

TARGET

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CHINA STARCH HOLDINGS LTD: THE PAIN MUST HAVE BEEN EXCRUCIATING !

On or about Wednesday, June 14, 2023, it would be difficult to believe that shareholders and prospective investors of China Starch Holdings Ltd (中國澱粉控股有限公司) (Code: 3838, Main Board, The Stock Exchange of Hongkong Ltd) were not taken aback on reading the announcement, penned by Mr Tian Qi Xiang (田其祥), the Chairman of the Board of Directors.

That Wednesday's announcement, headlined, '**PROFIT WARNING**', intimated in the rowing vernacular, that the Company had '*caught a crab*.'

The following is a verbatim copy of that shocking announcement, published and disseminated in the **Hongkong Special Administrative Region (HKSAR)** of the **People's Republic of China (PRC)**:

*'This announcement is made by China Starch Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined under the Listing Rules) under Part XIV A of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).*

*'The board of directors (the "**Board**") of the Company wishes to inform its shareholders (the "**Shareholders**") and potential investors that, based on the preliminary review of the unaudited consolidated management accounts of the Group for the five months ended 31 May 2023 (the "**Period**") and the information currently available to the Board, the Group is expected to record a loss before taxation of approximately RMB32 million, as compared to the profit before taxation of approximately RMB365 million for the corresponding period in 2022.*

'The decline in the Group's results was mainly attributable to the following factors:

- ‘(i) The abundant supply of soybean and the decrease in its international prices during the Period, which caused a substantial decrease in the prices of soybean by-products (eg. soybean meal) and indirectly affected the prices of corn by-products and derivative products (eg. corn germ, corn germ meal and lysine);*
- ‘(ii) The substantial decrease in wheat prices during the Period, which led to a reduction in the use of cornstarch as a replacement material for wheat by customers;*
- ‘(iii) Subsequent to the lifting of COVID-19 control measures in China, many Chinese manufacturers resumed their operations, which led to an increase in the supply of and a decrease in the prices of cornstarch and its derivative products. Meanwhile, there was insufficient demand from both domestic and international markets for various products, such as cornstarch, which affected the profit margins;*
- ‘(iv) The electricity and steam costs remained high during the Period; and*
- ‘(v) A substantial decrease in swine prices resulted in a decrease in demand for animal feeds and breeding markets, which in turn affected the demand for lysine during the Period.*

‘The management of the Group maintains a conservative view on the market condition for the second half of 2023. Nonetheless, the management considers that the current market condition does not materially affect the financial position of the Group as well as its business development and expansion plans.

‘The information contained in this announcement is based on the preliminary assessment by the Board mainly with reference to information currently available, including the unaudited consolidated management accounts of the Group for the Period, which is yet to be finalized and has not yet been audited or reviewed by the audit committee of the Company. Shareholders and potential investors are advised to read carefully the interim results announcement of the Company for the six months ending 30 June 2023 which is expected to be published in August 2023.

‘Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.’

THE 2022 ANNUAL REPORT OF CHINA STARCH HOLDINGS LTD

On or about Thursday, April 13, 2023, Management of China Starch Holdings Ltd published and disseminated its 2022 Annual Report in the HKSAR.

The principal activity of the Company is investment holding.

The principal activities of the Company's subsidiaries included the manufacture and sales of cornstarch, lysine*, starch-based sweetener, modified starch, and ancillary corn-based and corn-refined products.

The Company's revenue is derived from two, distinct business segments, to wit: (i) Upstream products; and, (ii) fermented and downstream products.

The production of such activities is carried in the PRC, exclusively.

Upstream products represent cornstarch and its by-products, including corn gluten meal, corn germ, corn fibre and corn slurry.

Fermented and downstream ... [CLICK TO ORDER FULL ARTICLE](#)

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