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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 2023

Financial highlights:	2023	2022	Change
	RMB'000	RMB'000	
Revenue	11,797,534	11,948,852	-1.3%
Gross profit	556,572	1,190,475	-53.2%
Operating profit	157,470	607,326	-74.1%
Profit for the year	157,396	495,432	-68.2%
Profit attributable to shareholders	107,959	352,009	-69.3%
Basic earnings per share (RMB)	0.0180	0.0587	-69.3%
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 2023, together with the comparative figures for the year ended 31 December 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

		2023	2022
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	2	11,797,534	11,948,852
Cost of sales		<u>(11,240,962)</u>	<u>(10,758,377)</u>
Gross profit		556,572	1,190,475
Distribution expenses		(157,175)	(171,044)
Administrative expenses		(194,551)	(207,835)
Research expenses		(160,490)	(324,108)
Other net income	3	<u>113,114</u>	<u>119,838</u>
Operating profit		157,470	607,326
Finance income		24,120	18,264
Finance expenses		<u>(4,757)</u>	<u>(4,474)</u>
Profit before income tax	4	176,833	621,116
Income tax expense	5	<u>(19,437)</u>	<u>(125,684)</u>
Profit and total comprehensive income for the year		<u>157,396</u>	<u>495,432</u>
Attributable to:			
Owners of the Company		107,959	352,009
Non-controlling interests		<u>49,437</u>	<u>143,423</u>
		<u>157,396</u>	<u>495,432</u>
Earnings per share attributable to owners of the Company			
Basic and diluted earnings per share (RMB)	6	<u>0.0180</u>	<u>0.0587</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		2,162,498	1,892,095
Right-of-use assets		425,922	436,292
Deposits for acquisition of property, plant and equipment		29,909	38,946
Equity investment		21,954	9,995
Deferred tax assets		14,719	61,999
Total non-current assets		<u>2,655,002</u>	<u>2,439,327</u>
Current assets			
Inventories		730,676	866,404
Trade and other receivables	8	563,697	589,550
Income tax recoverable		3,365	-
Pledged bank deposits		500,056	207,582
Cash and cash equivalents		899,830	1,002,985
Total current assets		<u>2,697,624</u>	<u>2,666,521</u>
Total assets		<u><u>5,352,626</u></u>	<u><u>5,105,848</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		530,230	532,500
Other reserves		473,149	481,536
Retained earnings		2,658,450	2,581,054
		<u>3,661,829</u>	<u>3,595,090</u>
Non-controlling interests		<u>274,724</u>	<u>226,693</u>
Total equity		<u><u>3,936,553</u></u>	<u><u>3,821,783</u></u>

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Deferred income		164,751	244,722
Deferred tax liabilities		58,948	73,410
Total non-current liabilities		223,699	318,132
Current liabilities			
Trade and other payables	9	433,655	369,149
Advances from customers		175,490	205,166
Income tax payable		–	54,522
Borrowings		559,365	285,925
Dividend payable		–	27,307
Employee housing deposits		23,864	23,864
Total current liabilities		1,192,374	965,933
Total liabilities		1,416,073	1,284,065
Total equity and liabilities		5,352,626	5,105,848

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 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of accounting policies
Amendments to HKAS 8, Definition of accounting estimates
Amendments to HKAS 12, Deferred tax related to assets and liabilities arising from a single transaction
Amendments to HKAS 12, International tax reform-pillar two model rules

The adoption of these new and amended standards and interpretation does not have any significant impact to the results and financial position of the Company.

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>
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
	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	1,485,860	–	–	1,485,860
Reportable segment profit	230,169	396,677	–	626,846
Unallocated income				45,065
Unallocated expenses				(64,585)
Finance income				18,264
Finance expenses				(4,474)
Profit before income tax				621,116
Other segment information:				
Depreciation	106,948	99,072	78,784	284,804

During the years ended 31 December 2023 and 2022, 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 RMB10,856,939,000 and RMB940,595,000 (2022: RMB11,493,571,000 and RMB455,281,000) 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

	2023 RMB'000	2022 RMB'000
Amortisation of government grants	80,371	81,766
Gain on sale of scrap material	20,506	21,841
Gain on disposals of property, plant and equipment	1,644	9,403
Written off of property, plant and equipment	(3,300)	(208)
Net foreign exchange gain	7,532	1,538
Sewage treatment	1,993	2,875
Government grants (note)	534	1,185
Gain on futures	12	601
Others	3,822	837
	<u>113,114</u>	<u>119,838</u>

Note:

For the years ended 31 December 2023 and 2022, 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:

	2023 RMB'000	2022 RMB'000
Cost of inventories	10,044,812	10,555,375
Salaries, wages and other benefits	250,463	251,116
Pension scheme contributions	16,658	15,063
Depreciation of property, plant and equipment	266,982	273,929
Depreciation of right-of-use assets	10,370	10,875
Research expenses (note)	160,490	324,108
Auditor's remuneration		
– Audit service	1,069	1,054
– Non-audit service	212	195
	<u>10,753,996</u>	<u>11,756,615</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

	2023 RMB'000	2022 RMB'000
Current income tax		
– PRC Enterprises Income Tax (“EIT”)	–	139,076
– Over-provision in prior years	(13,381)	(5,156)
Deferred tax	32,818	(8,236)
	<u>19,437</u>	<u>125,684</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% (2022:15%).

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 PRC 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 2023 and 2022.

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:

	2023	2022
Profit attributable to owners of the Company (RMB'000)	107,959	352,009
Weighted average number of ordinary shares in issue (thousands)	<u>5,990,605</u>	<u>5,994,132</u>

The basic and diluted earnings per share for the years ended 31 December 2023 and 2022 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:

	2023 RMB'000	2022 RMB'000
2022 final dividend of HK0.69 cents per share (2021: HK0.69 cents)	<u>38,133</u>	<u>34,882</u>

Subsequent to 31 December 2023, the Directors proposed a final dividend of HK0.69 cents (2022: HK0.69 cents) per share, amounting to HK\$41,183,000 (2022: 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 2023.

8 Trade and other receivables

	2023 RMB'000	2022 RMB'000
Trade receivables	136,797	145,594
Bank acceptance bills	266,487	239,531
Prepayments and other tax receivables	149,336	195,490
Others	<u>11,077</u>	<u>8,935</u>
	<u>563,697</u>	<u>589,550</u>

The carrying amounts of trade and other receivables are mainly denominated in RMB. The provision of loss allowance for trade receivables for both years 2023 and 2022 was nil.

The Group normally grants credit period ranging from 0 to 150 days (2022: 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:

	2023 RMB'000	2022 RMB'000
0-30 days	127,923	134,162
31-60 days	7,479	5,391
61-90 days	123	1,022
Over 90 days	<u>1,272</u>	<u>5,019</u>
	<u>136,797</u>	<u>145,594</u>

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

	2023 RMB'000	2022 RMB'000
Bills on hand	177,221	131,039
Endorsed bills	70,681	48,792
Discounted bills	<u>18,585</u>	<u>59,700</u>
	<u>266,487</u>	<u>239,531</u>

The bank acceptance bills are normally with maturity period of 180 days (2022: 180 days). There is no recent history of default on bank acceptance bills.

As at 31 December 2023, bank acceptance bills of RMB4,000,000 (2022: RMB7,530,000) and discounted bills of RMB18,585,000 (2022: RMB59,700,000) were pledged to banks for securing bank borrowings.

9 Trade and other payables

	2023 RMB'000	2022 RMB'000
Trade payables	132,443	188,973
Bills payables	<u>4,000</u>	<u>7,530</u>
Total trade and bills payables	136,443	196,503
Payable for construction and equipment	177,975	64,653
Payroll and welfare payables	40,258	33,843
Accrued expenses	27,307	31,949
Tender deposits	18,659	19,636
Other tax payables	14,287	12,464
Sales commission	2,995	3,140
Others	<u>15,731</u>	<u>6,961</u>
	<u>433,655</u>	<u>369,149</u>

As at 31 December 2023, bills payables are secured by bank acceptance bills of RMB4,000,000 (2022: RMB7,530,000).

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

	2023 RMB'000	2022 RMB'000
0-60 days	107,164	163,355
61-90 days	1,051	2,558
Over 90 days	<u>28,228</u>	<u>30,590</u>
	<u>136,443</u>	<u>196,503</u>

The average credit period on purchases is 80 days (2022: 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.

INDUSTRY REVIEW AND COMPANY DEVELOPMENT

OVERVIEW

The business environment in 2023 was worlds apart as compared with 2022. Many cornstarch and lysine manufacturers resumed their operations robustly in 2023 and boosted the supply of various products rising like a rocket. However, the market demand for various products increased at paces substantially lower than the increase in the market supply. These resulted in a serious problem of oversupply within a very short period of time and caused market prices for finished goods to fall like a stick. The decrease in market price and the lack of market demand gradually eased in the second half of 2023. Certain cornstarch and lysine manufacturers temporarily suspended their operations under the critical market conditions. On the other hand, the market demand for corn derived products and lysine recovered slightly.

Under this new market environment, most small-scale and less efficient market players could not return to this battlefield in the corn deep-processing industry. The management expected that the market will consolidate the existing production capacity and bring a new equilibrium demand and supply in the coming year.

BUSINESS DEVELOPMENT

Although there were many adverse factors in the market during the year under review, the Group has not reduced its commitment to the business development in this industry. The Group will deploy resources on the reduction of production cost by upgrading existing equipment and using more energy-saving machineries.

The annual production capacity of lysine products had increased to 500,000 tonnes by the end of 2023. This enlarged scale of production facilities could effectively reduce our unit cost and allow us to offer our products at more favourable prices in this highly competitive economic environment, and in the meantime, maintain our market shares without compromising our margin level.

The table below sets out the annual production capacity of the Group of each of our major products at the end of 2023:

Products	Tonnes
Cornstarch	2,700,000
Lysine	500,000
Starch-based sweetener (Crystallised)	150,000
Modified starch	100,000
D-lactic acid	20,000

In addition, the construction of lactide and polylactide trial production lines, which was not included in the table above, was completed by the end of 2023. The trial production lines will be used for the new product development and market research according to the research schedule and/or the prevailing market conditions of these related products.

Our other project under Shouguang Juneng Musashino Biotechnology Co., Ltd. in relation to 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 Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

BUSINESS REVIEW

UPSTREAM PRODUCTS

During the year under review, the Group was challenged by the problem of oversupply in the domestic market and the indirect competition with other replaceable products. The average market prices for agriculture commodities, including soybean, wheat and corn, in 2023 was lower than that of 2022, which reflected the sluggish economy around the globe. This trend drove down the market prices of finished goods which were derived from soybean, wheat and other grains. The end-users might shift their demand from corn-derived products to other replaceable materials taking into consideration of the price fluctuations.

Upstream products segment was our major business segment, which contributed approximately 72.9% of our turnover for the year. As a result, our business performance was affected during the year under review.

FERMENTED AND DOWNSTREAM PRODUCTS

In 2022, the Group benefited from the strong demand in fermented and downstream products, which resulted from the expansion of the pig-farming production capacity after the end of African Swine Fever pandemic previously. However, this situation in 2023 turned around, in which the oversupply in pork led to a significant reduction in their market prices and in turn, affected the number of pigs in the pig-farming industry. Two of our major products, lysine and corn gluten meal (upstream products), were substantially affected under this market condition as they are the raw materials for the production of animal feeds.

During the year under review, the business performance of lysine was affected by the poor market atmosphere in the pig-farming industry. Our operation was affected in the first half of the year as our production capacity has not been fully utilised due to the reduced demand of animal feeds, but such situation has gradually recovered in the second half of the year.

The business performance of starch-based sweetener was affected by the problem of oversupply and weakened domestic food and beverage demand. The sales team tried to reach out to and solicit new customers outside the traditional food and beverage industry as starch-based sweetener could also be used in other industries, such as battery manufacturing.

Modified starch was still affected by the city sewage control policy during the year under review. However, the improvement in our production knowhow and the promotion of use of liquid modified starch mitigated such adverse factor. In addition, the Group also engaged external professional sewage treatment companies to solve the residue liquid during the modified starch dehydration process. During the year under review, the Group recorded a substantial growth in the sales volume of modified starch.

New biobased material was affected by the domestic market condition. The business performance of new biobased material was lower than the initial expectations of the management for the first half of 2023, but gradually recovered in the second half of the year.

FINANCIAL PERFORMANCE

OVERVIEW

During the year under review, total revenue of the Group reduced slightly by 1.3% to approximately RMB11,797,534,000 (2022: RMB11,948,852,000). Gross profit of the Group decreased significantly by 53.2% to approximately RMB556,572,000 (2022: RMB1,190,475,000).

Profit after taxation decreased significantly to RMB157,396,000 (2022: RMB495,432,000). Basic earnings per share of the Company was RMB0.0180 per share based on the weighted average number of 5,990,605,000 ordinary shares (2022: RMB0.0587 per share based on the weighted average number of 5,994,132,000 ordinary shares).

SEGMENT PERFORMANCE

Upstream products

	2023	2022
	RMB'000	RMB'000
Revenue	8,596,863	8,705,998
Gross profit	129,951	441,715
Gross profit margin	1.5%	5.1%

Revenue of upstream products decreased slightly by 1.3% to RMB8,596,863,000 (2022: RMB8,705,998,000). The gross profit margin of this business segment decreased by 3.6 percentage point to 1.5%. The upstream product segment contributed most of our revenue and gross profits to the Group. During the year under review, the average selling price of cornstarch decreased by 2% to RMB2,816 (2022: RMB2,872) per tonne. The sales volume of cornstarch was approximately 2,007,204 tonnes (2022: 1,953,563 tonnes).

Fermented and downstream products

	2023 RMB'000	2022 <i>RMB'000</i>
Revenue		
– Lysine	2,261,792	2,424,684
– Starch-based sweetener	472,198	541,364
– Modified starch	351,583	196,006
- Others	115,098	80,800
	<hr/> 3,200,671 <hr/>	<hr/> 3,242,854 <hr/>
Total		
	3,200,671	3,242,854
Gross profit	426,621	748,760
Gross profit margin	13.3%	23.1%

Revenue of fermented and downstream products decreased to RMB3,200,671,000 (2022: RMB3,242,854,000).

Revenue of lysine decreased from approximately RMB2,424,684,000 to RMB2,261,792,000. The overall sales volume of lysine products was about 340,746 tonnes (2022: 314,179 tonnes). The sales volume of lysine products increased by 8.5% as a result of an increase in production capacity of lysine production facilities from 300,000 tonnes to 500,000 tonnes during the year under review. The average selling price of lysine products was about RMB6,638 (2022: RMB7,718) per tonne.

Revenue of starch-based sweetener was approximately RMB472,198,000 (2022: RMB541,364,000). The market price of starch-based sweetener was highly affected by the price of cane sugar. The average selling price of starch-based sweetener increased substantially by 15.5% to RMB2,629 (2022: RMB2,277) per tonne because the price of cane sugar recorded a substantial increase during the year under review. The sales volume of starch-based sweetener decreased by 24.4% to 179,598 tonnes (2022: 237,718 tonnes).

Revenue of modified starch was RMB351,583,000 (2022: RMB196,006,000). The increase in revenue of modified starch was mainly attributable to the successful development of liquid-modified starch market and the solution of the dehydration-sewage problem during the year under review.

Revenue of other fermented products increased substantially by 42.4% to approximately RMB115,098,000 (2022: RMB80,800,000). The substantial increase in revenue from biobased material was mainly attributable to the full year effect after the trial-run in 2022.

Cost of sales and gross profit

During the year under review, the total cost of sales increased to RMB11,240,962,000 (2022: RMB10,758,377,000). The average corn kernel cost of the Group for the year 2023 was stable as compared with the last year (2023: RMB2,543 per tonne and 2022: RMB2,550 per tonne). The second largest cost of sales was utilities. The average prices of electricity and steam was also stable in the past two years.

As the market prices for certain finished goods, such as cornstarch, corn gluten meal, corn germs, lysine and modified starch in 2023 were lower than that in 2022, the gross profit of the Group decreased to RMB556,572,000 (2022: RMB1,190,475,000).

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 2023 decreased to RMB157,175,000 (2022: RMB171,044,000). The decrease in distribution expenses was mainly attributable to a decrease in delivery expenses which was partly offset by an increase in the packaging costs as a result of using more durable and protective package materials.

Distribution expenses for the years ended 31 December 2023 and 2022 mainly comprised of the following:

	2023 RMB'000	2022 <i>RMB'000</i>
Delivery and logistics	125,177	141,651
Marketing expenses	15,570	14,989
Staff costs	8,388	8,335
Others	8,040	6,069
	<u>157,175</u>	<u>171,044</u>

Administrative expenses for the year ended 31 December 2023 decreased to RMB194,551,000 (2022: RMB207,835,000). The decrease was mainly attributable to a decrease in staff costs, government levies, and repairing expenses. Administrative expenses for the years ended 31 December 2023 and 2022 mainly comprised of the following:

	2023 RMB'000	2022 <i>RMB'000</i>
Staff costs	104,833	108,655
Depreciation and amortisation expenses	35,658	32,147
Government levies	26,939	31,094
Others	27,121	35,939
	<u>194,551</u>	<u>207,835</u>

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 RMB324,108,000 to RMB160,490,000. The decrease was mainly attributed to the reduced number of research projects. In addition, the level of expenses was also affected by the progression status and the complexity of each project. 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 decreased to RMB113,114,000 (2022: RMB119,838,000). The major items of other net income for the years ended 31 December 2023 and 2022 are set out below:

	2023 RMB'000	2022 <i>RMB'000</i>
Amortisation of government grants	80,371	81,766
Gain on sales of scrap materials	20,506	21,841
Net foreign exchange gain	7,532	1,538
Sewage treatment	1,993	2,875
Gain on disposals of property, plant and equipment	1,644	9,403
Government grants (one-off)	534	1,185
Gain on futures contracts	12	601
Written off of property, plant and equipment	(3,300)	(208)
Others	3,822	837
	<u>113,114</u>	<u>119,838</u>

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	2023	2022
Debtors turnover	days	12	11
Creditors turnover	days	5	7
Inventories turnover	days	26	25
Current ratio	times	2.3	2.8
Quick ratio	times	1.6	1.9
Gearing ratio (<i>note 1</i>)	%	10.5	5.6
Total shareholder return (<i>note 2</i>)	%	-36.5	9.4

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 2023, all borrowings of the Group are short-term borrowings. The aggregated bank borrowings of approximately RMB518,585,000 were denominated in Renminbi and carried interest at fixed rates. In addition, the loan from a controlling shareholder of the Company of RMB40,780,000 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. As at 31 December 2023, most of cash and cash equivalents are denominated in Renminbi.

PLEDGE OF ASSETS

As at 31 December 2023, the Group did not pledge any leasehold land and building to secure banking facilities. As at 31 December 2023, the Group provided a deposit of RMB500,000,000 and bank acceptance bills of RMB18,585,000 for securing banking facilities and bills payables respectively.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2023.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company's reserves available for distribution to shareholders amounted to approximately RMB125,739,000.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK0.69 cents per share for the year ended 31 December 2023 ("2023 Final Dividend"). The 2023 Final Dividend is subject to the approval of the shareholders of the Company in the 2024 Annual General Meeting ("2024 AGM"), and is expected to be paid on or around 17 July 2024.

ANNUAL GENERAL MEETING

The 2024 AGM of the shareholders of the Company will be held on 21 May 2024. Details of the arrangements will be provided in the Company's Circular in relation to the 2024 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 16 May 2024 to 21 May 2024, 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 2024 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 2024. 15 May 2024 is a statutory holiday in Hong Kong.

The 2023 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 14 June 2024, being the record date for determination of entitlement to the final dividend. The Register of Members of the Company will be closed from 13 June 2024 to 14 June 2024, 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 12 June 2024.

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

During the year ended 31 December 2023, the Company repurchased 25,565,000 shares of the Company on the Stock Exchange at an aggregate consideration of HK\$3,375,000. All of these shares repurchased by the Company were cancelled prior to 31 December 2023 and the total number of shares of the Company in issue has been reduced accordingly. Details of the share repurchases are set out as follows:

2023	Number of shares	Price per share		Aggregate price paid <i>HK\$'000</i>
		Highest <i>HK\$</i>	Lowest <i>HK\$</i>	
August	700,000	0.145	0.142	101
September	1,500,000	0.135	0.131	201
October	6,785,000	0.130	0.128	875
November	8,570,000	0.139	0.130	1,148
December	8,010,000	0.134	0.127	1,050
	<u>25,565,000</u>			<u>3,375</u>

Save as disclosed above, there was no other purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the year ended 31 December 2023.

CORPORATE GOVERNANCE

The Company had complied with the applicable code provisions as set out in Part 2 of 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 2023 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 2023 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 2023 have been reviewed by the audit committee of the Board.

ANNUAL REPORT

The 2023 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 16 April 2024.

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

Hong Kong, 20 March 2024

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