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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)

PRELIMINARY ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024

Financial highlights:			
	2024	2023	
	RMB'000	RMB'000	Change
Revenue	11,415,755	11,797,534	-3.2%
Gross profit	1,163,247	556,572	109.0%
Operating profit	815,941	157,470	418.2%
Profit for the year	625,589	157,396	297.5%
Profit attributable to shareholders	482,253	107,959	346.7%
Basic earnings per share (RMB)	0.0808	0.0180	348.9%
Proposed final dividend per share (HK cents)	0.98	0.69	42.0%

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 2024, together with the comparative figures for the year ended 31 December 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

		2024	2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	<i>2</i>	11,415,755	11,797,534
Cost of sales		<u>(10,252,508)</u>	<u>(11,240,962)</u>
Gross profit		1,163,247	556,572
Distribution expenses		(157,923)	(157,175)
Administrative expenses		(217,323)	(194,551)
Research expenses		(89,669)	(160,490)
Other net income	<i>3</i>	<u>117,609</u>	<u>113,114</u>
Operating profit		815,941	157,470
Finance income		31,042	24,120
Finance expenses		<u>(8,843)</u>	<u>(4,757)</u>
Profit before income tax	<i>4</i>	838,140	176,833
Income tax expense	<i>5</i>	<u>(212,551)</u>	<u>(19,437)</u>
Profit and total comprehensive income for the year		<u>625,589</u>	<u>157,396</u>
Attributable to:			
Owners of the Company		482,253	107,959
Non-controlling interests		<u>143,336</u>	<u>49,437</u>
		<u>625,589</u>	<u>157,396</u>
Earnings per share attributable to owners of the Company			
Basic and diluted earnings per share (RMB)	<i>6</i>	<u>0.0808</u>	<u>0.0180</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		2,013,987	2,162,498
Right-of-use assets		415,552	425,922
Prepayments for construction projects		47,237	–
Deposits for acquisition of property, plant and equipment		39,334	29,909
Equity investment		23,416	21,954
Deferred tax assets		–	14,719
Total non-current assets		2,539,526	2,655,002
Current assets			
Inventories		611,094	730,676
Trade and other receivables	8	438,339	563,697
Income tax recoverable		–	3,365
Pledged bank deposits		1,160,056	500,056
Cash and cash equivalents		2,209,874	899,830
Total current assets		4,419,363	2,697,624
Total assets		6,958,889	5,352,626
EQUITY			
Equity attributable to owners of the Company			
Share capital		529,868	530,230
Other reserves		537,931	473,149
Retained earnings		3,038,171	2,658,450
		4,105,970	3,661,829
Non-controlling interests		387,685	274,724
Total equity		4,493,655	3,936,553
LIABILITIES			
Non-current liabilities			
Deferred income		142,041	164,751
Deferred tax liabilities		105,340	58,948
Borrowings		59,267	–
Total non-current liabilities		306,648	223,699
Current liabilities			
Trade and other payables	9	360,653	433,655
Advances from customers		289,663	175,490
Income tax payable		64,105	–
Borrowings		1,420,301	559,365
Employee housing deposits		23,864	23,864
Total current liabilities		2,158,586	1,192,374
Total liabilities		2,465,234	1,416,073
Total equity and liabilities		6,958,889	5,352,626

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 (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange 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 2024:

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020)

Presentation of Financial Statements – Classification by the Borrower of a Term, Loan that Contains a Repayment on Demand Clause

Amendments to HKAS 1, Non-current Liabilities with Covenants

Amendments to HKAS 7 and HKFRS 7, Supplier Finance Arrangements

Amendments to HKFRS 16, Lease Liability in a Sale and Leaseback

The adoption of these new and amended standards and interpretation have no material impact to the results and financial position of the Company.

2 Revenue and segment information

	Upstream products RMB'000	Fermented and downstream products RMB'000	Unallocated RMB'000	Total RMB'000
2024				
Sales to external customers	7,007,884	4,407,871	–	11,415,755
Inter-segment sales	2,249,258	–	–	2,249,258
Reportable segment profit	257,085	585,645	–	842,730
Unallocated income				34,955
Unallocated expenses				(61,744)
Finance income				31,042
Finance expenses				(8,843)
Profit before income tax				838,140
Other segment information:				
Depreciation	88,199	121,139	76,120	285,458
	Upstream products RMB'000	Fermented and downstream products RMB'000	Unallocated RMB'000	Total RMB'000
2023				
Sales to external customers	8,596,863	3,200,671	–	11,797,534
Inter-segment sales	1,603,673	–	–	1,603,673
Reportable segment profit/(loss)	(85,406)	263,393	–	177,987
Unallocated income				39,452
Unallocated expenses				(59,969)
Finance income				24,120
Finance expenses				(4,757)
Profit before income tax				176,833
Other segment information:				
Depreciation	93,717	106,277	77,358	277,352
Write-down of inventories	15,506	–	–	15,506

During the years ended 31 December 2024 and 2023, all sources of revenue are recognised at a point in time.

The Group has applied practical expedient in paragraph 121(a) of HKFRS 15 to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the end of reporting period as the performance obligation is part of a contract that has an original expected duration of one year or less.

Based on the place of the operation of external customers, revenue attributed to the PRC and other countries is RMB10,702,521,000 and RMB713,234,000 (2023: RMB10,856,939,000 and RMB940,595,000) 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

	2024 RMB'000	2023 RMB'000
Amortisation of government grants	78,106	80,371
Gain on sales of scrap material	24,583	20,506
Net foreign exchange gain	5,321	7,532
Sewage treatment	1,520	1,993
Government grants (<i>note</i>)	750	534
Gain on futures	315	12
(Loss)/gain on disposals of property, plant and equipment	(276)	1,644
Written off of property, plant and equipment	–	(3,300)
Others	7,290	3,822
	117,609	113,114

Note:

For the years ended 31 December 2024 and 2023, the government grants mainly represented subsidies from the local governments for supporting businesses. The government grants were granted at the discretion of the government and were not recurring in nature. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

4 Profit before income tax

The major expenses of the Group are as follows:

	2024 RMB'000	2023 RMB'000
Cost of inventories	8,809,092	10,044,812
Salaries, wages and other benefits	266,578	250,463
Pension scheme contributions	17,159	16,658
Depreciation of property, plant and equipment	275,088	266,982
Depreciation of right-of-use assets	10,370	10,370
Research expenses (<i>note</i>)	89,669	160,490
Auditor's remuneration		
– Audit service	1,093	1,069
– Non-audit service	210	212

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

	2024 RMB'000	2023 RMB'000
Current income tax		
– PRC Enterprises Income Tax ("EIT")	151,440	–
– Over-provision in prior years	–	(13,381)
Deferred tax	61,111	32,818
	212,551	19,437

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% (2023:15%).

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 2024 and 2023.

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:

	2024	2023
Profit attributable to owners of the Company (RMB'000)	482,253	107,959
Weighted average number of ordinary shares in issue (thousands)	5,965,532	5,990,605

The basic and diluted earnings per share for the years ended 31 December 2024 and 2023 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:

	2024 RMB'000	2023 RMB'000
2023 final dividend of HK0.69 cents per share (2022: HK0.69 cents)	37,561	38,133

Subsequent to 31 December 2024, the directors of Company proposed a final dividend of HK0.98 cents (2023: HK0.69 cents) per share, amounting to HK\$58,452,000 (2023: HK\$41,183,000). 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 2024.

8 Trade and other receivables

	2024 RMB'000	2023 RMB'000
Trade receivables	82,970	136,797
Bank acceptance bills	280,774	266,487
Prepayments and other tax receivables	52,993	149,336
Others	21,602	11,077
	438,339	563,697

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

The provision of loss allowance for trade receivables for both years 2024 and 2023 was nil.

The Group normally grants credit period ranging from 0 to 150 days (2023: 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:

	2024 RMB'000	2023 RMB'000
0-30 days	75,434	127,923
31-60 days	7,190	7,479
61-90 days	346	123
Over 90 days	—	1,272
	82,970	136,797

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

	2024 RMB'000	2023 RMB'000
Bills on hand	179,873	177,221
Endorsed bills	42,600	70,681
Discounted bills	58,301	18,585
	280,774	266,487

The bank acceptance bills are normally with maturity period of 180 days (2023: 180 days). There is no recent history of default on bank acceptance bills.

As at 31 December 2024, bank acceptance bills of RMB2,000,000 (2023: RMB4,000,000) and discounted bills of RMB58,301,000 (2023: RMB18,585,000) were pledged to banks for securing bills payables and bank borrowings respectively.

9 Trade and other payables

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Trade payables	157,694	132,443
Bills payables	2,000	4,000
	<hr/>	<hr/>
Total trade and bills payables	159,694	136,443
Payable for construction and equipment	60,639	177,975
Payroll and welfare payables	43,806	40,258
Accrued expenses	42,555	27,307
Tender deposits	20,757	18,659
Other tax payables	24,665	14,287
Sales commission	1,400	2,995
Others	7,137	15,731
	<hr/>	<hr/>
	360,653	433,655
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2024, bills payables are secured by bank acceptance bills of RMB2,000,000 (2023: RMB4,000,000) (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:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
0-60 days	134,654	107,164
61-90 days	2,164	1,051
Over 90 days	22,876	28,228
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	159,694	136,443
	<hr/> <hr/>	<hr/> <hr/>

The average credit period on purchases is 80 days (2023: 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 Renminbi.

INDUSTRY REVIEW AND COMPANY DEVELOPMENT

OVERVIEW

In 2024, the overall domestic economy demonstrated a steady and progressive trend. During the year, as corn-refined enterprises continued their recovery momentum, production capacity was gradually released, leading to a significant increase in the output of various corn-refined products. Most of corn-refined products are used in downstream feed and breeding industries. However, the performance of the downstream animal feed and breeding industries was less than ideal during the year, and the demand for corn-refined products (e.g. corn gluten meal and lysine) dropped significantly due to the depressed prices in the hog market, resulting in an oversupply situation. Amid intense market competition, the prices of most products, particularly corn by-products, experienced a substantial decline.

During the year, the Group increased the production volume of various products compared to the previous year by implementing technological upgrades, shortening maintenance cycles, stabilizing production processes and achieving mass production of lysine (following production capacity expansion at the end of last year).

In terms of costs, domestic corn production continued to grow while demand from the animal feed and breeding industries declined, leading to a noticeable drop in corn kernel prices. Since the decline in starch and lysine market prices was less than the decrease in corn kernel prices, the profitability of the corn-refined industry actually showed an improvement.

The management anticipates that the market will remain in a state of stock competition in 2025. Under these circumstances, the Group is actively exploring opportunities to extend the industrial chain and diversify its business layout as a key development strategy.

BUSINESS DEVELOPMENT

Despite intense market competition, the Group has continuously invested resources to enhance production efficiency and improve customer satisfaction. During the year, the Group further increased its output by conducting standardised analysis for the production capacity of each unit of equipment to optimize and improve its operating efficiency. As of the end of 2024, the annual production capacity of our main products, starch and lysine, reached 2,800,000 tonnes (2023: 2,700,000 tonnes) and 560,000 tonnes (2023: 500,000 tonnes), respectively. In the meantime, the Group strengthened process control, enhanced the operation level of employees, improved product quality, and met the personalized needs of different customers to improve customer satisfaction. The management is confident that the Group will be able to expand and strengthen itself by further extending market share in the increasingly fierce market competition.

On 20 February 2025, the Group announced the launch of two projects, being the modification and expansion plan of the existing cornstarch production facilities of Linqing Deneng Golden Corn Bio Limited (“Linqing”) and the construction of new thermal power facilities to be located beside the production complex of Linqing (the “Linqing Site”). These two projects are expected to enhance our market leading position by significantly expanding our long-term production capacity, further reducing our production costs at the Linqing Site and optimising production efficiency in the long run. In particular, subsequent to the completion of the modification of the existing cornstarch production facilities, the annual production capacity of cornstarch of the Linqing Site will increase from 1 million tonnes to 1.55 million tonnes. The new thermal power facilities are designed for greater operational efficiency and are expected to meet our growing energy demand and reduce energy costs over time. For further details of the two projects, please refer to the Company’s announcement of 20 February 2025.

As at the date of this announcement, the Group is yet to enter into any agreement(s) with other parties for these projects. Further announcement(s) will be made by the Company as and when appropriate in compliance with the applicable requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Our other project under Shouguang Juneng Musashino Biotechnology Co., Ltd. for the development of lactate production facilities with our joint venture partner was still in progress. We still work closely with the local government on the selection of an appropriate production site. Further announcement(s) will be made as and when appropriate in compliance with the applicable requirements under the Listing Rules.

BUSINESS REVIEW

UPSTREAM PRODUCTS

The upstream products had insufficient market demand during the year under review. The stagnant economic environment spread to many walks of life. This problem was more serious in the second half of the year than the first half. The market prices of upstream products and corn kernel (major raw material) recorded a substantial decrease during the year under review. Nonetheless, the Group's gross profit for upstream products still recorded an increase of 230.4% to RMB429,334,000 (2023: RMB129,951,000) because the decrease in corn kernel cost outweighed the decrease in the overall selling prices of our upstream products.

FERMENTED AND DOWNSTREAM PRODUCTS

During the year under review, the major fermented and downstream products, lysine and starch-based sweetener, were still subject to the oversupply problem. Thanks to the exceptional efforts of our business development team and the unwavering commitment to product quality, the Group achieved a commendable increase in turnover for these products.

In respect of the lysine business, the performance was still affected by the sluggish business environment in the animal feed and breeding industry. However, the Group benefited from the increased production capacity at the end of 2023 and the successful business development in the overseas market. These positive factors successfully offset the decrease in the market price of lysine products during the year under review. Export sale volume of our lysine products was about 72,921 tonnes (2023: 59,383 tonnes).

The market demand for electric vehicles and batteries has grown significantly in recent years. The growth has indirectly boosted the demand for starch-based sweetener because the derivative from starch-based sweetener is added to batteries during the manufacturing process to improve battery performance, such as power output and battery life. On the other hand, cane sugar and sweeteners were interchangeable. Among the various sweeteners in the market, starch-based sweeteners have gained popularity. A decrease in corn kernel costs significantly reduced the production cost of starch-based sweeteners, enabling a lower market price competitive with cane sugar. As a result of the new demand from battery manufacturers and the low market price of starch-based sweeteners, the overall sweetener market has improved during the year under review.

The modified starch business recorded increased sales, supported by enhancements in sewage treatment capabilities and increased customer purchase orders. The average selling prices of modified starch products were influenced by a reduction in corn kernel prices during the year under review.

The other fermented products included biobased material and fertiliser products. The sales performance was inevitably affected by the general economic environment in the domestic market.

FINANCIAL PERFORMANCE

OVERVIEW

During the year under review, total revenue of the Group decreased slightly by 3.2% to approximately RMB11,415,755,000 (2023: RMB11,797,534,000). Benefiting from the substantial decrease in the market price of corn kernel, gross profit of the Group increased significantly from approximately RMB556,572,000 to RMB1,163,247,000.

Profit after taxation increased about fourfold to RMB625,589,000 (2023: RMB157,396,000). Basic earnings per share of the Company was RMB0.0808 per share based on the weighted average number of 5,965,532,000 ordinary shares (2023: RMB0.0180 per share based on the weighted average number of 5,990,605,000 ordinary shares).

SEGMENT PERFORMANCE

Upstream products

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Revenue	7,007,884	8,596,863
Gross profit	429,334	129,951
Gross profit margin	6.1%	1.5%

Revenue of upstream products decreased significantly by 18.5% to RMB7,007,884,000 (2023: RMB8,596,863,000). Such decrease in revenue was attributable to the decrease in both the average selling price and sales quantity of upstream products. The sales quantity of our major product, cornstarch, was about 1,840,148 tonnes (2023: 2,007,204 tonnes), as impacted by the insufficient market demand under the stagnant economic environment. The average selling price of cornstarch was RMB2,626 per tonne (2023: RMB2,816). Nonetheless, benefiting from the substantial decrease in the price of our major raw material (corn kernel), the gross profit margin of this business segment still increased by 4.6 percentage point to 6.1%.

Fermented and downstream products

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Revenue		
– Lysine	3,427,579	2,261,792
– Starch-based sweetener	500,583	472,198
– Modified starch	374,634	351,583
– Others	105,075	115,098
Total	4,407,871	3,200,671
Gross profit	733,913	426,621
Gross profit margin	16.7%	13.3%

Revenue of fermented and downstream products increased significantly by 37.7% to RMB4,407,871,000 (2023: RMB3,200,671,000).

Revenue of lysine increased significantly by 51.5% to RMB3,427,579,000 (2023: RMB2,261,792,000). The Group achieved an impressive growth in lysine sales volume, reaching 578,095 tonnes in 2024 as compared with 340,746 tonnes in the past year, marking a significant increase of 69.7%. This remarkable growth successfully mitigated the impact of the reduced average selling price of lysine products during the year under review. The average selling price of lysine stood at RMB5,929 per tonne, compared to RMB6,638 in the past year.

Revenue of starch-based sweetener was approximately RMB500,583,000 (2023: RMB472,198,000). Due to reduced production costs resulting from a substantial decrease in corn kernel prices, the selling price of starch-based sweetener for the year under review also significantly reduced. In addition, the percentage of liquid base sweetener sales volume increased to 76.6%, compared to 71.8% in the previous year, with the average selling price of the liquid sweetener being lower than that of the crystallised sweetener. These factors collectively led to a substantial decrease in average selling price of starch-based sweetener to RMB2,301 per tonne (2023: RMB2,629). The sales volume of starch-based sweetener increased significantly by 21.1% to 217,581 tonnes (2023: 179,598 tonnes).

Revenue of modified starch was RMB374,634,000 (2023: RMB351,583,000). The increase in revenue of modified starch was mainly attributable to an increase in production capability resulting from the continuous improvement in sewage treatment and disposal facilities during the year under review.

Revenue of other fermented products decreased to approximately RMB105,075,000 (2023: RMB115,098,000).

Cost of sales and gross profit

The total cost of sales for 2024 was approximately RMB10,252,508,000, a decrease of 8.8%, compared to RMB11,240,962,000 for 2023. The decrease in cost of sales was mainly attributable to the significant decrease in the price of raw materials (corn kernel).

During the year under review, the abundant corn supply from both domestic and international market, as well as the sluggish demand from various business end-users pushed the corn kernel market price downward. The average corn kernel cost of the Group for the year 2024 was about RMB2,071 per tonne (net of value-added tax), compared to RMB2,543 for 2023.

The second largest cost of sales was utilities. The average prices of electricity and steam was stable over the past two years.

Given that the corn kernel prices decreased to a greater extent than the selling prices of our products and with the implementation of energy cost-saving measures, the Group still recorded a substantial growth in gross profit and margin during the year under review.

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 past two years were stable. The Group implemented control on the delivery expenses. For example, the Group encouraged customers using their own transportation companies or bulk cargo shipment to reduce delivery cost.

Distribution expenses for the years ended 31 December 2024 and 2023 mainly comprised of the following:

	2024 RMB'000	2023 RMB'000
Delivery and logistics	123,748	125,177
Marketing expenses	16,680	15,570
Staff costs	10,265	8,388
Others	7,230	8,040
	157,923	157,175

Administrative expenses for 2024 increased to RMB217,323,000 (2023: RMB194,551,000). The increase in government levies and staff costs led to higher administrative expenses during the year under review. Administrative expenses for the years ended 31 December 2024 and 2023 mainly comprised of the following:

	2024 RMB'000	2023 RMB'000
Staff costs	107,007	104,833
Depreciation and amortisation expenses	36,132	35,658
Government levies	35,272	26,939
Others	38,912	27,121
	217,323	194,551

Research expenses

Research expenses mainly consisted of material costs and depreciation and amortisation costs. During the year under review, our research expenses decreased substantially from RMB160,490,000 to RMB89,669,000. Research expenses were affected by the number of projects and their progression status and complexity. The management would allocate appropriate resources on the research and development activities and maintain our competitive edges in respect of our knowhow and advanced products.

Other net income

The other net income increased mildly to RMB117,609,000 (2023: RMB113,114,000). The major items of other net income for the years ended 31 December 2024 and 2023 are set out below:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Amortisation of government grants	78,106	80,371
Gain on sales of scrap materials	24,583	20,506
Net foreign exchange gain	5,321	7,532
Sewage treatment	1,520	1,993
Government grants (one-off)	750	534
Gain on futures	315	12
(Loss)/gain on disposals of property, plant and equipment	(276)	1,644
Written off of property, plant and equipment	–	(3,300)
Others	7,290	3,822
	117,609	113,114

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2024, the Group had about 2,209 full time staff (2023: 2,267) in the PRC and Hong Kong. Total staff costs, including Directors' emoluments, of the Group were approximately RMB283,737,000 (2023: RMB267,121,000). The Group considers the experience, responsibility, and performance of the Directors and employees of the Group when determining their respective remuneration packages.

The Company has adopted a share option scheme (the "Share Option Scheme") to enable the Group to grant options to eligible persons as incentives or rewards for their contribution to the Group as well as to attract, recruit and retain senior management, key employees and human resources that are valuable or potentially valuable 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 2024, no share options have been granted under the Share Option Scheme.

FINANCIAL MANAGEMENT AND TREASURY POLICY

The Group adopts a conservative approach for cash management and investment in uncommitted funds. The primary purpose of our financial management and treasury policy is to ensure that the Group has sufficient cash and available banking facilities to meet its commitment on one hand and to obtain better return on the other hand. Any unused fund is not only placed on short-term/fixed deposits with authorised financial institutions in Hong Kong and/or the PRC, but also short-term capital-and-reward guaranteed financial instruments.

FOREIGN CURRENCY EXPOSURE

The Directors do not consider the exposure to foreign exchange risk significant to the Group's operation as the Group operated mainly in the PRC and most of the Group's transactions, assets and liabilities are denominated in Renminbi. However, foreign currencies are received from export sales, and such proceeds are subject to foreign exchange risk before converting into Renminbi. The foreign currencies received from export sales are converted into Renminbi upon receipt from overseas customers. The Group manages foreign exchange risk by closely monitoring the exchange rates rather than entering into any foreign exchange hedging arrangement.

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	2024	2023
Debtors turnover	days	12	12
Creditors turnover	days	5	5
Inventories turnover	days	24	26
Current ratio	times	2.0	2.3
Quick ratio	times	1.8	1.6
Gearing ratio (<i>note 1</i>)	%	21.3	10.5
Total shareholder return (<i>note 2</i>)	%	44.8	-36.5

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 gearing ratio as at the year ended 31 December 2024 was 21.3%, compared to 10.5% for 2023. The substantial increase in the gearing ratio was mainly attributed to the working capital requirement and the best interest rate offered by the banks at that moment. This trend also led to an increase in finance expenses due to the increased average borrowings for the year under review. Despite the increase, the Directors considered that the gearing ratio of the Group at the year ended 31 December 2024 was still among the lowest level in the industry.

The Directors are of the opinion that the working capital available to the Group is sufficient for its present requirements. As at 31 December 2024, all bank borrowings are short-term borrowings. The aggregated bank borrowings of approximately RMB1,420,301,000 were denominated in Renminbi and carried interest at fixed rates. In addition, the loan from a controlling shareholder of the Company of RMB59,267,000 was denominated in Hong Kong dollars and carried at a fixed rate of 0.5% per annum. The Group's cash and cash equivalents were mostly denominated in Renminbi. As at 31 December 2024, most of cash and cash equivalents are denominated in Renminbi.

PLEDGE OF ASSETS

As at 31 December 2024, the Group pledged certain buildings, right-of-use assets, bank deposits and bank acceptance bills with an aggregate carrying amount of RMB1,281 million to certain banks to secure certain credit facilities granted to the Group.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2024.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company's reserves available for distribution to shareholders amounted to approximately RMB126,115,000.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK0.98 cents per share for the year ended 31 December 2024 ("2024 Final Dividend"). The 2024 Final Dividend is subject to the approval of the shareholders of the Company in the 2025 Annual General Meeting ("2025 AGM"), and is expected to be paid on or around 16 July 2025.

ANNUAL GENERAL MEETING

The 2025 AGM of the shareholders of the Company will be held on 20 May 2025. Details of the arrangements will be provided in the Company's circular in relation to the 2025 AGM, which will be published and despatched to the shareholders in accordance with the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 15 May 2025 to 20 May 2025, both days inclusive, during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the 2025 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 14 May 2025.

The 2024 Final Dividend, if approved, is payable to shareholders whose names appear on the Register of Members of the Company at the close of business on 20 June 2025, being the record date for determination of entitlement to the final dividend. The Register of Members of the Company will be closed from 19 June 2025 to 20 June 2025, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, 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 18 June 2025.

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

During the year ended 31 December 2024, the Company repurchased 4,075,000 shares of the Company on the Stock Exchange at an aggregate consideration of approximately HK\$607,000. All of the shares repurchased by the Company were cancelled prior to 31 December 2024 and the total number of shares of the Company in issue has been reduced accordingly. Details of the shares repurchased are set out as follows:

2024	Number of shares	Price paid per share		Aggregate price paid HK\$'000
		Highest HK\$	Lowest HK\$	
March	2,000,000	0.150	0.146	296
April	2,075,000	0.150	0.145	311
	<u>4,075,000</u>			<u>607</u>

Save as disclosed above, at no time during the year ended 31 December 2024 was there any purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares.

CORPORATE GOVERNANCE

The Company had complied with the applicable code provisions as set out in the Corporate Governance Code contained in Appendix C1 to Listing Rules 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 2024 annual general meeting because of his other business engagement.

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 2024 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 2024 have been reviewed by the audit committee of the Board.

ANNUAL REPORT

The 2024 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 11 April 2025.

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

Hong Kong, 19 March 2025

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
Ms. Sze Tak On