

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

PRELIMINARY ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021	Change
	RMB'000	RMB'000	
Revenue	11,948,852	11,639,315	+2.7%
Gross profit	1,190,475	952,211	+25.0%
Operating profit	607,326	510,539	+19.0%
Profit for the year	495,432	402,830	+23.0%
Profit attributable to shareholders	352,009	345,597	+1.9%
Basic earnings per share (RMB)	0.0587	0.0577	+1.7%
Proposed final dividend per share (HK cents)	0.69	0.69	–

The board (the “Board”) of directors (the “Directors”) of China Starch Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2022, together with the comparative figures for the year ended 31 December 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue	2	11,948,852	11,639,315
Cost of sales		<u>(10,758,377)</u>	<u>(10,687,104)</u>
Gross profit		1,190,475	952,211
Distribution expenses		(171,044)	(164,934)
Administrative expenses		(207,835)	(192,013)
Research expenses		(324,108)	(199,648)
Other net income	3	<u>119,838</u>	<u>114,923</u>
Operating profit		607,326	510,539
Finance income		18,264	8,054
Finance expenses		<u>(4,474)</u>	<u>(7,105)</u>
Profit before income tax	4	621,116	511,488
Income tax expense	5	<u>(125,684)</u>	<u>(108,658)</u>
Profit and total comprehensive income for the year		<u>495,432</u>	<u>402,830</u>
Attributable to:			
Owners of the Company		352,009	345,597
Non-controlling interests		<u>143,423</u>	<u>57,233</u>
		<u>495,432</u>	<u>402,830</u>
Earnings per share attributable to owners of the Company			
Basic and diluted earnings per share (RMB)	6	<u>0.0587</u>	<u>0.0577</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 December 2022

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		1,892,095	2,004,318
Right-of-use assets		436,292	447,167
Deposits for acquisition of property, plant and equipment		38,946	17,555
Equity investments		9,995	1,564
Deferred tax assets		61,999	50,907
Total non-current assets		<u>2,439,327</u>	<u>2,521,511</u>
Current assets			
Inventories		866,404	602,314
Trade and other receivables	8	589,550	594,357
Pledged bank deposits		207,582	–
Cash and cash equivalents		1,002,985	1,000,977
Total current assets		<u>2,666,521</u>	<u>2,197,648</u>
Total assets		<u><u>5,105,848</u></u>	<u><u>4,719,159</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		532,500	532,500
Other reserves		481,536	408,274
Retained earnings		2,581,054	2,337,189
		3,595,090	3,277,963
Non-controlling interests		226,693	214,059
Total equity		<u><u>3,821,783</u></u>	<u><u>3,492,022</u></u>

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Deferred income		244,722	259,411
Deferred tax liabilities		73,410	70,554
Borrowings		–	3,000
		<hr/>	<hr/>
Total non-current liabilities		318,132	332,965
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	9	369,149	416,302
Advances from customers		205,166	269,909
Income tax payable		54,522	75,606
Borrowings		285,925	108,176
Dividend payable		27,307	–
Employee housing deposits		23,864	23,741
Lease liabilities		–	438
		<hr/>	<hr/>
Total current liabilities		965,933	894,172
		<hr/>	<hr/>
Total liabilities		1,284,065	1,227,137
		<hr/>	<hr/>
Total equity and liabilities		5,105,848	4,719,159
		<hr/> <hr/>	<hr/> <hr/>

NOTES

1. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost convention, as modified by the revaluation of certain financial assets and liabilities measured at fair value.

The preparation of financial statements in conformity with HKFRSs 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 following new amendments to standards have been effective for the accounting periods beginning on or after 1 January 2022:

Amendments to HKAS 16	Property, plant and equipment “Proceeds before intended use”
Amendments to HKAS 37	Onerous contracts “Cost of fulfilling a contract”
Amendments to HKFRS 3	Business combinations “Reference to the conceptual framework”
Amendment to HKFRS16	COVID-19-related rent concessions beyond 30 June 2021
Amendments to HKFRS	Annual improvements to HKFRSs 2018 - 2020 cycle

The adoption of these amendments does not have any impact to the results and financial position of the Group.

2. REVENUE AND SEGMENT INFORMATION

	Upstream products <i>RMB'000</i>	Fermented and downstream products <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
2022				
Sales to external customers	8,705,998	3,242,854	–	11,948,852
Inter-segment sales	<u>1,485,860</u>	<u>–</u>	<u>–</u>	<u>1,485,860</u>
Reportable segment profit	230,169	396,677	–	626,846
Unallocated income				45,065
Unallocated expenses				(64,585)
Finance income				18,264
Finance expenses				<u>(4,474)</u>
Profit before income tax				<u><u>621,116</u></u>
Other segment information:				
Depreciation	<u>106,948</u>	<u>99,072</u>	<u>78,784</u>	<u>284,804</u>

	Upstream products <i>RMB'000</i>	Fermented and downstream products <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
2021				
Sales to external customers	8,576,482	3,062,833	–	11,639,315
Inter-segment sales	<u>220,091</u>	<u>–</u>	<u>–</u>	<u>220,091</u>
Reportable segment profit	442,997	333,072	–	776,069
Unallocated income				56,280
Unallocated expenses				(321,810)
Finance income				8,054
Finance expenses				<u>(7,105)</u>
Profit before income tax				<u><u>511,488</u></u>
Other segment information:				
Depreciation	<u>90,331</u>	<u>90,096</u>	<u>78,823</u>	<u>259,250</u>

During the years ended 31 December 2022 and 2021, all sources of revenue are recognised at a point in time.

Based on the place of the operation of external customers, revenue attributed to the PRC and other countries is RMB11,493,571,000 and RMB455,281,000 (2021: RMB10,810,954,000 and RMB828,361,000) respectively.

The Group's assets, liabilities and capital expenditures are predominately attributable to a single geographical region, which is the PRC. Therefore, no analysis by geographical regions is presented.

3. OTHER NET INCOME

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Amortisation of government grants	81,766	62,925
Gain on sale of scrap material	21,841	17,317
Gain on disposals of property, plant and equipment	9,403	1,075
Written off of property, plant and equipment	(208)	(3,091)
Sewage treatment	2,875	1,224
Net foreign exchange gain/(loss)	1,538	(1,958)
Government grants (<i>note</i>)	1,185	36,496
Gain on futures	601	333
Others	837	602
	<u>119,838</u>	<u>114,923</u>

Note:

For the year ended 31 December 2022, the government grants mainly represented subsidies of approximately RMB1,185,000 from the local governments for supporting businesses. For the year ended 31 December 2021, the government grants mainly represented a subsidy of approximately RMB12,594,000 and RMB23,310,000 from local governments for supporting business development and research activities.

The government grants were granted at the discretion of the government and were not recurring in nature.

4. PROFIT BEFORE INCOME TAX

The major expenses of the Group are as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cost of inventories	10,555,375	10,747,155
Salaries, wages and other benefits	251,116	215,122
Pension scheme contributions	15,063	14,348
Depreciation of property, plant and equipment	273,929	248,296
Depreciation of right-of-use assets	10,875	10,954
Research expenses (<i>note</i>)	324,108	199,648
Auditor's remuneration		
– Audit service	1,054	785
– Non-audit service	195	245
	<u>195</u>	<u>245</u>

Note:

Research expenses include cost of inventories, staff costs and depreciation, which are included in the above respective expenses, in the Research and Development Department of the Group.

5. INCOME TAX EXPENSE

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
– PRC Enterprises Income Tax (“EIT”)	139,076	90,720
– Over-provision in prior years	(5,156)	(7,763)
– Other PRC withholding tax	–	135
Deferred tax	<u>(8,236)</u>	<u>25,566</u>
	<u>125,684</u>	<u>108,658</u>

The Group’s major business is in the PRC. Under the law of the PRC on EIT and its Implementation Regulation, the tax rate of the PRC subsidiaries is 25% for both years, except for one subsidiary of the Group which is recognised as high technology enterprise is entitled to enjoy a preferential EIT rate of 15% (2021:15%).

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.

Pursuant to the law of the PRC on EIT and its Implementation Regulation, non-PRC resident enterprises are levied withholding tax at 10% (unless reduced by tax treaties/arrangements) on dividends receivable from PRC enterprises for profits earned since 1 January 2008. The Group adopted the 10% withholding tax rate for PRC withholding tax purposes during the years ended 31 December 2022 and 2021.

6. EARNINGS PER SHARE

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

	2022	2021
Profit attributable to owners of the Company (RMB'000)	352,009	345,597
Weighted average number of ordinary shares in issue (thousands)	<u>5,994,132</u>	<u>5,994,132</u>

The basic and diluted earnings per share for the years ended 31 December 2022 and 2021 were the same because there was no dilutive potential ordinary share.

7. DIVIDENDS

Dividends payable to shareholders attributable to the previous financial year, approved and paid during the year:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
2021 final dividend of HK0.69 cents per share (2020: HK0.90 cents)	<u>34,882</u>	<u>44,941</u>

Subsequent to 31 December 2022, the directors proposed a final dividend of HK0.69 cents (2021: HK0.69 cents) per share, amounting to HK\$41,360,000 (2021: HK\$41,360,000). The final dividend proposed after the end of the reporting period is subject to approval by shareholders in the forthcoming general meeting of the Company and has not been recognised as a liability as at 31 December 2022.

8. TRADE AND OTHER RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	145,594	147,249
Bank acceptance bills	239,531	204,407
Prepayments and other tax receivables	195,490	235,078
Others	<u>8,935</u>	<u>7,623</u>
	<u>589,550</u>	<u>594,357</u>

The carrying amounts of trade and other receivables are mainly denominated in RMB.

The movement in the loss allowance for trade receivables during the year is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At 1 January	–	13,845
Amounts written off	<u>–</u>	<u>(13,845)</u>
At 31 December	<u>–</u>	<u>–</u>

The Group normally grants credit period ranging from 0 to 150 days (2021: 0 to 150 days) to customers.

At the end of the reporting period, the ageing analysis of trade receivables based on the invoice date and net of loss allowance is as follows:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 30 days	134,162	136,162
31 – 60 days	5,391	6,361
61 – 90 days	1,022	2,927
Over 90 days	5,019	1,799
	<u>145,594</u>	<u>147,249</u>

At the end of the reporting period, the bank acceptance bills consist of:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Bills on hand	131,039	124,599
Endorsed bills	48,792	79,808
Discounted bills	59,700	–
	<u>239,531</u>	<u>204,407</u>

The bank acceptance bills are normally with maturity period of 180 days (2021: 180 days). There is no recent history of default on bank acceptance bills.

As at 31 December 2022, bank acceptance bills of RMB7,530,000 and discounted bills of RMB59,700,000 were pledged to banks for securing bills payables and bank borrowing respectively. As at 31 December 2021, bank acceptance bills of RMB8,428,000 were pledged to banks for securing bills payables.

9. TRADE AND OTHER PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	188,973	187,347
Bills payables	<u>7,530</u>	<u>8,428</u>
Total trade and bills payables	196,503	195,775
Payable for construction and equipment	64,653	91,715
Payroll and welfare payables	33,843	25,652
Accrued expenses	31,949	53,300
Tender deposits	19,636	22,504
Other tax payables	12,464	18,072
Sales commission	3,140	3,364
Others	<u>6,961</u>	<u>5,920</u>
	<u>369,149</u>	<u>416,302</u>

As at 31 December 2022, bills payables are secured by bank acceptance bills of RMB7,530,000 (2021: RMB8,428,000) (note 8).

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0 – 60 days	163,355	117,635
61 – 90 days	2,558	28,764
Over 90 days	<u>30,590</u>	<u>49,376</u>
	<u>196,503</u>	<u>195,775</u>

The average credit period on purchases is 80 days (2021: 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 trade and other payables are mainly denominated in RMB.

10. EVENT AFTER THE REPORTING PERIOD

In December 2022, the Group has entered into an equity transfer agreement with a seller for the acquisition of registered capital of RMB6,000,000, representing 2% of the paid-up registered capital, in Shandong Juneng Thermal Power Development Company Limited (山東巨能熱電發展有限公司) (“Juneng Thermal Power”) for a consideration of RMB11,280,000. Juneng Thermal Power is engaged into the generation, transmission and supply of electricity and heat. Juneng Thermal Power is a supplier of electricity and steam to the production facilities of the Group in Shouguang. The seller is an independent third party not connected with the Group or a connected person (as defined under the Listing Rules) of the Company. The transfer of equity interest in Juneng Thermal Power and the payment of the consideration is completed on 9 January 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW AND COMPANY DEVELOPMENT

OVERVIEW

The year 2022 was a tumultuous year. Each of us, most of the time, was affected by the mitigation measures for minimising the outbreak of COVID-19 (the “Outbreak”). During the year, lockdown measures imposed by the authorities affected all walks of life and logistics.

The Group’s operation during the first and second half of 2022 was not materially affected by the Outbreak. Thank you for the contribution of our staff, the value chain from corn kernel procurement and manufacturing to delivery had still run round the clock during such a hard time.

During the year under review, the Group still benefited from the strong demand resulting from the recovery of demand for animal feeds and the breeding markets. The sales performance of corn gluten meal and corn fibre as well as lysine was satisfactory. It was because these products were used for the production of animal feeds which were consumables and directly related to the subsequent food-processing industry for people. It was not surprising that people had to stockpile food during the lockdown period.

In December 2022, China took decisive steps to lift its Zero-COVID policy and embark on a path of economic recovery. It is difficult to predict the market performance after the lifting of COVID-19 restrictions. We believe that both market demand and market supply will be released in the absence of lockdown measures. A new equilibrium point may be good or bad for manufacturers, yet such changes will inevitably bring each market player to a more competitive environment. Therefore, we have a cautious view of our business performance in 2023.

So far, the Group has spent many resources in upgrading our production facilities which were of low emission and high performance, which has led to effective reduction in our costs. In addition to the cost competition, we expanded our product varieties to the market. The lactic acid trial production line was completed in May 2022 and moved to its normal production stage as planned in December 2022. The production capacity of lactic acid was 20,000 tonnes per annum.

BUSINESS DEVELOPMENT

The Group has strong commitment to developing different applications of corn-derived products. In 2023, we will increase the annual production capacity of our lysine products from 300,000 tonnes to 500,000 tonnes. This target is expected to be achieved by the end of 2023. The advantages of such expansion are that it can reduce our cost of production and refine lysine product categories we offer. It can further consolidate our customer base and we will become a one-stop shop offering lysine products with different purity grades.

The Group will also set up lactide and polylactide trial production lines with an annual production capacity of 5,000 tonnes respectively. This is a big step forward from a sketch to an experimental production line. It is expected this project will be completed by the end of 2023.

It has been more than two years since the formation of the joint venture company, Shouguang Juneng Musashino Biotechnology Co., Ltd., with our joint venture partner, Musashino Chemical Laboratory, Ltd (the “JV Partner”). We will work closely with the local government on the selection of an appropriate production site in the first half of 2023. We, together with the JV Partner, aim to set up lactate production facilities with a production capacity of 20,000 tonnes per annum by the end of 2024.

The Group intends to use its internal resources to finance the three plans as mentioned above.

BUSINESS REVIEW

Upstream products

The upstream products represent cornstarch and its by-products, including corn gluten meal, corn germ, corn fibre and corn slurry. Because of the depressed economic activities in the second half of 2022, the demand for cornstarch, as a base material for many industries, was inevitably affected. Conversely, the animal feeds and breeding sectors remained satisfactory during the year 2022. Prices of corn germ and corn germ meal were closely related to that of soybean oil and soybean meal. The increase in international soybean prices supported not only the prices of soybean by-products but also that of corn derivative products, which also partly offset the negative impact resulting from the decrease in demand for cornstarch.

Fermented and downstream products

Lysine could be used for the production of animal feeds. There were many factors affecting the sales performance of lysine. First, the reduction in the global supply of lysine products had a positive impact. Second, the animal feeds and breeding markets were still satisfactory. Third, the Group obtained many sales orders and locked the selling prices when the market sentiment was still positive. Therefore, the sales performance of lysine remained satisfactory during the year under review.

The sales performance of starch-based sweetener was still affected by the problem of excessive production capacity in China. During the year under review, the Group spent much effort expanding our market share in this regard.

The sales performance of modified starch continued to be affected by the city's sewage reduction measures. Therefore, the Group recorded a significant decrease in the sales volume of modified starch.

During the year under review, we spent more resources on the development of the biobased material market. As the Group's lactic acid production facilities moved from trial-run to full-scale operation, the Group's production volume and sales volume of lactic acid increased at the end of 2022.

FINANCIAL PERFORMANCE

OVERVIEW

During the year under review, the Group recorded a total revenue of approximately RMB11,948,852,000 (2021: RMB11,639,315,000). Gross profit of the Group increased substantially by 25.0% to approximately RMB1,190,475,000 (2021: RMB952,211,000).

Profit after taxation increased substantially to RMB495,432,000 (2021: RMB402,830,000). Basic earnings per share of the Company was RMB0.0587 per share based on the weight average number of 5,994,132,000 ordinary shares (2021: RMB0.0577 per share based on the weight average number of 5,994,132,000 ordinary shares).

Segment Performance

Upstream products

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	8,705,998	8,576,482
Gross profit	441,715	496,351
Gross profit margin	<u>5.1%</u>	<u>5.8%</u>

During the year under review, revenue of upstream products increased slightly by 1.5% to RMB8,705,998,000 (2021: RMB8,576,482,000). The gross profit margin of this business segment decreased by 0.7 percentage point to 5.1%. The performance of this business segment was mainly affected by the stagnant demand for cornstarch in the second half of 2022 on one hand and the increased utility expenses on the other hand. The average selling price of cornstarch was about RMB2,872 (2021: RMB2,988) per tonne. The sales volume of cornstarch was approximately 1,953,563 tonnes (2021: 1,915,794 tonnes).

Fermented and downstream products

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		
– Lysine	2,424,684	2,224,230
– Starch-based sweetener	541,364	519,544
– Modified starch	196,006	267,463
– Others	<u>80,800</u>	<u>51,596</u>
Total	<u>3,242,854</u>	<u>3,062,833</u>
Gross profit	748,760	455,860
Gross profit margin	<u>23.1%</u>	<u>14.9%</u>

Revenue of fermented and downstream products increased to RMB3,242,854,000 (2021: RMB3,062,833,000).

Revenue of lysine increased from approximately RMB2,224,230,000 to RMB2,424,684,000. The overall sales volume of lysine products was about 314,179 tonnes (2021: 320,638 tonnes). The slight decrease in sales volume was affected by the logistics problem in the fourth quarter of 2022. The average selling price of lysine products was about RMB7,718 (2021: RMB6,937) per tonne.

Revenue of starch-based sweetener was approximately RMB541,364,000 (2021: RMB519,544,000). The average selling price and sales volume of starch-based sweetener was about RMB2,277 (2021: RMB2,650) per tonne and 237,718 tonnes (2021: 196,049 tonnes) respectively. During the year under review, liquid starch-based sweetener became our major product, which represented about 72.9% (2021: 69.4%) of the Group's sales volume. As the average selling price of liquid starch-based sweetener was lower than that of crystallised starch-based sweetener, the overall average selling price of starch-based sweetener decreased. However, such change did not compromise our profitability as the process of crystallisation is not required in the production of liquid starch-based sweetener and less energy was consumed in the course of its production, which led to lower cost of production.

Revenue of modified starch was RMB196,006,000 (2021: RMB267,463,000). The decrease in revenue of modified starch was mainly attributable to the reduction of production output resulting from the sewage reduction measures.

Revenue of other fermented products increased substantially by 56.6% to approximately RMB80,800,000 (2021: RMB51,596,000). From trial run to normal operation, the Group increased our biobased material output gradually during the year under review.

Cost of sales and gross profit

During the year under review, the total cost of sales increased to RMB10,758,377,000 (2021: RMB10,687,104,000). The average corn kernel cost of the Group for the year 2022 was stable as compared with the last year (2022: RMB2,550 per tonne and 2021: RMB2,542 per tonne). The cost of electricity and steam increased substantially because of the full year effect on unit price adjustment in the fourth quarter of 2021. The percentage of these utility expenses increased to 7.9% (2021: 5.5%) of the total cost of sales during the year under review.

The Group strengthened cost control and had implemented other measures to maintain our profitability. For example, we used more low-emission and high-performance equipment. We promoted the use of liquid starch-based sweetener, and adjusted our product combinations and production schedules to achieve economies of scale. Gross profit of the Group increased to RMB1,190,475,000 (2021: RMB952,211,000).

The Group did not enter into any forward/futures contract to hedge the price fluctuation of corn kernel during the year under review. The Group makes purchases from the spot market in accordance with its production schedule.

Review of Other Operations

Distribution and administrative expenses

Distribution expenses for the year ended 31 December 2022 increased to RMB171,044,000 (2021: RMB164,934,000). The Group controlled the delivery cost by promoting the use of bulk cargo delivery and encouraging customers to pick up their goods from our warehouse directly.

Distribution expenses for the years ended 31 December 2022 and 2021 mainly comprised of the following:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Delivery and logistics	141,651	138,173
Marketing expenses	14,989	14,450
Staff costs	8,335	7,173
Others	6,069	5,138
	<u>171,044</u>	<u>164,934</u>

Administrative expenses for the year ended 31 December 2022 increased to RMB207,835,000 (2021: RMB192,013,000). The increase was mainly attributable to (i) an increase in staff costs and government levies, (ii) an additional repairing cost for the external insulation walls of our staff accommodation, and (iii) partly offset by a decrease in depreciation and amortisation expenses. Administrative expenses for the years ended 31 December 2022 and 2021 mainly comprised of the following:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Staff costs	108,655	101,312
Depreciation and amortisation expenses	32,147	37,371
Government levies	31,094	22,657
Others	35,939	30,673
	<u>207,835</u>	<u>192,013</u>

Research expenses

Research expenses mainly consisted of material used and depreciation and amortisation costs. The Group's research projects included feasibility study and development of new products, change of production methods or explore new production techniques. The Group's research expenses increased substantially from RMB199,648,000 to RMB324,108,000.

Other net income

The other net income increased to RMB119,838,000 (2021: RMB114,923,000). The major items of other net income are set out below:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Amortisation of government grants	81,766	62,925
Gain on sales of scrap materials	21,841	17,317
Gain on disposals of property, plant and equipment	9,403	1,075
Written off of property, plant and equipment	(208)	(3,091)
Sewage treatment	2,875	1,224
Net foreign exchange gain/(loss)	1,538	(1,958)
Government grants (one-off)	1,185	36,496
Gain on futures	601	333
Others	837	602
	119,838	114,923

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The key financial performance indicators of the Group for the two years ended 31 December are set out below:

	Units	2022	2021
Debtors turnover	days	11	14
Creditors turnover	days	7	7
Inventories turnover	days	25	24
Current ratio	times	2.8	2.5
Quick ratio	times	1.9	1.8
Gearing ratio (<i>Note 1</i>)	%	5.6	2.4
Total shareholder return (<i>Note 2</i>)	%	<u>9.4</u>	<u>41.7</u>

Notes:

- (1) Gearing ratio is calculated as the borrowings to total assets.
- (2) Total shareholder return combines share price appreciation and dividends paid to show the total return to shareholders.

The Directors are of the opinion that the working capital available to the Group is sufficient for its present requirements. As at 31 December 2022, all borrowings of the Group were short-term borrowings. The aggregated bank borrowings and other borrowings of approximately RMB262,700,000 were denominated in Renminbi and were carried interest at fixed rates. The loan from a controlling shareholder of the Company of RMB23,225,000 was denominated in Hong Kong dollars and was carrying interest at a floating rate. The Group's cash and cash equivalents were mostly denominated in Renminbi. The increase in borrowings was mainly attributable to an increase in the working capital requirement.

PLEDGE OF ASSETS

As at 31 December 2022, the Group did not pledge any leasehold land and building to secure banking facilities. As at 31 December 2022, the Group provided a deposit of RMB207,582,000 and bank acceptance bills of RMB67,230,000 for securing banking facilities and bills payables.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2022.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserves available for distribution to shareholders amounted to approximately RMB128,331,000.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company (the "2023 AGM") will be held on 23 May 2023. The notice of the 2023 AGM, which constitutes part of the circular to the shareholders of the Company, will be sent together with the 2022 annual report. For determining the entitlement to attend and vote at the 2023 AGM, the register of members of the Company will be closed from 18 May 2023 to 23 May 2023 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2023 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:30 p.m. on 17 May 2023.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK0.69 cents per share for the year ended 31 December 2022 ("2022 Final Dividend"). The proposed 2022 Final Dividend is subject to the approval of the shareholders of the Company in the 2023 AGM, and is expected to be paid on or around 19 July 2023 to the shareholders whose names appear on the register of members of the Company on 15 June 2023. For determining the entitlement to the 2022 Final Dividend, the register of members of the Company will be closed from 14 June 2023 to 15 June 2023 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the entitlement of the 2022 Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the aforementioned share registrar and transfer office by 4:30 p.m. on 13 June 2023.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company’s listed securities during the year under review.

CORPORATE GOVERNANCE

The Company had complied with the applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and had applied the principles as laid down with the aim of achieving a high level of governance, except that Mr. Tian Qixiang (the chairman of the Board) did not attend the 2022 annual general meeting because of his other business engagement.

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 the Appendix 10 to the Listing Rules. The Dealing Code applies to all Directors and to all employees who are informed that they are subject to its provisions. The Company has made specific enquiry of all Directors and that all the Directors confirmed their compliance with the required standard set out in the Dealing Code throughout the year under review.

SCOPE OF WORK OF SHINEWING (HK) CPA LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Group’s auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on this announcement.

REVIEW OF ANNUAL RESULTS

The Group's audited consolidated results for the year ended 31 December 2022 have been reviewed by the audit committee of the Board.

ANNUAL REPORT

The 2022 annual report containing all the information required by the Listing Rules will be made available on the Stock Exchange website and the Company's website (www.chinastarch.com.hk) on or about 14 April 2023.

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

Hong Kong, 22 March 2023

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

Executive Directors:

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

Independent non-executive Directors:

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