CHINA CORN OIL

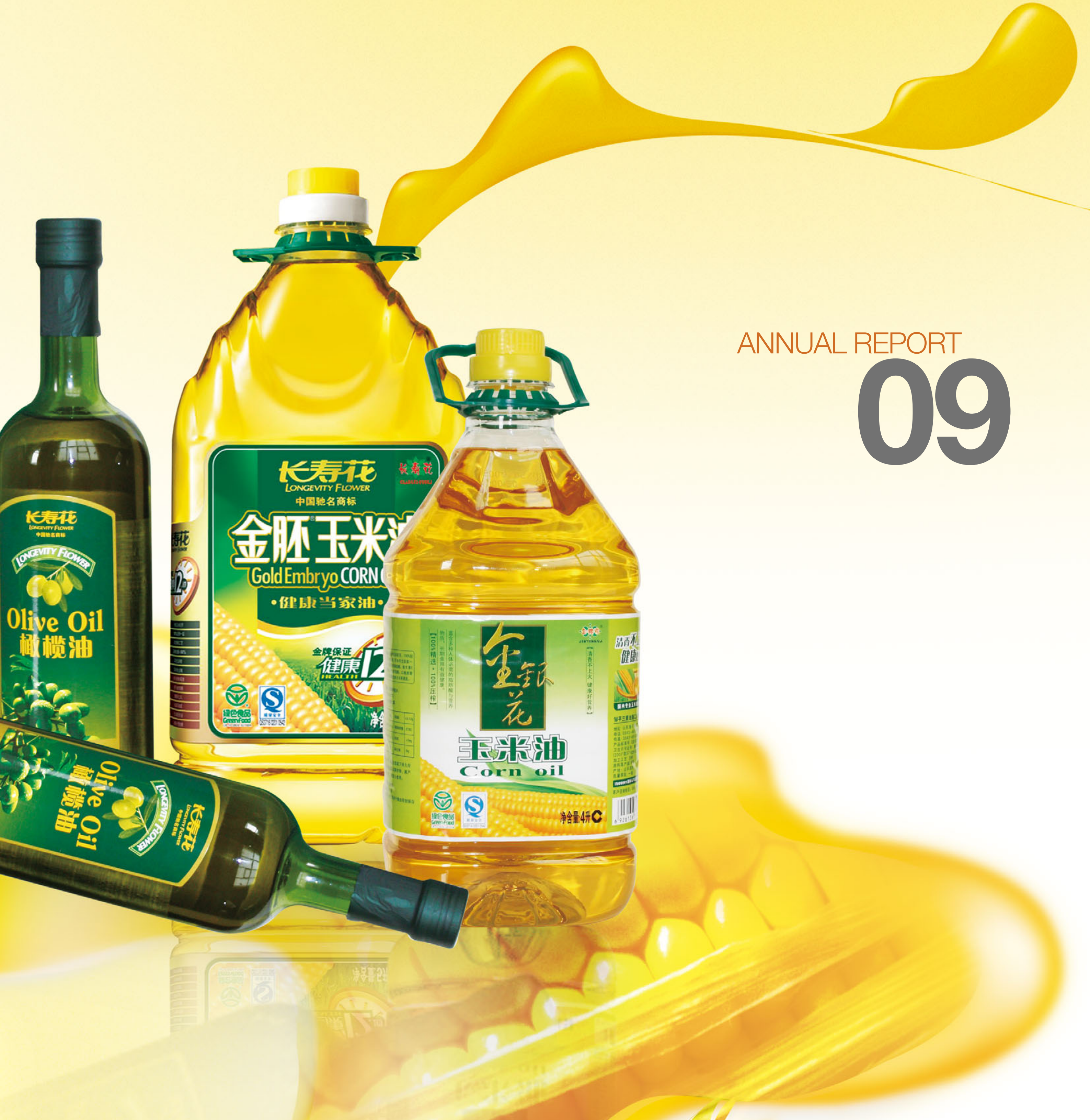
中國玉米油股份有限公司 Company Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1006)

ANNUAL REPORT

09



Content

CHINA
Corn Oil
ANNUAL REPORT **2009**

Corporate Information

Executive Directors
Wang Mingxing
Wang Mingfeng
Wang Mingliang
Wang Fuchang
Sun Guohui
Huang Da

Non-executive Director
Ke Shifeng

Independent Non-executive Directors
Wang Aiguo
Liu Shusong
Wang Ruiyuan

Company Secretary
Chan Yuen Ying, Stella

Audit Committee
Wang Aiguo *(Chairman)*
Wang Ruiyuan
Liu Shusong

Remuneration Committee
Wang Mingxing *(Chairman)*
Wang Aiguo
Wang Ruiyuan
Liu Shusong

Nomination Committee
Wang Mingxing *(Chairman)*
Wang Aiguo
Wang Ruiyuan
Liu Shusong

Auditors
Grant Thornton

Solicitors
As to Hong Kong Law:
Baker & McKenzie

As to PRC law:
Grandall Legal Group (Shanghai)

As to Cayman Islands Law:
Conyers Dill & Pearman

Principal Registrars
Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

Branch Registrars
Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Compliance Adviser
Taifook Capital Limited

Principal Bankers
Agricultural Bank of China, Zouping Sub-branch
Bank of China, Zouping Sub-Branch
ICBC, Zouping Sub-Branch

Registered Office
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong
Room 313, 3rd Floor
Central Building
Pedder Street
Central
Hong Kong

Stock Code
Hong Kong Stock Exchange: 1006

Website
http://www.chinacornoil.com/

Chairman's Statement

On behalf of the Board, I would like to present to the shareholders the annual results and audited consolidated financial statements of China Corn Oil Company Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2009.

Public Offer and the Placing

The Company was incorporated in the Cayman Islands on 9 September 2009 and was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 18 December 2009 following successful placing and public offer of 175,000,000 new shares at an issue price of HK$3.59 per share (the "Share Offer"), together with the exercise of the over-allotment option by the underwriters which a further 26,250,000 shares were issued on 30 December 2009. The Company raised net proceeds of approximately HK$684.5 million from the Share Offer to fund its future enhancement in brand image and recognition, enhancement and expansion of our marketing and distribution network, expansion of production capacity to increase market penetration and improve our expertise and technical know-how, with an aim to continue to be the leading edible corn oil manufacturer in the People's Republic of China ("PRC").

Financial Performance

For the year ended 31 December 2009, the Group's revenue was RMB1,163,981,000 and the profit distributable to shareholders was RMB120,027,000.

Final Dividend

The Board of Directors did not recommend the payment of a final dividend for the year ended 31 December 2009.

Business Review

The Group is principally engaged in manufacture of edible corn oil products for (1) domestic sales under our brand of 長壽花 (Longevity Flower) in the PRC consumer market; and (2) domestic or export bulk sales mainly to other companies engaging in the sale of edible corn oil under their own brands. During the year under review, the Group continued to be one of the leading edible corn oil manufacturer in the PRC with production volume of 131,000 tonnes (2008: 76,600 tonnes) of edible corn oil in 2009.

The Group has commenced in 2010 the construction of a new production plant located next to the existing production plant of the Group for the refinement process ("New Refinement Plant") in anticipation of the growing demand for its edible oil products. The New Refinement Plant will house an additional production line for the Group's refinement production process and is expected, upon full operation, to add an additional annual production capacity of 100,000 tonnes of corn and other oil for the refinement process. The Group can obtain crude corn oil for the refinement processing into edible corn oil via (i) the squeezing process of corn embryo by the Group; or (ii) direct purchase of crude corn oil by the Group from crude corn oil suppliers. In addition, the Group is considering to expand its squeezing production capacity by the construction of a new squeezing production plant ("New Squeezing Plant") outside Shandong province in order to strengthen the Group's sourcing of crude corn oil for its refinement process. As at the date of this report, the Group has not entered into any contract in relation to the construction of the New Squeezing Plant.

The Group has enhanced and expanded the marketing and distribution network for the year ended 31 December 2009. As at 31 December 2009, the Group had a distribution network of approximately 60 (2008: 50) wholesale distributors and approximately 36 (2008: 24) retailers covering 20 provinces and/or administrative municipalities in the PRC and 7 (2008: 7) sales representative offices.

The Group's research and development team and Henan University of Technology (河南工業大學) have together developed a new edible corn oil product ("New Corn Oil Product") with phytosterol as an ingredient which can help to reduce cholesterol in the human body and in turn lower the risk of heart diseases. The New Corn Oil Product was launched to the market in 2010.

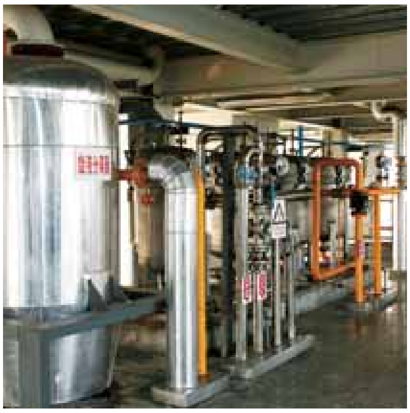
Appreciation

I would like to take this opportunity to express my sincere gratitude to the contributions by all our Directors, management team and all staff to the Group. Also thanks for the support from our business partners, investors and shareholders throughout all these years.

Wang Mingxing
Chairman

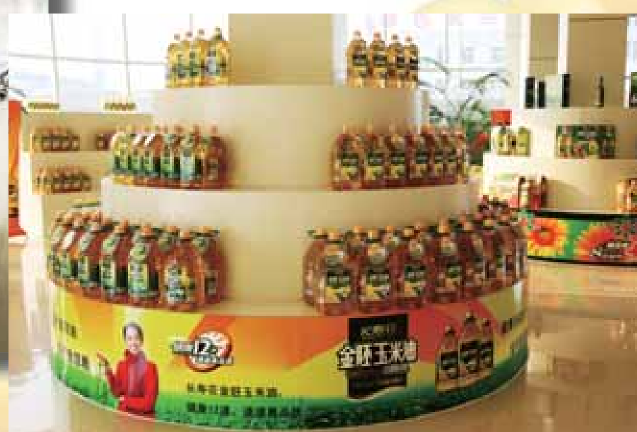
Hong Kong, 14 April 2010

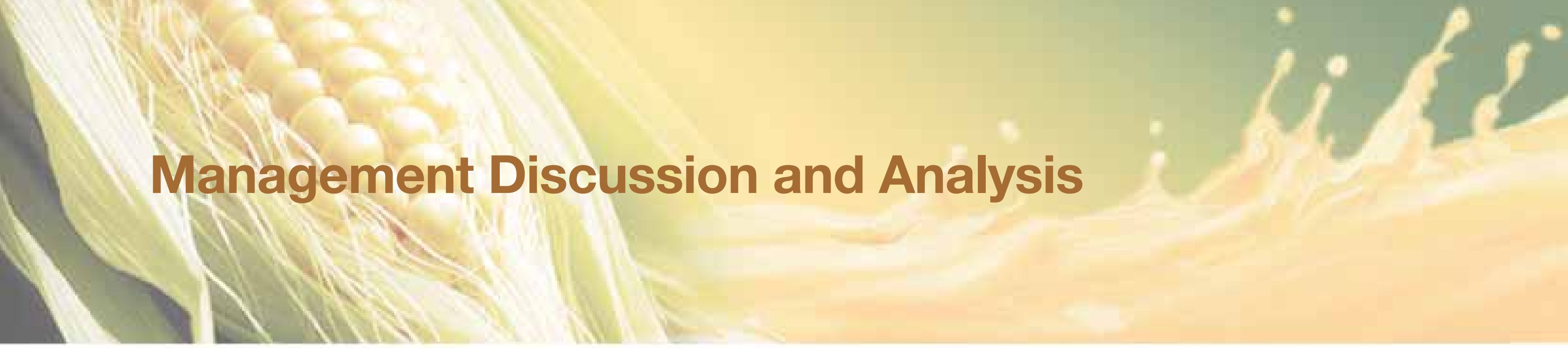
Management Discussion and Analysis



Financial Review

For the year ended 31 December 2009, the Group's recorded revenue of approximately RMB1,164 million, representing a growth of approximately 24.6% over the revenue of RMB934 million in 2008. For the year ended 31 December 2009, the sales of (1) non-branded corn oil in bulk, (2) corn oil under our brand, (3) corn meal and (4) other oil amounted to approximately RMB730 million, RMB189 million, RMB155 million and RMB91 million (2008: RMB645 million, RMB115 million, RMB138 million and RMB36 million) respectively and accounted for approximately 62.7%, 16.2%, 13.3% and 7.8% (2008: 69.0%, 12.3%, 14.8% and 3.9%) respectively of the Group's total revenue for that year. Sales of corn oil under the brand of the Company were all made in the PRC whilst the sales of the other products of the Company were made both in the PRC and overseas. Revenue from the PRC, Middle East and other overseas countries accounted for approximately 96.1%, 2.7% and 1.2% (2008: 69.8%, 23.7% and 6.5%) respectively of the Group's total sales for the year ended 31 December 2009.



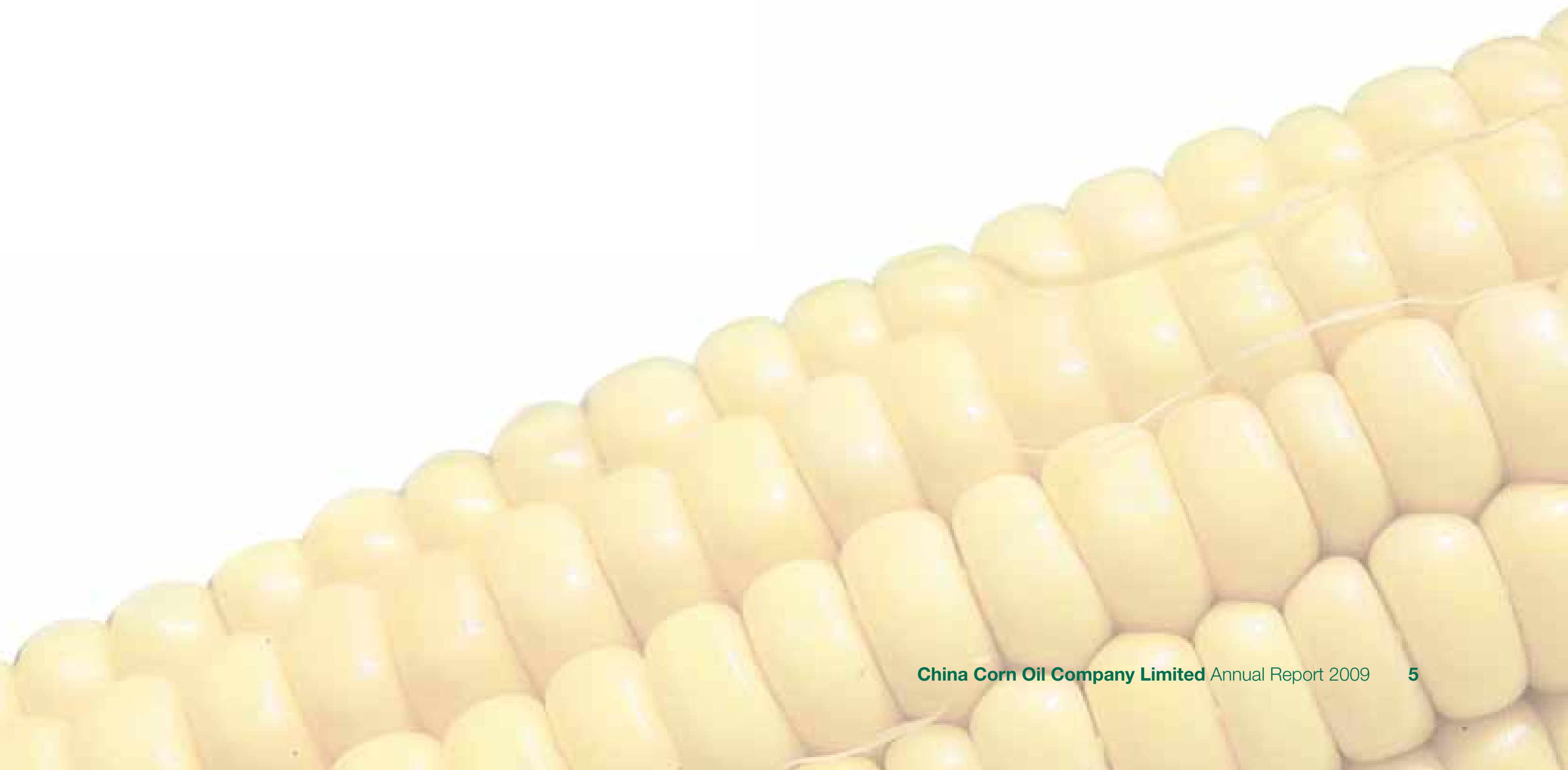


Management Discussion and Analysis

Revenue and gross profit/(loss)

The following table sets forth the breakdown of revenue and gross profit/(loss) margin by product categories:

	Year ended 31 December 2009		Year ended 31 December 2008	
	RMB'000	**%**	*RMB'000*	*%*
Revenue				
Corn oil				
– Non-branded corn oil	**729,578**	**62.7%**	644,837	69.0%
– Corn oil under our brands	**189,014**	**16.2%**	114,757	12.3%
Corn meal	**154,860**	**13.3%**	138,493	14.8%
Other oil	**90,529**	**7.8%**	35,917	3.9%
	1,163,981	**100%**	934,004	100.0%
Gross profit/(loss)				
Corn oil				
– Non-branded corn oil	**92,194**	**61.7%**	79,859	80.0%
– Corn oil under our brands	**45,298**	**30.3%**	19,468	19.5%
Corn meal	**(154)**	**(0.1)%**	(511)	(0.5)%
Other oil	**12,202**	**8.1%**	1,021	1.0%
	149,540	**100%**	99,837	100.0%
Gross profit/(loss) ratio				
Corn oil				
– Non-branded corn oil		**12.6%**		12.4%
– Corn oil under our brands		**24.0%**		17.0%
Corn meal		**(0.1)%**		(0.4)%
Other oil		**13.5%**		2.8%
Overall		**12.9%**		10.7%



Management Discussion and Analysis

Fluctuations of the average selling prices of corn oil products

The following table shows the fluctuations of the average selling prices of the Group's corn oil products:

	Year ended 31 December 2009	Year ended 31 December 2008
Quantities sold (tonnes)		
Non-branded corn oil	**109,546**	64,965
Branded corn oil	**21,521**	9,803
Average selling price		
Non-branded corn oil	**6,660**	9,926
Branded corn oil	**8,783**	11,707
Percentage (decrease)/increase of average selling price		
Non-branded corn oil	**(32.9)%**	29.6%
Branded corn oil	**(25.0)%**	13.4%

Fluctuations of the average purchase prices of raw materials

The following table shows the fluctuations of the average purchase prices of major raw materials:

	Percentage increase/(decrease)	
	Year ended 31 December 2009	Year ended 31 December 2008
Corn embryo	**(22.3)%**	16.9%
Crude corn oil	**(36.7)%**	30.8%

Fluctuations in revenue

The significant increase in the revenue of the Group by approximately RMB230 million or 24.6% from 2008 to approximately RMB1,164 million for the year ended 31 December 2009 was the combined result of: (i) the increase in the sales of corn oil under our brand by approximately RMB74.3 million or 64.7%; (ii) the increase in the sales of non-branded corn oil in bulk by approximately RMB84.7 million or 13.1%; (iii) the increase in the sales of other oil by approximately RMB54.6 million or 152%; and (iv) the increase in the sales of corn meals by approximately RMB16.4 million or 11.8%.

The sales volume of corn oil under our brand and non-branded corn oil in bulk for the year ended 31 December 2009 increase significantly by approximately 119.5% and 68.6% respectively compared to 2008 which was mainly due to the Group's newly installed refining production line commenced production by end of 2008. The significant increase in the sales volume of corn oil under our brand can further be explained by the increase in retail sales demand in the second half of 2009 and the marketing and distribution efforts of the Group. The increased sales volume was off-set by the drop in the average selling price of corn oil under our brand and non-branded corn oil in bulk for the year ended 31 December 2009 by approximately 25.0% and 32.9% respectively compared with that of 2008. Such drop was mainly due to the drop in corn oil price in 2009 as a result of the adverse impact on the economy in the PRC in 2009 due to the financial crisis in late 2008. The net effect resulted in the increase in the sales of corn oil under our brand and non-branded corn oil in bulk by approximately 64.7% and 13.1% respectively. The sales of other oil for the year ended 31 December 2009 mainly comprised sunflower seed oil, olive oil, soybean oil and palm oil. The increase in sales of other oils by approximately RMB54.6 million or 152% is mainly due to (1) the significant increase in the sales volume of sunflower seed oil and olive oil under our brand by approximately RMB22.3 million as a result of the increase in retail sales demand in the second half of 2009; and (2) the Company recorded bulk sale of palm oil in 2009 whereas none was noted in 2008. The Company undertook the trading of palm oil in 2009 with an aim to explore new customer market, yet the Company does not intend to develop further in this product segment given its limited business potentials. The sales of corn meal increased by approximately RMB16.4 million or 11.8% mainly due to the increase of squeezing amount of corn oil where corn meal is produced as a by product at squeezing stage.

Fluctuations in gross profit and gross profit margin

The gross profit for the year ended 31 December 2009 was approximately RMB149.5 million (2008: RMB99.8 million) with gross profit margin of approximately 12.9% (2008: 10.7%), of which gross profit/(loss) margin for the sales of (1) non-branded corn oil in bulk; (2) corn oil under our brand, (3) corn meal and (4) other oil was approximately 12.6%, 24.0%, (0.1)% and 13.5% respectively (2008: 12.4%, 17.0%, (0.4)% and 2.8% respectively). The increase in the Group's overall gross profit margin was mainly due to the increase in the proportion of sales generated from corn oil under our brand which has a higher gross profit margin among the Group's product mix. The increase in the gross profit margin of corn oil under our brand from 17.0% in 2008 to 24.0% in 2009 was mainly due to the Group directly sold some own brand products to supermarkets and retailers in the second half of 2009. The increase in the gross profit margin of other oil from 2.8% in 2008 to 13.5% in 2009 was mainly due to the market prices of other oils were at a decreasing trend during the second half of 2008 while the market prices of other oils in 2009 is more stable.

Cost of Sales

The cost of sales includes costs of raw materials, labour and manufacturing overhead. Labour costs include wages and other compensation paid to production workers. Manufacturing overhead includes freight costs, depreciation and utilities expenses. The costs of raw materials constituted the largest component of total cost of sales and accounted for approximately 93.0% of the total costs of sales for the year ended 31 December 2009 (2008: 89.4%).

Other income

Other income of approximately RMB23.9 million comprised mainly comprised sales of scrap materials of approximately RMB12.9 million (2008: RMB15.0 million) and government grant received of RMB8.5 million (2008: nil). The increase in other income for the year ended 31 December 2009 was mainly due to no government grant was received by the Group in 2008.

Selling and distribution expenses

Selling and distribution expenses comprised mainly advertising expense, carriage and transportation charges and staff costs for sales staff.

Administrative expenses

Administrative expenses comprised mainly staff costs for administrative staff, exchange loss for export sales denominated in US dollars and other office expenses.

Income tax expense

Corn Industry was approved as a foreign invested enterprise in 2007 and was entitled for exemption of PRC enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year tax losses, followed by a three-year 50% tax deduction. For the year ended 31 December 2008, Corn Industry enjoyed 100% exemptions and was subject to EIT tax rate of 12.5% for the year ended 31 December 2009. As such, no income tax expense was noted for the year ended 31 December 2008.

Management Discussion and Analysis

Profit before taxation and profit attributable to shareholders

The Group recorded profit before taxation of approximately RMB136.2 million for the year ended 31 December 2009 (2008: RMB91.4 million), representing an increase of approximately 49.1% compared to 2008. The profit before tax margin of the Group for the year ended 31 December 2009 was 11.7% (2008: 9.8%). The Group recorded profit attributable to owners of the Company for the year ended 31 December 2009 of approximately RMB120 million (2008: RMB91.4 million), representing an increase of approximately 31.3% compared to 2008. The increase in profit attributable to shareholders was mainly due to the net result of the increase in gross profit, increase in other income, increase in selling and distribution costs and the increase in income tax expense. The net profit margin of the Group for the year ended 31 December 2009 was 10.3% (2008: 9.8%).

The basic earnings per share attributable to owners of the Company amounted to approximately RMB36.17 cents for the year ended 31 December 2009, as compared to approximately RMB28.11 cents for the year ended 31 December 2008.

Future Plans

The Group aim to continue to be the leading edible corn oil manufacturer in the PRC and to develop 長壽花 (Longevity Flower) as a leading brand in the PRC edible corn oil consumer market so as to maximize the shareholders' value. The Company will continue to enhance brand image and recognition of 長壽花 (Longevity Flower) and continue to strengthen the marketing efforts in the PRC. The Company also plans to enhance the marketing and distribution network as well as to explore new business opportunities in the future, and continue to penetrate and to increase its market shares.

In addition, as stated in the above paragraph, the Company intends to expand its production capacity by (i) continuing the construction of the New Refinement Plant and (ii) considering the construction of the New Squeezing Plant.

The Company also intended to invest additional resources to strengthen the research and capacities and to improve the expertise and technical know-how in relation to product quality and production techniques of edible corn oil products.

Liquidity and Financial Resources

At 31 December 2009, the Group's unsecured interest-bearing bank borrowings, which are repayable within one year, amounted to approximately RMB50,000,000 (2008: Nil) with a fixed interest rate at 5.841% per annum as at 31 December 2009. The Group's cash and cash equivalents amounted to RMB638,843,000 (2008: RMB34,216,000). The Group's current ratio is 7.54 times (2008: 2.77) and the gearing ratio (a ratio of total loans to total equity) was 4.88% (2008: Nil).

The Group's cash and bank balances as at 31 December 2009 amounted to RMB638,843,000 (2008: RMB34,216,000). The significant increase was due to proceeds from the share offer.

Capital Structure

The Group's adopts a prudent treasury policy, and its gearing ratio (calculated as total borrowings divided by the amount of shareholders' equity) as at 31 December 2009 was 4.88%. The current ratio (calculated as current assets divided by current liabilities) as at 31 December 2009 was 7.54 times. The Group continued to monitor stringent debt collection policy so as to minimize the risks of sales on credit and to ensure that funds are timely collected.

Use of Net Proceeds From the Company's Initial Public Offering

The Company was listed on the Stock Exchange on 18 December 2009 with net proceeds from the share offer ("IPO Net Proceeds") amounted to approximately HK$684.5 million (RMB602.8 million). As at 31 December 2009, none of such IPO Net Proceeds had been used by the Group and was placed in short-term deposit bank accounts. The Group will apply the IPO Net Proceeds in the manner set out in the prospectus of the Company dated 8 December 2009 (the "Prospectus").

Capital Expenditure

During the year ended 31 December 2009, the Group's capital expenditures on property, plant and equipment consisted primarily of additions to buildings, plants and machinery, office equipment and construction in progress of approximately RMB40,941,000 (2008: RMB186,654,000). Subsequent to 31 December 2009, the Group commenced the construction work of a new production line for the refinement production to add an additional annual production capacity of 100,000 tonnes of corn and other oil for the refinement process which is in line with the 'Future Plans and Use of Proceeds' as set out in the Prospectus.

Material Acquisition and Disposals of Subsidiaries

Save for the undertaking of the reorganization in preparation for the listing of the Company's shares on the Stock Exchange as more particularly described in the Prospectus, the Group did not have any material any acquisition or disposal of subsidiaries or associates during the year ended 31 December 2009.

Significant Investments Held

There were no significant investments held by the Company as at 31 December 2009.

Employee Benefits

As at 31 December 2009, the Group had a total of 637 employees (2008: 494). The Group's staff costs (including directors' fees) amounted to RMB12,200,000 (2008: RMB9,092,000). The remuneration policy of the Company is reviewed annually by the Remuneration Committee of the Company and is in line with the prevailing market practice. During the period ended 31 December 2009, the Company has not granted any share options to its employees or directors under the share option scheme of the Company adopted on 23 November 2009.

As required by the PRC regulations on social insurance, the Company participates in the social insurance schemes operated by the relevant local government authorities which include retirement pension, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance.

Charges on Assets

During the year ended 31 December 2009, none of the Group's assets has been pledged.

Foreign Currency Exposure

The Group is exposed to foreign currency risk primarily through sales that are denominated in a currency other than the functional currency of the entity within the Group to which they related. The currency give rise to this risk are mainly € and US$, but the Group does not consider that there is significant foreign exchange risk.

Renminbi is currently not a freely convertible currency. A portion of the Group's Renminbi revenue or profit may be converted into other currencies to meet foreign currency obligations of the Group such as the payment of dividends, if declared.

Capital Commitments and Operating Lease Commitments

The Group has capital commitment in respect of properties, plant and equipment of approximately RMB768,000 (2008: Nil) as at 31 December 2009. The Group has operating lease commitments of RMB30,000 in respect of properties as at 31 December 2009 (2008: RMB2,860,000).

Management Discussion and Analysis

Exposure to Fluctuations in Exchange Rates and Related Hedge

Most transactions of the Group are settled in Renminbi ("RMB") since the operations of the Group are mainly carried out in the PRC, and the major subsidiaries of the Group are operating in a RMB environment and the functional currency of the major subsidiaries is RMB. The reporting currency of the Group is presented in RMB. The Group has exported the edible oil and refined oil products to the Middle East, Singapore and Malaysia and the transactions were settled in either United States Dollars or Euro. The Group's cash and bank deposits are predominantly denominated in either Hong Kong Dollars or RMB. The Company will pay dividends in Hong Kong Dollars if dividends are declared. The Directors are of the view that RMB is relatively stable against the other currencies and the Group will closely monitor the fluctuations in exchange rates, and that hedging by means of derivative instruments is therefore not necessary.

Contingent Liabilities

As at 31 December 2009, the Group has no material contingent liabilities.

Final Dividend

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2009.

Corporate Governance Report

The Company is committed to maintaining good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value.

Corporate Governance Practice

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("CG Code") as set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

During the period from 18 December 2009 to 31 December 2009, the Company was in compliance with the code provisions set out in the CG Code except that code A.2.1 requires the role of chairman and chief executive officer should be separate and should not be performed by the same individual.

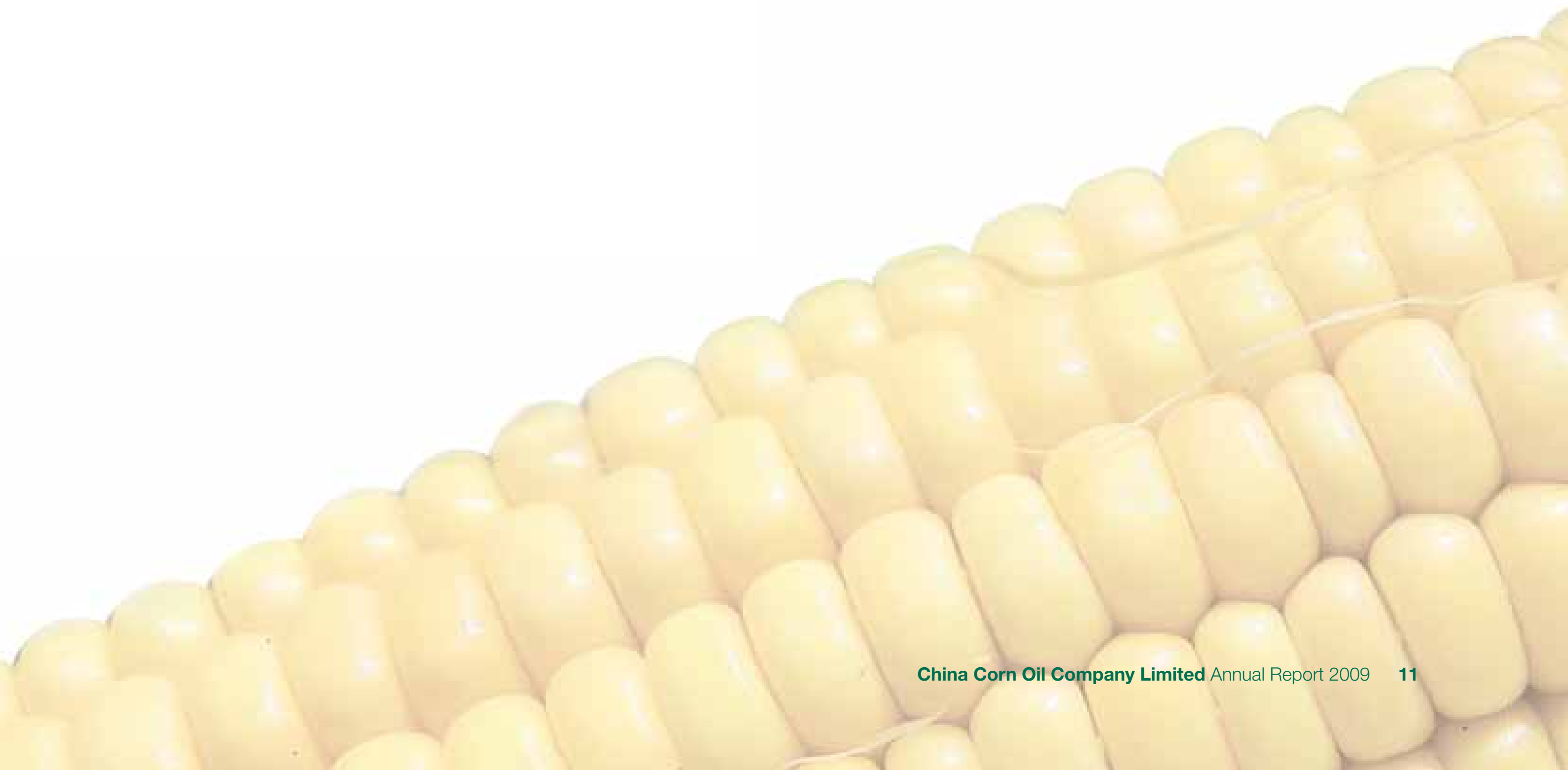
Save as those mentioned above and in the opinion of the Directors, the Company has met the code provisions set out in the CG Code during the period from 18 December 2009 to 31 December 2009.

Directors' Securities Transactions

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") at set out in Appendix 10 to the Listing Rules. Having made specific enquiry to all Directors, the Company confirmed that all Directors have complied with the required standards set out in the Model Code during the period from 18 December 2009 to 31 December 2009.

Board of Directors ("Board")

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The management was delegated the authority and responsibility by the Board for the management of the Group. In addition, the Board has also delegated various responsibilities to the Board Committees. Further details of these committees are set out in this report.



Corporate Governance Report

The Board currently consists of ten Directors including six executive Directors, one non-executive Director and three independent non-executive Directors:

Executive Directors

Mr. WANG Mingxing *(Chairman and Chief Executive Officer)*
Mr. WANG Mingfeng
Mr. WANG Mingliang
Mr. WANG Fuchang
Mr. SUN Guohui
Mr. HUANG Da

Non-executive Director

Mr. KE Shifeng

Independent non-executive Directors

Mr. WANG Aiguo
Mr. LIU Shusong
Mr. WANG Ruiyuan

Mr. Wang Mingxing is the younger brother of Mr. Wang Mingfeng and the elder brother of Mr. Wang Mingliang, and they are together with Mr. Sun Guohui are shareholders of Shandong Sanxing Group Company Limited which holds 33.6% interest in Zouping Sanxing Grease Industry Limited, the controlling shareholder of the Company.

Save as aforesaid, the Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board and has met the recommended practice under the CG Code for the Board to have at least one-third of its members comprising independent non-executive Directors. The biographical information of the Directors are set out on pages 26 to 32 under the section headed "Biographical Details of Directors and Senior Management".

The Board decides on corporate strategies, approves overall business plans and evaluates the Group's financial performance and management. Specific tasks that the Board delegates to the Group's management include the implementation of strategies approved by the Board, the monitoring of operating budgets, the implementation of internal controls procedures, and the ensuring of compliance with relevant statutory requirements and other rules and regulations.

Chairman and Chief Executive Officer

Mr. Wang Mingxing, the Chairman of the Company, was also appointed as the chief executive officer of the Company. The Board believes that vesting the roles of both Chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by current Board which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive Directors.

Non-executive Directors

The non-executive Director and the three independent non-executive Directors are persons of high caliber, with academic and professional qualifications in the fields of accounting, laws and oil industry. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director gives an annual confirmation of his independence to the Company, and the Company considers each of them to be independent under Rule 3.13 of the Listing Rules.

The non-executive Directors are appointed for a term of three years and are subject to retirement by rotation in accordance with the Articles of Association of the Company.

Board Meetings

The Company was incorporated in the Cayman Islands on 9 September 2009 and registered as an oversea company under Part XI of the Companies Ordinance on 24 November 2009. During the financial year ended 31 December 2009, the Board held one meeting:

Name of Director	Number of attendance
Mr. Wang Mingxing	1/1
Mr. Wang Mingfeng	1/1
Mr. Wang Mingliang	1/1
Mr. Wang Fuchang	1/1
Mr. Sun Guohui	1/1
Mr. Huang Da	1/1
Mr. Ke Shifeng	1/1
Mr. Wang Aiguo	1/1
Mr. Liu Shusong	1/1
Mr. Wang Ruiyuan	1/1

Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

Audit Committee

The Company established an audit committee (the "Audit Committee") on 23 November 2009. The Audit Committee of the Company comprises three independent non-executive Directors, namely Mr. Wang Aiguo (as Chairman), Mr. Wang Ruiyuan and Mr. Liu Shusong.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of such auditors; reviewing the interim and annual reports and accounts of the Group; and overseeing the Group's financial reporting system and internal control procedures.

Terms of reference adopted by the Audit Committee are aligned with the code provisions set out in the CG Code.

The Audit Committee meets the external auditors at least once a year to discuss any area of concern during the audits or review. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual report. The Audit Committee noted the existing internal control policies of the Group and also noted that review of the same will be carried out and anticipate there may have further improvement to the said policies.

During the financial year ended 31 December 2009, no meeting for the Audit Committee was held since the Audit Committee was only established on 23 November 2009.

Corporate Governance Report

Nomination of Directors

In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in the metals casting industry and/or other professional area.

The Company established a Nomination Committee, with written terms of reference, on 23 November 2009 and consists of one executive Director, namely Mr. Wang Mingxing (as chairman) and three independent non-executive Directors, namely Mr. Wang Aiguo, Mr. Wang Ruiyuan and Mr. Liu Shusong.

The functions of the Nomination Committee are to reviewing and supervising the structure, size and composition of the Board, identifying qualified individuals to become members of the Board, assessing the independence of independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors.

During the financial year ended 31 December 2009, no meeting for the Nomination Committee was held since the Nomination Committee was only established on 23 November 2009.

Remuneration of Directors

The Company established a Remuneration Committee, with written terms of reference, on 23 November 2009 and consists of one executive Director, namely Mr. Wang Mingxing (as chairman) and three independent non-executive Directors, namely Mr. Wang Aiguo, Mr. Wang Ruiyuan and Mr. Liu Shusong.

The functions of the Remuneration Committee are to establishing and reviewing the policy and structure of the remuneration for the Directors and senior management.

During the financial year ended 31 December 2009, no meeting for the Remuneration Committee was held since the Remuneration Committee was only established on 23 November 2009.

The Company has adopted a share option scheme on 23 November 2009. The purpose of the share option scheme is to enable the Board to grant options to selected eligible participants to motivate them and to optimize their performance and efficiency for the benefit of the Group. Details of the share option scheme are set out in the Directors' Report. The emolument payable to Directors will depend on their respective contractual terms under employment contracts, if any, and as recommended by the Remuneration Committee. Details of the Directors' remuneration for the year ended 31 December 2009 are set out in note 13 to the financial statements.

Auditors' Remuneration

During the year under review, the remuneration paid to the Company's auditors, Grant Thornton, is set out below:

Services rendered	**Fee paid/payable RMB'000**
Audit services	825
Non-audit services	1,760
	2,585

Corporate Governance Report

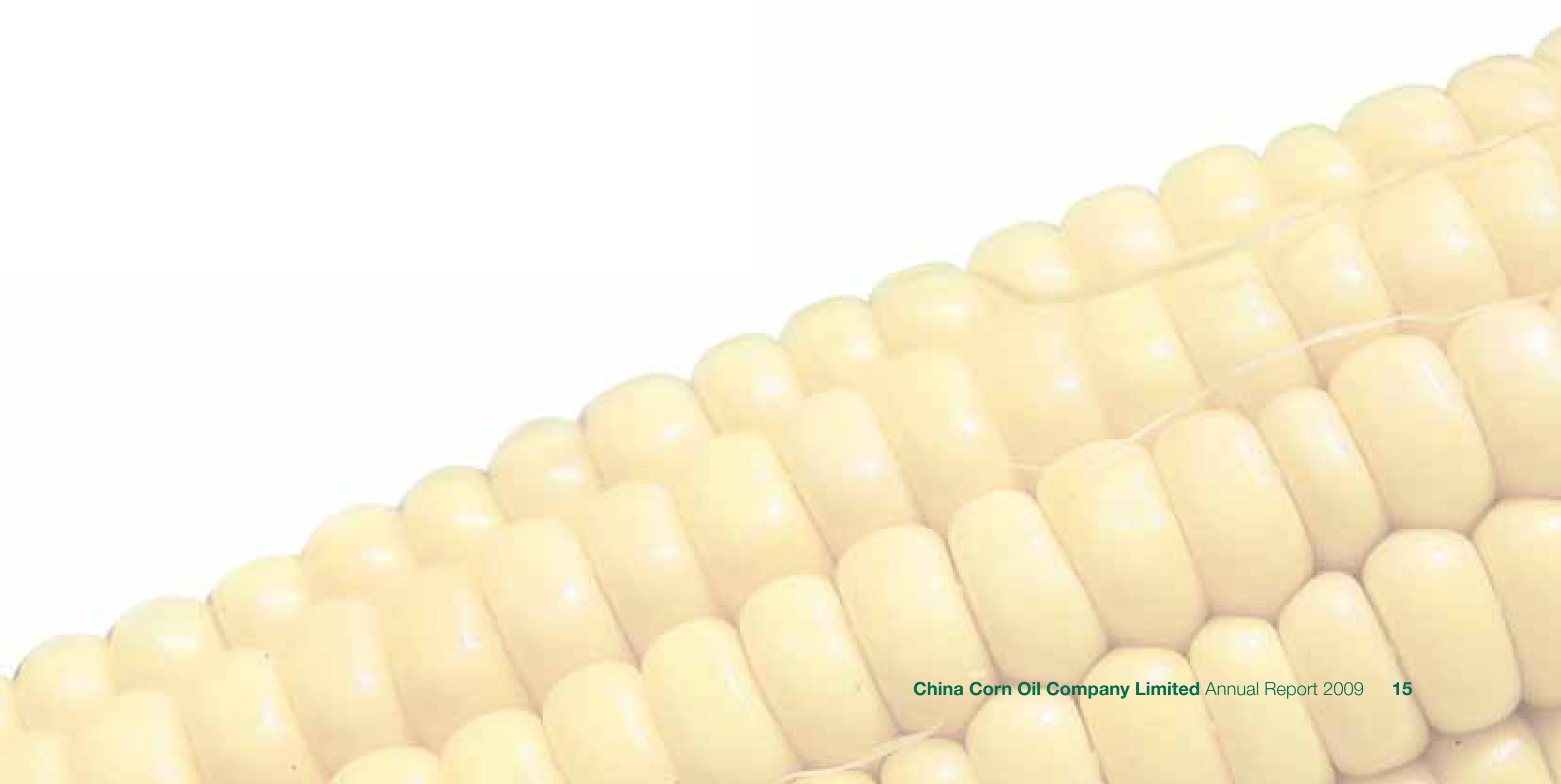
Internal Control

The Board has conducted a review of the effectiveness of the Group's internal control system, covering its financial, operational, compliance control and risk management functions.

Directors' Responsibilities for the Financial Statements

The Board of Directors acknowledges its responsibility to prepare the Company's account for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2009, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.



Report of the Directors

The board of directors ("Directors") of the Company is pleased to submit their first report together with the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2009.

Reorganisation and Initial Public Offering

The Company was incorporated in the Cayman Islands as exempted company with limited liability on 9 September 2009. Pursuant to a reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), the Company became the holding company of the companies now comprising the Group.

Use of Proceeds From the Company's Initial Public Offering

The proceeds from the Company's issue of new shares in connection with its listing on the Stock Exchange, after deduction of related expenses, amounted to approximately HK$684.5 million, which are intended to be applied in accordance with the proposed applications set out in the section headed "Future plans and use of net proceeds from the Share Offer" in the prospectus of the Company dated 8 December 2009 ("Prospectus"). Up to the date of this report and in line with the plans to expand the production capacity of the Group as set out in the Prospectus, approximately HK$78.5 million was utilised for the construction of new production plant of the Group respectively. The remaining net proceeds is temporarily placed in short term deposits with licensed banks in the PRC.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 16 to the financial statements.

Results and Appropriations

The Group's profit for the year ended 31 December 2009 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 35 to 81.

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2009.

Annual General Meeting

The 2010 annual general meeting of the Company ("2010 AGM") will be held on Tuesday, 1 June 2010.

Share Capital

Details of movements in the Company's share capital for the year ended 31 December 2009 are set out in note 26 to the financial statements.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association ("Articles") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company ("Shareholders").

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period from 18 December 2009 to 31 December 2009.

Distributable Reserves

As at 31 December 2009, the Company's reserves available for distribution to the shareholders amounted to approximately RMB92,351,000.

Report of the Directors

Directors

The Directors of the Company during the year and up to the date of this report were as follows:

Executive Directors

Mr. Wang Mingxing	(appointed on 9 September 2009)
Mr. Wang Mingfeng	(appointed on 23 November 2009)
Mr. Wang Mingliang	(appointed on 23 November 2009)
Mr. Wang Fuchang	(appointed on 9 September 2009)
Mr. Sun Guohui	(appointed on 23 November 2009)
Mr. Huang Da	(appointed on 23 November 2009)

Non-executive Director

Mr. Ke Shifeng	(appointed on 23 November 2009)

Independent Non-executive Directors

Mr. Wang Aiguo	(appointed on 23 November 2009)
Mr. Liu Shusong	(appointed on 23 November 2009)
Mr. Wang Ruiyuan	(appointed on 23 November 2009)

In accordance with article 83(3) of the Company's Articles, all of the above Directors will retire and, being eligible, offered themselves for re-election at the forthcoming 2010 AGM.

Independence Confirmation

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange. The Company considers all of the independent non-executive Directors are independent.

Share Option Scheme

The Company adopted a share option scheme (the "Scheme") which was approved by a resolution of the then sole Shareholder passed on 23 November 2009 and adopted by a resolution of the Board on 23 November 2009. The purpose of the Scheme is to provide incentives to Participants (as defined in the Prospectus) to contribute to the Group by providing the Participants the opportunity to acquire the proprietary interests in the Company and to encourage the Participants to work towards enhancing the value of the Company as well as to enable the Group to recruit high-calibre employees and/or attract human resources that are valuable to the Group.

The principal terms of the Scheme are summarised as follows:

(1) The limit on the total number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other scheme(s) of any member of the Group must not exceed 10% of the nominal amount of all the issued share capital of the Company as at the date of commencement of the listing of the shares on the Stock Exchange, i.e. 18 December 2009 (the "Listing Date") (which shall be 50,000,000 shares) unless Shareholders' approval has been obtained, and which must not in aggregate exceed 30% of the shares in issue from time to time.

As at the date of this report, the total number of shares available for issue under the Scheme is 50,000,000 shares, which represents 9.50% of the issued shares as at the date of this report.

(2) The total number of shares issued and which may be issued upon exercise of all options (whether exercised, cancelled or outstanding) granted to any Participant in any 12-month period shall not exceed 1% of the issued shares as of the proposed grant date.

(3) The subscription price for the shares under the options to be granted under the Scheme will be a price determined by the Board at the time of grant of the options, and will be at least the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant (subject to acceptance) of the options, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares.

(4) An option may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the Board to each Participant who accepts the grant of any options, which must not be more than 10 years from the date of the grant (subject to acceptance) of the option.

(5) HK$1.00 is payable by the Participant who accepts the grant of an option in accordance with the terms of the Scheme on acceptance of the grant of an option.

(6) The Scheme shall be valid and effective for a period of ten years commencing on the Listing Date, i.e. 18 December 2009.

Other details of the Scheme are set out in the Prospectus.

No share option has been granted by the Company since its adoption up to the date of this report.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

Directors' Service Contracts

Each of the executive Directors has entered into a service agreement dated 23 November 2009 with the Company for an initial fixed term of three years commencing from 18 December 2009 (i.e. the date of the shares of the Company commenced listing on the Stock Exchange) until terminated by not less than three months' notice in writing served by either party to the other or in accordance with the provisions set out in the respective service agreement. Each of the executive Directors may receive a discretionary bonus, the amount of which will be determined by reference to the comments of the remuneration committee of the Company.

Each of the non-executive Director and independent non-executive Directors has signed a letter of appointment dated 23 November 2009 with the Company for an initial fixed term of three years commencing from the Listing Date unless terminated by not less than three months' notice in writing served by either party on the other.

None of the Directors who are proposed for re-election at the 2010 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

None of the Directors had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Directors' Interests in Shares

As at 31 December 2009, the interest or short positions of the Directors in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), are set out below:

1. Interests in the shares, underlying shares of the Company

Name of Director	Nature of interest	Long position/ Short position	Number and class of securities	Approximate percentage of shareholding
Mr. Wang Mingxing	Interest of controlled corporations (Note)	Long position	269,037,249 ordinary shares	51.12%
Mr. Wang Mingfeng	Interest of controlled corporations (Note)	Long position	269,037,249 ordinary shares	51.12%
Mr. Wang Mingliang	Interest of controlled corporations (Note)	Long position	269,037,249 ordinary shares	51.12%

Note: Mr. Wang Mingxing, Mr. Wang Mingfeng and Mr. Wang Mingliang (the "Wang Brothers") are deemed to be interested in 268,883,630 and 153,619 shares held by SanXing Trade Co., Ltd. ("Sanxing Trade") and China Corn Oil S.A., whereby China Corn Oil S.A. ("Corn Oil Luxembourg") is owned as to approximately 82.733% by Sanxing Trade, which in turn is owned as 100% by Zouping Sanxing Grease Industry Company Limited ("Sanxing Grease"), which in turn is owned as to 33.4% by Mr. Wang Mingxing, 16.5% by Mr. Wang Mingfeng, 16.5% by Ms. Huo Chunling ("Ms. Huo") and 33.6% by Shandong Sanxing Group Company Limited ("Shandong Sanxing"), which in turn is owned as to 20.4% by Mr. Wang Mingfeng, 20% by Mr. Wang Mingxing, 20% by Mr. Wang Mingliang.

2. Interest in associated corporations

Name of Directors	Name of associated corporations	Nature of interest	Long position/ Short position	Approximate percentage of shareholding in the company
Mr. Wang Mingxing	Sanxing Grease	Beneficial owner	Long position	33.4%
	Sanxing Trade	Interest of controlled corporations	Long position	33.4%
	Corn Oil Luxembourg (Note 1)	Interest of controlled corporations	Long position	33.4%
Mr. Wang Mingfeng	Sanxing Grease	Beneficial owner	Long position	16.5%
	Sanxing Trade	Interest of controlled corporations	Long position	16.5%
	Corn Oil Luxembourg (Note 1)	Interest of controlled corporations	Long position	16.5%
Mr. Wing Mingliang	Sanxing Grease	Interest of spouse (Note 2)	Long position	16.5%
	Sanxing Trade	Interest of spouse (Note 2)	Long position	16.5%
	Corn Oil Luxembourg (Note 1)	Interest of spouse (Note 2)	Long position	16.5%

Notes:

1. Pursuant to the resolution passed by the shareholders of Corn Oil Luxembourg at an extraordinary general meeting on 22 December 2009, Corn Oil Luxembourg was put into liquidation with effect on 22 December 2009 and expected will be completed by the first half of 2010.

2. Ms. Huo owns 16.5% equity interest in Sanxing Grease, which holds 100% equity interest in Sanxing Trade, which in turn holds approximately 82.733% interest in Corn Oil Luxembourg. Ms. Huo is the spouse of Mr. Wang Mingliang. Mr. Wang Mingliang is therefore deemed to be interested in 16.5% equity interest in Sanxing Grease.

Save as disclosed above, none of the Directors or chief executive of the Company or their associates, had any interest in short position in the shares, underlying shares or debentures of the Company or its associated corporations which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2009.

Substantial Shareholders

As at 31 December 2009, the interests or short positions of every person, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out below:

1. Interests in the shares and underlying shares of the Company

Name of shareholder	Nature of interest	Long position/ Short position	Number of ordinary shares held	Percentage of the Company's issued share capital
Sanxing Trade (Note 1)	Beneficial owner	Long position	268,883,630	51.12%
	Interest of controlled corporations		153,619	
Sanxing Grease (Note 1)	Interest of controlled corporations	Long position	269,037,249	51.12%
Shandong Sanxing (Note 1)	Interest of controlled corporations	Long position	269,037,249	51.12%
Ms. Huo (Note 2)	Interest of spouse	Long position	269,037,249	51.12%
Martin Currie (Holdings) Limited (Note 3)	Interest of controlled corporations	Long position	32,979,478	6.27%
BNP Paribas Asset Management	Investment manager	Long position	30,019,000	5.70%

Notes:

(1) 153,619 shares were held by Corn Oil Luxembourg (where it is in the process of voluntary winding up which is expected to be completed in the first half of 2010, and upon completion, these 153,619 shares will be distributed by way of transfer to its then existing shareholders on a pro-rata basis), which is owned as to approximately 82.733% by Sanxing Trade; and 268,883,630 shares were held by Sanxing Trade, which is wholly owned by Sanxing Grease, which in turn is owned as to 33.6% by Shandong Sanxing, and therefore, Sanxing Grease and Shandong Sanxing are deemed to be interested in these 269,037,249 shares pursuant to the SFO.

(2) Ms. Huo owns 16.5% equity interest in Sanxing Grease, which holds 100% equity interest in Sanxing Trade. Ms. Huo is the spouse of Mr. Wang Mingliang, an executive Director of the Company and is deemed to be interested in these 269,037,249 shares pursuant to the SFO.

(3) 16,489,739 shares were held by Martin Currie Investment Management Limited and 16,489,739 shares were held by Martin Currie Ltd., whereby Martin Currie Investment Management Ltd. is wholly owned by Martin Currie Ltd., which is turn is wholly owned by Martin Currie (Holdings) Limited, and therefore, Martin Currie (Holdings) Limited is deemed to be interested in these 32,979,478 shares pursuant to the SFO.

(4) These 30,019,000 shares were held by Shinhan BNP Paribas Investment Trust Management Co., Ltd., which is turn is wholly-owned by BNP Paribas Asset Management as investment manager.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2009.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the period from 18 December 2009 to 31 December 2009.

Connected Transactions

The companies now comprising the Group have had entered into a number of transactions with parties who, upon the listing of the Company's shares on the Stock Exchange, became connected persons of the Company under the Listing Rules. Details of such transactions are set out in the section headed "Connected transactions" in the Prospectus.

Exempted continuing connected transactions

The following continuing connected transactions (as defined in the Listing Rules) for the Company which are exempted from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33(3)(b) of the Listing Rules:

1. Sanxing Grease and Shandong Sanxing Corn Industry Technology Company Limited (山東三星玉米產業科技有限公司) ("Corn Industry"), a wholly-owned subsidiary of the Company, entered into two trademark licence agreements dated 16 November 2009 ("Trademark Licence Agreements"), pursuant to which Sanxing Grease agreed to licences to Corn Industry to use the registered trademarks 長壽花 (Longevity Flower) and 金銀花 (Gold & Silver Flower) on an exclusive, sole and royalty-free basis for a term of 10 years commencing from 16 November 2009, which is automatically renewable on a 10-year term upon expiry of the then current term, unless Corn Industry terminates the agreements by written notice prior to the expiry of the said agreements. According to the Trademark Licence Agreements, Corn Industry has options to acquire the registered trademarks 長壽花 (Longevity Flower) and 金銀花 (Gold & Silver Flower) at any time during the term of the agreements for a nominal consideration of RMB10 for each registered trademark.

2. The Company has been purchasing petrol, diesel and lubricating oil from Shandong Sanxing or its subsidiaries (the "Sanxing Group") which are used by the Group's production equipment during the production process. The purchase of the oil products from Sanxing Group for the year ended 31 December 2009 amounted to approximately RMB862,000 which constitute de minimis continuing connected transactions, which are exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Non-exempt continuing connected transactions

The following connected transactions constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

1. Sanxing Grease and Corn Industry entered into the sales agreement (the "Sales Agreement") dated 16 November 2009, pursuant to which Corn Industry agreed to sell edible oil products under the Group's brands to Sanxing Grease for the purpose of on-selling to the retailers by Sanxing Grease, and Sanxing Grease shall perform the sales services, details as set out in the Prospectus, for a term up to 30 June 2010.

   The cap for the annual transaction amount for the sales of edible oil products under the Sales Agreement for the year ended 31 December 2009 is RMB120 million.

   The actual amount for the sales of edible oil products to Sanxing Grease for the year ended 31 December 2009 amounted to approximately RMB113,721,000.

2. Corn Industry and Inner Mongolia Sanxing Food & Oil Industry Company Limited (內蒙古三星糧油工業有限公司) ("Sanxing Mongolia"), a company owned as to approximately 86.7% by Mr. Wang Mingliang, an executive Director of the Company, entered into a master purchase agreement dated 16 November 2009, pursuant to which Sanxing Mongolia agreed to supply corn embryo and sunflower crude oil to Corn Industry for a term of three years commencing from 16 November 2009.

   The cap for the annual transaction amount for the purchases of corn embryo and/or sunflower crude oil under the Master Purchase Agreement for the year ended 31 December 2009 is RMB9 million.

   The actual amount for the purchases of corn embryo and/or sunflower crude oil for the year ended 31 December 2009 amounted to approximately RMB8,903,000.

3. Corn Industry and Shandong Mingda Heat and Electricity Company Limited (山東明達熱電有限公司) ("Shandong Mingda"), a company owned as to 51% by Shandong Sanxing Group Limited (山東三星集團有限公司) (which is owned as to 60.4% by Mr. Wang Mingxing, Mr. Wang Mingliang and Mr. Wang Mingfeng, 4.4% by Mr. Sun Guohui) entered into a steam and electricity supply agreement ("Steam and Electricity Supply Agreement") dated 16 November 2009, pursuant to which Shandong Mingda agreed to supply steam and/or electricity to Corn Industry for a term of three years commencing from 16 November 2009.

   The cap for the annual transaction amount for the supply of steam and/or electricity under the Steam and Electricity Supply Agreement for the year ended 31 December 2009 is RMB25 million.

   The actual amount for the supply of steam and/or electricity for the year ended 31 December 2009 amount to approximately RMB22,244,000.

The Stock Exchange granted to the Company a waiver dated 20 November 2009 under Rule 14A.42(3) of the Listing Rules from compliance with the announcement and/or (where applicable) independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The independent non-executive Directors of the Company have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

1. in the ordinary and usual course of the Group's business;

2. on normal commercial terms or on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and

3. have been carried out in accordance with the terms of the agreement governing such transactions.

The Directors have requested the auditors of the Company to perform certain agreed upon procedures on the continuing connected transactions and have received a letter from the Company's auditors stating their findings that the continuing connected transactions:

(i) had received the approval of the Board of Directors;

(ii) had been entered into in accordance with the relevant agreements governing the continuing connected transactions; and

(iii) had not exceeded the annual cap amount as set out in the Prospectus.

Major Customers and Suppliers

During the year, less than 30% of the Group's turnover and less than 30% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers, respectively.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules since the listing of its shares on the Stock Exchange on 18 December 2009.

Audit Committee

The Company established an audit committee ("Audit Committee") with written terms of reference in compliance with Rule 3.21 of the Listing Rules pursuant to a resolution of the Directors passed on 23 November 2009. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of the external auditor, review the financial statements and material advice in respect of financial reporting and oversee the internal control procedures of the Company. The Audit Committee comprises three independent non-executive directors of the Company, Mr. Wang Aiguo (Chairman of Audit Committee), Mr. Wang Ruiyuan and Mr. Liu Shusong. The Audit Committee have reviewed the annual results of the Group for the year ended 31 December 2009.

Report of the Directors

Corporate Governance

A report on the principal corporate governance practices adopted by the Company is set out on pages 11 to 15 of the 2009 Annual Report.

Auditors

A resolution will be submitted to the 2010 AGM for the re-appointment of Grant Thornton as auditors of the Company.

On behalf of the Board
China Corn Oil Company Limited
Wang Mingxing
Chairman

Hong Kong, 14 April 2010

Biographical Details of Directors and Senior Management

Executive Directors

Mr. Wang Mingxing

Aged 46, the co-founder of the Group. Mr. Wang was appointed as the executive Director of the Company on 9 September 2009. He is the Chairman of the Board and the chief executive officer of the Company. He is also the chairman of each of the Remuneration Committee and Nomination Committee of the Company. Mr. Wang is also an executive director of Zouping Sanxing Grease Industry Company Limited, the controlling shareholder of the Company, and a director of each of Shandong Sanxing Corn Industry Technology Company Limited and Corn Industry Investment Co., Ltd., each of them are the subsidiaries of the Company. He is responsible for the overall strategic planning and management of the Group. Mr. Wang has extensive experience in the corn products industry, and has been engaged in the edible corn oil products business for over seven years. Mr. Wang obtained a bachelor degree in Mechanical Engineering from Shandong University of Technology (山東工業大學) in 1985 and was qualified as a Chinese Career Manager in 2005 by Chinese Career Manager Coalition. Mr. Wang had received a number of awards during the recent years. Among others, he was awarded as The Fifth National Rural Entrepreneur (第五屆全國鄉鎮企業家) by the Ministry of Agriculture of the PRC in 2004. In 2006, Mr. Wang was awarded as The Fourth Entrepreneur of Edible Oil in Shandong (第四屆 "山東省糧油企業家") by The Grain and Food Association of Shangdong Province (山東省糧食行業協會). He was also elected by The China Food Safety Annual Conference (中國食品安全年會組委會) as the Outstanding Managing Entrepreneur of the China Food Safety Annual Conference in 2007 (2007年度中國食品安全年會優秀管理企業家). He was also admitted as a member of China Association for Quality Inspection in 2007. Mr. Wang did not have any directorship in other listed companies in the past three years.

Mr. Wang has entered into a service agreement with the Company for a term of three years commencing from 18 December 2009 unless terminated by not less than three months' notice in writing served by either party to the other. He is subject to retirement and re-election at the first general meeting after his appointment, and thereafter at least once every three years in accordance with the Articles of Association of the Company ("Articles"). The emolument of Mr. Wang for the year ended 31 December 2009 is RMB500,000 which is determined with reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

As at the date of this report, Mr. Wang is interested and deemed to be interested in an aggregate of 269,037,249 shares held by Zouping Sanxing Grease Industry Company Limited ("Sanxing Grease"), the controlling shareholder of the Company, representing approximately 51.12% of the existing issued shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO").

Mr. Wang Mingxing, is the younger brother of Mr. Wang Mingfeng and the elder brother of Mr. Wang Mingliang, both of them are executive Directors of the Company. Save as disclosed above, he does not have any relationship with any other director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

Biographical Details of Directors and Senior Management

Mr. Wang Mingfeng

Aged 51, the co-founder of the Group, was appointed as an executive Director of the Company on 23 November 2009. He is also a director of Shandong Sanxing Corn Industry Technology Company Limited, a subsidiary of the Company. Mr. Wang is responsible for the internal control system of the Group and leads an internal audit team of the Group. He has been engaged in the edible corn oil product business for over six years. Mr. Wang obtained a bachelor degree in Business Administration from Hebei Radio & TV University (河北廣播電視大學) in 1983. He was awarded as Vice President of The Eighth Industrial and Commercial Joint Association in Zhouping (鄒平縣第八屆工商業聯合會副會長) by Chinese Communist Zhouping Committee (中共鄒平縣委員會) in 2006. Mr. Wang was awarded as The Outstanding Business Management Expert of Binzhou City (濱州市"優秀企業經營管理人才") by Chinese Communist Binzhou City Committee (中共濱州市委) and the People's Government of Binzhou City (濱州市人民政府) in 2007. Mr. Wang also became The First Vice President of Binzhou Municipal Association of Grain Sector (濱州市糧食行業協會第一屆理事會副會長) in June 2007. Mr. Wang did not have any directorship in other listed companies in the past three years.

Mr. Wang has entered into a service agreement with the Company for a term of three years commencing from 18 December 2009 unless terminated by not less than three months' notice in writing served by either party to the other. He is subject to retirement and re-election at the first general meeting after his appointment, and thereafter at least once every three years in accordance with the Articles. The emolument of Mr. Wang for the year ended 31 December 2009 is RMB500,000 which is determined with reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

As at the date of this report, Mr. Wang is interested and deemed to be interested in an aggregate of 269,037,249 shares held by Sanxing Grease, representing approximately 51.12% of the existing issued shares of the Company within the meaning of Part XV of the SFO.

Mr. Wang Mingfeng, is the elder brother of Mr. Wang Mingxing and Mr. Wang Mingliang, both of them are executive Directors of the Company. Save as disclosed above, he does not have any relationship with any other director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

Mr. Wang Mingliang

Aged 38, the co-founder of the Group, was appointed as the executive Director on 23 November 2009. He is also a director of Shandong Sanxing Corn Industry Technology Company Limited, a subsidiary of the Company. Mr. Wang is responsible for handling customer relationships. He has been engaged in the edible corn oil product business for over six years. Mr. Wang obtained a bachelor degree in Mechanical Engineering from Harbin University of Science and Technology (哈爾濱科學技術大學) in 1994 and was qualified as an Internal Inspector of Quality System in 2001 by Beijing Oxford and Cambridge Senior Training Center (北京牛津一劍橋高級培訓中心). Mr. Wang further completed the Tsinghua University Chief Executives' Leadership and Commercial Strategy Class (清華大學領導商略總裁高級研修班) in 2006. Mr. Wang was awarded as The Top 10 Factory Manager of Zouping (鄒平縣"十佳廠長") by Chinese Communist Zhouping County (中共鄒平縣委員) and the People's Government of Zouping County (鄒平縣人民政府) in 2004. Mr. Wang did not have any directorship in other listed companies in the past three years.

Mr. Wang has entered into a service agreement with the Company for a term of three years commencing from 18 December 2009 unless terminated by not less than three months' notice in writing served by either party to the other. He is subject to retirement and re-election at the first general meeting after his appointment, and thereafter at least once every three years in accordance with the Articles. The emolument of Mr. Wang for the year ended 31 December 2009 is RMB500,000 which is determined with reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

As at the date of this report, Mr. Wang is interested and deemed to be interested in an aggregate of 269,037,249 shares held by Sanxing Grease, representing approximately 51.12% of the existing issued shares of the Company within the meaning of Part XV of the SFO.

Mr. Wang Mingliang is the younger brother of Mr. Wang Mingfeng and Mr. Wang Mingxing, both of them are executive Directors of the Company. Ms. Huo Chunling (霍春玲), one of the controlling shareholders of the Company, is the spouse of Mr. Wang. Save as disclosed above, he does not have any relationship with any other director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

Mr. Wang Fuchang

Aged 50, the chief financial officer of the Group, was appointed as an executive Director of the Company on 9 September 2009. He is also a director of Shandong Sanxing Corn Industry Technology Company Limited, a subsidiary of the Company. Mr. Wang joined the Group in 2005 as deputy general manager and is responsible for the finance management of the Group. He is experienced in banking system and finance management, and has 12 years of management experience in the food industry before joining Bank of China in 1993. Mr. Wang obtained a bachelor degree in Management Science from Shandong University (山東大學) in 1988. In 1997, Mr. Wang completed an accounting course at Shandong Economic University (山東經濟學院) and in 2003, he completed a law course at Shandong University. In 2006, he completed a course in relation to financial management at Peking University. Mr. Wang did not have any directorship in other listed companies in the past three years.

Mr. Wang has entered into a service agreement with the Company for a term of three years commencing from 18 December 2009 unless terminated by not less than three months' notice in writing served by either party to the other. He is subject to retirement and re-election at the first general meeting after his appointment, and thereafter at least once every three years in accordance with the Articles. The emolument of Mr. Wang for the year ended 31 December 2009 is RMB500,000 which is determined with reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

As at the date of this report, Mr. Wang does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Wang does not have any relationship with any other director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

Biographical Details of Directors and Senior Management

Mr. Sun Guohui

Aged 32, the executive sales manager of the Company. He was appointed as an executive Director of the Company on 23 November 2009. Mr. Sun worked at Zhouping Vehcile Standard Parts Factory (鄒平汽車標準件廠) from 1996 to 2000 and joined the Hainan office of such factory in 1999. Mr. Sun joined the Group in 2000. He is responsible for the sales and marketing of our products. Mr. Sun is familiar with the edible oil industry and is experienced in the sales and marketing affairs. Mr. Sun graduated from Shandong Province Binzhou Agriculture Secondary School (山東省濱州農業學校) in 1994. He further completed the Tsinghua University Chief Executives' Leadership and Commercial Strategy Class (清華大學領導商略總裁高級研修班) in 2006. In 2005 and 2006, Mr. Sun was awarded as an Outstanding Manager by Sanxing Group. He was awarded as Safe Manufacturing Advanced Individual (安全生產先進個人) by Chinese Communist Zhouping County (中共鄒平縣委) and the People's Government of Zouping County (鄒平縣人民政府) in 2006. He was awarded as The Top 10 Outstanding Youth (十佳青年) by Chinese Communist Handian City Committee of the People's Government of Handian City (韓店鎮人民政府中共韓店鎮委員會) in 2008. Mr. Sun did not have any directorship in other listed companies in the past three years.

Mr. Sun has entered into a service agreement with the Company for a term of three years commencing from 18 December 2009 unless terminated by not less than three months' notice in writing served by either party to the other. He is subject to retirement and re-election at the first general meeting after his appointment, and thereafter at least once every three years in accordance with the Articles. The emolument of Mr. Sun for the year ended 31 December 2009 is RMB300,000 and his contribution to pension plans is RMB4,000, which is determined with reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

As at the date of this report, Mr. Sun does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Sun does not have any relationship with any other director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

Mr. Huang Da

Aged 27, was appointed as an executive Director of the Company on 23 November 2009. Mr. Huang joined the Group in 2008. He is responsible for corporate affairs and investor relations. He obtained a master degree in Western Economics from Fudan University (復旦大學) in 2008. Mr. Huang did not have any directorship in other listed companies in the past three years.

Mr. Huang has entered into a service agreement with the Company for a term of three years commencing from 18 December 2009 unless terminated by not less than three months' notice in writing served by either party to the other. He is subject to retirement and re-election at the first general meeting after his appointment, and thereafter at least once every three years in accordance with the Articles. The emolument of Mr. Huang for the year ended 31 December 2009 is RMB300,000 which is determined with reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

As at the date of this report, Mr. Huang does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Huang does not have any relationship with any other director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

Biographical Details of Directors and Senior Management

Non-Executive Director

Mr. Ke Shifeng

Aged 44, was appointed as a non-executive Director of the Company on 23 November 2009. Mr. Ke has 12 years' experience in investment. He was employed by Martin Currie Investment Management Limited from 1997 to 2006 to provide research and investment management services to certain of its clients investing in the Greater China and Taiwan Markets. He also served as a director of Martin Currie Investment Management Limited from February 2004 to June 2006. Since 2006, Heartland Capital Management Ltd has seconded Mr. Ke to Martin Currie Investment Management Ltd and its affiliates, including Martin Currie Inc (collectively "Martin Currie"). Through this arrangement, Mr. Ke continues to provide research and investment management services to certain clients of Martin Currie, including the China Fund Inc., on a full time basis with the same roles and responsibilities as a full time employee. He obtained a Master of Business Administration degree from the University of Edinburgh in 1997. Mr. Ke was appointed to the Board based on his substantial experience set out above and his management skills, which the Group consider can enhance the overall management and strategic development of the Company. Mr. Ke did not have any directorship in other listed companies in the past three years.

Mr. Ke has signed a letter of appointment with the Company for a term of three years commencing from 18 December 2009 unless terminated by not less than three months' notice in writing served by either party on the other. He is subject to retirement and re-election at the first general meeting after his appointment, and thereafter at least once every three years in accordance with the Articles. Mr. Ke does not entitled to any of the director's fee for the year ended 31 December 2009.

As at the date of this report, Mr. Ke does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Ke does not have any relationship with any other director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

Independent Non-Executive Directors

Mr. Wang Aiguo

Aged 44, was appointed as an independent non-executive Director of the Company on 23 November 2009. He is also the chairman of the Audit Committee of the Company and a member of each of the Remuneration Committee and Nomination Committee of the Company. Mr. Wang is currently the Dean of the School of Accounting of Shandong Economic University and a member of the council of the Accounting Society of China (中國會計學會). He obtained a doctorial degree in Management Science and Engineering from Tianjin University (天津大學) in 2006. Mr. Wang engages in researches in the area of accounting and auditing. His publications include Accounting Theory Research–building up an accounting theory model with Chinese feature (會計理論研究－構建中國特色的會計理論體系) published by Nanhai Publishing Company (南海出版公司) in 1995, Cost Accounting Theory (成本會計理論) published by Inner Mongolia University Press (內蒙古大學出版社) in 1999, and Innovative Research on the Strategic Management Mode of High-Technique Enterprise (高技術企業戰略管理模式的創新研究) published by Shandong People's Publishing House (山東人民出版社) in 2009. His research papers were also published in various finance and accounting journals. He is currently an independent director of Laiwu Steel Corporation, an A-share company listed on the Shanghai Stock Exchange, engaging in the manufacture and sale of cast iron, steel, steel materials, and steel bands. Save as aforesaid, Mr. Wang did not have any directorship in other listed companies in the past three years.

Mr. Wang has signed a letter of appointment with the Company for a term of three years commencing from 18 December 2009 unless terminated by not less than three months' notice in writing served by either party on the other. He is subject to retirement and re-election at the first general meeting after his appointment, and thereafter at least once every three years in accordance with the Articles. Mr. Wang does not entitled to any of the director's fee for the year ended 31 December 2009.

As at the date of this report, Mr. Wang does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Wang does not have any relationship with any other director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

Mr. Liu Shusong

Aged 44, was appointed as an independent non-executive Director on 23 November 2009. He is also a member of each of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Mr. Liu obtained a master degree in Laws from China University of Political Science and Law (中國政法大學) in 2001. He was jointly accredited as The Top 10 Lawyer in the City ("全市十佳律師") by Binzhou Judiciary (濱州市司法局) and Binzhou Law Society (濱州市律師協會) in 2004. In the same year, Mr. Liu was recognised as Shandong Province Outstanding Member of China Democratic League (中國民主同盟山東省優秀盟員). Mr. Liu was also awarded as The Seventh "Top 10 Outstanding Youngsters in Binzhou" (第七屆"濱州十大傑出青年") in August 2005. Mr. Liu was a committee member of The Nineth Binzhou City Chinese People's Political Consultative Conference Committee (中國人民政治協商會議第九屆濱州市委員會) in 2008. Mr. Liu did not have any directorship in other listed companies in the past three years.

Mr. Liu has signed a letter of appointment with the Company for a term of three years commencing from 18 December 2009 unless terminated by not less than three months' notice in writing served by either party on the other. He is subject to retirement and re-election at the first general meeting after his appointment, and thereafter at least once every three years in accordance with the Articles. Mr. Liu does not entitled to any of the director's fee for the year ended 31 December 2009.

As at the date of this report, Mr. Liu does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Liu does not have any relationship with any other director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

Biographical Details of Directors and Senior Management

Mr. Wang Ruiyuan

Aged 71, was appointed as an independent non-executive Director of the Company on 23 November 2009. He is also a member of each of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Mr. Wang is currently the vice president of Chinese Cereals and Oils Association. He obtained a bachelor degree in Food Engineering from Jiangnan University (江南大學) (formerly known as 'Wuxi Light Industry Institute (無錫輕工業學院)') in 1964. He is the chief editor of various publications in the area of oil and grease including Vegetable Oil Processing Industry (植物油料加工產業學) and The History of Development in the Oil and Grease Industry in China (中國油脂工業發展史) both published by Chemical Industry Press (化學工業出版社), and Food and Medicine Confidence Project Science Popularisation Series – Food and Oil (食品藥品放心工程科普叢書－糧油食品) published by State Food and Drug Administration (國家食品藥品監督管理局) and China National Association of Grain Sector (中國糧食行業協會). Mr. Wang was awarded the Government special subsidy (政府特殊津貼) by the State Council of the PRC (中華人民共和國國務院) in 1996 in respect of his contribution in the engineering technology for the PRC. Mr. Wang did not have any directorship in other listed companies in the past three years.

Mr. Wang has signed a letter of appointment with the Company for a term of three years commencing from 18 December 2009 unless terminated by not less than three months' notice in writing served by either party on the other. He is subject to retirement and re-election at the first general meeting after his appointment, and thereafter at least once every three years in accordance with the Articles. Mr. Wang does not entitled to any of the director's fee for the year ended 31 December 2009.

As at the date of this report, Mr. Wang does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Wang does not have any relationship with any other director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

Company Secretary

Ms. Chan Yuen Ying, Stella

Aged 38, was appointed as the company secretary of the Company on 23 November 2009. Ms. Chan is an associate member of the Institute of Chartered Secretaries and Administrators and an associate member of the Hong Kong Institute of Chartered Secretaries. She is also a member of the Hong Kong Institute of Directors. Ms. Chan has over 15 years experience in handling listed company secretarial matters.

Independent Auditors' Report

Grant Thornton
均富

Member of Grant Thornton International Ltd

To the members of China Corn Oil Company Limited
(incorporated in Cayman Islands with limited liability)

We have audited the financial statements of China Corn Oil Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 35 to 81, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
6th Floor, Nexxus Building
41 Connuaght Road Central
Hong Kong

14 April 2010

Consolidated Income Statement

For the year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Revenue	6	**1,163,981**	934,004
Cost of sales		**(1,014,441)**	(834,167)
Gross profit		**149,540**	99,837
Other income	6	**23,933**	15,642
Selling and distribution costs		**(21,622)**	(12,448)
Administrative expenses		**(12,163)**	(9,918)
Other operating expenses		**(347)**	(193)
Profit from operations	8	**139,341**	92,920
Finance costs	9	**(3,139)**	(1,550)
Profit before taxation		**136,202**	91,370
Income tax expense	10	**(16,175)**	–
Profit for the year attributable to owners of the Company		**120,027**	91,370
		RMB cents	RMB cents
Earnings per share attributable to owners of the Company	12		
– Basic		**36.17**	28.11
– Diluted		**N/A**	N/A

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
Profit for the year	**120,027**	91,370
Other comprehensive income		
Exchange differences arising on translation of foreign operations	–	4
Other comprehensive income for the year, net of tax	–	4
Total comprehensive income attributable to owners of the Company	**120,027**	91,374

Statements of Financial Position

As at 31 December 2009

	Notes	Group 2009 RMB'000	Group 2008 RMB'000	Company 2009 RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	14	**225,119**	230,648	**–**
Land use rights	15	**35,419**	–	**–**
Interests in subsidiaries	16	**–**	–	**123,895**
		260,538	230,648	**123,895**
Current assets				
Inventories	17	**101,195**	53,654	**–**
Trade and notes receivables	18	**55,019**	9,428	**–**
Prepayments, deposits and other receivables	19	**76,040**	14,946	**35,220**
Amounts due from related parties	20	**10,795**	312	**–**
Cash and bank balances	21	**638,843**	34,216	**600,770**
		881,892	112,556	**635,990**
Current liabilities				
Trade payables	22	**7,160**	14,800	**–**
Accrued liabilities, other payables and deposits received	23	**53,098**	16,768	**26,140**
Amounts due to related parties	24	**2,826**	9,004	**–**
Amount due to a subsidiary	16	**–**	–	**9,958**
Interest-bearing bank borrowing	25	**50,000**	–	**–**
Tax payables		**3,879**	–	**–**
		116,963	40,572	**36,098**
Net current assets		**764,929**	71,984	**599,892**
Net assets		**1,025,467**	302,632	**723,787**
EQUITY				
Equity attributable to owners of the Company				
Share capital	26	**46,340**	465	**46,340**
Reserves	27	**979,127**	302,167	**677,447**
Total equity		**1,025,467**	302,632	**723,787**

Wang Mingxing
Director

Wang Fuchang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Share capital RMB'000	Share premium* RMB'000	Other reserves* RMB'000 (note 27(i))	Capital reserve* RMB'000 (note 27(ii))	Merger reserve* RMB'000 (note 27(iii))	Translation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000
At 1 January 2008	465	–	6,180	53,941	50,000	(15)	53,393	163,964
Capital contributions from owners	–	47,294	–	–	–	–	–	47,294
Transactions with owners	–	47,294	–	–	–	–	–	47,294
Profit for the year	–	–	–	–	–	–	91,370	91,370
Other comprehensive income	–	–	–	–	–	4	–	4
Total comprehensive income for the year	–	–	–	–	–	4	91,370	91,374
Transfer to statutory reserves	–	–	9,225	–	–	–	(9,225)	–
At 31 December 2008 and 1 January 2009	465	47,294	15,405	53,941	50,000	(11)	135,538	302,632
Arising from Restructuring Exercise (note 2)	**28,163**	**(47,294)**	**–**	**–**	**19,131**	**–**	**–**	**–**
Issue of shares (notes 26(d) and (e))	**17,712**	**618,168**	**–**	**–**	**–**	**–**	**–**	**635,880**
Share issue expenses	**–**	**(33,072)**	**–**	**–**	**–**	**–**	**–**	**(33,072)**
Transactions with owners	**45,875**	**537,802**	**–**	**–**	**19,131**	**–**	**–**	**602,808**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**120,027**	**120,027**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**120,027**	**120,027**
Transfer to statutory reserves	**–**	**–**	**12,326**	**–**	**–**	**–**	**(12,326)**	**–**
At 31 December 2009	**46,340**	**585,096**	**27,731**	**53,941**	**69,131**	**(11)**	**243,239**	**1,025,467**

* The consolidated reserves of the Group of approximately RMB979,127,000 (2008: approximately RMB302,167,000) as at 31 December 2009 as presented in the statements of financial position comprised these reserve accounts.

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Cash flows from operating activities			
Profit before taxation		**136,202**	91,370
Adjustments for:			
Bank interest income	6	**(76)**	(75)
Interest expenses	9	**3,139**	1,550
Depreciation of property, plant and equipment	8	**23,459**	13,593
Amortisation of land use rights	8	**204**	–
Gain on disposal of property, plant and equipment	6	**(928)**	–
(Reversal of written down)/written down of inventories to net realisable value	8	**(4,501)**	4,501
Reversal of impairment on trade receivables	8	**–**	(18)
Provision for impairment on other receivables	8	**–**	6
Operating profit before working capital changes		**157,499**	110,927
(Increase)/decrease in inventories		**(43,040)**	22,127
Increase in trade and notes receivables		**(45,591)**	(51,552)
(Increase)/decrease in prepayments, deposits and other receivables		**(61,094)**	23,762
(Decrease)/increase in trade payables		**(7,640)**	6,601
Increase in accrued liabilities, other payables and deposits received		**36,330**	9,969
Cash generated from operations		**36,464**	121,834
Income taxes paid		**(12,296)**	–
Net cash generated from operating activities		**24,168**	121,834
Cash flows from investing activities			
Interest received		**76**	75
Purchases of property, plant and equipment		**(25,077)**	(138,565)
Additions to land use rights		**(35,623)**	–
Proceeds from disposal of property, plant and equipment		**8,075**	–
Net cash used in investing activities		**(52,549)**	(138,490)
Cash flows from financing activities			
Interest paid		**(3,139)**	(1,550)
Capital contributions from owners		**–**	47,294
Proceeds from issue of shares		**635,880**	–
Share issue expenses		**(33,072)**	–
(Increase)/decrease in amounts due from related parties		**(10,483)**	2,989
Decrease in amounts due to related parties		**(6,178)**	(10,723)
Drawdown of bank borrowings		**50,000**	91,000
Repayment of bank borrowings		**–**	(91,000)
Net cash generated from financing activities		**633,008**	38,010
Net increase in cash and cash equivalents		**604,627**	21,354
Cash and cash equivalents at 1 January		**34,216**	12,858
Effect of foreign exchange rates, net		**–**	4
Cash and cash equivalents at 31 December		**638,843**	34,216
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**638,843**	34,216

1. Corporate Information

China Corn Oil Company Limited (the "Company") was incorporated in the Cayman Island as an exempted company with limited liability under the Companies Law of Cayman Islands on 9 September 2009. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company and it's subsidiaries (the "Group") is located at Handian Industrial Park, Zouping County, Shandong, the People's Republic of China (the "PRC"). The Company's shares have been listed on the Mainboard of The Stock Exchange of Hong Kong Limited (the "HKEX") since 18 December 2009.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 16 to the financial statements.

The financial statements on pages 35 to 81 have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards and Interpretations approved by the International Accounting Standards Board ("IASB"), and all applicable individual International Accounting Standards and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB. The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The financial statements for the year ended 31 December 2009 were approved by the board of directors on 14 April 2010.

2. The Restructuring Exercise and Basis of Presentation

Pursuant to a group restructuring exercise (the "Restructuring Exercise") carried out by the Group to rationalise the structure of the Group in preparation for the initial public offering of the Company's shares on the HKEX, the Company became the holding company of the subsidiaries comprising the Group. This was accomplished by the following steps:

(i) Zouping Sanxing Grease Industry Company Limited 鄒平三星油脂工業有限公司 ("Sanxing Grease") established Shandong Sanxing Corn Industry Technology Company Limited 山東三星玉米產業科技有限公司 ("Corn Industry") on 14 November 2006 for the purpose of transferring the operation and management of edible oil business (the "Business") to Corn Industry. Corn Industry was established with an initial registered capital of RMB50 million, contributed as to RMB35 million in fixed assets and as to RMB15 million in cash by Sanxing Grease. Since Corn Industry's establishment, Sanxing Grease has transferred its assets and liabilities in relation to the Business to Corn Industry over a period of time for nil consideration, and all administrative procedures in relation to the transfer were completed on 31 March 2007.

(ii) On 11 January 2007, Sanxing Grease entered into a share transfer agreement with Corn Industry Investment Co., Ltd., ("Corn BVI") to transfer its 100% equity interest in Corn Industry to Corn BVI, which was then wholly owned by Mr. Koay Kang Lin ("Mr. Koay"), for a consideration of USD10 million (the "Consideration"). Corn Industry became a foreign investment enterprise wholly owned by Corn BVI on 13 February 2007. On 9 May 2007, SanXing Trade Company Limited ("Sanxing Trade"), a company incorporated in Mauritius with limited liability and a wholly-owned subsidiary of Sanxing Grease, acquired 99.8% interest in Corn BVI from Mr. Koay for a consideration of USD49,900. Sanxing Grease retained its power to govern the financial and operating policies of Corn Industry from 13 February 2007 to 29 June 2007, the date Corn BVI fully settled the Consideration. Also, Mr. Koay has not participated in the management of the Business at all.

2. The Restructuring Exercise and Basis of Presentation (Continued)

(iii) On 1 April 2007, Corn BVI entered into a loan agreement with New Garden Pte. Ltd ("NGPL") (formerly known as New Wellmei Pte. Ltd), pursuant to which USD2 million was lent by NGPL to Corn BVI. Pursuant to the loan agreement, if NGPL elects to invest in Corn BVI in future, a separate agreement has to be entered between the parties for the details of the investment (including but not limited to the number of shares to be invested and share price) and NGPL should then forgo its entitlement to the loan of USD2 million. On 14 June 2007, Corn BVI allotted and issued 3,233 shares, 3,233 shares and 3,235 shares (representing 5.415%, 5.415% and 5.420% of the issued share capital of Corn BVI respectively) to The China Development Capital Partnership Master Fund LP ("CDCP"), General Motors Investment Management Corporation ("GMIM") and NGPL respectively, for an aggregate consideration of USD8 million. Following the said allotment, NGPL waived the repayment of the loan of USD2 million advanced to Corn BVI in April 2007.

(iv) On 19 December 2007, Sanxing Trade set up China Corn Oil S.A. ("Corn Oil Luxembourg") with an initial issued capital of 3,650 shares of Euro 8.50 each. On 14 January 2008, Corn Oil Luxembourg acquired 100% equity interest of Corn BVI from Sanxing Trade, Mr. Koay, CDCP, GMIM and NGPL. In consideration, Corn Oil Luxembourg transferring its increased share capital of 4,015,870 shares of Euro 1.70 each to Sanxing Trade, Mr. Koay, CDCP, GMIM and NGPL on a pro-rata basis. On 15 January 2008, the initial share capital of 3,650 shares of Euro 8.50 each was changed to 18,250 shares of Euro 1.70 each. Immediately after the acquisition, Corn Oil Luxembourg was owned as to 83.66% by Sanxing Trade, 0.17% by Mr. Koay, 5.39% by CDCP, 5.39% by GMIM and 5.39% by NGPL.

(v) On 25 March 2008, Corn Oil Luxembourg was listed on the Alternext, an exchange regulated market organised by Euronext Paris SA (the "Alternext"), through the placement of 252,144 new shares. After the listing on the Alternext, Corn Oil Luxembourg was owned as to 78.735% by Sanxing Trade, 0.157% by Mr. Koay, 5.074% by CDCP, 5.074% by GMIM, 5.077% by NGPL and 5.883% by other investors. Since the listing of Corn Oil Luxembourg's shares on Alternext, Sanxing Trade had made on-market purchases and sales of Corn Oil Luxembourg's shares on Alternext from time to time. As of 25 September 2009, Corn Oil Luxembourg was owned as to 82.162% by Sanxing Trade, 5.074% by CDCP, 5.074% by GMIM, 5.072% by NGPL and 2.618% by other investors. On 4 November 2009, Corn Oil Luxembourg announced Sanxing Trade together with CDCP, GMIM and NGPL had made a proposal to acquire all the shares of Corn Oil Luxembourg not already owned, controlled or agreed to be acquired by Sanxing Trade or entities controlled by or associated with it, other than those shares held by CDCP, GMIM and NGPL which together with Sanxing Trade is then interested in approximately 97.38% of the issued share capital of Corn Oil Luxembourg and to seek the voluntary delisting of Corn Oil Luxembourg from the Alternext. The privatisation offer was made on 5 November 2009 at an offer price of approximately Euro 22 in cash per share and was closed on 19 November 2009. Following the closing of the privatisation offer, the issued share capital of Corn Oil Luxembourg was owned as to 82.733% by Sanxing Trade, 5.074% by CDCP, 5.074% by GMIM, 5.072% by NGPL and 2.047% by other investors. On 20 November 2009, Corn Oil Luxembourg delisted from Alternext.

(vi) On 9 September 2009, the Company was incorporated in the Cayman Islands and allotted and issued one share to Codan Trust Company (Cayman) Limited which was subsequently transferred to Sanxing Trade on the same date.

(vii) On 26 November 2009, Corn Oil Luxembourg transferred its entire interest in Corn BVI to the Company in consideration of the Company issuing and allotting 324,999,999 ordinary shares of HK$0.10 each and Sanxing Trade also transferred its one share in the Company to Corn Oil Luxembourg at a consideration of HK$0.10.

2. The Restructuring Exercise and Basis of Presentation (Continued)

Subsequent to the Restructuring Exercise, on 18 December 2009, the Company issued totally 175,000,000 shares to public under placing and public offer ("Share Offer") at HK$3.59 per share, and the shares of Company were listed on the HKEX. The total number of issued shares of the Company after the Share Offer was 500,000,000 shares.

At an extraordinary general meeting of Corn Oil Luxembourg held on 22 December 2009, resolutions have been passed for dissolution of Corn Oil Luxembourg. Pursuant to and following the winding up of Corn Oil Luxembourg, all the issued shares of the Company held by Corn Oil Luxembourg have be distributed by way of transfer or otherwise to the then existing shareholders of Corn Oil Luxembourg on a pro-rata basis, save that 153,619 shares of the Company which the holders cannot be located.

The Group is regarded as a continuing entity resulting from the Restructuring Exercise since the Business and the companies which took part in the Restructuring Exercise were either controlled by Sanxing Grease before and after the Restructuring Exercise or incorporated/established by Sanxing Grease for the purpose of the Restructuring Exercise, with the exception of Corn BVI which became part of the Group during the year ended 31 December 2007. Consequently, immediately after the Restructuring Exercise, there was a continuation of the risks and benefits to the ultimate controlling party holders that existed prior to the Restructuring Exercise. The financial statements have therefore been prepared using the principles of merger accounting as if the Group had always been in existence, except for Corn BVI which has been accounted for using the purchase method in 2007. Accordingly, the results and cash flows of the Group for the years include the results and cash flows of the subsidiaries as if the current group structure had been in existence throughout the years ended 31 December 2008 and 2009. The consolidated statements of financial position as at each reporting date are a combination of the statements of financial position of the subsidiaries and the Business at the each reporting date as if the current group structure had been in existence at these dates.

Comparative amounts have not been presented for the Company's statement of financial position because the Company was incorporated on 9 September 2009.

3. Summary of Significant Accounting Policies

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended IFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 4.

The financial statements have been prepared on the historical cost basis. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statement, are disclosed in note 5.

3. Summary of Significant Accounting Policies (Continued)

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

3.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In consolidated financial statements, acquisition of subsidiaries (other than those under common control) is accounted for by applying the purchase method. This involves the estimation of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Business combinations arising from transfers of interests in entities or businesses that are under the common control of shareholders are accounted for using merger accounting. Under merger accounting, the net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net for value of acquiree's identifiable assets, liabilities and contingent liabilities over at the time of common control combination, to the extent of the continuation of the controlling party or parties' interests.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

3. Summary of Significant Accounting Policies (Continued)

3.4 Foreign currency translation

Items included in this financial statement of each of the group entities are measured using the currency of the primary economic environment in which the group entity operates (i.e. the "functional currency"). The financial statement is presented in Renminbi ("RMB"), since the major subsidiaries of the Group are operating in a RMB environment and the functional currency of the major subsidiaries is RMB.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the end of the reporting period retranslation of monetary assets and liabilities are recognised in the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

At the reporting date, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the reporting date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the exchange reserve in equity.

3.5 Revenue recognition

Revenue is recognised to the extent when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received, net of allowances for returns, trade discounts and value-added tax. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods – revenue is recognised when the significant risks and rewards of ownership have been transferred to the customers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Normally, risk is transferred upon dispatch of goods.

(ii) Interest income is recognised as interest accrues (using the effective interest method).

(iii) Dividend is recognised when the right to receive payment is established.

3.6 Cost of sales

Direct cost of production, which includes primarily raw materials costs, labour costs, electricity costs, depreciation expenses, tax and repair and maintenance expenses are recognised in inventories and then as cost of sales when the revenue from sale of goods is recognised.

3.7 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to income is presented in gross under "Other income" in the consolidated income statement.

3. Summary of Significant Accounting Policies (Continued)

3.8 Property, plant and equipment

Property, plant and equipment, other than construction in progress ("CIP"), are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Expenditures incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in future economic benefits expected to be obtained from the use of property, plant and equipment, and the expenditure of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of property, plant and equipment, less any estimated residual values, over the following estimated useful lives:

Leasehold buildings	The shorter of the lease terms and 20 years
Plant and machinery	10 years
Office equipment	5 years

An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits is derived from its use. Any gain or loss arising on derecognising of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the profit or loss.

CIP represents buildings under construction, and plant and machinery pending installation, is stated at cost less accumulated impairment losses. Cost comprises direct costs incurred during the periods of construction, installation and testing. No depreciation is provided on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting date.

3.9 Land use rights

Land use rights represent up-front payments to acquire long term interests in the usage of land in the PRC. They are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line basis over the period of the leases.

3.10 Impairment of non-financial assets

Property, plant and equipment is subject to impairment testing and are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

3. Summary of Significant Accounting Policies (Continued)

3.10 Impairment of non-financial assets (Continued)

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

3.11 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases where substantially all the risks and rewards of ownership of assets remain within the lessor are accounted for as operating lease. Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to the profit or loss in the accounting period in which they are incurred.

3.12 Financial assets

The Group's accounting policies for financial assets other than interests in subsidiaries and cash and bank balances are set out below.

Financial assets are classified into loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at their fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Derecognition occurs when the rights to receive cash flows expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

3. Summary of Significant Accounting Policies (Continued)

3.13 Impairment of financial assets

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment. Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in the profit or loss of the period in which the impairment occurs. In relation to trade and notes receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Except for trade and notes receivables, the carrying amount of loans and receivables is directly reduced by any identified amount of impairment. Impaired debts are derecognised when they are assessed as uncollectible. Impairment losses in respect of trade and notes receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

3.14 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average basis, comprise direct materials, direct labour and an appropriate portion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

3. Summary of Significant Accounting Policies (Continued)

3.15 Accounting for income taxes

Income tax comprises current and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of income tax expense in the profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on interest in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

3.16 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and form an integral part of the Group's cash management.

3.17 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

3. Summary of Significant Accounting Policies (Continued)

3.18 Retirement benefit costs and short term employee benefits

Defined contribution plan

The employees of the Group's subsidiary which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3.19 Financial liabilities

The Group's financial liabilities include trade payables, accrued liabilities, other payables, interest-bearing bank borrowing, amounts due to related parties and amount due to a subsidiary.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the profit or loss.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the profit or loss.

Bank borrowings

Bank borrowings are recognised initially at fair value, net of transaction costs incurred. Bank borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Trade and other payables

Trade payables, accrued liabilities, other payables, amounts due to related parties and amount due to a subsidiary are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

3. Summary of Significant Accounting Policies (Continued)

3.20 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisaton, if appropriate.

3.21 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3. Summary of Significant Accounting Policies (Continued)

3.22 Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purpose unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type of class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. Adoption of New and Amended Standards

At the date of authorisation of these financial statements, certain new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group, except that the Group has early adopted the amended disclosure requirements in relation to operating segments as included in the "Annual Improvements to International Financial Reporting Standards 2009".

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended IFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new and amended IFRSs have been issued but are not expected to have a material impact of the Group's financial statements.

IFRS 3 Business Combinations (Revised)

The standard is applicable in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard still requires the use of the purchase method (now renamed the acquisition method) but introduces material changes to the recognition and measurement of consideration transferred and the acquiree's identifiable assets and liabilities, and the measurement of non-controlling interests (previously known as minority interest) in the acquiree. The new standard is expected to have a significant effect on business combinations occurring in reporting periods beginning on or after 1 July 2009.

IFRS 9 Financial instruments

The standard is effective for accounting periods beginning on or after 1 January 2013 and addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The directors are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

4. Adoption of New and Amended Standards (Continued)

IAS 27 Consolidated and Separate Financial Statements (Revised)

The revised standard is effective for accounting periods beginning on or after 1 July 2009 and introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. Total comprehensive income must be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The directors do not expect the standard to have a material effect on the Group's financial statements.

Annual improvements 2009

The IASB has issued Improvements to International Financial Reporting Standards 2009. Most of the amendments become effective for annual periods beginning on or after 1 January 2010. The Group expects the amendment to IAS 17 Leases to be relevant to the Group's accounting policies. Prior to the amendment, IAS 17 generally required a lease of land to be classified as an operating lease. The amendment requires a lease of land to be classified as an operating or finance lease in accordance with the general principles in IAS 17. The Group will need to reassess the classification of its unexpired leases of land at 1 January 2010 on the basis of information existing at the inception of those leases in accordance with the transitional provisions for the amendment. The amendment will apply retrospectively except where the necessary information is not available. In that situation, the leases will be assessed on the date when the amendment is adopted. The directors are currently assessing the possible impact of the amendment on the Group's results and financial position in the first year of application.

5. Critical Accounting Estimates and Judgements

In the process of applying the Group's accounting policies, which are described in note 3, management has made various estimates and judgments which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates and judgements are continually evaluated. The key source of estimation uncertainty and accounting judgments that results in significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the next financial year or significantly affect the amounts recognised in the financial statements are discussed below:

(i) Impairment of receivables

The Group's management determines the provision for impairment of receivables. This estimate is based on the evaluation of collectability and ageing analysis of receivables and on management's judgment. A considerable amount of judgment is required in assessing the expected timing of collection and ultimate realisation of these receivables, including credit worthiness and collection history of each customer and other debtors. Management will reassess the provision at the reporting date. If the financial conditions of the customers or debtors of the Group deteriorate thus resulting in impairment as to their ability to make payment, additional allowances may be required.

(ii) Useful lives and residual values of items of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. Management will revise the depreciation charge where useful lives are different to those previously estimated, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

5. Critical Accounting Estimates and Judgements (Continued)

(iii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitors' actions in response to severe industry cycles. Management reassesses the estimations at the reporting date.

(iv) Provision for tax

The Group is mainly subject to various taxes in the PRC including enterprise income tax. Significant judgment is required in determining the amount of the provision for taxes and the timing of related taxes. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax provisions in the period in which such determination is made.

6. Revenue and Other Income

Revenue from the Group's principal activities, which is also the Group's turnover, represented the net invoiced value of goods sold, net of allowances for returns, trade discounts and value-added tax. An analysis of the Group's revenue and other income is as follows:

	2009 **RMB'000**	2008 RMB'000
Revenue		
Sale of goods	**1,163,981**	934,004
Other income		
Interest income on bank balances stated at amortised cost	**76**	75
Sales of scrap materials	**12,869**	14,994
Compensation income from sundry creditors	**1,151**	492
Government grant related to income	**8,500**	–
Gain on disposal of property, plant and equipment	**928**	–
Others	**409**	81
	23,933	15,642

7. Segment Information

The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance. The business components in the internal reporting to the executive directors are determined following the Group's major products and service lines which are production and sale of (i) Corn oil, including non-branded corn oil and own brand corn oil; (ii) Other oil, mainly refined edible sunflower seed oil, refined edible olive oil, refined edible cotton seed oil; and (iii) Corn meal.

For the purposes of assessing segment performance and allocating resources between segments, the directors assess segment profit or loss by gross profit or loss as measured in IFRS financial statements.

For the purpose of presenting geographical location of the Group's revenue from external customers and the Group's non-current assets, country of domicile is determined by reference to the country where the majority of the Company's subsidiaries operate.

Information regarding the Group's reportable segments as provided to the Group's executive directors is set out below:

	Year ended 31 December 2009				
	Corn oil				
	Non-branded corn oil RMB'000	**Own brand corn oil RMB'000**	**Other oil RMB'000**	**Corn meal RMB'000**	**Group RMB'000**
Revenue from external customers	**729,578**	**189,014**	**90,529**	**154,860**	**1,163,981**
Reportable segment revenue	**729,578**	**189,014**	**90,529**	**154,860**	**1,163,981**
Reportable segment profits/(loss)	**92,194**	**45,298**	**12,202**	**(154)**	**149,540**

	Year ended 31 December 2008				
	Corn oil				
	Non-branded corn oil RMB'000	Own brand corn oil RMB'000	Other oil RMB'000	Corn meal RMB'000	Group RMB'000
Revenue from external customers	644,837	114,757	35,917	138,493	934,004
Reportable segment revenue	644,837	114,757	35,917	138,493	934,004
Reportable segment profits/(loss)	79,859	19,468	1,021	(511)	99,837

7. Segment Information (Continued)

Reportable segment revenue represented turnover of the Group in the consolidated income statement. A reconciliation between the reportable segment profit and the Group's profit before taxation is set out below:

	2009 RMB'000	2008 RMB'000
Profit		
Reportable segment profit	**149,540**	99,837
Other income	**23,933**	15,642
Selling and distribution costs	**(21,622)**	(12,448)
Administrative expenses	**(12,163)**	(9,918)
Other operating expenses	**(347)**	(193)
Finance costs	**(3,139)**	(1,550)
Profit before taxation	**136,202**	91,370

The following table set out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is determined based on the location at which the goods were delivered.

	2009 RMB'000	2008 RMB'000
Local (country of domicile):		
– PRC	**1,118,975**	652,294
Export (foreign countries):		
– Middle East	**30,836**	221,083
– Korea	**–**	11,782
– Singapore, Malaysia and the Philippines	**14,170**	48,845
	45,006	281,710
	1,163,981	934,004

The Group's non-current assets are solely located in the PRC (the country of domicile of the Company).

8. Profit from Operations

	2009 RMB'000	2008 RMB'000
Profit from operations is arrived at after charging/(crediting):		
Auditors' remuneration	**825**	180
Cost of inventories recognised as an expense	**943,866**	745,971
Depreciation on property, plant and equipment *	**23,459**	13,593
Amortisation of land use rights **	**204**	–
Net foreign exchange (gain)/ loss	**(64)**	3,520
Operating lease charges on:		
– rented premises	**202**	2,014
– land lease payments	**80**	100
Staff costs (including directors' remuneration)		
– Wages, salaries and bonus	**11,964**	7,621
– Contribution to defined contribution pension plan ^^	**236**	1,471
Total staff cost	**12,200**	9,092
Provision for/(reversal of) impairment ***		
– trade receivables	**–**	(18)
– other receivables	**–**	6
(Reversal of written down)/written down of inventories to net realisable value ^	**(4,501)**	4,501

* Depreciation expenses have been included in:

- cost of sales of approximately RMB23,084,000 (2008: RMB13,537,000); and
- administrative expenses of approximately RMB375,000 (2008: RMB56,000).

** Amortisation of land use rights have been included in administrative expenses.

*** Provision for impairment on trade and other receivables has been included in other operating expenses while reversal of provision has been included in other income.

^ The Group reversed RMB4,501,000 of inventories previously written down during the year ended 31 December 2008. The Group has sold all of the goods to unrelated third parties at prices higher than the original costs. The reversal of write down/ write down was included in cost of inventories recognised as expense.

^^ At the reporting date, the Group had no forfeited contributions available to reduce its contributions to the pension scheme.

9. Finance Costs

	2009 RMB'000	2008 RMB'000
Interest charges on financial liabilities stated at amortised cost:		
Bank and other borrowings		
– wholly repayable within five years	**3,139**	1,550

10. Income Tax Expense

	2009 RMB'000	2008 RMB'000
Current tax		
– Provision for PRC income tax	**16,175**	–

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any taxation under the jurisdiction of Cayman Islands and BVI during the years.

Corn Industry was approved as a foreign invested enterprise in 2007. Pursuant to an approval document on certain tax preferential policies titled "Guo Shui Han (2007) No. 41" issued by the Bureau of State Tax of Zouping County, Shandong Province (山東省鄒平縣國家稅務局鄒國稅函(2007)41號文), Corn Industry is entitled for exemption of PRC enterprise income tax ("EIT") for two years starting from the first year of profitable operations after offsetting prior year tax losses, followed by a three-year 50% tax deduction. The year ended 31 December 2007 was Corn Industry's first profit-making year and was the first year of its tax holiday. For the year ended 31 December 2008, Corn Industry enjoyed 100% exemptions as mentioned above. For the year ended 31 December 2009, Corn Industry is subject to EIT tax rate of 12.5%

No deferred tax has been provided as the Group did not have any significant temporary differences which gave rise to a deferred tax asset or liability as at 31 December 2008 and 2009.

A reconciliation of income tax expenses and accounting profit at applicable tax rate is as follows:

	2009 RMB'000	2008 RMB'000
Profit before income tax	**136,202**	91,370
Tax calculated at the rates applicable to profits in the tax jurisdiction concerned	**34,475**	22,862
Income not taxable for tax purpose	**(2,125)**	–
Effect of tax holiday of PRC subsidiary	**(16,175)**	(22,862)
Income tax expense	**16,175**	–

11. Dividends

No dividends are approved and paid during the year (2008: Nil).

12. Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of RMB120,027,000 (2008: RMB91,370,000) by the weighted average number of 331,856,000 (2008: 325,000,000) ordinary shares in issue during the year.

The weighted average number of shares of 325,000,000 ordinary shares used to calculate the basic earnings per share for the year ended 31 December 2008 comprising:

(i) the 1 share of the Company allotted and issued at nil paid on 9 September 2009 (note 26(b)); and

(ii) the 324,999,999 shares issued as consideration for the acquisition of a subsidiary pursuant to the Restructuring Exercise (note 26(c)(ii)).

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 December 2009 includes the weighted average of 6,856,000 shares after the listing of the Company's shares on the HKEX on 18 December 2009 in addition to the aforementioned 325,000,000 ordinary shares.

A diluted earnings per share amounts for the years ended 31 December 2009 and 2008 have not been disclosed as no potential ordinary shares existed during these years.

13. Directors' Emoluments and Five Highest Paid Individuals

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Contribution to pension plans RMB'000	Total RMB'000
Year ended 31 December 2009					
Executive directors					
Wang Mingxing	–	500	–	–	500
Wang Mingfeng	–	500	–	–	500
Wang Mingliang	–	500	–	–	500
Wang Fuchang	–	500	–	–	500
Sun Guohui	–	300	–	4	304
Huang Da	–	300	–	–	300
	–	2,600	–	4	2,604
Non-executive director					
Ke Shifeng	–	–	–	–	–
Independent non-executive directors					
Liu Shusong	–	–	–	–	–
Wang Ruiyuan	–	–	–	–	–
Wang Aiguo	–	–	–	–	–
	–	–	–	–	–
	–	2,600	–	4	2,604

13. Directors' Emoluments and Five Highest Paid Individuals (Continued)

(a) Directors' emoluments (Continued)

	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Contribution to pension plans RMB'000	Total RMB'000
Year ended 31 December 2008					
Executive directors					
Wang Mingxing	–	500	–	–	500
Wang Mingfeng	–	500	–	–	500
Wang Mingliang	–	500	–	–	500
Wang Fuchang	–	500	–	–	500
Sun Guohui	–	195	–	3	198
Huang Da	–	300	–	–	300
	–	2,495	–	3	2,498
Non-executive director					
Ke Shifeng	–	–	–	–	–
Independent non-executive directors					
Liu Shusong	–	–	–	–	–
Wang Ruiyuan	–	–	–	–	–
Wang Aiguo	–	–	–	–	–
	–	–	–	–	–
	–	2,495	–	3	2,498

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2008: nil).

Included to the directors' emoluments disclosed above, Mr. Wang Mingxing, Mr. Wang Mingfeng, Mr. Wang Mingliang, Mr. Wang Fuchang and Mr. Huang Da received emoluments from the Company's holding company amounting to RMB30,000, RMB30,000, RMB30,000, RMB28,000 and RMB30,000 respectively for the year ended 31 December 2009 (2008: RMB500,000, RMB500,000, RMB500,000, RMB500,000 and RMB300,000 respectively), part of which is in respect of their services to the Group. No apportionment has been made as the directors consider that it is impracticable to apportion this amount between their services to the Group and their services to the Company's holding company.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2008 and 2009 were also directors and their emoluments are reflected in the analysis presented above.

During the years ended 31 December 2008 and 2009, no emolument was paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

14. Property, Plant and Equipment

Group

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2008					
Cost	21,399	62,390	602	22	84,413
Accumulated depreciation	(4,807)	(21,654)	(365)	–	(26,826)
Net book amount	16,592	40,736	237	22	57,587
Year ended 31 December 2008					
Opening net book amount	16,592	40,736	237	22	57,587
Additions	50,124	136,526	4	–	186,654
Transfer	22	–	–	(22)	–
Depreciation	(3,351)	(10,174)	(68)	–	(13,593)
Closing net book amount	63,387	167,088	173	–	230,648
At 31 December 2008 and 1 January 2009					
Cost	**71,545**	**198,916**	**606**	**–**	**271,067**
Accumulated depreciation	**(8,158)**	**(31,828)**	**(433)**	**–**	**(40,419)**
Net book amount	**63,387**	**167,088**	**173**	**–**	**230,648**
Year ended 31 December 2009					
Opening net book amount	**63,387**	**167,088**	**173**	**–**	**230,648**
Additions	**17,134**	**23,493**	**194**	**120**	**40,941**
Disposal	**(211)**	**(22,800)**	**–**	**–**	**(23,011)**
Depreciation	**(6,834)**	**(16,585)**	**(40)**	**–**	**(23,459)**
Closing net book amount	**73,476**	**151,196**	**327**	**120**	**225,119**
At 31 December 2009					
Cost	**88,048**	**179,180**	**800**	**120**	**268,148**
Accumulated depreciation	**(14,572)**	**(27,984)**	**(473)**	**–**	**(43,029)**
Net book amount	**73,476**	**151,196**	**327**	**120**	**225,119**

15. Land Use Rights

The Group's interests in land use rights represent prepaid operating lease payments and their net carrying amounts are analysed as follows:

	Group
	RMB'000
Year ended 31 December 2009	
Additions	35,623
Amortisation	(204)
Closing net carrying amount	35,419
At 31 December 2009	
Cost	35,623
Accumulated amortisation	(204)
Net carrying amount	35,419

Land use rights represented leasehold interests in land located in the PRC with lease terms expiring from 2056 to 2059.

16. Interests in Subsidiaries

	Company
	2009
	RMB'000
Unlisted shares, at cost	123,895

16. Interests in Subsidiaries (Continued)

Particulars of the principal subsidiaries as at 31 December 2009 are as follows:

Name	Country/Place and date of incorporation/ establishment and kind of legal entity	Particulars of issued and fully paid share capital/registered capital	Effective interest held by the Company	Principal activities
Interests held directly				
Corn Industry Investment Co., Ltd.	Incorporated on 28 December 2006 in the BVI, limited liability company	59,701 shares at U.S. dollars ("US$") 1 per share	100%	Investment holding
Interests held indirectly				
Shandong Sanxing Corn Industry Technology Company Limited 山東三星玉米產業科技有限公司	Incorporated on 14 November 2006 in the PRC, wholly-foreign-owned enterprise	US$12,880,000 (Note)	100%	Production and sale of edible oil

Note: Total registered capital is US$30 million and the remaining unpaid capital of US$17,120,000 shall be contributed by Corn BVI by 3 May 2010.

The financial statements of the subsidiaries for the year ended 31 December 2009 are audited by Grant Thornton, Hong Kong for the purpose of incorporation into the Group's consolidated financial statements.

The amount due to a subsidiary is unsecured, interest free and repayable on demand.

17. Inventories

	Group	
	2009 RMB'000	2008 RMB'000
Raw materials	**56,660**	14,601
Work-in-progress	**15,575**	8,893
Finished goods	**28,960**	30,160
	101,195	53,654

18. Trade and Notes Receivables

	Group	
	2009	2008
	RMB'000	RMB'000
Trade receivables	**47,596**	9,507
Less: Allowance for impairment	**(79)**	(79)
	47,517	9,428
Notes receivables	**7,502**	–
Total trade and notes receivables	**55,019**	9,428

Trade receivables are non-interest bearing. No credit terms are granted to domestic customers, except for those customers with long business relationship with the Group and have no default payment history, where the credit terms are no more than 60 days. All overseas customers are usually given 60 days credit terms. They are recognised at their original invoice amounts which represent their fair values at initial recognition.

The ageing analysis of trade and notes receivables as at the reporting date based on invoice date, net of impairment provision, is as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Within 60 days	**47,671**	9,079
61 – 90 days	**2,031**	–
91 – 180 days	**4,764**	1
181 – 365 days	**553**	21
Over 365 days	**–**	327
	55,019	9,428

At each of the reporting date, the Group reviews receivables for evidence of impairment on both an individual and collective basis. The movement in the allowance for doubtful debts during the financial year is as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
At 1 January	**79**	97
Impairment losses reversed	**–**	(18)
At 31 December	**79**	79

18. Trade and Notes Receivables (Continued)

The ageing analysis of trade and notes receivables that are past due but are not considered impaired is as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Neither past due nor impaired	**55,005**	8,692
Not more than 3 months past due	**14**	387
3 to not more than 6 months past due	**–**	1
6 to 12 months past due	**–**	21
Over 1 year past due	**–**	327
	55,019	9,428

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of customers that have a good track record of repayment with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

19. Prepayments, Deposits and Other Receivables

	Group		Company
	2009	2008	**2009**
	RMB'000	RMB'000	**RMB'000**
Prepayments	**30,358**	8,435	**–**
Other receivables	**45,682**	6,511	**35,220**
	76,040	14,946	**35,220**

20. Amounts Due From Related Parties

	Group 2009 RMB'000	Group 2008 RMB'000
Amount due from a shareholder		
– Sanxing Grease	**9,727**	–
	9,727	–
Amounts due from related companies		
– Zouping Anxing Automobile Co., Ltd ("Zouping Anxing")	**3**	3
– Zouping Sanxing Logistic Centre Company Limited ("Sanxing Logistic")	**66**	176
– Shandong Sanxing Group Oil Products Company Limited ("Sanxing Petrol")	**866**	–
	935	179
Amounts due from directors		
– Wang Mingxing	**33**	33
– Huang Da	**100**	100
	133	133
	10,795	312

Mr. Wang Mingfeng, Mr. Wang Mingxing, Mr. Wang Mingliang and Mr. Sun Guohui, directors of the Company, have beneficial interest in the above shareholder and related companies.

The balances due from related parties are unsecured, interest-free and repayable on demand.

20. Amounts Due From Related Parties (Continued)

Particulars of amount due from related parties are as follows:

	As at 31 December 2009 RMB'000	Maximum amount outstanding during the year RMB'000	As at 1 January 2009 RMB'000
Amount due from a shareholder			
– Sanxing Grease	9,727	167,657	–
Amounts due from related companies			
– Zouping Anxing	3	3	3
– Sanxing Logistic	66	203	176
– Sanxing Petrol	866	866	–
– Shandong Sanxing Machinery Co., Ltd ("Shandong Sanxing Machinery")	–	1,928	–
Amounts due from directors			
– Wang Mingxing	33	33	33
– Sun Guohui	–	10	–
– Huang Da	100	100	100

	As at 31 December 2008 RMB'000	Maximum amount outstanding during the year RMB'000	As at 1 January 2008 RMB'000
Amount due from a shareholder			
– Sanxing Grease	–	57,399	10
Amounts due from related companies			
– Shandong Sanxing International Trading Company Limited	–	534	534
– Zouping Anxing	3	3	–
– Sanxing Logistic	176	266	–
– Shandong Sanxing Machinery	–	18,303	2,274
– Zouping Sanxing Iron Construction Company Limited	–	350	350
Amounts due from directors			
– Wang Mingxing	33	33	33
– Sun Guohui	–	100	100
– Huang Da	100	100	–

21. Cash and Bank Balances

	Group		Company
	2009	2008	**2009**
	RMB'000	RMB'000	**RMB'000**
Cash at bank and in hand	**362,392**	34,216	**324,319**
Short-term bank deposits	**276,451**	–	**276,451**
	638,843	34,216	**600,770**

The short-term bank deposits earn 0.03% interest per annum. They have a maturity of 30 days and are eligible for immediate cancellation without receiving any interest for the last deposit period. The other bank deposits earn interest at floating rates based on daily bank deposit rates.

The Group's cash and bank balances denominated in RMB were amounted to RMB38,064,000 (2008: RMB34,194,000) and were deposited with banks in the PRC. The RMB is not freely convertible into other currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

22. Trade Payables

Trade payables are non-interest bearing and are normally settled on 30 days terms.

The ageing analysis of trade payables as at the reporting date is as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Within 30 days	**2,395**	2,273
31 – 60 days	**1,865**	8,130
61 – 90 days	**864**	780
91 – 180 days	**1,095**	948
181 – 365 days	**483**	222
Over 365 days	**458**	2,447
	7,160	14,800

23. Accrued Liabilities, Other Payables and Deposits Received

	Group		Company
	2009 RMB'000	2008 RMB'000	2009 RMB'000
Accrued liabilities	25,093	4,511	17,400
Other payables	11,902	2,747	8,740
Deposits received	16,103	9,510	–
	53,098	16,768	26,140

24. Amounts Due to Related Parties

	Group	
	2009 RMB'000	2008 RMB'000
Amounts due to shareholders	–	4,892
Amounts due to related companies	2,826	4,112
	2,826	9,004

Mr. Wang Mingfeng, Mr. Wang Mingxing, Mr. Wang Mingliang and Mr. Sun Guohui, directors of the Company, have beneficial interest in the shareholders and related companies.

The balances due to related parties are unsecured, interest-free and repayable on demand.

25. Interest-Bearing Bank Borrowing

	Group	
	2009 RMB'000	2008 RMB'000
Unsecured bank borrowing repayable within one year	50,000	–

The Group's interest-bearing bank borrowing is bearing fixed rate at 5.841% per annum as at 31 December 2009.

The Group's interest-bearing bank borrowing is guaranteed by 鄒平星宇科技紡織有限公司 and 山東鐵雄能源集團有限公司, independent third parties, as at 31 December 2009.

26. Share Capital

	Notes	Number of shares	Amount HK$
Authorised:			
Upon incorporation	(a)	3,800,000	380,000
Increase in authorised ordinary shares	(c)(i)	8,996,200,000	899,620,000
At 31 December 2009, ordinary shares of HK$0.10 each		**9,000,000,000**	**900,000,000**
Issued and fully paid:			
Upon incorporation	(b)	1	1
Issue of shares pursuant to the Restructuring Exercise	(c)(ii)	324,999,999	32,499,999
Issue of shares upon listing	(d)	175,000,000	17,500,000
Issue of shares for over-allotment option	(e)	26,250,000	2,625,000
At 31 December 2009, ordinary shares of HK$0.10 each		**526,250,000**	**52,625,000**

The issued and fully paid share capital is equivalent to approximately RMB46,340,000 as at 31 December 2009.

The movements in share capital were as follows:

(a) The Company was incorporated in the Cayman Islands on 9 September 2009. At the date of incorporation, the authorised share capital of the Company was HK$380,000 divided into 3,800,000 ordinary shares of HK$0.10 each.

(b) On 9 September 2009, 1 ordinary share of HK$0.10 each, was allotted and issued nil-paid.

(c) Pursuant to written resolutions dated 23 November 2009, the following changes were approved:

(i) the increase in the authorised share capital of the Company from HK$380,000 dividend into 3,800,000 ordinary shares of HK$0.10 to HK$900,000,000 divided into 9,000,000,000 ordinary shares of HK$0.10 each by the creation of an additional 8,996,200,000 ordinary shares of HK$0.10 each.

(ii) the allotment and issue of 324,999,999 shares of HK$0.10 each credited as fully paid pursuant to the Restructuring Exercise.

(d) The Company's shares were listed on the HKEX on 18 December 2009 and 175,000,000 shares of HK$0.10 each were issued at HK$3.59 each.

(e) On 30 December 2009, the Company issued 26,250,000 ordinary shares of HK$0.10 each pursuant to the over-allotment option as referred to in the prospectus of the Company dated 8 December 2009 at a price of HK$3.59 per share.

The share capital balance as at 31 December 2008 represented the issued and paid up share capital of Corn BVI.

27. Reserves

Group

Details of the movements on the Group's reserves are as set out in the consolidated statement of changes in equity on page 38.

Notes:

(i) Other reserves

The subsidiary of the Group established in the PRC is required to transfer 10% of its profits after taxation as determined in accordance with the accounting regulations in the PRC to the surplus reserve until the reserve balance reaches 50% of the respective registered capital of the PRC subsidiary. Such reserve may be used to reduce any losses incurred or for capitalisation as paid-up capital of the PRC subsidiary.

(ii) Capital reserve

Capital reserve of the Group represents the difference between the net assets value transferred from Sanxing Grease to Corn Industry pursuant to the Restructuring Exercise and the registered capital of Corn Industry.

(iii) Merger reserve

For the year ended 31 December 2008, the merger reserve of the Group represented the difference between the nominal value of the combined capital of the Group and the nominal value of the issued share capital of Corn BVI.

For the year ended 31 December 2009, the merger reserve of the Group represented the difference between (a) the sum of nominal value of the combined capital and share premium of the Group; and (b) the nominal value of the share capital of the Company.

Company

	Share premium RMB'000	Contributed surplus RMB'000 (note)	Accumulated losses RMB'000	Total RMB'000
At 9 September 2009 (Date of incorporation)	–	–	–	–
Issue of shares pursuant to Restructuring Exercise	–	95,267	–	95,267
Issue of shares (notes 26(d) and (e))	618,168	–	–	618,168
Share issue expenses	(33,072)	–	–	(33,072)
Transactions with owners	585,096	95,267	–	680,363
Loss for the period	–	–	(2,916)	(2,916)
Other comprehensive income	–	–	–	–
Total comprehensive income for the period	–	–	(2,916)	(2,916)
At 31 December 2009	**585,096**	**95,267**	**(2,916)**	**677,447**

Note: The contributed surplus of the Company represented the difference between the net asset value of the subsidiary acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to the Restructuring Exercise.

28. Commitment

Operating lease commitment

The total future minimum lease payments under non-cancellable operating leases are falling due as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Within one year	**30**	160
In the second to fifth years	**–**	400
After five years	**–**	2,300
	30	2,860

The Group lease a number of properties under operating lease and leasehold land. The leases run for initial period of 6 months to 30 years, with an option to renew the lease at the expiry date or at dates as mutually agreed between the Group and respective lessor. None of the leases include contingent rental.

Capital commitment

	Group	
	2009	2008
	RMB'000	RMB'000
Property, plant and equipment:		
Contracted but not provided for	**768**	–
Authorised but not contracted for	**–**	–
	768	–

29. Related Party Transactions

(a) In addition to the transactions and balances detailed elsewhere in the financial statements, the Group had the following transactions with related parties at agreed terms.

		Group	
		2009	2008
		RMB'000	RMB'000
Sales to shareholders	(i)	**115,309**	131,808
Sales to related companies	(i)	**–**	80,047
Purchases from a shareholder	(ii)	**10,488**	115,659
Purchases from related companies	(ii)	**10,357**	4,304
Supply of steam and electric power from a related company	(iii)	**22,244**	17,778
Repair and maintenance services rendered by related companies	(iv)	**11**	19
Freight services rendered by a related company	(iv)	**7,291**	12,549
Subcontracting services rendered by a related company	(iv)	**486**	–
Rental expenses paid to a shareholder	(v)	**110**	2,100
Exclusive right of use of trademark from a shareholder	(vi)	**–**	–
Purchases of property, plant and equipment from related companies	(vii)	**7,154**	286
Purchases of property, plant and equipment from a shareholder	(vii)	**32,875**	185,583
Purchases of land use rights from a shareholder	(vii)	**25,453**	–
Sale of property, plant and equipment to a shareholder	(viii)	**20,345**	–

29. Related Party Transactions (Continued)

(b) Key management personnel compensation

	Group	
	2009	2008
	RMB'000	RMB'000
Short term employee benefits of directors and other members of key management	**2,852**	2,882

Notes:

(i) Sales to shareholders and related companies, of which Mr. Wang Mingfeng, Mr. Wang Mingxing, Mr. Wang Mingliang and Mr. Sun Guohui were shareholders and/or directors and have beneficial interest, were made in the ordinary course of business with reference to the terms negotiated between the Group and these shareholders/related companies.

(ii) Purchases from a shareholder and related companies, of which Mr. Wang Mingfeng, Mr. Wang Mingxing, Mr. Wang Mingliang and Mr. Sun Guohui were shareholders and/or directors and have beneficial interest, were made in the ordinary course of business with reference to the terms negotiated between the Group and the shareholder/related companies.

(iii) Supply of steam and electric power from a related company, of which Mr. Wang Mingfeng, Mr. Wang Mingxing, Mr. Wang Mingliang and Mr. Sun Guohui were shareholders and/or directors and have beneficial interest in the related company. Steam and electric expenses were paid according to the terms of the service agreements.

(iv) Services rendered by related companies, of which Mr. Wang Mingfeng, Mr. Wang Mingxing, Mr. Wang Mingliang and Mr. Sun Guohui were shareholders and/or directors and have beneficial interest in the related companies, were made according to the terms of the agreements.

(v) Rental expenses paid to a shareholder, of which Mr. Wang Mingfeng, Mr. Wang Mingxing, Mr. Wang Mingliang and Mr. Sun Guohui were shareholders and/or directors and have beneficial interest in the shareholder, were made according to the terms of the agreements.

(vi) A shareholder, of which Mr. Wang Mingfeng, Mr. Wang Mingxing, Mr. Wang Mingliang and Mr. Sun Guohui were shareholders and/or directors and have beneficial interest in the shareholder, granted an exclusive right of its registered trademark "Longevity Flower" (長壽花) and "Gold & Silver Flower" (金銀花) to the Group with nil consideration for 10 years.

(vii) Purchase of property, plant and equipment and land use rights from related companies and a shareholder, of which Mr. Wang Mingfeng, Mr. Wang Mingxing, Mr. Wang Mingliang and Mr. Sun Guohui were shareholders and/or directors and have beneficial interest, were conducted under mutually agreed terms negotiated between the Group and these related companies/shareholders.

(viii) Sale of property, plant and equipment to a shareholder, of which Mr. Wang Mingfeng, Mr. Wang Mingxing, Mr. Wang Mingliang and Mr. Sun Guohui were shareholders and/or directors and have beneficial interest, was conducted under mutually agreed terms.

30. Significant Non-Cash Transactions

Pursuant to certain purchase agreements dated 15 June 2008 entered into between Corn Industry and Sanxing Grease, Corn Industry agreed to purchase a corn oil refining production line, a corn oil bottling line and a research and development centre from Sanxing Grease for a consideration of RMB125,356,000, RMB54,177,000 and RMB6,050,000 respectively. The consideration was partly settled by the Group through the assignment of trade and notes receivables of RMB48,089,000 to Sanxing Grease during the year ended 31 December 2008.

During the year ended 31 December 2009, Corn Industry completed an exchange of certain property, plant and equipment with Sanxing Grease. The fair value of the assets acquired by Corn Industry was RMB15,864,000 as at the acquisition date as assessed by an independent professional valuer. The net book value of the assets disposed by Corn Industry was RMB20,345,000 as at that date. The difference of approximately RMB4,481,000 was settled by Sanxing Grease by cash during the year.

31. Financial Risk Management and Fair Value Measurements

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations. The financial risks included market risk (including currency risk and interest risk), credit risk and liquidity risk. The Group does not have written risk management policies and guidelines. However, the board of directors of the Company meets periodically to analyse and formulate measures to manage the Group's exposure to the financial risk, including principally changes in interest rates and currency exchange rates. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

(a) Categories of financial assets and liabilities

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and financial liabilities:

	Group		Company
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**
Financial assets			
Loans and receivables			
– Trade and notes receivables	**55,019**	9,428	**–**
– Other receivables	**45,682**	6,511	**35,220**
– Amounts due from related parties	**10,795**	312	**–**
Cash and bank balances	**638,843**	34,216	**600,770**
	750,339	50,467	**635,990**
Financial liabilities			
At amortised cost			
– Trade payables	**7,160**	14,800	**–**
– Other payables	**11,902**	2,747	**8,740**
– Amounts due to related parties	**2,826**	9,004	**–**
– Amount due to a subsidiary	**–**	–	**9,958**
– Interest-bearing bank borrowing	**50,000**	–	**–**
	71,888	26,551	**18,698**

31. Financial Risk Management and Fair Value Measurements (Continued)

(b) Interest rate risk

The Group's bank deposits were bearing floating interest rate and loans borrowed at fixed interest rates. Exposure to floating interest rate exists when there are unexpected adverse interest rate movements. The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements and rates are approximately fixed when necessary.

(i) Interest rate profile

The following tables detail the interest rate profile of the Group's financial instruments at the reporting date:

	Group			
	Weighted average effective interest rate		Carrying amount	
	2009	2008	**2009**	2008
	%	%	**RMB'000**	RMB'000
Variable rate instruments				
Financial assets				
Cash at bank	**0.05%**	0.37%	**362,274**	34,050
Fixed rate instruments				
Financial assets				
Short-term bank deposits	**0.03%**	–	**276,451**	–
Financial liabilities				
Interest-bearing bank borrowing	**5.84%**	–	**50,000**	–

	Company	
	Weighted average effective interest rate	**Carrying amount**
	2009	**2009**
	%	**RMB'000**
Variable rate instruments		
Financial assets		
Cash at bank	**0.01%**	**324,319**
Fixed rate instruments		
Financial assets		
Short-term bank deposits	**0.03%**	**276,451**

31. Financial Risk Management and Fair Value Measurements (Continued)

(b) Interest rate risk (Continued)

(ii) Interest rate sensitivity analysis

The following tables illustrate the sensitivity of the profit for the year and equity to a reasonably possible change in interest rates of +25 basis points and –25 basis points (2008: +/–25 basis points), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's financial instruments held at each reporting date. All other variables are held constant. There is no impact on other components of consolidated equity in response to the possible change in interest rates.

	Group			
	2009		2008	
	RMB'000 +25 basis points	**RMB'000 –25 basis points**	RMB'000 +25 basis points	RMB'000 –25 basis points
Effect on profit for the year and retained earnings	**894**	**(894)**	85	(85)

	Company	
	2009	
	RMB'000 +25 basis points	RMB'000 –25 basis points
Effect on profit for the period and retained earnings	**810**	(810)

31. Financial Risk Management and Fair Value Measurements (Continued)

(c) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its business.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset as follows:

	Group	
	2009 RMB'000	2008 RMB'000
Classes of financial assets – carrying amount		
Trade and notes receivables	**55,019**	9,428
Other receivables	**45,682**	6,511
Amounts due from related parties	**10,795**	312
Cash and bank balances	**638,843**	34,216
	750,339	50,467

	Company
	2009 RMB'000
Classes of financial assets – carrying amount	
Other receivables	**35,220**
Cash and bank balances	**600,770**
	635,990

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancements.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. As at 31 December 2009, the Group has bank deposits of RMB600,770,000 in a bank in Hong Kong. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

31. Financial Risk Management and Fair Value Measurements (Continued)

(d) Foreign currency risk

Currency risk refers to risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign currency risk primarily through sales that are denominated in a currency other than the functional currency of the entity within the Group to which they related. The currencies give rise to this risk are mainly HK$, EURO and US$.

(i) Foreign currency risk exposure

	Group					
	2009			2008		
	HK$	**EURO**	**US$**	HK$	EURO	US$
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Assets:						
Cash and bank balances	**600,770**	**9**	**6**	–	14	8
Liabilities:						
Other payables	**8,740**	**–**	**–**	–	–	–

	Company
	2009
	HK$
	RMB'000
Assets:	
Cash and bank balances	**600,770**
Liabilities:	
Other payables	**8,740**

Apart from the above, all the Group's financial assets and liabilities are denominated in RMB.

31. Financial Risk Management and Fair Value Measurements (Continued)

(d) Foreign currency risk (Continued)

(ii) Foreign currency sensitivity analysis

The following table illustrates the sensitivity of the Group's profit after tax for the year and equity in regards to a 1% (2008: 1%) appreciation in the Group entities' functional currencies against HK$, Euro and US$. All other variables are held constant. The rate is used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates. There is no impact on other components of combined equity in response to the general fluctuation in the following foreign currency rates.

The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year and held constant throughout the year.

	Group					
	2009			2008		
	HK$	**EURO**	**US$**	HK$	EURO	US$
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Effect on profit for the year and retained earnings	**(5,920)**	**–**	**–**	–	(1)	–

	Company
	2009
	HK$
	RMB'000
Effect on profit for the period and retained earnings	**(5,920)**

A weakening of RMB against the respective foreign currencies at the respective reporting date would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

These are the same method and assumption used in preparing the sensitivity analysis included in the financial statements of the year ended 31 December 2008.

(e) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management.

The cash flow management of all operating entities is centralised, including the raising of funds to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

31. Financial Risk Management and Fair Value Measurements (Continued)

(e) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities based on the remaining contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Group			
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	On demand RMB'000	Less than one year RMB'000
At 31 December 2009				
– Trade payables	**7,160**	**7,160**	**7,160**	**–**
– Other payables	**11,902**	**11,902**	**11,902**	**–**
– Amounts due to related parties	**2,826**	**2,826**	**2,826**	**–**
– Interest-bearing bank borrowing	**50,000**	**50,464**	**–**	**50,464**
	71,888	**72,352**	**21,888**	**50,464**
At 31 December 2008				
– Trade payables	14,800	14,800	14,800	–
– Other payables	2,747	2,747	2,747	–
– Amounts due to related parties	9,004	9,004	9,004	–
	26,551	26,551	26,551	–

	Company			
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	On demand RMB'000	Less than one year RMB'000
At 31 December 2009				
– Other payables	**8,740**	**8,740**	**8,740**	**–**
– Amount due to a subsidiary	**9,958**	**9,958**	**9,958**	**–**
	18,698	**18,698**	**18,698**	**–**

(f) Fair value

The fair values of the Group's financial assets and liabilities as at 31 December 2008 and 2009 were not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

32. Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth. The Group actively and regularly reviews and manages its capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholder returns.

The Group monitors capital using a gearing ratio, which is total debts divided by total capital. Total debts are calculated as the sum of bank borrowings, trade and other payables, amounts due to related companies and amount due to a subsidiary as shown in the statement of financial position. The Group aims to maintain the gearing ratio at a reasonable level.

	Group		Company
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**
Total debts			
Trade payables	**7,160**	14,800	**–**
Accrued liabilities, other payables and deposits received	**53,098**	16,768	**26,140**
Amounts due to related parties	**2,826**	9,004	**–**
Amount due to a subsidiary	**–**	–	**9,958**
Interest-bearing bank borrowing	**50,000**	–	**–**
	113,084	40,572	**36,098**
Less: Cash and bank balances	**(638,843)**	(34,216)	**(600,770)**
Net debts	**n/a**	6,356	**n/a**
Equity	**1,025,467**	302,632	**723,787**
Total debts to equity ratio	**n/a**	2.1%	**n/a**

Financial Highlights

	Year ended 31 December			
	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS				
Revenue	**1,163,981**	934,004	694,337	481,142
Cost of sales	**(1,014,441)**	(834,167)	(624,948)	(419,374)
Gross profit	**149,540**	99,837	69,389	61,768
Other income	**23,933**	15,642	13,818	13,632
Selling and distribution costs	**(21,622)**	(12,448)	(11,792)	(15,266)
Administrative expenses	**(12,163)**	(9,918)	(6,621)	(6,918)
Other operating expenses	**(347)**	(193)	(327)	(409)
Finance costs	**(3,139)**	(1,550)	(2,596)	(5,390)
Profit before taxation	**136,202**	91,370	61,871	47,417
Income tax expense	**(16,175)**	–	(876)	(16,393)
Profit for the year attributable to owners of the Company	**120,027**	91,370	60,995	31,024
ASSETS AND LIABILITIES				
Total assets	**1,142,430**	343,204	198,689	214,935
Total liabilities	**(116,963)**	(40,572)	(34,725)	(139,421)
	1,025,467	302,632	163,964	75,514