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 2009

The board (the "Board") of directors (the "Directors") of China Starch Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2009, together with the comparative figures for the year ended 31 December 2008.

FINAL DIVIDEND AND BONUS SHARE ISSUE

The Board is pleased to recommend the payment of a final dividend of HK1.16 cents per share, totalling approximately HK$33,522,000, and a bonus issue of shares on the basis of one new ordinary share for every one ordinary share held to the shareholders of the Company whose names are on the register of members on 17 June 2010, subject to the approval of the shareholders of the Company in the forthcoming annual general meeting (the "AGM") of the Company, and if passed, dividend and share certificates will be paid and posted respectively on 24 June 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 14 June 2010 (Monday) to 17 June 2010 (Thursday) (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, bonus share issue 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 Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 11 June 2010 (Friday).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

	Note	2009 RMB'000	2008 RMB'000
Turnover	3	**1,957,525**	1,530,446
Cost of goods sold		**(1,745,584)**	(1,341,283)
Gross profit		**211,941**	189,163
Distribution expenses		**(50,981)**	(51,640)
Administrative expenses		**(47,218)**	(54,379)
Other income	4	**11,023**	16,269
Operating profit		**124,765**	99,413
Finance income	5	**2,733**	3,852
Finance costs	6	**(2,169)**	(3,728)
Share of result of an associate		**2,147**	6,444
Profit before taxation	7	**127,476**	105,981
Income tax expenses	8	**(662)**	(10,755)
Profit for the year		**126,814**	95,226
Attributable to:			
Equity holders of the Company		**126,659**	98,234
Minority interests		**155**	(3,008)
		126,814	95,226
Basic and diluted earnings per share (RMB)	9	**0.0485**	0.0376
Proposed final dividends	10	**26,682**	26,265

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December

	Note	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment		**548,014**	539,706
Prepaid lease payments		**43,564**	27,539
Deposits paid for acquisition of property, plant and equipment		**–**	18,000
Interest in an associate		**39,094**	36,517
Deferred tax assets		**6,019**	206
		636,691	621,968
Current assets			
Inventories	*11*	**194,223**	132,292
Prepaid lease payments		**1,175**	831
Trade and other receivables	*12*	**214,106**	113,555
Pledged bank deposits		**2,004**	–
Cash and cash equivalents		**291,296**	242,825
		702,804	489,503
Current liabilities			
Trade and other payables	*13*	**217,984**	152,463
Income tax payable		**10,375**	5,128
Employee housing deposits			
– Basic deposit portion		**26,381**	26,499
– Instalment portion		**–**	12,407
Borrowings		**69,509**	1,551
		324,249	198,048
Net current assets		**378,555**	291,455
Total assets less current liabilities		**1,015,246**	913,423
Non-current liabilities			
Deferred tax liabilities		**75**	–
Borrowings		**7,312**	8,199
Deferred income		**19,602**	17,527
		26,989	25,726
Net assets		**988,257**	887,697
Capital and reserves			
Share capital		**237,762**	237,762
Reserves		**734,120**	634,943
Attributable to equity holders		**971,882**	872,705
Minority interests		**16,375**	14,992
Total equity		**988,257**	887,697

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

China Starch Holdings Limited (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, starch-based sweetener 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").

2. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The Group has adopted the following new/revised standards and interpretations:

- HKAS 1 (Revised), "Presentation of Financial Statements"
- HKFRS 8, "Operating Segments"

The adoption of such new and revised standards does not have material impact on the financial statements and does not result in substantial changes to the Group's accounting policies except certain changes on the presentation of the financial statements.

HKAS 1 (revised), "Presentation of financial statements" prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present one performance statement. The financial statements have been prepared under the revised disclosure requirements.

HKFRS 8, "Operating segments" replaces HKAS 14, "Segment reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to management.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not relevant to the Group:

- HKAS 23 (Amendment), "Borrowing Costs"
- HKFRS 2 (Amendment), "Share-based Payment"
- HKAS 32 and HKAS 1 (Amendments), "Puttable Financial Instruments and Obligations Arising on Liquidation"
- HKFRS 1 and HKFRS 27 (Amendments), "Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"
- HKFRS 7 (Amendment), "Financial Instruments: Disclosures"
- HK(IFRIC)-Int 9, "Reassessment of Embedded Derivatives" and HKAS 39, "Financial Instruments: Recognition and Measurement – Embedded Derivatives"
- HK(IFRIC) – Int 13, "Customer Loyalty Programmes"
- HK(IFRIC) – Int 15, "Agreements for the Construction of Real Estate"
- HK(IFRIC) – Int 16, "Hedges of a Net Investment in a Foreign Operation"
- HK(IFRIC) – Int 18, "Transfer of Assets from Customers"
- HKAS 39 (Amendment), "Financial Instruments: Recognition and Measurement"
- HKICPA's improvements to HKFRS published in October 2008

The following new/revised HKFRS, potentially relevant to the Group's operations, have been issued, are mandatory, and will be adopted by the Group for accounting periods beginning on or after 1 January 2010:

- HKAS 24 (Revised), "Related Party Transactions"[5]
- HKAS 27 (Revised), "Consolidated and Separate Financial Statements"[1]
- HKAS 32 (Amendment), "Classification of Rights Issues"[3]
- HKAS 39 (Amendment), "Eligible Hedged Items"[1]
- HKFRS 1 (Revised), "First-time Adoption of Hong Kong Financial Reporting Standards"[1]
- HKFRS 1 (Amendment), "First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters"[2]
- HKFRS 2 (Amendment), "Group Cash-settled Share-based Payment Transactions"[2]

- HKFRS 3 (Revised), "Business Combinations"[1]

- HKFRS 9, "Financial Instruments"[6]

- HK (IFRIC) – Int 14 (Amendment), "Prepayments of a Minimum Funding Requirement"[5]

- HK (IFRIC) – Int 17, "Distributions of Non-cash Assets to Owners"[1]

- HK (IFRIC) – Int 19, "Extinguishing Financial Liabilities with Equity Instruments"[4]

[1] *Effective for annual periods beginning on or after 1 July 2009*
[2] *Effective for annual periods beginning on or after 1 January 2010*
[3] *Effective for annual periods beginning on or after 1 February 2010*
[4] *Effective for annual periods beginning on or after 1 July 2010*
[5] *Effective for annual periods beginning on or after 1 January 2011*
[6] *Effective for annual periods beginning on or after 1 January 2013*

The adoption of HKAS 27 (Revised) "Consolidated and Separate Financial Statements" and HKFRS 3 (Revised) "Business Combinations" may have an effect on the accounting of future business combinations, if any.

Otherwise, save for the above-mentioned, and apart from certain presentational changes, the adoption of these HKFRS will have no significant impact on the results and the financial position of the Group.

In addition, HKICPA also published a number of amendments for the existing standards under its annual improvement projects issued in October 2008 and May 2009, certain of which has not yet become effective in 2009. These amendments have not been early adopted by the Group and are not expected to have a significant financial impact on the results and financial position of the Group.

3. TURNOVER AND SEGMENTS INFORMATION

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

	2009	2008
	RMB'000	*RMB'000*
Cornstarch and corn-refined products	**1,425,700**	1,065,915
Lysine and its related products	**394,984**	369,832
Electricity and steam	**131,339**	94,699
Starch-based sweetener	**5,502**	–
	1,957,525	1,530,446

The chief operating decision maker has been identified as the Board. The Board reviews the Group's internal report in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Board considers the business segmentation from product perspective. Management assesses the performance of cornstarch, lysine, starch-based sweetener and electricity and steam.

Cornstarch	–	the manufacture and sale of cornstarch and its related products
Lysine	–	the manufacture and sale of lysine and its related products
Electricity and steam	–	the production and sale of electricity and steam
Starch-based sweetener	–	the manufacture and sale of starch-based sweetener

The Board assesses the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of non-recurring expenditure from the operating segments, such as impairments when the impairment is the result of an isolated, non-recurring event. Interest income and expense are not included in the result for each operating segment that is reviewed by the management. Other information provided, except as noted below, to the management is measured in a manner consistent with that in the financial statements.

Total segment assets exclude deferred tax assets and total segment liabilities exclude income tax payable and deferred tax liabilities as these are managed on a central basis. These form part of the reconciliation to total assets and total liabilities per consolidated statement of financial position.

Sales between segments are charged at cost. The revenue from external parties reported to the management is measured in a manner consistent with that in the consolidated statement of comprehensive income.

	Cornstarch	Lysine	Electricity and steam	Starch-based sweetener	Reportable segments total	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Note)*	*RMB'000*
For the year ended 31 December 2009							
TURNOVER							
Total sales	**1,425,700**	**394,984**	**272,659**	**5,502**	**2,098,845**	**–**	**2,098,845**
Inter-segment sales	**–**	**–**	**(141,320)**	**–**	**(141,320)**	**–**	**(141,320)**
External Sales	**1,425,700**	**394,984**	**131,339**	**5,502**	**1,957,525**	**–**	**1,957,525**
Segment results	**95,301**	**70,929**	**49,473**	**(1,378)**	**214,325**	**(89,560)**	**124,765**
Depreciation and amortisation	**20,306**	**19,701**	**17,238**	**425**	**57,670**	**4,394**	**62,064**
For the year ended 31 December 2008							
TURNOVER							
Total sales	1,072,815	369,832	235,288	–	1,677,935	–	1,677,935
Inter-segment sales	(6,900)	–	(140,589)	–	(147,489)	–	(147,489)
External Sales	1,065,915	369,832	94,699	–	1,530,446	–	1,530,446
Segment results	89,941	66,831	19,396	–	176,168	(76,755)	99,413
Depreciation and amortisation	14,745	17,798	15,914	–	48,457	5,726	54,183

Note: Unallocated items mainly include government grants and corporate costs which cannot be allocated to individual segments.

	Cornstarch	Lysine	Electricity and steam	Starch-based sweetener	Reportable segments total	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
						(Note)	
As at 31 December 2009							
Segment assets	**474,021**	**154,492**	**199,730**	**52,270**	**880,513**	**452,963**	**1,333,476**
Including:							
Interest in an associate	**–**	**–**	**–**	**–**	**–**	**39,094**	**39,094**
Additions to property, plant and equipment and prepaid lease payments	**28,363**	**8,636**	**1,773**	**30,430**	**69,202**	**21,132**	**90,334**
Segment liabilities	**83,235**	**31,862**	**33,795**	**7,113**	**156,005**	**184,783**	**340,788**
Including:							
Borrowings	**–**	**–**	**–**	**–**	**–**	**76,821**	**76,821**
Employee housing deposits	**–**	**–**	**–**	**–**	**–**	**26,381**	**26,381**
Deferred income	**–**	**–**	**19,602**	**–**	**19,602**	**–**	**19,602**
As at 31 December 2008							
Segment assets	380,321	164,481	170,709	–	715,511	395,754	1,111,265
Including:							
Interest in an associate	–	–	–	–	–	36,517	36,517
Additions to property, plant and equipment and prepaid lease payments	144,319	7,503	12,867	–	164,689	3,795	168,484
Segment liabilities	43,716	25,414	27,000	–	96,130	122,516	218,646
Including:							
Borrowings	–	–	–	–	–	9,750	9,750
Employee housing deposits	–	–	–	–	–	38,906	38,906
Deferred income	–	–	17,527	–	17,527	–	17,527

Note: Unallocated items mainly include assets and liabilities that are not directly attributable to any reportable segment.

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

	For the year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Results of reportable segments	**214,325**	176,168
Unallocated income	**8,639**	9,336
Unallocated expenses	**(98,199)**	(86,091)
Total segment results	**124,765**	99,413
Finance income	**2,733**	3,852
Finance costs	**(2,169)**	(3,728)
Share of result of an associate	**2,147**	6,444
Profit before taxation	**127,476**	105,981

The amounts provided to the Board with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

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

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
Reportable segments' assets	**880,513**	715,511
Unallocated:		
Prepaid lease payments	**44,739**	28,370
Interest in an associate	**39,094**	36,517
Pledged bank deposits	**2,004**	–
Cash and cash equivalents	**291,296**	242,825
Other unallocated assets	**75,830**	88,042
Total segment assets	**1,333,476**	1,111,265
Deferred tax assets	**6,019**	206
Total assets as per consolidated statement of financial position	**1,339,495**	1,111,471

The amounts provided to the Board with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

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

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
Reportable segments' liabilities	**156,005**	96,130
Unallocated:		
Employee housing deposits	**26,381**	38,906
Borrowings	**76,821**	9,750
Other unallocated liabilities	**81,581**	73,860
Total segment liabilities	**340,788**	218,646
Income tax payable	**10,375**	5,128
Deferred tax liabilities	**75**	–
Total liabilities as per consolidated statement of financial position	**351,238**	223,774

The result of its revenue from external customers in the People's Republic of China (the "PRC") for 2009 is RMB1,753,206,000 (2008: RMB1,296,381,000), and the total of its revenue from external customers from other countries is RMB204,319,000 (2008: RMB234,065,000).

At 31 December 2009, the total of non-current assets other than interest in an associate and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in the PRC is RMB591,462,000 (2008: RMB585,156,000), and the total of these non-current assets located in other countries is RMB116,000 (2008: RMB89,000).

4. OTHER INCOME

	2009	2008
	RMB'000	*RMB'000*
Government grants *(Note (i),(ii),(iii))*	**3,060**	5,737
Amortisation of staff quarter rental income	**–**	2,476
Amortisation of steam connection income	**2,384**	1,932
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	**2,251**	1,744
(Loss)/gain on disposal of property, plant and equipment	**(1,762)**	173
Others	**4,660**	3,777
	11,023	16,269

Note:

(i) For the year ended 31 December 2009, government grants of approximately RMB3,060,000 was paid by 壽光市財政局 (Shouguang City Finance Bureau) for the purpose of the encouragement in replacing aged machineries, prevention of air pollution; and provision of heat supply subsidy. They were granted at the discretion of the government and were not recurring in nature.

(ii) 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.

(iii) 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.

5. FINANCE INCOME

	2009	2008
	RMB'000	*RMB'000*
Interest income on bank deposits	**2,733**	3,852

6. FINANCE COSTS

	2009	2008
	RMB'000	*RMB'000*
Imputed interest on employee housing deposits	**–**	2,034
Interest on loan from a minority shareholder	**79**	–
Interest on discounted bills	**2,090**	1,694
	2,169	3,728

7. PROFIT BEFORE TAXATION

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

	2009	2008
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**61,233**	53,353
Amortisation of prepaid lease payments	**831**	830
Total depreciation and amortisation	**62,064**	54,183
Loss/(gain) on disposal of property, plant and equipment	**1,762**	(173)
Net foreign exchange loss	**335**	7,406
Cost of inventories recognised as expenses	**1,634,599**	1,224,103
(Write-back of provision)/provision for impairment of inventories	**(3,839)**	3,839
Operating lease payments	**559**	552
Employee benefits expense including directors' emoluments	**57,357**	45,948
Research and development expenses	**1,092**	1,151
Auditor's remuneration	**1,391**	1,737

8. 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 profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2009	2008
	RMB'000	*RMB'000*
PRC corporate income tax		
– Current year	**11,685**	9,778
– Over provision in prior years	**(5,285)**	–
Deferred tax	**(5,738)**	977
	662	10,755

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

	2009	2008
	RMB'000	*RMB'000*
Profit before taxation	**127,476**	105,981
Tax at the corporate income tax rate at 25% (2008: 25%)	**31,869**	26,495
Tax effect of share of result of an associate net of tax	**(537)**	(1,611)
Effect of different tax rate	**576**	384
Effect of tax holiday	**(16,795)**	(16,103)
Tax effect of expenses that are not deductible in determining taxable profits	**1,529**	5,187
Tax effect of income not taxable	**(1,360)**	(548)
Tax loss for which no deferred tax asset was recognised	**–**	4,357
Over provision in prior years	**(5,285)**	–
Recognition of previously unrecognised tax loss	**(4,357)**	–
Reduction of income tax in respect of tax benefit	**(4,978)**	(7,406)
	662	10,755

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.

As at 31 December 2009, no deferred tax liabilities have been recognised in respect of the tax that would be payable on the distribution of the retained profits of the Group's foreign-invested enterprises as the Company controls the dividend policy of these foreign-invested enterprises and it is probable that such differences will not be reversed in the foreseeable future.

9. 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:

	2009	2008
	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)	**126,659**	98,234

	2009	2008
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,612,500,000**	2,612,500,000

No diluted earnings per share has been presented because no dilutive potential ordinary shares exist for both 2009 and 2008.

10. DIVIDENDS

	2009	2008
	RMB'000	*RMB'000*
Dividend paid during the year:		
Final dividend, paid at HK1.14 cents (2008: HK3.83 cents) per ordinary share	**26,254**	17,870

	2009	2008
	RMB'000	*RMB'000*
Dividend payable to the shareholders of the company:		
Final dividend proposed after the end of the reporting period of HK1.16 cents per ordinary share (2008 : HK 1.14 cents per ordinary share)	**26,682**	26,265

The final dividend proposed after the end of the year has not been recognised as a liability as at the end of the reporting period.

11. INVENTORIES

	2009	2008
	RMB'000	*RMB'000*
Raw materials	**143,635**	61,226
Work in progress	**16,405**	7,168
Finished goods	**34,183**	63,898
	194,223	132,292

The cost of inventories recognised as expense and included in "cost of goods sold" amounted to RMB1,634,599,000 (2008: RMB1,224,103,000).

For the year ended 31 December 2009, write-back of provision for inventories of RMB3,839,000 (2008: provision for inventories of RMB3,839,000) has been recognised and included in "cost of goods sold".

12. TRADE AND OTHER RECEIVABLES

	2009	2008
	RMB'000	*RMB'000*
Trade receivables	**57,187**	43,105
Bank acceptance bills	**153,054**	63,548
Other receivables	**3,865**	6,902
	214,106	113,555

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

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

	2009	2008
	RMB'000	*RMB'000*
0 – 30 days	**49,008**	38,138
31 – 60 days	**928**	1,474
61 – 90 days	**689**	51
Over 90 days	**6,562**	3,442
	57,187	43,105

Before accepting any new customer, the Group assesses the credit quality of each of the potential customer and defines credit limits of each customer. Credit limits attributed to customers are reviewed monthly. Credit qualities of trade receivables neither past due nor impaired have been assessed by reference to historical information about the counterparty default rates, based on which no impairment provision is considered to require.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB6,668,000 (2008: RMB4,316,000) 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 analysis of trade receivables which are past due but not impaired is shown as follows:

	2009	2008
	RMB'000	*RMB'000*
0 – 30 days	**–**	110
31 – 60 days	**106**	713
61 – 90 days	**–**	51
Over 90 days	**6,562**	3,442
	6,668	4,316

Included in the trade receivables are amounts due from related companies of RMB6,397,000 (2008: Nil) and an associate of RMB16,842,000 (2008: RMB6,428,000) . No impairment has been made to receivables from related companies.

Bank acceptance bills

	2009	2008
	RMB'000	*RMB'000*
Discounted bills	**67,071**	–
Endorsed bills	**27,555**	27,651
Bills on hand	**58,428**	35,897
	153,054	63,548

The bank acceptance bills are normally with maturity period of 180 days (2008: 180 days). There is no recent history of default on bank acceptance bills.

As at 31 December 2009 and 2008, all other receivables aged between 0-30 days.

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

	2009	2008
	RMB'000	*RMB'000*
Hong Kong Dollars	**149**	405
British Pound	**–**	4
Euro	**–**	2,437
Renminbi	**213,957**	110,709
	214,106	113,555

13. TRADE AND OTHER PAYABLES

	2009	2008
	RMB'000	*RMB'000*
Trade payables	**85,528**	58,053
Bills payable	**2,712**	–
Total trade and bills payables	**88,240**	58,053
Advances from customers	**60,389**	29,868
Deposits	**2,818**	7,569
Sales commission	**3,723**	4,320
Other tax payables	**12,616**	13,684
Accrued expenses	**4,100**	1,719
Payroll and welfare payables	**5,854**	5,817
Payable for construction and equipment	**34,649**	22,544
Others	**5,595**	8,889
	129,744	94,410
	217,984	152,463

Bills payable are secured by pledged bank deposits of RMB2,004,000 and bank acceptance bills of RMB708,000.

The following is the ageing analysis for the trade and bills payables at the end of the reporting period:

	2009	2008
	RMB'000	*RMB'000*
0 – 60 days	**52,521**	32,874
61 – 90 days	**11,114**	9,997
Over 90 days	**24,605**	15,182
Total	**88,240**	58,053

Included in the trade and other payables are payables to related companies and a minority shareholder amounting to RMB50,000 (2008: RMB160,000) and RMB4,516,000 (2008: RMB2,415,000) respectively.

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:

	2009	2008
	RMB'000	*RMB'000*
United States Dollars	**2,220**	3,067
Hong Kong Dollars	**1,636**	1,719
Renminbi	**214,128**	147,677
	217,984	152,463

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Turnover of the Group for the year was approximately RMB1,957,525,000 (2008: RMB1,530,466,000). In the face of decreasing demand and selling price of products during the year under review, it was not easy for the Group to pursue a substantial growth of turnover and maintain profitability amongst other market players.

During the year under review, we introduced a new product, starch-based sweetener, to the market. It is expected this new business segment will be our growth driver in the next two years. We also formulated a two-year expansion plan on each segment of the Group. With a solid financial position and improved worldwide economic condition, the Group will benefit from its leading position and the expansion plan in future.

Gross profit increased slightly to approximately RMB211,941,000 (2008: RMB189,163,000) while the gross profit margin decreased slightly by 1.6% point to 10.8% (2008: 12.4%). Profit after taxation for the year increased significantly by 33.2% to approximately RMB126,814,000 (2008: RMB95,226,000). Basic earnings per share of the equity holders of the Company was RMB0.0485 per share (2008: RMB0.0376 per share).

BUSINESS REVIEW

Cornstarch and ancillary corn-refined products

Turnover

Sales of cornstarch and ancillary corn-refined products for the year ended 31 December 2009 surged by 33.8% to approximately RMB1,425,700,000 (2008: RMB1,065,915,000). This business segment represented about 72.8% of total turnover of the Group (2008: 69.6%).

During the year under review, sales volume of cornstarch increased significantly by 44.8% to 517,736 tonnes (2008: 357,520 tonnes). Meanwhile, sales amount of cornstarch surged from RMB672,799,000 to RMB983,051,000. The average selling price of cornstarch in the second half of 2009 increased by 22.2% to RMB2,065 per tonne as compared with the average selling price of RMB1,690 in the first half of 2009. The average selling price of current year was RMB1,899 per tonne (2008: RMB1,882). The market of cornstarch in the second half of the year improved as the global economic market trended to stabilise.

Corn gluten meal and corn fibre were mainly used for the production of animal feeds. Average selling prices of these two products were affected by the poor performance of animal feeds market. In addition, the export sales of these two products decreased significantly during the year under review.

Corn germ is a major material for the production of cooking oil. Sales of corn germ was affected by the decrease in prices of soybean and soybean oil throughout the year.

The increase in utilisation ratio and full year effect of annual production capacity of 臨清德能金玉米生物有限公司 (Linqing Deneng Golden Corn Bio Limited) ("Deneng Golden Corn") increased the production volume of cornstarch and ancillary corn-refined products during the year under review. Sales of cornstarch and ancillary corn-refined products of Deneng Golden Corn to customers was approximately RMB514,295,000 (2008: RMB120,531,000).

Cost of goods sold and gross profit margin

Cost of goods sold of cornstarch and ancillary corn-refined products increased by 38.4% to approximately RMB1,330,399,000 (2008: RMB960,949,000). During the year under review, the average corn kernel and coal prices were RMB1,506 per tonne and RMB693 per tonne (corn kernel and coal prices in 2008: RMB1,537 per tonne and RMB797 per tonne) respectively.

Gross profit margin for this business segment was about 6.7% (2008: 9.8%). The decrease in gross profit margin was mainly due to the decrease in overall selling prices during the year under review. The Directors regard that the market condition of cornstarch started to rebound in the last quarter of 2009 because the selling price of cornstarch increased to RMB2,065 per tonne and the average gross profit margin increased from 5.2% in the first half of 2009 to 8.1% in the second half of 2009.

Lysine and fertilisers

Turnover

Sales of lysine and related products increased slightly by 6.8% to approximately RMB394,984,000 (2008: RMB369,832,000) which represented about 20.2% of turnover of the Group (2008: 24.2%).

During the year under review, sales volume of lysine increased to 51,912 tonnes (2008: 35,710 tonnes). The increase in sales volume was mainly due to the outstanding performance of 65% lysine. The average selling price of lysine decreased to RMB7,318 per tonne (2008: RMB9,780). Both the domestic and overseas market of lysine started to rebound in the last quarter of 2009. The market average selling price of 98.5% lysine started to go upward in December 2009 and in the meantime export sales increased to 32.6% of total sales of lysine in the second half of 2009.

Sales volume of fertilisers increased by 10.7% to 28,408 tonnes, which was lower than the average increase in sales volume of other products of the Group. The pace of increase was slower because less sewage was left as raw material for the production of fertilisers resulted from the increased output ratio of lysine products.

Cost of goods sold and gross profit margin

The cost of production of lysine and fertilisers was lower due to the decreased corn kernel and allocated electricity and steam costs from our own power plant during the year under review. As a result of the same percentage increase in both turnover and cost of goods sold in this business segment, the gross profit margin remained at 18.0% (2008: 18.0%) for the year under review.

Electricity and steam

Turnover

Sales of electricity and steam for the year under review was approximately RMB131,339,000 (2008: RMB94,699,000). It represented about 6.7% (2008: 6.2%) of the turnover of the Group. The increase was mainly due to adjustment of unit price of electricity and steam by their respective local Price Bureau in 2008.

Cost of goods sold and gross profit margin

During the year under review, the average coal price decreased by about 13.0% to RMB693 per tonne.

As a result of the increase in average selling price of electricity and steam and the decrease in average coal price during the year under review, the gross profit margin of this business segment increased significantly from 18.4% to 35.9%.

Starch-based sweetener

Turnover

The Group's starch-based sweetener production plant was located in Deneng Golden Corn. This production plant was early-completed in the last quarter of 2009. During the year under review, the Group started to introduce maltose syrup and sold samples to our customers in Shandong and Hebei. Total sales amount was approximately RMB5,502,000.

The Directors expected the introduction of this new product will enhance our product base and improve the utilisation rate of Deneng Golden Corn production plant in future.

Cost of goods sold and gross profit margin

As the product was in the pilot-run production stage, the Group did not record any profit for this business segment for the year under review.

Other income

Other income mainly represented government grants, sales of scrap oil and coal and steam connection income. During the year under review, other income decreased by 32.2% to approximately RMB11,023,000 (2008: RMB16,269,000) because of the decrease in government grant and amortisation of staff quarter rental income.

Distribution and administrative expenses

During the year under review, the Group strengthened control over expenses and budget. Although the sales volume increased significantly, our distribution and administrative expenses did not increase. The decrease in administrative expenses was mainly attributable to the reduction of foreign exchange loss.

Share of result from 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 RMB2,147,000 (2008: RMB6,444,000) for the year ended 31 December 2009.

Taxation

The decrease in tax expenses to approximately RMB662,000 (2008: RMB10,755,000) for the year under review was mainly attributable to the recognition of deferred income tax assets in respect of losses in previous years.

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

DIVIDEND POLICY

The Directors expect that dividends will be paid as interim and/or final dividends. Our long term dividend policy is to pay annual cash dividends of not less than 30% of our distributable profit in each financial year.

However, the payment of such dividends will be made at the discretion of the Board and will be based upon the availability of distributable profits, earnings, financial positions, funding requirements and other relevant factors from time to time.

As disclosed in the announcement of the Company dated 19 January 2010, the Group will increase its annual production capacity of cornstarch, lysine, 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 per annum respectively in a span of approximately two years to satisfy and cater for current and future market demands. Therefore, the Board is pleased to recommend the payment of a final dividend of HK1.16 cents per share, totalling approximately HK$33,522,000, and a bonus issue of shares on the basis of one new ordinary share for every one ordinary share held to the shareholders of the Company whose names are on the register of members on 17 June 2010, subject to the approval of the shareholders of the Company in the forthcoming AGM of the Company, and if passed, dividend and share certificates will be paid and posted respectively on 24 June 2010. The dividend payout ratio is 23.3%.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2009, the Group had approximately 2,181 full time staff (2008: 2,064). Total staff costs, including Directors' emoluments, of the Group was approximately RMB57,357,000 (2008: RMB45,948,000). 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 31 December 2009, 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 place on short term/fixed deposits with authorised financial institutions in Hong Kong and/or the PRC.

Foreign currency exposure

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

Liquidity, financial resources and capital structure

As at 31 December 2009, the available and unutilised banking facilities of the Group amounted to approximately RMB401,000,000.

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:

	2009	2008
	RMB'000	*RMB'000*
Borrowings:		
– Within 1 year	**69,509**	1,551
– Between 1 and 2 years	**886**	886
– Between 2 and 5 years	**2,659**	2,659
– Over 5 years	**3,767**	4,654
Total	**76,821**	9,750
Included:		
Fixed-rate borrowings		
– Government grants	**9,750**	9,750
– Cash advances for discounted bills	**67,071**	–
	76,821	9,750
Debtors turnover (days)	**30**	30
Creditors turnover (days)	**15**	16
Inventories turnover (days)	**34**	34
Current ratio	**2.2**	2.5
Quick ratio	**1.6**	1.8
Gearing ratio – borrowings divided by total assets	**5.7%**	0.9%

Pledge of assets and contingent liabilities

As at 31 December 2009, bills payable were secured by bank deposits and bank acceptance bills at the amount of approximately RMB2,004,000 and RMB708,000 respectively. The Group did not pledge any leasehold land and building to secure banking facilities and have any material contingent liabilities at the year ended 31 December 2009.

Use of net proceeds

As disclosed in the announcement of the Company dated 16 December 2009, the Group fully utilised the net proceeds from the global offering of the shares of the Company in 2007 (the "Global Offering") after the capital injection of RMB72,000,000 (RMB67,000,000 from the Global Offering and RMB5,000,000 from internally generated funds) to Deneng Golden Corn in December 2009 to increase the shareholding interest from 85.94% to 91%.

FUTURE PLAN AND PROSPECT

As disclosed in the announcement of the Company dated 19 January 2010, the Group will increase its annual production capacity of cornstarch, lysine, 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 per annum respectively in a span of approximately two years to satisfy and cater for current and future market demands. On 10 February 2010, the Group announced the completion of placing of 277,340,000 shares of the Company. The Group has raised a new fund of approximately RMB335,678,000, net of expenses from the equity market and will use the fund for the expansion of production capacity and as general working capital.

The current development of new business in starch-based sweetener and the market turnaround in each sector of cornstarch and its related products are encouraging. It is believed that the outbreak of global financial crisis speeded up the consolidation of cornstarch industry in the PRC. The Group as a leading market player in the cornstarch industry in the PRC will have an advantage on the economies of scales on the production of cornstarch and the development of new downstream products with lower cost as compared with others.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2009, 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 (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year except the following:

Pursuant to code provision E.1.2 of the CG Code, the chairman of the independent board committee (if any) should be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval. However, as disclosed in the announcement of the Company dated 14 April 2010, the Company was in breach of the independent shareholders' approval requirements under Rule 14A.48 of the Listing Rules in relation to a series of connected transactions entered into by the Company on 16 December 2009, 17 December 2009 and 23 December 2009 (the "Transactions"). As a result, the Company should have but had not held a shareholders' meeting to approve the Transactions.

In April 2010, the Board has convened a Board meeting to approve and rectify the Transactions. On the other hand, the Board is determined to uphold a high level of internal control within the Group and to strengthen the Group's internal control and corporate governance by:

- providing additional training courses to the Directors, the senior management and personnel at the operation level involved in financial matters of the Group on a regularly basis;

- closely monitoring the level of connected transactions and/or continuing connected transactions of the Group by the senior financial officers of members of the Group and making monthly report thereon to the Board;

- seeking instruction from the Board whenever an obligation or possible obligations under Chapter 14A of the Listing Rules should arise;

- seeking advice and assistance from professional advisers in reviewing the Group's internal control and making recommendations on any improvements that are required; and

- seeking advice from professional advisers and the Stock Exchange in the event of queries or doubts on the application of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct governing securities transactions by the Directors of the Company (the "Securities Dealing Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of the Listed Issuers set out in Appendix 10 to the Listing Rules. The Securities Dealing Code applies to all Directors and to all employees to whom it is given and who 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 Securities Dealing Code throughout the period 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 2009.

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 to 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, 23 April 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.