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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 2011

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 2011, together with the unaudited comparative figures as follows.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
		2011	2010
	<i>Note</i>	RMB'000	RMB'000
Turnover	3	1,434,227	1,146,108
Cost of goods sold		(1,192,892)	(994,243)
Gross profit		241,335	151,865
Other income		2,996	13,434
Distribution and selling expenses		(36,519)	(37,119)
Administrative expenses		(37,240)	(25,904)
Operating profit		170,572	102,276
Finance income		6,776	2,370
Finance costs		(512)	(1,092)
Share of result of an associate		149	87
Profit before taxation	4	176,985	103,641
Income tax expenses	5	(45,928)	(14,913)
Profit and total comprehensive income for the period		131,057	88,728
Attributable to:			
Equity holders of the Company		130,023	87,876
Non-controlling interests		1,034	852
		131,057	88,728
Basic and diluted earnings per share for profit attributable to the equity holders of the Company (RMB)	7	0.0225	0.0155

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	30 June 2011 RMB'000 Unaudited	31 December 2010 RMB'000 Audited
Non-current assets			
Property, plant and equipment		523,136	540,712
Prepaid lease payments		58,335	43,338
Interest in an associate		41,613	41,251
Deferred tax assets		–	1,689
		623,084	626,990
Current assets			
Inventories		187,631	196,833
Prepaid lease payments		1,503	1,185
Loan receivable	8	–	19,605
Trade and other receivables	9	398,957	361,023
Fixed deposits with maturity period over three months		300,000	300,000
Cash and cash equivalents		469,551	276,471
		1,357,642	1,155,117
Total assets		1,980,726	1,782,107
Equity			
Equity attributable to equity holders of the Company			
Share capital		515,234	515,234
Other reserves		417,955	450,101
Retained earnings		604,785	474,762
		1,537,974	1,440,097
Non-controlling interests		19,043	18,009
Total equity		1,557,017	1,458,106
Non-current liabilities			
Deferred tax liabilities		482	347
Borrowings		5,983	6,426
Deferred income		22,141	23,182
		28,606	29,955

	<i>Note</i>	30 June 2011 RMB'000 Unaudited	31 December 2010 RMB'000 Audited
Current liabilities			
Trade and other payables	<i>10</i>	321,268	223,764
Income tax payable		34,168	13,271
Employee housing deposits		26,381	26,381
Borrowings		13,286	30,630
		<u>395,103</u>	<u>294,046</u>
Total liabilities		<u>423,709</u>	<u>324,001</u>
Total equity and liabilities		<u>1,980,726</u>	<u>1,782,107</u>
Net current assets		<u>962,539</u>	<u>861,071</u>
Total assets less current liabilities		<u>1,585,623</u>	<u>1,488,061</u>

Notes:

1. BASIS OF PREPARATION

The condensed interim financial report for the six months ended 30 June 2011 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 and Hong Kong Accounting Standard 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 2010, 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 2010, except for the accounting policy changes that are expected to be reflected in the 2011 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 2011, 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 2011.

- HKAS24 (Revised) “Related Party Disclosure”
- Improvements to HKFRSs 2010

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	Lysine	Starch-based sweetener	Electricity and steam	Unallocated	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
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>

	Cornstarch <i>RMB'000</i>	Lysine <i>RMB'000</i>	Starch- based sweetener <i>RMB'000</i>	Electricity and steam <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	17,216	146,998	–	1,222,176
Inter-segment sales	–	–	–	(76,068)	–	(76,068)
External Sales	<u>856,082</u>	<u>201,880</u>	<u>17,216</u>	<u>70,930</u>	<u>–</u>	<u>1,146,108</u>
Segment results	<u>95,397</u>	<u>43,023</u>	<u>(441)</u>	<u>15,232</u>	<u>(50,935)</u>	<u>102,276</u>
TOTAL SEGMENT ASSETS						
At 30 June 2011	<u>646,316</u>	<u>137,923</u>	<u>83,046</u>	<u>149,987</u>	<u>963,454</u>	<u>1,980,726</u>
At 31 December 2010	<u>622,503</u>	<u>135,893</u>	<u>79,977</u>	<u>175,712</u>	<u>766,333</u>	<u>1,780,418</u>

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

Six months ended 30 June	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Results of reportable segments	242,729	153,211
Unallocated income	1,603	12,087
Unallocated expenses	<u>(73,760)</u>	<u>(63,022)</u>
Total segment results	170,572	102,276
Finance income	6,776	2,370
Finance costs	(512)	(1,092)
Share of result of an associate	<u>149</u>	<u>87</u>
Profit before taxation	<u>176,985</u>	<u>103,641</u>

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

	30 June 2011 <i>RMB'000</i>	31 December 2010 <i>RMB'000</i>
Reportable segments' assets	1,017,272	1,014,085
Unallocated:		
Prepaid lease payments	59,838	44,523
Interest in an associate	41,613	41,251
Fixed deposits with maturity period over three months	300,000	300,000
Cash and cash equivalents	469,551	276,471
Other unallocated assets	<u>92,452</u>	<u>104,088</u>
Total segment assets	1,980,726	1,780,418
Deferred tax assets	–	1,689
Total assets as per condensed consolidated statement of financial position	<u>1,980,726</u>	<u>1,782,107</u>

4. PROFIT BEFORE TAXATION

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

Six months ended 30 June	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Depreciation of property, plant and equipment	31,954	28,056
Amortisation of prepaid lease payments	758	416
Total depreciation and amortisation	32,712	28,472
Loss/(gain) on disposal of property, plant and equipment	2,257	(6)
Net foreign exchange loss	853	1,474
Cost of inventories recognised as expenses	1,121,003	935,959
Employment benefits expenses including directors' emoluments	47,019	32,834
Research and development expenses	598	1,203

5. 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	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Current income tax		
PRC corporate income tax	44,104	11,924
Deferred tax	1,824	2,989
	45,928	14,913

Note:

The preferential lower tax rate under the grandfathering policy pursuant to the Notice of the Implementation of the Grandfathering Preferential Policies under the New Tax Law, (Guofa[2007] No. 39), which was applicable to 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"), expired as at 31 December 2010.

6. DIVIDENDS

The final dividend for the year ended 31 December 2010 amounted to HK\$0.67 cents per share was paid on 20 June 2011. The amount of the final dividend paid was approximately RMB32,146,000 (2009: RMB29,351,000).

The directors do not propose any interim dividend for the six months ended 30 June 2011.

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2011 is based on earnings of RMB130,023,000 (2010: RMB87,876,000) and on the weighted average number of 5,779,680,000 ordinary shares (2010: 5,687,233,000 ordinary shares) in issue.

No diluted earnings per share has been presented because no dilutive potential ordinary shares exist for both six months ended 30 June 2011 and 2010.

8. LOAN RECEIVABLE

The loan was fully repaid in June 2011.

9. TRADE AND OTHER RECEIVABLES

	30 June 2011 RMB'000	31 December 2010 RMB'000
Trade receivables	190,528	175,150
Bank acceptance bills	148,206	163,860
Other receivables	60,223	22,013
	<u>398,957</u>	<u>361,023</u>

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

An ageing analysis of trade receivables is shown as follows:

	30 June 2011 RMB'000	31 December 2010 RMB'000
0 – 30 days	147,692	145,598
31 – 60 days	28,249	20,798
61 – 90 days	5,274	1,315
Over 90 days	9,313	7,439
	<u>190,528</u>	<u>175,150</u>

Included in the trade receivables and prepayment are amounts due from an associate and non-controlling interests of RMB39,341,000 (31 December 2010: RMB38,556,000) and RMB7,622,000 (31 December 2010: RMB9,498,000) respectively. No impairment has been made to receivables from related companies.

Bank acceptance bills

	30 June 2011 RMB'000	31 December 2010 RMB'000
Discounted bills	11,291	29,079
Endorsed bills	78,700	16,541
Bills on hand	58,215	118,240
	<u>148,206</u>	<u>163,860</u>

The bank acceptance bills are normally with maturity period of 180 days (2010: 180 days).

As at 30 June 2011 and 31 December 2010, all other receivables aged between 0-30 days.

10. TRADE AND OTHER PAYABLES

	30 June 2011 RMB'000	31 December 2010 RMB'000
Trade payables		
0 – 60 days	64,496	50,643
61 – 90 days	29,911	5,017
Over 90 days	43,622	8,851
	138,029	64,511
Bills payable	500	–
Advances from customers	77,884	96,689
Others	104,855	62,564
	321,268	223,764

Trade payables included payables to non-controlling interests and a related company amounting to RMB38,268,000 (31 December 2010: Nil) and RMB586,000 (31 December 2010: RMB64,000) respectively.

In 2010, other payables included payables to a related company amounting to RMB262,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the period under review, the Group's turnover was approximately RMB1,434,227,000 (2010: RMB1,146,108,000), represented an increase of 25.1% over the past corresponding period. Benefited from the strong demand in both local and overseas markets, the average selling price of cornstarch and lysine increased significantly. It is very encouraging to the Directors because the starch-based sweetener section started to make profit contribution to the Group during the period under review.

Total gross profit increased significantly by 58.9% to approximately RMB241,335,000 (2010: RMB151,865,000). Net profit margin for the period increased slightly from 7.7% to 9.1% because the increase in turnover was partially offset by the expiration of a preferential tax treatment of a 50% relief on the People's Republic of China ("PRC") Foreign Enterprise Income Tax of the 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"), at the end of 2010. Basic earnings per share of the Company was RMB0.0225 per share based on the weighted average number of 5,779,680,000 ordinary shares.

Business Review

Turnover analysis by products

Cornstarch and ancillary corn-refined products

Six months ended 30 June	2011 RMB'000	2010 RMB'000	+/(-)%	2011 Tonnes	2010 Tonnes	+/(-)%
Cornstarch	707,796	614,819	15.1%	259,036	264,757	(2.2%)
Corn gluten meal	112,131	90,368	24.1%	27,187	20,669	31.5%
Corn fibre	58,128	50,415	15.3%	66,705	44,660	49.4%
Corn germ	131,292	98,691	33.0%	38,149	35,733	6.8%
Corn slurry	1,956	1,789	9.3%	14,378	10,643	35.1%
	<u>1,011,303</u>	<u>856,082</u>	<u>18.1%</u>	<u>405,455</u>	<u>376,462</u>	<u>7.7%</u>

Six months ended 30 June	2011 RMB	2010 RMB	+/(-)%
Average selling price (per tonne)			
Cornstarch	2,732	2,322	17.7%
Corn gluten meal	4,124	4,372	(5.7%)
Corn fibre	871	1,129	(22.9%)
Corn germ	3,442	2,762	24.6%
Corn slurry	136	168	(19.0%)

Sales of cornstarch and ancillary corn-refined products for the period ended 30 June 2011 increased by 18.1% to approximately RMB1,011,303,000 (2010: RMB856,082,000). This business segment represented about 70.5% of total turnover for the period under review (2010: 74.7%).

Benefited from the surge in selling price of cornstarch, sales of cornstarch increased by 15.1% to approximately RMB707,796,000 (2010: RMB614,819,000). During the period under review, the average selling price of cornstarch increased from approximately RMB2,322 per tonne to approximately RMB2,732 per tonne. The Directors regard that the sales of cornstarch can reflect the overall economic performance of the nation because cornstarch is widely used in the production of different consumer products. It is of non-reusable nature and is hard to substitute.

Corn gluten meal and corn fibre are raw materials for the productions of animal feeds. During the period under review, the sale volume of corn gluten meal and corn fibre increased significantly by 31.5% and 49.4% respectively. However, the average selling prices of these two products were affected by their substitute products. The Directors considered that demand on such products are still strong in the second half of this year, especially in the overseas market.

Corn germ is a major raw material for the production of cooking oil. The increase in sales was directly attributable to the increase in average selling price.

Sales of corn slurry increased by 9.3% to approximately RMB1,956,000 (2010: RMB1,789,000). The increase in sales of corn slurry was mainly due to the increase in the production output ratio of 臨清德能金玉米生物有限公司 (Linqing Deneng Golden Corn Bio Limited) during the period under review.

Lysine and fertilisers

Six months ended 30 June	2011	2010		2011	2010	
	RMB'000	RMB'000	+/(-)%	Tonnes	Tonnes	+/(-)%
Lysine	300,486	195,712	53.5%	26,743	22,357	19.6%
Fertilisers	10,486	6,168	70.0%	15,640	13,098	19.4%
	310,972	201,880	54.0%	42,383	35,455	19.5%

Six months ended 30 June	2011	2010	
Average selling price (per tonne)	RMB	RMB	+/(-)%
Lysine	11,236	8,754	28.4%
Fertilisers	670	471	42.3%

Sales of lysine and related products surged by 54.0% to approximately RMB310,972,000 (2010: RMB201,880,000), which represented about 21.7% of total turnover of the Group (2010: 17.6%).

Lysine is a raw material for the production of animal feeds. Sales of lysine for the period under review was approximately RMB300,486,000, increased by 53.5%. Sales were driven by both the increase in sale volume and average selling price during the period under review. The production facilities of lysine was almost operated at its full capacity.

Sales of fertilisers increased by 70.0% to approximately RMB10,486,000. Production volume was directly affected by the output of lysine because fertilisers were by-product of lysine products.

Starch-based sweetener

Six months ended 30 June	2011	2010		2011	2010	
	RMB'000	RMB'000	+/(-)%	Tonnes	Tonnes	+/(-)%
Starch-based sweetener	67,816	17,216	293.9%	27,932	8,370	233.7%

Six months ended 30 June	2011	2010	
Average selling price (per tonne)	RMB	RMB	+/(-)%
Starch-based sweetener	2,428	2,057	18.0%

Sales of starch-based sweetener saw an increase of 293.9% to approximately RMB67,816,000 (2010: RMB17,216,000), which represented about 4.7% of total turnover of the Group (2010: 1.5%). During the period under review, the use of our starch-based sweetener in brewage sector was continuously increased and the average selling price reached the normal market level. The management planned to adjust the production facilities in order to improve the production efficiency in the third quarter of the year.

Electricity and steam

Six months ended 30 June	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>	+/(-)%
Electricity	1,480	27,700	(94.7%)
Steam	42,656	43,230	(1.3%)
	44,136	70,930	(37.8%)

Sales of electricity and steam decreased significantly by 37.8% to approximately RMB44,136,000 (2010: RMB70,930,000), which represented about 3.1% of total turnover of the Group (2010: 6.2%). Such decrease was mainly due to the reduction of external electricity supply to the local electricity union network.

Export sales analysis

Six month ended 30 June	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>
2011					
Export sales	758	83,295	19,737	62,999	166,789
Export sales to total sales	–	5.8%	1.4%	4.4%	11.6%
2010					
Export sales	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%

During the period under review, export sales increased by 18.5% to approximately RMB166,789,000 (2010: RMB140,793,000).

Consistent with the sales performance of last year, the domestic demand on cornstarch was still strong during the current period. Export sale of cornstarch decreased rapidly to approximately RMB758,000 (2010: RMB31,833,000).

Corn gluten meal, corn fibre and lysine are raw material for the production of animal feeds. The Directors regarded that demand in both overseas and domestic markets were still strong. The selling prices of these products in overseas and domestic markets were correlated.

Cost of goods sold analysis

Six months ended 30 June	2011		2010	
	RMB'000	%	RMB'000	%
Corn kernel	895,571	75.1	742,370	74.7
Coal and utilities	141,679	11.9	138,984	14.0
Other materials	38,597	3.2	29,458	3.0
Direct labour	30,700	2.6	19,440	2.0
Manufacturing overheads	33,320	2.8	21,349	2.1
Depreciation	30,601	2.6	19,461	2.0
Others	22,424	1.8	23,181	2.2
Total	<u>1,192,892</u>	<u>100.0</u>	<u>994,243</u>	<u>100.0</u>

Consistent with last year, corn kernel, coal and utilities were the major costs of the Group. They attributed to 87.0% (2010: 88.7%) of total cost of goods sold for the period under review. The average corn kernel price increased by 13.9% to approximately RMB1,930 per tonne (2010: RMB1,694 per tonne). In the meantime, the average coal price increased by 8.2% to approximately RMB884 per tonne (2010: RMB817 per tonne).

Gross profit analysis

Six months ended 30 June	2011	2010	+/(-)%
	RMB'000	RMB'000	
Cornstarch and ancillary corn-refined products	137,043	95,397	43.7%
Lysine and fertilisers	99,326	43,023	130.9%
Starch-based sweetener	3,317	(440)	–
Electricity and steam	1,649	13,885	(88.1%)
	<u>241,335</u>	<u>151,865</u>	<u>58.9%</u>

Cornstarch and ancillary corn-refined products

Gross profit increased significantly by 43.7% to approximately RMB137,043,000 (2010: RMB95,397,000) for the period under review. Gross profit margin for this business segment increased slightly from 11.1% to 13.6% because the Group shifted the cost burden of corn kernel to customers.

Lysine and fertilisers

Benefited from the increase in average selling prices and sales volume of lysine and fertilisers, gross profit surged by 130.9% to approximately RMB99,326,000 (2010: RMB43,023,000) and gross profit margin increased rapidly from 21.3% to 31.9%.

Starch-based sweetener

The Group started to record a gross profit of approximately RMB3,317,000 (2010: gross loss of RMB440,000) for starch-based sweetener. It was mainly attributable to the increase in utilisation rate and average selling price for the period under review.

Electricity and steam

Resulted from the reduction of external supply of electricity to the local union network, the gross profit of this business segment decreased rapidly from approximately RMB13,885,000 to approximately RMB1,649,000.

Review of Other Operations

Other income

Other income decreased significantly from approximately RMB13,434,000 to approximately RMB2,996,000. It was because the Group did not receive any material government subsidy for the period under review.

Distribution and administrative expenses

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

Administrative expenses increased by 43.8% to approximately RMB37,240,000 (2010: RMB25,904,000). The increase was mainly attributable to the increase in salary during the period under review.

Taxation

Tax expenses increased from RMB14,913,000 to RMB45,928,000 for the period under review. The substantial increase was mainly attributable to the expiration of a preferential tax treatment of a 50% relief on the PRC Foreign Enterprise Income Tax of Golden Corn at the end of 2010. Therefore, the effective tax rate of the Group for the period under review was increased to about 26.0%.

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 2011, the Group had approximately 2,186 full time staff (2010: 2,190). Total staff costs, including Directors' emoluments, of the Group was approximately RMB47,019,000 (2010: RMB32,834,000).

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 2011, 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 PRC.

Foreign currency exposure

The Directors consider that the Group has limited foreign currency exposure from our operating activities 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 2011, the available and unutilised banking facilities of the Group amounted to approximately RMB310,000,000. The Directors are of the opinion that the working capital available to the Group is sufficient for its present needs. The major financial figures and key financial ratios are summarised as follows:

	30 June 2011 RMB'000	31 December 2010 RMB'000
Borrowings:		
– Within 1 year	13,286	30,630
– Between 1 and 2 years	886	886
– Between 2 and 5 years	2,659	2,659
– Over 5 years	2,438	2,881
	19,269	37,056
Including:		
Fixed-rate borrowings		
– Government loan	7,977	7,977
– Cash advances for discounted bills	11,292	29,079
	19,269	37,056
Debtors turnover (days)	43	40
Creditors turnover (days)	15	13
Inventories turnover (days)	29	32
Current ratio	3.4	3.9
Quick ratio	3.0	3.3
Gearing ratio – borrowings to total assets	1.0%	2.1%

Pledge of assets and contingent liabilities

The Group did not pledge any leasehold land and building nor bank acceptance bills to secure banking facilities as at the period ended 30 June 2011. As at 30 June 2011, the Group did not have any material contingent liabilities.

Use of net proceeds from placing

As at 30 June 2011, the unutilised net proceeds from the placing agreement entered into on 4 February 2010 was approximately RMB298,063,000, which was proposed for the expansion of production capacity and general working capital of the Group.

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 with 壽光市政府 (the Municipal Government of Shouguang) (the “Municipal Government”). Consensus has been reached by the Company and the Municipal Government on the issue of the site selection, and the Municipal Government will coordinate with other governmental departments in order to obtain the approval of our site selection and expansion plans. The Directors believe that the supporting policy under the PRC government’s Twelfth Five-Year Plan will stimulate the growth of internal demand of the nation, especially for consumer goods. The Company will enjoy the benefit under the internal demand stimulation policy because cornstarch and its downstream products, eg. lysine, are non-reusable and hard to substitute.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2011 (2010: 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

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 2011.

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”) 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 2011.

The consolidated interim results of the Company for the six months ended 30 June 2011 have not been audited.

PUBLICATION OF THE INTERIM REPORT

The Interim Report of the Company for the six months ended 30 June 2011 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

Hong Kong, 26 August 2011

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.