61 – 90 days	**51**	519
Over 90 days	**3,442**	1,156
	43,105	42,146

Before accepting any new customer, the Group assesses the creditability of each of the potential customer's credit quality and defines credit limits by customers. Credit limits attributed to customers are reviewed monthly. Credit qualities of trade receivables not yet past due are considered to be good and no impairment provision is needed.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB4,316,000 (2007: RMB2,746,000) which are past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

Ageing of trade receivables which are past due but not impaired is shown as follows:

	2008	2007
	RMB'000	*RMB'000*
0 – 30 days	**110**	–
31 – 60 days	**713**	1,071
61 – 90 days	**51**	519
Over 90 days	**3,442**	1,156
	4,316	2,746

Included in the trade receivables are amounts from related companies amounted to RMB6,428,000 (2007: RMB13,772,000). No impairment has been made to receivables from related companies.

Bank acceptance bills

	2008	2007
	RMB'000	*RMB'000*
Discounted bills	**–**	22,220
Endorsed bills	**27,651**	32,528
Bills on hand	**35,897**	44,986
	63,548	99,734

The bank acceptance bills are normally with maturity period of 180 days (2007: 180 days). There is no recent history of default on bank acceptance bills.

As at 31 December 2008 and 2007, the other receivables aged between 0-30 days.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2008	2007
	RMB'000	*RMB'000*
United State Dollars	**–**	1,077
Hong Kong Dollars	**405**	229
British Pound	**4**	41
Euro	**2,437**	30
Renminbi	**110,709**	143,182
	113,555	144,559

15. TRADE AND OTHER PAYABLES

	2008	2007
	RMB'000	*RMB'000*
Trade payables	**58,053**	56,237
Bills payable	**–**	2,000
Total trade payables	**58,053**	58,237
Advances from customers	**29,868**	24,124
Deposits	**7,569**	4,709
Sales commission	**4,320**	2,517
Other tax payables	**13,684**	13,303
Accrued expenses	**1,719**	3,007
Payroll and welfare payables	**5,817**	34
Payable for construction and equipment	**22,544**	20,685
Others	**8,889**	6,644
	94,410	75,023
	152,463	133,260

The following is the ageing analysis for the trade payables at the balance sheet date:

	2008	2007
	RMB'000	*RMB'000*
0 – 60 days	**32,874**	36,846
61 – 90 days	**9,997**	4,540
Over 90 days	**15,182**	16,851
Total	**58,053**	58,237

Included in the trade payables are payables to related companies RMB160,000 (2007: nil).

The average credit period on purchases is 80 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2008	2007
	RMB'000	*RMB'000*
United State Dollars	**3,067**	3,251
Hong Kong Dollars	**1,719**	1,440
Renminbi	**147,677**	128,569
	152,463	133,260

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the year under review, the Group's turnover and profit were inevitably affected by the global financial crisis in the second half of year 2008. The management had endeavoured to maintain growth of turnover and profitability of the Group amid an adverse operating environment of increased coal and corn kernel prices and slumped selling price of some of our products. With the continuous efforts and contributions from our experienced management and professional staff, total turnover for the year ended 31 December 2008 increased by 13.4% to approximately RMB1,530,446,000 (2007: RMB1,349,962,000). Gross profit margin was 12.4% (2007: 19.7%) and profit after taxation for the year was approximately RMB95,226,000 (2007: RMB203,720,000).

Basic earnings per share of the equity holders of the Company was RMB0.0376 for the year ended 31 December 2008 (2007: RMB0.1251 after adjusted for the four-for-one bonus issue made on 16 May 2008). The weighted average number of shares used for the calculation of basic earnings per share for the year ended 31 December 2008 was 2,612,500,000 (2007: 1,628,125,000).

BUSINESS REVIEW

Cornstarch

Turnover

Overall sales of cornstarch and ancillary corn-refined products for the year ended 31 December 2008 was approximately RMB1,065,915,000 (2007: RMB914,652,000) which represented about 69.6% of total sales (2007: 67.8%).

Sales volume and sales amount of cornstarch were 357,520 tonnes (2007: 327,911 tonnes) and approximately RMB672,799,000 (2007: RMB633,914,000) respectively. As a result of the global financial crisis which started off in the second half of year 2008, demand for fast moving consumer goods, such as paper, which used cornstarch as one of the major raw materials, was affected. The average selling price of cornstarch in the second half of year 2008 (approximately RMB1,806 per tonne) was lower than that of the first half year (approximately RMB1,961 per tonne) and thus resulted in a lower overall average selling price of approximately RMB1,882 per tonne for the year 2008 as compared to that of 2007 (approximately RMB1,933 per tonne).

The increase in sales of corn gluten meal was mainly due to animal feed manufacturers shifting their purchases to large and reputable suppliers after the outbreak of the melamine scandal in diary products and animal feeds in September 2008.

Export sales of corn fibre accounted for 68.4% (2007: 78.8%) of total sales of corn fibre. Sales of corn fibre increased significantly by 34.7% to approximately RMB84,562,000 (2007: RMB62,797,000) mainly because the market of corn fibre was prosperous in most of the time in 2008 and the average export selling price was higher than that of local sales by about 37.9%.

Sales of corn germ increased significantly by 33.5% to approximately RMB167,379,000 (2007: RMB125,414,000). Benefited from strong prices of downstream customer products, such as cooking oil, sales volume and average selling price of corn germ increased by 17.0% and 14.1% respectively.

Sales volume and average selling price of corn slurry increased by 36.2% and 33.3% respectively as a result of the Group's effort to upgrade its concentration technology in corn slurry production. Sales of corn slurry for the year increased by 82.2% to approximately RMB2,371,000 (2007: RMB1,302,000).

Cost of goods sold and gross profit margin

Cost of goods sold of cornstarch and ancillary corn-refined products increased by 20.7% to approximately RMB960,949,000 (2007: RMB795,888,000). During the year under review, the average cost of corn kernel was approximately RMB1,537 per tonne as compared to approximately RMB1,471 per tonne in 2007. While the corn kernel price had started to decrease in the last quarter of 2008, it is anticipated that the potential benefit will only be reflected in 2009. Labour cost and depreciation also experienced an increase of about 36.8% and 83.9% respectively which was mainly attributable to the establishment and operation of the Group's new subsidiary 臨清德能金玉米生物有限公司 (Linqing Deneng Golden Corn Bio Limited) ("Deneng Golden Corn"). The allocated cost in respect of electricity and steam produced by our own power plant also increased by about 83.7% as the cost of coal increased significantly during the first three quarters of the year under review. Moreover, the Group carried out major repair and maintenance works on its Golden Corn factory during the year in order to maintain productivity of its production facilities, which resulted in the significantly increase in the manufacturing overheads by 37.4%.

In summary, the combined effect of decreased average selling price of cornstarch, increased average cost of corn kernel and increased allocated electricity and steam cost had mainly resulted in the slightly decrease in the gross profit margin for cornstarch and ancillary corn-refined products for the year under review from 13.0% to 9.8%.

Lysine

Turnover

During the year under review, sales amount and sales volume of lysine was approximately RMB349,235,000 (2007: RMB305,215,000) and 35,710 tonnes (2007: 26,467 tonnes) respectively. The Group launched a new product, 65% lysine, in early 2008 and achieved total sales volume and sales amount of 11,196 tonnes and approximately RMB70,179,000 respectively. Overall average selling price of lysine decreased because the average selling price of 65% lysine was lower than that of 98.5% lysine and the market price of lysine as a whole decreased progressively under the global financial crisis in the second half of year 2008.

Sales of fertilisers increased significantly by 39.6% to approximately RMB20,597,000 (2007: RMB14,751,000) because of the growing demand for organic and environmental-friendly fertilisers.

Cost of goods sold and gross profit margin

Cost of goods sold of lysine and related products increased by 42.9% to approximately RMB303,098,000 (2007: RMB212,113,000). During the year under review, direct materials increased by approximately 29.2% as a result of the increased costs of corn kernel and chemicals used for the production of lysine. Manufacturing overheads also increased significantly by 88.0% to approximately RMB17,755,000 (2007: RMB9,446,000) as a result of the increase in repair and maintenance works on the 98.5% lysine production line and the new 65% lysine production line. Moreover, as the cost of coal increased significantly during the first three quarters of the year under review, the allocated cost of electricity and steam also increased. Government tax and surcharge also increased as a result of the significant increase in export sales of lysine in the second and third quarter of 2008.

During the year under review, gross profit margin for lysine and its related products decreased from 33.7% to 18.0% which was mainly attributable to (i) the decrease in average selling price of lysine, (ii) the lower margin of 65% lysine as compared to that of 98.5% lysine, and (iii) the increase in the allocated cost of electricity and steam.

Electricity and steam

Turnover

For the year ended 31 December 2008, sales of electricity and steam was approximately RMB94,699,000 (2007: RMB115,344,000) which represented about 6.2% of total sales of the Group (2007: 8.5%).

The significant increase in the sales of electricity in 2008 was mainly attributable to (i) the full year sales effect following the resumption of electricity sales after July 2007 (which was temporarily suspended during the period from October 2006 to July 2007 when 山東壽光巨能金玉米開發有限公司 (Shandong Juneng Golden Corn Development Co., Ltd.) ("Golden Corn"), our wholly-owned subsidiary, was initially converted into a wholly foreign owned enterprise), and (ii) the adjustment of electricity unit price by the 壽光市物價局 (Commodity Price Bureau of Shouguang City).

The Group terminated its sales of steam to 山東巨能特鋼有限公司 (Shandong Juneng Special Steel Co., Ltd.) ("Juneng Special Steel") for its production because of our increasing internal demand for steam. As a result, the sales amount of steam for the year under review decreased substantially to approximately RMB58,943,000 (2007: RMB104,943,000).

Cost of goods sold and gross profit margin

During the year under review, the average price of coal, being the principal raw material for the provision of electricity and steam, increased by 52.3% as compared to that of 2007. Although coal prices had started to decrease in the last quarter of 2008, the Directors are of the opinion that the potential benefit of lower cost of coal will only be reflected in 2009.

All in all, the increased average coal price and the change of sales mix between electricity and steam had mainly resulted in the decrease in gross profit margin of this business segment from 33.5% to 18.4%.

Other income

Other income for the year ended 31 December 2008 mainly consisted of sales of scrap oil and coal, staff rental income, steam connection income, sewage service income and government grants, all of which showed increases compared to those for the year ended 31 December 2007. More particularly, during the year under review, the Group received different government grants totalling approximately RMB5,737,000 (2007: RMB1,000,000). However, the absence of gain on disposal of leasehold land in the year under review had resulted in the significant decrease in total other income to approximately RMB16,269,000 in 2008 (2007: RMB31,695,000).

Finance income

Finance income mainly represented interest from bank deposits for the year ended 31 December 2008. The finance income was reduced to approximately RMB3,852,000 (2007: RMB8,756,000) because the Group repaid approximately RMB102,220,000 bank borrowings and invest approximately RMB110,000,000 in Deneng Golden Corn during the year under review.

Distribution expenses

Distribution expenses increased by 26.0% to approximately RMB51,640,000 (2007: RMB40,976,000). The increase in distribution expenses was due to the implementation of export tariff on cornstarch and the establishment of Deneng Golden Corn in March 2008.

Administrative expenses

Administrative expenses mainly represented salaries and staff benefits (including directors' emoluments), exchange difference, depreciation and amortisation, taxes and levies and professional fees. For the year ended 31 December 2008, administrative expenses increased significantly by 43.2% to approximately RMB54,379,000 (2007: RMB37,985,000) mainly due to (i) the increase in number of employee, (ii) the full year effect of the establishment of Hong Kong office, (iii) the establishment of Deneng Golden Corn office, (iv) payment of directors' bonus of RMB2,000,000 (2007: Nil) and (v) foreign exchange loss.

Share of result of an associate

The share of profit from our associate, 壽光金遠東變性澱粉有限公司 (Shouguang Golden Far East Modified Starch Co., Ltd) was approximately RMB6,444,000 (2007: share of loss RMB2,375,000) for the year ended 31 December 2008.

Taxation

Tax expenses increased from approximately RMB185,000 to RMB10,755,000 because our wholly-owned subsidiary, Golden Corn, was subject to the PRC enterprise income tax (the "PRC EIT") with a 50% relief after the expiry of 2 years' tax exemption period which ended in the year of 2007. Golden Corn shall enjoy the existing preferential tax treatment on the PRC EIT until 2010.

We were not liable for income tax in Hong Kong during the year under review as we did not have any assessable income arising in Hong Kong.

DIVIDEND POLICY

The Directors expect that dividends will be paid as interim and/or final dividends. We currently intend to pay annual cash dividends of not less than 30% of our distributable profit in each financial year. However, the determination to pay such dividends will be made at the discretion of the Board and will be based upon the availability of distributable profits, our earnings, financial positions, funding requirements and other relevant factors from time to time. The payment of dividends may be limited by legal restrictions and by agreements that we may enter into in the future. The Directors are of the views that our dividend policy will not affect the sufficiency of our working capital in the coming years.

The Board proposed a final dividend of HK1.14 cents per share which represented approximately 27.6% of distributable profit for the year under review. Subject to the approval granted from the shareholders of the Company at the annual general meeting to be held on 1 June 2009, the final dividend is expected to be paid to the shareholders on 15 June 2009.

HUMAN RESOURCES AND REMUNERATION POLICES

As at 31 December 2008, the Group had approximately 2,064 full-time staff (2007: 1,577 full-time staff, of which 498 were seconded from 山東壽光巨能控股集團有限公司 (Shandong Shouguang Juneng Holding Group Co., Ltd) ("Juneng Holding Group")). The secondment arrangement with Juneng Holding Group had ceased since 1 January 2008 as all such secondment staff were transferred to our Group under our employment. Total staff costs, including Directors' emoluments, of the Group was approximately RMB46 million (2007: RMB28 million).

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 with a primary purpose of motivating our employees and other eligible persons entitled under the 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 31 December 2008, no options have been granted under the share option scheme of the Company.

In addition, we do not encourage our full-time staff to engage in other business or employment. Therefore, we require our staff to seek consent from the Group prior to engaging in other business or employment during the course of his/her employment with us.

FINANCIAL REVIEW

Financial management and treasury policy

The Group adopts a conservative approach for cash management and investment on uncommitted funds. The unutilised portion of the net proceeds from the global offering of the Company's shares in 2007 (the "Global Offering") have been placed on short-term 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 hedge arrangement.

Liquidity, financial resources and capital structure

The Directors are of the opinion that the working capital available to the Group is sufficient for its present requirements. Major source of financial resources of the Group include internally generated funds, banking facilities and net proceeds from the Global Offering. The Group recorded a strong financial position with net cash inflow from operating activities of approximately RMB183,223,000 (2007: RMB272,377,000). As at 31 December 2008, the available and unutilised banking facilities of the Group amounted to approximately RMB370 million. As at 31 December 2008 and 2007, the Group's borrowings were all denominated in Renminbi.

The major financial figures and key financial ratios are summarised as follows:

	2008	2007
	RMB'000	*RMB'000*
Borrowings:		
– Within 1 year	**1,551**	92,885
– Between 1 and 2 years	**886**	886
– Between 2 and 5 years	**2,659**	12,659
– Over 5 years	**4,654**	5,540
Total *(Note)*	**9,750**	111,970
Debtors turnover (days)	**30**	38
Creditors turnover (days)	**16**	20
Inventories turnover (days)	**34**	39
Current ratio	**2.5**	2.3
Quick ratio	**1.8**	1.9
Gearing ratio – borrowings divided by total assets	**0.9%**	10.1%

Note: As at the balance sheet date, the Group's fixed rate borrowings, which represented a government loan, was approximately RMB9,750,000 (2007: fixed rate borrowings RMB81,970,000 and floating rate borrowings RMB30,000,000).

Finance costs

Finance costs were reduced significantly from approximately RMB20,495,000 for the year ended 31 December 2007 to approximately RMB3,728,000 for the year ended 31 December 2008. As the loan from the controlling shareholder, Merry Boom Group Limited, was capitalised upon listing of the shares of the Company in September 2007, the Company was not required to provide any imputed interest on such loan. In light of the strong financial position after listing, we repaid all bank borrowings and stopped discounting bills for the year under review.

Pledge of assets and contingent liabilities

As at 31 December 2008, the Group did not pledge any leasehold land and building in the PRC nor bank acceptance bills to secure banking facilities granted to the Group.

As at 31 December 2008, the Group did not have any material contingent liabilities.

Use of net proceeds

The net proceeds received by the Company from the Global Offering amounted to approximately RMB350,258,000. The net proceeds utilised as at 31 December 2008 is set out as follows:

Intended use	Available *RMB'000*	Utilised *RMB'000*
Acquisitions of other manufacturer(s)/capital injections of subsidiary(ies)/joint venture	177,000	110,000
Acquisition of new machineries/conduct production technology enhancement	73,000	73,000
Acquisition of new machineries for cornstarch and lysine production facilities expansion	20,000	20,000
Purchase of raw materials and general productions expenses of new machineries	22,258	22,258
Repayment of borrowing	23,000	23,000
General working capital	35,000	35,000
	350,258	283,258

The unutilised portion of the net proceeds has been deposited on short term basis in licensed financial institutions in Hong Kong and/or the PRC.

Material acquisitions and disposals of subsidiaries and associated companies

The Group established Deneng Golden Corn in March 2008 and had been holding approximately 85.94% interest since its incorporation. The business scope of Deneng Golden Corn included purchase and sales of corn, processing, manufacturing and sales of cornstarch, starch-based sweeteners, amino acids and other ancillary products, and the provision of related services.

During the year under review, Deneng Golden Corn was mainly engaged in the manufacture and sale of cornstarch and ancillary corn-refined products. Deneng Golden Corn was operating two production lines with original production capacity of 150,000 tonnes each. In November 2008, Deneng Golden Corn completed technological upgrades on these two production lines and its annual production capacity of cornstarch was accordingly increased from 300,000 tonnes to 400,000 tonnes in total.

During the year under review, sales of Deneng Golden Corn was approximately RMB120,531,000 which represented about 7.9% of total sales of the Group. As one of the production line was temporarily suspended during the technology upgrading period, the actual usable production capacity was 150,000 tonnes for the year under review. The utilisation ratio which represented sales volume divided by usable production capacity of Deneng Golden Corn for the period from its incorporation to the year ended 31 December 2008 was about 40.3%.

In view of the relatively low utilisation ratio as a result of the temporary suspension of one production line for upgrading, Deneng Gold Corn recorded gross loss during the year under review. The Directors are of opinion that the operating loss was temporary and did not affect the Group's operation and financial position in the long run.

Save as disclosed above, the Group had no other material acquisition or disposal of any subsidiaries and associated companies for the year ended 31 December 2008.

PROSPECT

The establishment of Deneng Golden Corn in March 2008 was in line with the Group's expansion plan as disclosed in the prospectus of the Company dated 12 September 2007. The Group successfully upgraded two production lines of Deneng Golden Corn and the annual production capacity of cornstarch of Deneng Golden Corn increased to 400,000 tonnes. As a result, the Group's total annual production capacity of cornstarch increased from 450,000 tonnes to 850,000 tonnes for the year ended 31 December 2008.

Although Deneng Golden Corn did not contribute any profit to the Group in 2008, the Directors are of the opinion that this situation was temporary and will be improved in the long run by increasing the utilisation ratio and stabilizing its corn-to-starch ratio.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 27 May 2009 to 1 June 2009 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investors Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m. on 26 May 2009.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December, 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Directors are of the opinion that the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Director of the Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code") as the code for Directors' securities transactions. All Directors have confirmed to the Company their compliance with the required standards set out in the Model Code throughout the year under review.

AUDIT COMMITTEE

The audit committee of the Company comprises all independent non-executive Directors. The audit committee has reviewed and discussed with the management and the external auditor regarding the consolidated financial statements of the Group for the year ended 31 December 2008 for the Board's approval.

PUBLICATION ON ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

All the financial and other related information required by Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange and on the website of the Company (www.chinastarch.com.hk) in due course.

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

Hong Kong, 17 April, 2009

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, Ms Yu Shumin, Mr Cao Zenggong and Mr Yue Kwai Wa, Ken.