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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

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 2010, together with the unaudited comparative figures as follows.

Condensed Consolidated Statement of Comprehensive Income

	<i>Note</i>	Unaudited	
		Six months ended 30 June 2010	2009
		RMB'000	RMB'000
Turnover	3	1,146,108	820,223
Cost of goods sold		(994,243)	(729,119)
Gross profit		151,865	91,104
Other income		13,434	4,917
Distribution and selling expenses		(37,119)	(21,597)
Administrative expenses		(25,904)	(19,624)
Operating profit		102,276	54,800
Finance income		2,370	1,285
Finance costs		(1,092)	(477)
Share of results of an associate		87	1,955
Profit before taxation	4	103,641	57,563
Income tax (expense)/credit	5	(14,913)	2,167
Profit for the period		<u>88,728</u>	<u>59,730</u>
Attributable to:			
Equity holders of the Company		87,876	60,534
Non-controlling interests		852	(804)
		<u>88,728</u>	<u>59,730</u>
Basic and diluted earnings per share (RMB)	7	<u>0.0154</u>	<u>0.0116</u>

Condensed Consolidated Statement of Financial Position

		30 June 2010 RMB'000 Unaudited	31 December 2009 RMB'000 Audited
Non-current assets			
Property, plant and equipment		538,037	548,014
Prepaid lease payments		50,116	43,564
Interest in an associate		39,397	39,094
Deferred tax assets		4,830	6,019
		<u>632,380</u>	<u>636,691</u>
Current assets			
Inventories		231,735	194,223
Prepaid lease payments		469	1,175
Trade and other receivables	8	294,595	214,106
Pledged bank deposits		2,070	2,004
Bank deposits over three months		350,000	-
Cash and cash equivalents		156,193	291,296
		<u>1,035,062</u>	<u>702,804</u>
Total assets		<u><u>1,667,442</u></u>	<u><u>1,339,495</u></u>
Equity			
Equity attributable to equity holders of the Company			
Share capital		515,234	237,762
Other reserves		434,674	405,645
Retained earnings		416,356	328,475
		<u>1,366,264</u>	<u>971,882</u>
Non-controlling interests		<u>17,227</u>	<u>16,375</u>
Total equity		<u><u>1,383,491</u></u>	<u><u>988,257</u></u>

	<i>Note</i>	30 June 2010 RMB'000 Unaudited	31 December 2009 RMB'000 Audited
Non-current liabilities			
Deferred tax liabilities		1,874	75
Borrowing		6,869	7,312
Deferred income		<u>18,855</u>	<u>19,602</u>
		<u>27,598</u>	<u>26,989</u>
Current liabilities			
Trade and other payables	9	169,712	217,984
Income tax payable		12,635	10,375
Employee housing deposits		26,381	26,381
Borrowing		<u>47,625</u>	<u>69,509</u>
		<u>256,353</u>	<u>324,249</u>
Total liabilities		<u>283,951</u>	<u>351,238</u>
Total equity and liabilities		<u>1,667,442</u>	<u>1,339,495</u>
Net current assets		<u>778,709</u>	<u>378,555</u>
Total assets less current liabilities		<u>1,411,089</u>	<u>1,015,246</u>

Notes:

1. BASIS OF PREPARATION

The condensed interim financial report for the six months ended 30 June 2010 has 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 ("HKAS 34") Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The condensed interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The accounting policies used in the condensed consolidated financial statements are consistent with those of the annual audited financial statements for the year ended 31 December 2009, except for the accounting policy changes that are expected to be reflected in the 2010 annual audited financial statements. Details of these changes in accounting policies are set out in note 2.

The condensed interim financial report is presented in Renminbi ("RMB"), unless otherwise stated.

The condensed interim financial report has not been audited.

2. CHANGES IN ACCOUNTING POLICIES

During the period ended 30 June 2010, the Group has applied the following significant changes to HKFRSs issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2010.

HKAS 27 (Revised) "Consolidated and Separate Financial Statements"

HKFRS 3 (Revised) "Business Combinations"

HKFRSs (Amendments) "Improvements to HKFRSs 2009"

The adoption of these amendments to standards has no material financial effect on the Group's results and financial position for the current or prior periods.

3. SEGMENT INFORMATION

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

	Cornstarch <i>RMB'000</i>	Lysine <i>RMB'000</i>	Electricity and steam <i>RMB'000</i>	Starch-based sweetener <i>RMB'000</i>	Reportable segments <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2010							
TURNOVER							
Total sales	856,082	201,880	146,998	17,216	1,222,176	-	1,222,176
Inter-segment sales	-	-	(76,068)	-	(76,068)	-	(76,068)
External Sales	<u>856,082</u>	<u>201,880</u>	<u>70,930</u>	<u>17,216</u>	<u>1,146,108</u>	<u>-</u>	<u>1,146,108</u>
Segment Results	<u>95,397</u>	<u>43,023</u>	<u>15,232</u>	<u>(441)</u>	<u>153,211</u>	<u>(50,935)</u>	<u>102,276</u>
Six months ended 30 June 2009							
TURNOVER							
Total sales	571,668	181,544	134,588	-	887,800	-	887,800
Inter-segment sales	-	-	(67,577)	-	(67,577)	-	(67,577)
External Sales	<u>571,668</u>	<u>181,544</u>	<u>67,011</u>	<u>-</u>	<u>820,223</u>	<u>-</u>	<u>820,223</u>
Segment Results	<u>19,789</u>	<u>37,244</u>	<u>25,179</u>	<u>-</u>	<u>82,212</u>	<u>(27,412)</u>	<u>54,800</u>
Total Assets							
At 30 June 2010	<u>588,211</u>	<u>162,409</u>	<u>161,745</u>	<u>55,031</u>	<u>967,396</u>	<u>695,216</u>	<u>1,662,612</u>
At 31 December 2009	<u>474,021</u>	<u>154,492</u>	<u>199,730</u>	<u>52,270</u>	<u>880,513</u>	<u>452,963</u>	<u>1,333,476</u>

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

	Six months ended	
	30 June	
	2010	2009
	RMB'000	<i>RMB'000</i>
Results of reportable segments	153,211	82,212
Unallocated income	12,087	3,742
Unallocated expenses	(63,022)	(31,154)
	<hr/>	<hr/>
Total segment results	102,276	54,800
Finance income	2,370	1,285
Finance costs	(1,092)	(477)
Share of result of an associate	87	1,955
	<hr/>	<hr/>
Profit before taxation	<u>103,641</u>	<u>57,563</u>

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

	30 June	31 December
	2010	2009
	RMB'000	<i>RMB'000</i>
Reportable segments' assets	967,396	880,513
Unallocated:		
Prepaid lease payments	50,585	44,739
Interest in an associate	39,397	39,094
Pledged bank deposits	2,070	2,004
Bank deposits over three months	350,000	–
Cash and cash equivalents	156,193	291,296
Other unallocated assets	96,971	75,830
	<hr/>	<hr/>
Total segment assets	1,662,612	1,333,476
Deferred tax assets	4,830	6,019
	<hr/>	<hr/>
Total assets as per condensed consolidated statement of financial position	<u>1,667,442</u>	<u>1,339,495</u>

4. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Depreciation of property, plant and equipment	28,056	30,559
Amortisation of prepaid lease payments	416	416
	<hr/>	<hr/>
Total depreciation and amortisation	28,472	30,975
Gain on disposal of property, plant and equipment	(6)	(192)
Net foreign exchange loss	1,474	117
Cost of inventories recognised as expenses	935,959	666,502
Employee benefits expenses including directors' emoluments	32,834	24,716
Research and development expenses	1,203	701
	<hr/> <hr/>	<hr/> <hr/>

5. INCOME TAX EXPENSES/(CREDIT)

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	
	2010	2009
	RMB'000	RMB'000
PRC enterprise income tax		
– Current year	11,924	2,982
– Overprovision in prior year	–	(5,285)
Deferred tax	2,989	136
	<hr/>	<hr/>
	14,913	(2,167)
	<hr/> <hr/>	<hr/> <hr/>

6. DIVIDENDS

The final dividend for the year ended 31 December 2009 amounting to HK\$1.16 cents per share was paid on 24 June 2010. The amount of the final dividend paid was approximately RMB29,351,000 (2008: RMB26,254,000).

The directors do not further propose any interim dividend for the six months ended 30 June 2010.

7. EARNINGS PER SHARE

	Six months ended 30 June	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to equity holders of the Company)	<u>87,876</u>	<u>60,534</u>
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>5,721,932</u>	<u>5,225,000</u>

The weighted average number of ordinary shares for the purpose of basic earnings per share for 2009 has been adjusted for the bonus issue made on 24 June 2010.

No diluted earnings per share has been presented because no dilutive potential ordinary shares exist for both six months ended 30 June 2010 and 2009.

8. TRADE AND OTHER RECEIVABLES

	30 June	31 December
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	128,565	57,187
Bank acceptance bills	139,280	153,054
Other receivables	<u>26,750</u>	<u>3,865</u>
	<u>294,595</u>	<u>214,106</u>

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:

	30 June	31 December
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
0-30 days	91,843	49,008
31-60 days	25,751	928
61-90 days	3,042	689
Over 90 days	<u>7,929</u>	<u>6,562</u>
	<u>128,565</u>	<u>57,187</u>

Included in the trade receivables are amounts due from a related company and an associate amounting to RMB40,696,000 (31 December 2009: RMB23,239,000).

Bank acceptance bills

	30 June 2010 RMB'000	31 December 2009 RMB'000
Discounted bills	44,744	67,071
Endorsed bills	21,942	27,555
Bills on hand	<u>72,594</u>	<u>58,428</u>
	<u>139,280</u>	<u>153,054</u>

The bank acceptance bills are normally with maturity period of 180 days (2009: 180 days).

As at 30 June 2010 and 31 December 2009, the other receivables aged between 0-30 days.

9. TRADE AND OTHER PAYABLES

	30 June 2010 RMB'000	31 December 2009 RMB'000
Trade payables (<i>Note (a)</i>)		
0-60 days	57,329	62,055
61-90 days	5,560	6,723
Over 90 days	<u>18,176</u>	<u>16,750</u>
	81,065	85,528
Bills payable (<i>Note (b)</i>)	2,065	2,712
Advances from customers	34,712	60,389
Others	<u>51,870</u>	<u>69,355</u>
	<u>169,712</u>	<u>217,984</u>

Note:

- (a) Included in the trade payables are payables to related companies and a minority shareholder amounting to RMB5,037,000 (31 December 2009: RMB4,566,000).
- (b) Bills payable are secured by pledged bank deposits of RMB2,070,000 (31 December 2009: RMB2,004,000).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the period under review, the cornstarch and lysine markets had a turnaround change from last year. The cornstarch's market price reached the highest record in the Group's trading history. The lysine market was still in the recovery process and was highly influenced by the condition of animal feeds market. Through a tight cost control and continuous improvement on production efficiency, especially the production of electricity and steam, the Group maintained its competitive edge on each of our products.

Our new product, starch-based sweetener, was launched in the last quarter of 2009. The utilisation rate of these production facilities was about 18.7% during the period under review. Some new customer bases were also developed for this product.

Total turnover of the Group during the period under review was approximately RMB1,146,108,000 increased by 39.7% as compared with past corresponding period (2009: RMB820,223,000). Gross profit surged by 66.7% to approximately RMB151,865,000 (2009: RMB91,104,000). Basic earnings per share of the Company was RMB0.0154 per share based on the weighted average number of 5,721,932,000 shares (2009: RMB0.0116 per share based on the weighted average number of 5,225,000,000 shares).

BUSINESS REVIEW

Turnover analysis by products

Cornstarch and ancillary corn-refined products

Six months ended 30 June	2010			2009		
	RMB'000	RMB'000	+/(-) %	Tonnes	Tonnes	+/(-) %
Cornstarch	614,819	387,498	58.7%	264,757	229,265	15.5%
Corn gluten meal	90,368	73,819	22.4%	20,669	18,650	10.8%
Corn fibre	50,415	37,320	35.1%	44,660	48,081	(7.1%)
Corn germ	98,691	72,090	36.9%	35,733	28,427	25.7%
Corn slurry	1,789	941	90.1%	10,643	6,947	53.2%
	<u>856,082</u>	<u>571,668</u>	<u>49.8%</u>	<u>376,462</u>	<u>331,370</u>	<u>13.6%</u>

Six months ended 30 June	2010		2009
	RMB	RMB	+/(-) %
Average selling price (per tonne)			
Cornstarch	2,322	1,690	37.4%
Corn gluten meal	4,372	3,958	10.5%
Corn fibre	1,129	776	45.5%
Corn germ	2,762	2,536	8.9%
Corn slurry	168	135	24.4%

Sales of cornstarch and ancillary corn-refined products for the period ended 30 June 2010 increased by 49.8% to approximately RMB856,082,000 (2009: RMB571,668,000). This business segment represented about 74.7% of total turnover of the Group (2009: 69.7%).

Sales of cornstarch increased by 58.7% to approximately RMB614,819,000 (2009: RMB387,498,000). During the period under review, the average selling price of cornstarch increased significantly to RMB2,322 per tonne (2009: RMB1,690 per tonne). The sales volume of cornstarch increased to 264,757 tonnes (2009: 229,265 tonnes). The Directors believe that the cornstarch market is flourishing in the second half of year 2010.

Corn gluten meal and corn fibre are raw materials for the production of animal feeds. Sales volume and sales amount of corn gluten meal increased to 20,669 tonnes (2009: 18,650 tonnes) and approximately RMB90,368,000 (2009: RMB73,819,000) respectively. The increase was attributable to the strong demand of overseas market.

Sales of corn fibre increased by 35.1% to approximately RMB50,415,000 (2009: RMB37,320,000). Such increase was mainly due to the significant increase in average selling price. However, the sale volume slightly decreased by 7.1% to 44,660 tonnes (2009: 48,081 tonnes) as the southern China flooding disaster affect the distribution of corn fibre during the period under review.

Corn germ was a raw material for the production of cooking oil. Sales of corn germ during the period under review was approximately RMB98,691,000 (2009: RMB72,090,000). The increase in sales of corn germ was attributable to the increase in the utilisation rate of Linqing Deneng Golden Corn Bio Limited (“Deneng Golden Corn”), a subsidiary of the Company.

Sales of corn slurry surged by 90.1% to RMB1,789,000 (2009: RMB941,000). The increase in sales of corn slurry was mainly due to the increase in the production output ratio of Deneng Golden Corn during the period under review.

Lysine and fertilisers

Six months ended 30 June	2010	2009	+/(-) %	2010	2009	+/(-) %
	RMB'000	RMB'000		Tonnes	Tonnes	
Lysine	195,712	174,060	12.4%	22,357	24,683	(9.4%)
Fertilisers	6,168	7,484	(17.6%)	13,098	12,188	7.5%
	<u>201,880</u>	<u>181,544</u>	<u>11.2%</u>	<u>35,455</u>	<u>36,871</u>	<u>(3.8%)</u>

Six months ended 30 June	2010	2009	+/(-) %
	RMB	RMB	
Average selling price (per tonne)			
Lysine	8,754	7,052	24.1%
Fertilisers	<u>471</u>	<u>614</u>	<u>(23.3%)</u>

Sales of lysine and related products was approximately RMB201,880,000 (2009: RMB181,544,000) which represented about 17.6% of total turnover of the Group (2009: 22.1%).

Lysine is a raw material for the production of animal feeds. The sales volume decreased by 9.4% to 22,357 tonnes (2009: 24,683 tonnes) while the average selling price increased by 24.1% to RMB8,754 per tonne (2009: RMB7,052 per tonne). The Directors regard that the market condition was improving, especially export sales, during the period under review. The decrease in sales volume was mainly attributable to the repair and maintenance schedules of the Group.

Sales of fertilisers for the six months ended 30 June 2010 decreased from approximately RMB7,484,000 to approximately RMB6,168,000. The decrease in sales of fertilisers was mainly due to the lower average selling price as compared with that of corresponding period in 2009.

Electricity and steam

Six months ended 30 June	2010	2009	
	<i>RMB'000</i>	<i>RMB'000</i>	+ / (-) %
Electricity	27,700	26,289	5.4%
Steam	43,230	40,722	6.2%
	<u>70,930</u>	<u>67,011</u>	<u>5.8%</u>

Sales of electricity and steam was approximately RMB70,930,000 (2009: RMB67,011,000) which represented about 6.2% of turnover of the Group.

Starch-based sweetener

Sales of starch-based sweetener was approximately RMB17,216,000 (2009: Nil) which represented about 1.5% of turnover of the Group. Starch-based sweetener is the Group's new product which was launched in October 2009. The utilisation rate of starch-based sweetener plant was 18.7% in the first half of year 2010. The Directors believe that the utilisation rate of starch-based sweetener plant will be further improved in the second half of year 2010 upon the completion of pilot-run production and the development of new customer base of starch-based sweetener.

Export sales analysis

Export sales amount	Cornstarch <i>RMB'000</i>	Corn gluten meal <i>RMB'000</i>	Corn fibre <i>RMB'000</i>	Lysine <i>RMB'000</i>	Total <i>RMB'000</i>
Six month ended 30 June					
2010	31,833	43,386	14,517	51,057	140,793
(Export sales to total sales)	(2.8%)	(3.8%)	(1.3%)	(4.4%)	(12.3%)
2009	33,568	21,049	7,079	8,523	70,219
(Export sales to total sales)	(4.1%)	(2.6%)	(0.9%)	(1.0%)	(8.6%)

Export sale of cornstarch was lower than that of corresponding period in 2009. It is because domestic cornstarch demand increased significantly during the period under review. The Directors believe that the cancellation of export tax rebate on the export sale of cornstarch effected on 15 July 2010 will have limited impact since currently the Group mainly focuses on domestic sales.

Corn gluten meal, corn fibre and lysine were raw materials of animal feeds. The overseas market of animal feeds has recovered after the financial crisis in 2009.

Cost of goods sold analysis

Six months ended 30 June	2010		2009	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Corn kernel	742,370	74.7%	523,271	71.8%
Coal and utilities	138,984	14.0%	115,005	15.8%
Other materials	29,458	3.0%	28,922	4.0%
Direct labour	19,440	2.0%	14,818	2.0%
Manufacturing overheads	21,349	2.1%	20,367	2.8%
Depreciation	19,461	2.0%	19,549	2.7%
Others	23,181	2.2%	7,187	0.9%
Total	<u>994,243</u>	<u>100.0%</u>	<u>729,119</u>	<u>100.0%</u>

Corn kernel, coal and utilities were the major costs of the Group. They attributed to 88.7% (2009: 87.6%) of the total cost of goods sold for the period under review. During the first half of 2010, the average corn kernel price increased by 25.6% to RMB1,694 per tonne (2009: RMB1,349 per tonne). In the meantime, the average coal price increased by 23.0% to RMB817 per tonne (2009: RMB664 per tonne).

Gross profit margin analysis

Six months ended 30 June	2010	2009	+ / (-) %
	RMB'000	RMB'000	
Cornstarch and ancillary corn-refined products	95,397	29,615	222.1%
Lysine and fertilisers	43,023	38,262	12.4%
Electricity and steam	13,885	23,227	(40.2%)
Starch-based sweetener	(440)	—	—
	<u>151,865</u>	<u>91,104</u>	<u>66.7%</u>

Cornstarch and ancillary corn-refined products

Gross profit increased significantly by 222.1% to approximately RMB95,397,000 (2009: RMB29,615,000) for the period under review. The increase in average selling price of cornstarch and its related products outweighed the pressure of the increased corn kernel cost. Therefore, the Group's gross margin in this business segment increased to 11.1% (2009: 5.2%).

Lysine and fertilisers

Gross profit increased by 12.4% to approximately RMB43,023,000 (2009: RMB38,262,000) for the period under review. Benefited from the strict control on the electricity and steam usage for the production, the gross profit margin of this business segment was about 21.3% which was similar to corresponding period in 2009 (2009: 21.1%).

Electricity and steam

Gross profit margin of electricity and steam decreased significantly from 34.7% to 19.6% during the period under review. Such decrease was mainly attributable to the increase in coal price.

Starch-based sweetener

The Group recorded a minimal loss of approximately RMB440,000 on starch-based sweetener business. The performance of starch-based sweetener was satisfactory and the profitability will be improved followed by the increase in the utilisation rate in the second half of the year.

REVIEW OF OTHER OPERATIONS

Other income

Other income increased significantly from approximately RMB4,917,000 to approximately RMB13,434,000. The increase in other income was mainly attributable to the increase in the receipt of government grants and sale of scrap oil and coal for the period under review.

Distribution expenses

Distribution expenses increased by 71.9% to approximately RMB37,119,000 (2009: RMB21,597,000). The increase was mainly attributable to the increase in transportation expenses.

Administrative expenses

Administrative expenses increased by 32.0% to approximately RMB25,904,000 (2009: RMB19,624,000). The increase was mainly due to the increase in salary and number of staff during the period under review.

Taxation

Tax expenses for the period under review was approximately RMB14,913,000 (2009: RMB2,167,000). The increase in tax expenses was mainly attributable to the amortisation of deferred tax assets in respect of losses incurred in previous years. Our indirectly wholly-owned 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”) was in the final year of enjoying 50% tax relief on the PRC enterprise income tax.

We were not liable for income tax in Hong Kong as we did not have any assessable income arising in/derived from Hong Kong.

Human resources and remuneration policies

As at 30 June 2010, the Group had approximately 2,190 full time staff (2009: 2,122). Total staff costs, including Directors’ emoluments, of the Group was approximately RMB32,834,000 (2009: RMB24,716,000).

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 “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 30 June 2010, no share options have been granted under the 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 is intended to be placed on short term/fixed deposits with authorised financial institutions in Hong Kong and/or the People’s Republic of China (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 2010, the available and unutilised banking facilities of the Group amounted to approximately RMB410,000,000. 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 as follows:

	30 June 2010 RMB'000	31 December 2009 RMB'000
Borrowings:		
– Within 1 year	47,625	69,509
– Between 1 and 2 years	886	886
– Between 2 and 5 years	2,659	2,659
– Over 5 years	3,324	3,767
	<hr/>	<hr/>
Total	54,494	76,821
	<hr/>	<hr/>
Included:		
Fixed-rate borrowings		
– Government grants	9,750	9,750
– Cash advances for discounted bills	44,744	67,071
	<hr/>	<hr/>
	54,494	76,821
	<hr/> <hr/>	<hr/> <hr/>
Debtors turnover (days)	38	30
Creditors turnover (days)	16	15
Inventories turnover (days)	39	34
Current ratio	4.0	2.2
Quick ratio	3.1	1.6
Gearing ratio – borrowings divided by total assets	3.3%	5.7%
	<hr/> <hr/>	<hr/> <hr/>

Finance costs

The increase in finance costs was mainly attributable to the interests incurred on discounted bills.

Pledge of assets and contingent liabilities

As at 30 June 2010, bills payable were secured by bank deposits of approximately RMB2,070,000. The Group did not pledge any leasehold land and building to secure banking facilities and have any material contingent liabilities at the period ended 30 June 2010.

Use of net proceeds from placing

In February 2010, the Group placed 277,340,000 new shares at HK\$1.4 per share and raised net proceeds of approximately RMB335,678,000 from the equity market. The net proceeds will be used for the expansion of production capacity and as general working capital.

As at 30 June 2010, the group utilised approximately RMB3,100,000 for the expansion construction project of 100,000 tonnes cornstarch production capacity and associated sewage facility in Deneng Golden Corn.

FUTURE PLAN AND PROSPECTS

As disclosed in the announcement of the Company dated 20 August 2010, Golden Corn signed a project development memorandum of understanding (the “MOU”) with the Municipal Government of Shouguang (the “Municipal Government”) on 20 August 2010. Pursuant to the terms of the MOU, a site of not less than approximately 400,000 square metres as the new production site of the Group together with preferential policies will be offered by the Municipal Government to Golden Corn. The Group intended to use this new site to facilitate part of the expansion plan as disclosed in the announcement of the Company dated 19 January 2010 (the “First Announcement”) . The Group planned to set up a cornstarch and lysine production facilities of approximately 400,000 tonnes and 50,000 tonnes per annum respectively at the new site that may be offered under the MOU. For avoidance of doubt, the Group’s expansion plan of increasing its annual production capacity of cornstarch, lysine and starch-based sweetener from 850,000 tonnes, 55,000 tonnes, and 100,000 tonnes per annum to 1,650,000 tonnes, 105,000 tonnes and 300,000 tonnes respectively as disclosed in the First Announcement is still ongoing subject to changes in the proposed timetable for achieving the proposed annual production capacity as a result of (among other factors) the time required in seeking appropriate new production site.

INTERIM DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2010 (2009: Nil).

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period under review, neither the Company nor any of its subsidiaries purchased, redeemed or sold 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 Listing Rules throughout the six months ended 30 June 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own Securities Dealing Code (the “Dealing Code”) on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules. The Dealing Code applies to all Directors and to all employees who have received it are informed that they are subject to its provisions. Having made specific enquiry by the Company, all Directors confirmed that they have complied with the required standard set out in the Dealing Code throughout the period under review.

AUDIT COMMITTEE

The audit committee of the Company (“Audit Committee”) has reviewed and discussed with the management of the Company the unaudited consolidated interim results for the six months ended 30 June 2010.

The Audit Committee comprises Mr. Yue Kwai Wa, Ken (Chairman), Ms. Dong Yanfeng, Ms. Yu Shumin, and Mr. Cao Zenggong.

The consolidated interim results of the Company for the six months ended 30 June 2009 have not been audited.

PUBLICATION OF THE INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2010 will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and 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, 23 August 2010

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.