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)

INTERIM REPORT 2010

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Expressed in Renminbi ("RMB")

Corporate Information

Board of Directors

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

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Stock Code
Hong Kong Stock Exchange : 1006

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Management Discussion and Analysis

Business Review

The Group is principally engaged in the manufacture of edible corn oil products for (1) domestic sales under the brand 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 period under review, the Group has applied significant resources in (1) marketing its brand image and recognition; and (2) enhancing and expanding its marketing and distribution network. In the first half of 2010, various marketing and advertising campaigns were launched in the media via advertising agencies to enhance the brand awareness of 長壽花 (Longevity Flower). In addition, the Group continues to expand its wholesale distribution and retailer network to more cities with potential consumer market in the PRC in the first half of 2010. Eight new representative offices were set up in Tianjin, Shanghai, Taiyuan, Shenyang, Chengdu, Xiamen, Heifei and Nanning for the six months ended 30 June 2010. As at 30 June 2010, the Group had a distribution network of approximately 153 wholesale distributors (31 December 2009: 60), approximately 48 retailers (31 December 2009: 36) and 15 sales representative offices (31 December 2009: 7) covering 27 (31 December 2009: 20) provinces and/or administrative municipalities in the PRC. These investments on marketing the brand image of 長壽花 (Longevity Flower) and enhancing the marketing and distribution network had shown the Group's effort to put a higher focus towards the sales segment of corn oil under our brand in view of its strong performance for the period under review. For the six months ended 30 June 2010, the Group's sales of corn oil under our brand increased by approximately 75.2% whereas the gross profit generated from the sales of corn oil under our brand increased by approximately 262.8% compared to the corresponding period in 2009.

In early 2010, the Group commenced 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 construction of the New Refinement Plant was completed in the first half of 2010 and the installation and inspection of the refinement production line and machinery is expected to be completed in September 2010. Upon full operation of such new refinement production line which is expected to be in the fourth quarter of 2010, an additional annual production capacity of 100,000 tonnes of corn and other oils will be added and the Group's total annual production capacity for the refinement process will be increased to 282,000 tonnes of corn and other oils.

In addition, the Group is expanding its squeezing production capacity by the construction of two new squeezing production plants in Inner Mongolia ("New Mongolia Squeezing Plant") and Liaoning ("New Liaoning Squeezing Plant"). The Directors consider that the construction of the New Mongolia Squeezing Plant and the New Liaoning Squeezing Plant can enable the Group to: (1) enhance its ability to obtain crude corn oil for its refinement process via its squeezing production, which can lessen the Group's reliance on sourcing crude corn oil via external purchase and become less vulnerable to price fluctuations in crude corn oil; (2) have more direct access to procure corn embryos in Inner Mongolia and Liaoning due to the rich supply of corn embryos in these regions. As such, the Group can have better control of its purchase cost of corn embryos. The New Mongolia Squeezing Plant and the New Liaoning Squeezing Plant will each house an additional production line for the Group's squeezing production process and is expected, upon full operation, to in aggregate add additional annual production capacity of 200,000 tonnes (100,000 tonnes each) of corn and other oils for the squeezing process. In May 2010, contracts were entered into by the Group with the local governments in Inner Mongolia and Liaoning for the acquisition of two pieces of lands in Inner Mongolia and Liaoning respectively that will be used for the construction of the New Mongolia Squeezing Plant and the New Liaoning Squeezing Plant. Constructions of the New Mongolia Squeezing Plant and the New Liaoning Squeezing Plant are expected to commence during the third to fourth quarter of 2010 and are expected to be completed during the first to second quarter of 2011. Upon full operation of the New Mongolia Squeezing Plant and the New Liaoning Squeezing Plant, the Group's total annual production capacity for the squeezing process will be increased to 300,000 tonnes of corn and other oils.

Management Discussion and Analysis

Financial Review

For the six months ended 30 June 2010, the Group recorded revenue of approximately RMB629 million, representing a growth of approximately 22.7% over the revenue of approximately RMB513 million for the six months ended 30 June 2009. For the six months ended 30 June 2010, the sales of (1) corn oil under our brand, (2) non-branded corn oil in bulk, (3) corn meal and (4) other oils amounted to approximately RMB112 million, RMB367 million, RMB117 million and RMB33 million (six months ended 30 June 2009: approximately RMB64 million, RMB374 million, RMB59 million and RMB16 million) respectively and accounted for approximately 17.8%, 58.3%, 18.6% and 5.3% (six months ended 30 June 2009: 12.5%, 72.8%, 11.6% and 3.1%) respectively of the Group's total revenue. Sales of corn oil under our brand were all made in the PRC whilst the sales of the other products of the Group were made both in the PRC and overseas. Revenue from the PRC and overseas countries accounted for approximately 97% and 3% (six months ended 30 June 2009: 99% and 1%) respectively of the Group's total sales for the six months ended 30 June 2010.

Revenue and Gross Profit

The following tables set forth the breakdown of revenue and gross profit margin by product categories:

	Six months ended 30 June 2010		Six months ended 30 June 2009	
	RMB'000	%	RMB'000	%
Revenue				
Corn oil				
– Corn oil under our brands	111,934	17.8%	63,889	12.5%
– Non-branded corn oil	366,991	58.3%	373,568	72.8%
Corn meal	117,211	18.6%	59,360	11.6%
Other oils	33,094	5.3%	16,084	3.1%
	629,230	100%	512,901	100%
Gross profit				
Corn oil				
– Corn oil under our brands	36,964	46.9%	10,188	15.8%
– Non-branded corn oil	26,528	33.7%	52,585	81.4%
Corn meal	3,423	4.3%	62	0.1%
Other oils	11,919	15.1%	1,753	2.7%
	78,834	100%	64,588	100%
Gross profit ratio				
Corn oil				
– Corn oil under our brands		33.0%		15.9%
– Non-branded corn oil		7.2%		14.1%
Corn meal		2.9%		0.1%
Other oils		36.0%		10.9%
Overall		12.5%		12.6%

Management Discussion and Analysis

Fluctuations of the average selling prices of corn oil products

The following tables sets forth the fluctuations of the average selling prices of the Group's corn oil products:

	Six months ended 30 June 2010	Six months ended 31 December 2009	Six months ended 30 June 2009
Quantities sold (tonnes)			
Corn oil under our brands	9,932	12,956	8,565
Non-branded corn oil	53,056	52,319	57,227
Average selling price (RMB/tonne)			
Corn oil under our brands	11,270	9,658	7,460
Non-branded corn oil	6,917	6,805	6,528
Percentage increase of average selling price			
Corn oil under our brands	16.7%	29.5%	
Non-branded corn oil	1.6%	4.2%	
Average unit cost of sales (RMB/tonne)			
Corn oil under our brands	7,548	6,948	6,270
Non-branded corn oil	6,417	6,048	5,609
Percentage increase of average unit cost of sales			
Corn oil under our brands	8.6%	10.8%	
Non-branded corn oil	6.1%	7.8%	

Monthly average future price of soybean oil as quoted by Dalian Commodity Exchange

	August 2010*	July 2010	Six months ended 30 June 2010	Six months ended 31 December 2009	Six months ended 30 June 2009
Monthly average future price of soybean oil (RMB/tonne)	7,516	7,179	7,290	7,048	6,819
Percentage increase/(decrease) of average future price of soybean oil	4.7%	(1.5%)	3.4%	3.4%	

* *up to the date of this report*

Management Discussion and Analysis

Fluctuation in the market prices of corn oil

The fluctuation in our corn oil products generally depends on, among others, the fluctuation in the future price of soybean oil which as a general market practice, is used as reference for determining the selling prices of our non-branded corn oil products. The monthly average future price of soybean oil and the average selling price of the Group's non-branded corn oil were both in general upward trends for the year ended 31 December 2009, with prices peaked in December 2009 and January 2010. The monthly average future price of soybean oil and the average selling price of non-branded corn oil started to drop significantly since February 2010 and was in a general downward trend towards the end of June 2010, yet the average future price of soybean oil and selling prices of non-branded corn oil for the six months ended 30 June 2010 still remained higher than that for the first half and second half of 2009. The average future price of soybean oil and the selling prices of non-branded corn oil rebounded in August 2011 to a level that is higher than the average prices for the six months ended 30 June 2010.

Fluctuation in revenue

The increase in revenue of the Group from approximately RMB512.9 million for the six months ended 30 June 2009 to approximately RMB629.2 million for the six months ended 30 June 2010 by approximately RMB116.3 million or 22.7% was mainly the combined result of: (i) the increase in the sales of corn oil under our brand by approximately RMB48.0 million or 75.2%; (ii) the increase in the sales of other oils by approximately RMB17.0 million or 105.8%; and (iii) the increase in the sales of corn meals by approximately RMB57.9 million or 97.5%.

The sales volume of corn oil under our brand for the period increased significantly by approximately 16.0% compared to the first half of 2009 which was mainly due to the marketing and distribution efforts of the Group. This increase in the sales volume, together with the significant increase in the average selling price of corn oil under our brand by approximately 51% from RMB7,460 per tonne for the six months ended 30 June 2009 to RMB11,270 per tonne for the six months ended 30 June 2010 resulted in the significant increase in the sales of corn oil under our brand.

The increase in the average selling price of corn oil under our brand is mainly due to:

(1) the increase in market price of corn oil which in general depends on the fluctuation in the future price of soybean oil. However, despite the generally downward trend of the market price of corn oil since February 2010, the Group's average selling prices of corn oil under our brand remained relatively stable compared to non-brand corn oil because of the Group's ability to maintain and stabilize the selling price of its branded corn oil products compared to the selling prices of non-branded corn oil that were determined for each sales order and followed more closely the market price trend of corn oil. As such, the average selling prices of corn oil under our brand for the six months ended 30 June 2010 increased in a much larger magnitude over the corresponding period in 2009 compared to that of non-branded corn oil; and

(2) the Group directly sold most of its own brand corn oil to supermarkets and retailers for the six months ended 30 June 2010, instead of selling via 鄒平三星油脂工業有限公司 (Zouping Sanxing Grease Industry Company Limited) ("Sanxing Grease") through the Sales Arrangement (as defined below). For the six months ended 30 June 2009, the Group sold certain of its own brand corn oil to Sanxing Grease for on-sale to supermarkets and retailers ("Sales Arrangement"), pursuant to which the prices charged by the Group to Sanxing Grease were based on the on-sale market prices charged by Sanxing Grease, as adjusted downward for the expenses ("Sales Expenses") paid by Sanxing Grease in relation to its performance of the Sales Arrangement. Sales Expenses amounted to approximately RMB8.6 million for the six months ended 30 June 2009 which in turn adjusted downward the sales amount and the average selling price of corn oil under our brand for the same period.

Management Discussion and Analysis

The sales volume of non-branded corn oil in bulk for the period decreased slightly by approximately 7.3% compared to the first half of 2009, which was mainly due to the Group had placed stronger focus on the sales segment of own brand corn oil for the period under review in view of the strong performance of own brand corn oil and the drop of the market prices of non-branded corn oil since February 2010. This slight drop in the sales volume, after netting-off with the increase in the average selling price of non-branded corn oil by approximately 6% from RMB6,528 per tonne for the six months ended 30 June 2009 to RMB6,917 per tonne for the six months ended 30 June 2010 resulted in the slight decrease in the sales of non-branded corn oil. The increase in the average selling price of non-branded corn oil is mainly due to the increase in market price of corn oil which in general depends on the fluctuation in the future price of soybean oil.

The sales of other oils for the six months ended 30 June 2010 mainly comprised sunflower seed oil and olive oil. The increase in sales of other oils by approximately RMB17.0 million or 105.8% was mainly due to the significant increase in the sales of sunflower seed oil under our brand by approximately RMB9.0 million and olive oil under our brand by approximately RMB3.9 million as a result of the increase in retail sales demand and the marketing efforts of the Group. The sales of corn meals increased by approximately RMB57.9 million or 97.5% mainly due to the Group's increase in obtaining crude corn oil via squeezing production in proportion to purchasing crude corn oil for its refinement process as corn meal is a by-product of the Group's squeezing production.

Fluctuations in gross profit and gross profit margin

The gross profit for the six months ended 30 June 2010 was approximately RMB78.8 million (30 June 2009: RMB64.6 million) with gross profit margin of approximately 12.5% (30 June 2009: 12.6%), of which gross profit margins for the sales of (1) non-branded corn oil in bulk, (2) corn oil under our brand, (3) corn meal and (4) other oils was approximately 7.2%, 33.0%, 2.9% and 36.0% respectively (30 June 2009: 14.1%, 15.9%, 0.1% and 10.9% respectively).

The Group's gross profit margin of corn oil under our brand increased from 15.9% in the first half of 2009 to 33.0% in the first half of 2010 was mainly due to:

(i) the Group directly sold most of its own brand products to supermarkets and retailers in the first half of 2010 and accordingly, the Group's selling prices of corn oil under our brand was no longer adjusted downward for the Sales Expenses under the Sales Arrangement. For illustration purpose, if there was no Sales Arrangement for the six months ended 30 June 2009, the Group's revenue and gross profit generated from corn oil under our brand would have been increased by Sales Expenses of approximately RMB8.6 million and the gross profit margin for the six months ended 30 June 2009 would have been 26.0%; and

(ii) despite the generally downward trend of the market price of corn oil since February 2010, the Group could still manage to control and stabilize the selling price of its own brand corn oils. As such, the Group's average selling price of corn oil under our brand for the six months ended 30 June 2010 increased by approximately 51% over the corresponding period in 2009, which far outweigh the percentage increase of 20.4% for the average cost of sales of branded corn oil from RMB6,270 per tonne in the first half of 2009 to RMB7,548 per tonne in the first half of 2010. As a result of the above, the gross margin for corn oil under our brand increased from 15.9% for the six months ended 30 June 2009 to 33% for the six months ended 30 June 2009.

The drop in the Group's gross profit margin for the sales of non-branded corn oil was mainly caused by the fluctuations in the market price of non-branded corn oil and the market purchase prices of corn embryo and crude corn oil, the Group's main raw materials. The fluctuation of the Group's average purchase prices of corn embryo and crude corn oil were generally in line with the fluctuation of the average selling prices of our non-branded corn oil products as discussed above. However, since February 2010, facing with the continuous drop in the market prices of non-branded corn oil products, the suppliers of corn embryo and crude corn oil became more cautious in supplying corn embryo and crude corn oil. The reduced supply in turn resulted in the market prices of corn embryo and crude corn oil dropped since February 2010 at a slower pace and magnitude than that of non-branded corn oil for the six months ended 30 June 2010.

Management Discussion and Analysis

The Group's average selling price of non-branded corn oil for the six months ended 30 June 2010 increased by approximately 6.0% over the corresponding period in 2009. The Group's average cost of sales of non-branded corn oil for the six months ended 30 June 2010 was RMB6,417 per tonne, representing an increase of approximately 14.4% over the average cost of sales of non-branded corn oil of RMB5,609 per tonne for the corresponding period in 2009. The higher percentage increase in the average cost of sales of non-branded corn oil compared to the percentage increase in the average selling price of non-branded corn oil for the six months ended 30 June 2010 was mainly due to (i) the market prices of corn embryo and crude corn oil dropped at a slower pace and magnitude than that of the market prices of non-branded corn oil in the first half of 2010 as mentioned above; and (ii) the Group had procured a significant amount of raw materials by 2009 year end at high market prices with an aim to control the future costs of production because the costs of raw materials had rose significantly since November 2009. This resulted in a higher cost of sales of non-branded corn oil incurred by the Group in the first quarter of 2010. As a result of the above, the gross margin for non-branded corn oil decreased from 14.1% for the six months ended 30 June 2009 to 7.2% for the six months ended 30 June 2010. During July to August 2010, due to the strong rebound in the selling prices of our non-branded corn oil products in August 2010, the relatively smaller increment in the cost of corn embryos and crude corn oil in the same period and coupled with the Group's better control of raw materials cost, the Group's gross profit margin for non-branded corn oil products from 1 July 2010 up to the date of this report has improved.

The increase in the gross profit margin of other oils from 11% in the first half of 2009 to 36.0% in the first half of 2010 was mainly due to the change in the Group's sales mix by increasing the sales of sunflower seed oil and olive oil under our brand which had high gross profit margin.

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 94% of the total costs of sales for the six months ended 30 June 2010 (30 June 2009: 98%).

Other Income

Other income of approximately RMB9.1 million (30 June 2009: approximately RMB6.1 million) comprised mainly sales of scrap materials of approximately RMB7.7 million (30 June 2009: approximately RMB4.8 million) and the forfeiture of deposit that was received from a customer in previous year of approximately RMB1.1 million (30 June 2009: nil). Deposit of RMB1.8 million was received by the Group from a customer in 2008 for a corn oil sales order placed. That customer subsequently failed to perform the sales order and the RMB1.8 million deposit had been held by the Group since after. In 2010, the customer agreed the Group to forfeit RMB1.1 million of the deposit as penalty. The increase in sales of scrap materials, the residual and scrap by-products of the Group's oil production, was due to the increase in production volume of the Group for the six months ended 30 June 2010 as compared to the corresponding period in 2009.

Selling and Distribution Expenses

Selling and distribution expenses of approximately RMB22.6 million (30 June 2009: RMB4.8 million) comprised mainly carriage and transportation charges of approximately RMB9.4 million (30 June 2009: RMB3.2 million), advertising expense of approximately RMB4.4 million (30 June 2009: RMB1.2 million), expenses of representative offices of approximately RMB3.2 million (30 June 2009: nil) and staff costs for sales staff of approximately RMB5.2 million (30 June 2009: RMB0.3 million).

Management Discussion and Analysis

The increase in selling and distribution expenses by approximately RMB17.8 million was partly due to the Group directly sold most of its own brand products to supermarkets and retailers in the first half of 2010 and the relevant Sales Expenses under the previous Sales Arrangement were thus directly borne by the Group. For illustration purpose, if there was no Sales Arrangement for the six months ended 30 June 2009, the Group's selling expense would have been increased by Sales Expenses of approximately RMB8.6 million and amounted to approximately RMB13.4 million ("Adjusted Selling Expenses"). The increase in the selling and distribution expenses for the six months ended 30 June 2010 over the Adjusted Selling Expenses for the six months ended 30 June 2009 by approximately RMB9.2 million was mainly due to: (1) the increase in expenditure on advertising campaign of approximately RMB3.1 million; (2) the increase in expenses by sales representative office and salary of sales staff by approximately RMB1.2 million and RMB2.6 million respectively as a result of the expansion of sales and distribution networks by setting up new sales representative offices and employment of more sales staff; and (3) the increase in transportation charges by approximately RMB4.6 million which is in line with the increase in the Group's sales for the period.

In order to enhance the brand awareness of 長壽花 (Longevity Flower) and the corporate image, the Group has entered into 12 major contracts with advertising agencies to launch various marketing and advertising campaigns in the first half of 2010. On the other hand, the Group has expanded its marketing and distribution network to more cities in PRC by setting up eight new representative offices in Tianjin, Shanghai, Taiyuan, Shenyang, Chengdu, Xiamen, Hefei and Nanning for the six months ended 30 June 2010. The management of the Group is confident that the investments by the Group on the brand advertising campaigns and the expansion of distribution network for the six months ended 30 June 2010 will result in improvement in sales performance in the future.

Administrative Expenses

Administrative expenses of approximately RMB12.1 million (30 June 2009: RMB3.6 million) comprised mainly: (i) share based payment expense for share options grant to staff in May 2010 of approximately RMB3.7 million (30 June 2009: nil); (ii) legal and professional fees of approximately RMB1.5 million (30 June 2009: RMB0.1 million); (iii) exchange loss of approximately RMB1.0 million (30 June 2009: RMB24,000); and (iv) staff costs for administrative staff of approximately RMB1.5 million (30 June 2009: RMB1.0 million).

In May 2010, options in aggregate of 25,000,000 shares ("Share Options") were granted to 6 executive Directors and 26 employees of the Group, the details of which were set out in the announcement of the Company dated 14 May 2010. The cost of the Share Options was measured by reference to the fair value at the date at which they are granted and would be recognised as share based payment expense over its vesting period from 2010 to 2012. The total share based payment expense of the Share Options is estimated to be approximately RMB39.1 million, of which approximately RMB18.2 million, RMB17.1 million and RMB3.8 million will be recognized for the two years ending 31 December 2011 and the six months ending 30 June 2012 respectively. The increase in legal and professional fees was mainly attributable to additional compliance costs and professional fees of approximately RMB0.9 million incurred after the Company's shares listing on the Main Board of The Stock Exchange of Hong Kong Limited on 18 December 2009 ("HK IPO"). The increase in exchange loss incurred for the six months ended 30 June 2010 was mainly due to exchange loss of approximately RMB0.8 million arised from the conversion of the initial public offering proceeds into Renminbi to be used for the Group's PRC operation.

Profit Before Taxation and Profit Attributable to Shareholders

The Group recorded profit before income tax of approximately RMB51.7 million for the six months ended 30 June 2010 (30 June 2009: RMB61.3 million), representing a decrease of approximately 15.7% compared to the corresponding period in 2009. The Group's profit attributable to owners of the Company decreased by approximately 17.2% from RMB53.6 million for the six months ended 30 June 2009 to approximately RMB44.4 million for the six months ended 30 June 2010, which included: (1) the share based payment expenses for share options granted in May 2010 to Directors and employees of the Group of approximately RMB3.7 million; (2) the additional legal and professional fees as a result of the Company's listing on the Main Board of The Stock Exchange of Hong Kong Limited on 18 December 2009 ("HK IPO") of approximately RMB0.9 million; and (3) the exchange loss that arised on the proceeds from HK IPO of approximately RMB0.8 million. Should these items were excluded, the Group's profit attributable to owners of the Company would have been approximately RMB49.8 million (30 June 2009: RMB53.6 million) ("Adjusted Profits"), representing a decrease of approximately 7.1%.

Management Discussion and Analysis

The decrease in Adjusted Profits by approximately RMB3.8 million to approximately RMB49.8 million for the six months ended 30 June 2010 was mainly attributable to, among others, the increase in selling and distribution expenses which mainly represented the Group's investments on advertising and marketing campaign and the expansion of sales and distribution networks, which had shown the Group's effort to put a higher focus towards the sales segment of corn oil under our brand in view of its strong performance for the period under review.

The net profit margin of the Group for the six months ended 30 June 2010 was approximately 7.1% (30 June 2009: 10.5%). The basic earnings per share attributable to owners of the Company amounted to approximately RMB8.443 cents for the six months ended 30 June 2010, as compared to approximately RMB16.504 cents for the six months ended 30 June 2009.

Deposits Paid for Acquisition of Property, Plant and Equipment and Land Use Rights

As at 30 June 2010, the deposits paid for acquisition of property, plant and equipment and land use rights was approximately RMB58.7 million (31 December 2009: nil). As mentioned under the "Business review" section, the Group has entered into contracts with the local governments in Inner Mongolia and Liaoning for the acquisition of two pieces of lands in Inner Mongolia and Liaoning respectively that will be used for the construction of the New Mongolia Squeezing Plant and the New Liaoning Squeezing Plant, and accordingly RMB42.5 million had been paid by the Group as deposit for the two pieces of lands pursuant to the land contracts. The remaining RMB16 million represented mainly deposit paid for the purchase of production equipment and machineries to be installed at the New Mongolia Squeezing Plant and the New Liaoning Squeezing Plant. It is currently expected that the acquisition of the two pieces of lands in Inner Mongolia and Liaoning will be completed no later than the end of 2010, whereas the installation and inspection of the production equipment and machineries is expected to be completed during the first to second quarter of 2011 after the completion of construction of the New Mongolia Squeezing Plant and the New Liaoning Squeezing Plant.

The Group will continues to fund the construction of the New Mongolia Squeezing Plant and the New Liaoning Squeezing Plant principally by the Group's internal generated resources and the net proceeds raised from HK IPO.

Trade and Notes Receivables

As at 30 June 2010, trade and notes receivables was approximately RMB100.8 million (31 December 2009: RMB55.0 million) comprised of trade receivables of approximately RMB31.4 million (31 December 2009: RMB47.5 million) and note receivables of approximately RMB69.4 million (31 December 2009: RMB7.5 million). The decrease in trade receivables is mainly the result of strict repayment and credit control implemented by the Group in the first half of 2010. The significant increase in note receivables was due to the increase in settlement by customers via bank's notes (銀行承兑匯票). These bank's notes were backed by the issuing banks and usually have a maturity ranging from 3 to 6 months. The Group accepted the settlement by these certain customers via bank's notes because generally a more favorable selling price can be charged to these customers.

Prepayments, Deposits and Other Receivables

As at 30 June 2010, prepayments, deposits and other receivables amounted to approximately RMB181 million (31 December 2009: RMB76 million) which mainly comprised deposits paid for the procurement of raw materials, prepayment paid for advertising expenses and other prepayments and receivable. The significant increase in deposits paid for procurement of raw material was mainly due to more raw materials purchased by the Group near the end of June 2010 to prepare for the commencement of operation at the New Refinement Plant. The increase in prepayment of advertising expenses was the result of several advertising contracts with contract periods of around 3 years in general entered into by the Group in the first half of 2010 to launch various marketing and advertising campaigns.

Management Discussion and Analysis

Future Plans

The Group aims 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 will continue 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. Considering the strong sales growth and the high profit margin of the Group's sales of corn oil under our brand, the Group will continue to place a strong focus on this segment by investing on the marketing of the brand 長壽花 (Longevity Flower) and enhancing the marketing and distribution network. The Group is optimistic over the future performance of the segment of corn oil under our brand and that it will contribute for a higher proportion of the Group's overall result in the future. Overall, the Group is optimistic over the future performance of the Group's business.

In addition, as stated in the above paragraph, the Company has expanded its production capacity by the construction of the New Refinement Plant which is expected to commence operation in the fourth quarter of 2010. On the other hand, the Group is expanding its squeezing production capacity by the construction of the New Mongolia Squeezing Plant and the New Liaoning Squeezing Plant respectively and contracts were entered into by the Group with the local governments in Inner Mongolia and Liaoning for the acquisition of two pieces of lands in Inner Mongolia and Liaoning for construction of such squeezing plants. Upon full operation of the New Mongolia Squeezing Plant and the New Liaoning Squeezing Plant, the Group's total annual production capacity for the squeezing process is estimated to be increased to 300,000 tonnes of corn and other oils. The Directors consider that the construction of the New Mongolia Squeezing Plant and the New Liaoning Squeezing Plant can enable the Group to: (1) enhance its ability to obtain crude corn oil for its refinement process via its squeezing production, which can lessen the Group's reliance on sourcing crude corn oil via market purchase and become less vulnerable to price fluctuations in crude corn oil; (2) have more direct access to procure corn embryos in Inner Mongolia and Liaoning due to the rich supply of Corn embryos in these regions. As such, the Group can have better control of its purchase cost of corn embryos.

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.

Capital Structure

The Company's issued share capital as at 30 June 2010 is HK$52,625,000 divided into 526,250,000 shares of HK$0.1 each.

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 30 June 2010 was 4.66% (2009: 4.88%). The current ratio (calculated as current assets divided by current liabilities) as at 30 June 2010 was 6.6 times (2009: 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.

Liquidity and Financial Resources

At 30 June 2010, the Group's unsecured interest-bearing bank borrowings, which are repayable within one year, amounted to approximately RMB50,000,000 (31 December 2009: RMB50,000,000) with a fixed interest rate at 5.841% per annum as at 30 June 2010. The Group's cash and bank balances amounted to RMB352,204,000 (31 December 2009: RMB638,843,000).

Material Acquisition and Disposals

The Group did not have any material acquisition or disposal of subsidiaries or associates during the six months ended 30 June 2010.

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 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.

RMB is currently not a freely convertible currency. A portion of the Group's RMB 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.

Pledge on Group Assets

As at 30 June 2010, the Group had not pledged any of its assets to its bankers to secure banking facilities granted to the Group.

Capital Commitments and Operating Lease Commitments

The Group has capital commitment in respect of properties, plant and equipment of approximately RMB9,300,000 (31 December 2009: RMB768,000) as at 30 June 2010. The Group has operating lease commitments of RMB13,000 in respect of properties as at 30 June 2010 (31 December 2009: RMB30,000).

Employee Benefits

As at 30 June 2010, the Group had a total of 1,210 employees (2009: 637). The significant increase in the number of employees of the Company was due to the business expansion of the Group.

Moreover, the share option scheme (the "Scheme") was adopted on 23 November 2009 to retain staff members who have made contributions to the success of the Group. On 14 May 2010, options in an aggregate of 25,000,000 shares were granted to 6 executive Directors and 26 employees of the Group. The Directors believe that the compensation packages offered by the Group to staff members are competitive in comparison with market standards and practices.

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.

Directors' Rights to Acquire Shares or Debentures

Other than the Share Options of the Company held by the Directors under the Scheme, at no time during the six months ended 30 June 2010 was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of shares in, or debt securities, including debentures, of the Company or any other body corporate.

Significant Investments Held

There were no significant investments held by the Company as at 30 June 2010.

Contingent Liabilities

As at 30 June 2010, the Group has no material contingent liabilities.

Interim Dividend

The Board resolved not to declare the payment of interim dividend for the six months ended 30 June 2010.

Segmental Information

Details of segmental information of the Group as at 30 June 2010 are set out in note 4 in the interim financial report.

Other Information

Directors' Interest and Short Positions in Shares Underlying Shares and Debentures

At 30 June 2010, the interest or short positions of the directors or chief executives in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning 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 and short positions in shares, underlying shares and debentures of the Company

Name of Directors	Nature of Interest	Long position/ Short position	Number of ordinary shares/ underlying shares held	Approximate percentage of shareholding in the Company
Mr. Wang Mingxing	Interest of controlled corporations (Note 1)	Long position	269,037,249	51.12%
	Beneficial owner	Long position	800,000 (Note 2)	0.15%
Mr. Wang Mingfeng	Interest of controlled corporation (Note 1)	Long position	269,037,249	51.12%
	Beneficial owner	Long position	800,000 (Note 2)	0.15%
Mr. Wang Mingliang	Interest of controlled corporation (Note 1)	Long position	269,037,249	51.12%
	Beneficial owner	Long position	800,000 (Note 2)	0.15%
Mr. Wang Fuchang	Beneficial owner	Long position	800,000 (Note 2)	0.15%
Mr. Sun Guohui	Beneficial owner	Long position	800,000 (Note 2)	0.15%
Mr. Huang Da	Beneficial owner	Long position	800,000 (Note 2)	0.15%

Notes:

1. Mr. Wang Mingxing, Mr. Wang Mingfeng and Mr. Wang Mingliang 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% 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 Mingliang.

2. These interest are derived from the interest in the share options granted by the Company, details are set out in the section headed "Share Option Scheme".

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. Wang 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 held on 22 December 2009, Corn Oil Luxembourg was put into liquidation with effect on 22 December 2009 and expected will be completed in year 2011.

2. Ms. Huo owns 16.5% equity interest in Sanxing Grease, which holds 100% equity interest in Sanxing Trade, which in turn holds approximately 82.7% interest in Corn Oil Luxembourg. Ms. Huo is the spouse of Mr. Wang Mingliang, an executive Director of the Company. 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 30 June 2010.

Other Information

Interests and Short Positions of Substantial Shareholders/Other Persons Recorded in the Register Kept Under Section 336 of the SFO

As at 30 June 2010, the interests or short positions of every person, other than Directors or chief executives 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 as follows:

Interests and short positions of substantial shareholders in shares and underlying shares of the Company

Name of shareholders	Nature of interest	Long position/ Short position	Number of ordinary shares of the Company held	Approximate percentage of the issued ordinary share capital of the Company
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 Group Company Limited ("Shangdong Sanxing") (Note 1)	Interest of controlled corporations	Long position	269,037,249	51.12%
Ms. Huo Chunling (Note 2)	Interest of spouse	Long position	269,837,249	51.28%
BNP Paribas Asset Management (Note 3)	Investment manager	Long position	38,419,000	7.30%

Notes:

(1) 153,619 shares were held by Corn Oil Luxembourg (where it is in the process of voluntary winding up, 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 82.7% 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 269,837,249 shares pursuant to the SFO.

(3) These 38,419,000 shares were held by Shinhan BNP Paribas Investment Trust Management Co., Ltd., which in 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 30 June 2010.

Other Information

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 is 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.

(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 (i) 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.

Other Information

A total of 25,000,000 share options were granted to 6 executive Directors and 26 employees of the Group on 14 May 2010, details of which are as follows:

Grantee	Date of grant of share options	Vesting period	Exercise period	Exercise price of share options (HK$)	Outstanding at 1 January 2010	Granted/ during the period	Outstanding at 30 June 2010
Directors							
Mr. Wang Mingxing	14 May 2010	14 May 2010 to 13 May 2011	14 May 2011 to 13 May 2015	5.4	–	400,000	400,000
		14 May 2011 to 13 May 2012	14 May 2012 to 13 May 2015	5.4	—	400,000	400,000
Mr. Wang Mingfeng	14 May 2010	14 May 2010 to 13 May 2011	14 May 2011 to 13 May 2015	5.4	—	400,000	400,000
		14 May 2011 to 13 May 2012	14 May 2012 to 13 May 2015	5.4	—	400,000	400,000
Mr. Wang Mingliang	14 May 2010	14 May 2010 to 13 May 2011	14 May 2011 to 13 May 2015	5.4	—	400,000	400,000
		14 May 2011 to 13 May 2012	14 May 2012 to 13 May 2015	5.4	—	400,000	400,000
Mr. Wang Fuchang	14 May 2010	14 May 2010 to 13 May 2011	14 May 2011 to 13 May 2015	5.4	—	400,000	400,000
		14 May 2011 to 13 May 2012	14 May 2012 to 13 May 2015	5.4	—	400,000	400,000
Mr. Sun Guohui	14 May 2010	14 May 2010 to 13 May 2011	14 May 2011 to 13 May 2015	5.4	—	400,000	400,000
		14 May 2011 to 13 May 2012	14 May 2012 to 13 May 2015	5.4	—	400,000	400,000
Mr. Huang Da	14 May 2010	14 May 2010 to 13 May 2011	14 May 2011 to 13 May 2015	5.4	—	400,000	400,000
		14 May 2011 to 13 May 2012	14 May 2012 to 13 May 2015	5.4	—	400,000	400,000
Employees							
In aggregate	14 May 2010	14 May 2010 to 13 May 2011	14 May 2011 to 13 May 2015	5.4	—	10,100,000	10,100,000
		14 May 2011 to 13 May 2012	14 May 2012 to 13 May 2015	5.4	—	10,100,000	10,100,000
Total						25,000,000	25,000,000

Note: The closing price of the shares of the Company on 13 May 2010, i.e. the date immediately proceeding the date of grant of the share options on 14 May 2010, was HK$5.41.

Save as aforesaid, no further options were granted during the six months ended 30 June 2010.

Other Information

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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.

Code on Corporate Governance Practices

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Listing Rules.

During the period ended 30 June 2010, the Company was in compliance with the code provisions set out in the CG Code except that code A.2.1 of the CG Code provides that the roles of chairman and chief executive officer should be separated. The roles of chairman and chief executive officer were not separated as the Company has not appointed a chief executive officer and the roles and functions of the chief executive officer have been performed by all the executive Directors, including the Chairman, of the Company collectively.

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 ended 30 June 2010.

Audit Committee

The Company established an audit committee (the "Audit Committee") on 23 November 2009 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. 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.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Wang Aiguo (as Chairman), Mr. Wang Ruiyuan and Mr. Liu Shusong. The Audit Committee has reviewed the unaudited interim financial report of the Group for the period ended 30 June 2010.

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

Hong Kong, 25 August 2010

Independent Review Report

Grant Thornton
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Member of Grant Thornton International Ltd

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

Introduction

We have reviewed the interim financial report set out on pages 20 to 36 which comprises the consolidated statement of financial position of China Corn Oil Company Limited as of 30 June 2010 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to express a conclusion on this interim financial report based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report is not prepared, in all material respects, in accordance with International Accounting Standard 34.

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

25 August 2010

Consolidated Income Statement

For the six months ended 30 June 2010

	Notes	Six months ended 30 June 2010 (unaudited) RMB'000	2009 (audited) RMB'000
Revenue	5	629,230	512,901
Cost of sales		(550,396)	(448,313)
Gross profit		78,834	64,588
Other income	5	9,135	6,076
Selling and distribution expenses		(22,625)	(4,751)
Administrative expenses		(12,108)	(3,583)
Other operating expenses		(394)	(100)
Profit from operations		52,842	62,230
Finance costs	6	(1,162)	(928)
Profit before income tax	7	51,680	61,302
Income tax expense	8	(7,247)	(7,663)
Profit for the period		44,433	53,639
		RMB cents	RMB cents
Earnings per share for profit attributable to the owners of the Company during the period	9		
– Basic		8.443	16.504
– Diluted		8.435	N/A

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	(unaudited)	(audited)
	RMB'000	RMB'000
Profit for the period	**44,433**	53,639
Other comprehensive loss		
Exchange loss on translation of financial statements of foreign operations	**(672)**	–
Other comprehensive income for the period, net of tax	**(672)**	–
Total comprehensive income for the period attributable to owners of the Company	**43,761**	53,639

Consolidated Statement of Financial Position

As at 30 June 2010

	Notes	30 June 2010 (unaudited) RMB'000	31 December 2009 (audited) RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	**315,026**	225,119
Land use rights		**35,063**	35,419
Deposits paid for acquisition of property, plant and equipment and land use rights		**58,737**	–
		408,826	260,538
Current assets			
Inventories		**148,356**	101,195
Trade and notes receivables	12	**100,819**	55,019
Prepayments, deposits and other receivables		**180,957**	76,040
Amounts due from related parties		**304**	10,795
Cash and bank balances	13	**352,204**	638,843
		782,640	881,892
Current liabilities			
Trade payables	14	**15,944**	7,160
Accrued liabilities, other payables and deposits received		**42,589**	53,098
Amounts due to related parties		**6,967**	2,826
Interest-bearing bank borrowing	15	**50,000**	50,000
Tax payables		**3,033**	3,879
		118,533	116,963
Net current assets		**664,107**	764,929
Net assets/Total assets less current liabilities		**1,072,933**	1,025,467
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	**46,340**	46,340
Reserves		**1,026,593**	979,127
Total equity		**1,072,933**	1,025,467

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2009	465	47,294	15,405	53,941	50,000	(11)	135,538	302,632
Transactions with owners	–	–	–	–	–	–	–	–
Profit for the period	–	–	–	–	–	–	53,639	53,639
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	–	–	53,639	53,639
At 30 June 2009 (audited)	465	47,294	15,405	53,941	50,000	(11)	189,177	356,271

	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Other reserves RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2010	46,340	585,096	–	27,731	53,941	69,131	(11)	243,239	1,025,467
Recognition of share-based payments	–	–	3,705	–	–	–	–	–	3,705
Transactions with owners	–	–	3,705	–	–	–	–	–	3,705
Profit for the period	–	–	–	–	–	–	–	44,433	44,433
Other comprehensive income	–	–	–	–	–	–	–	–	–
– Exchange loss on translation of financial statements of foreign operations	–	–	–	–	–	–	(672)	–	(672)
Total comprehensive income for the period	–	–	–	–	–	–	(672)	44,433	43,761
At 30 June 2010 (unaudited)	46,340	585,096	3,705	27,731	53,941	69,131	(683)	287,672	1,072,933

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	(unaudited)	(audited)
	RMB'000	RMB'000
Net cash used in operating activities	**(139,196)**	(19,425)
Net cash used in investing activities	**(160,275)**	(3,141)
Net cash generated from financing activities	**13,504**	37,999
Net (decrease)/increase in cash and cash equivalents	**(285,967)**	15,433
Cash and cash equivalents at beginning of the period	**638,843**	34,216
Effect of foreign exchange rate changes on cash and cash equivalents	**(672)**	–
Cash and cash equivalents at end of the period	**352,204**	49,649

Notes to the Interim Financial Report

For the six months ended 30 June 2010

1. General Information

China Corn Oil Company Limited (the "Company") was incorporated in the Cayman Islands 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 Group is the production and sale of edible oil.

The interim financial report was approved and authorised for issue by the board of directors on 25 August 2010.

2. Basis of Preparation

The interim financial report for the six months ended 30 June 2010 has been prepared in accordance with International Accounting Standard ("IAS") 34, Interim financial reporting, issued by the International Accounting Standards Board (the "IASB") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2009, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs") (which collective term includes all applicable individual International Financial Reporting Standards and Interpretations as approved by the 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 interim financial report is unaudited, but has been reviewed by Grant Thornton in accordance with International Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the International Auditing and Assurance Standards Board.

The interim financial report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2009.

3. Significant Accounting Policies

The interim financial report has been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year ended 31 December 2009, except for the adoption of the following standards as of 1 January 2010:

- IFRS 3 Business Combinations (Revised 2008)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008)
- Improvements to IFRSs 2009

Significant effects on the current period or prior periods arising from the first-time adoption of these new requirements are described below.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of this interim financial report.

3. Significant Accounting Policies (Continued)

3.1 Adoption of IFRS 3 Business Combination (Revised 2008)

The revised standard ("IFRS 3R") introduced major changes to the accounting requirements for business combinations. It retains the major features of the purchase method of accounting, now referred to as the acquisition method. The most significant changes in IFRS 3R that had an impact on the Group's accounting policies are as follows:

- Acquisition-related costs of the combination will be recorded as an expense in the income statement. Previously, these costs would have been accounted for as part of the cost of the acquisition.

- The assets acquired and liabilities assumed will generally measured at their acquisition-date fair values unless IFRS 3R provides an exception and provides specific measurement rules.

- Any contingent consideration will be measured at fair value at the acquisition date. If the contingent consideration arrangement gives rise to a financial liability, any subsequent changes will generally recognised in profit or loss. Previously, contingent considerations would have been recognised at the acquisition date only if its payment was probable.

IFRS 3R has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2010. For the six months ended 30 June 2010, the Group does not have any business combination. Therefore, the Group changed its accounting policies on the adoption of IFRS 3R but this change did not have an impact in the current period financial position and performance.

3.2 Adoption of IAS 27 Consolidated and Separate Financial Statements (Revised 2008)

The adoption of IFRS 3R required that the revised IAS 27 ("IAS 27R") is adopted at the same time. IAS 27R introduced changes to the accounting requirements for transactions with non-controlling (formerly called 'minority') interests and the loss of control of a subsidiary. Similar to IFRS 3R, the adoption of IAS 27R is applied prospectively. The Group did not have non-controlling interests in the current period and did not dispose of any of its equity interests in its subsidiaries. Therefore, the Group changed its accounting policies on the adoption of IAS 27R but this change did not have an impact in the current period financial position and performance.

3.3 Adoption of Improvements to IFRSs 2009 (issued in April 2009)

The Improvements to IFRSs 2009 ("2009 Improvements") made several minor amendments to IFRSs. The amendment relevant to the Group relates to IAS 17 Leases. The amendment requires that leases of land are classified as finance or operating applying the general principles of IAS 17. Prior to this amendment, IAS 17 generally required a lease of land to be classified as an operating lease. The Group has reassessed the classification of the land elements of its unexpired leases at 1 January 2010 on the basis of information existing at the inception of those leases and has determined that none of its leases require reclassification.

4. 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 oils, mainly refined edible sunflower seed oil, refined edible olive oil, refined edible cotton seed oil; and (iii) Corn meal.

4. Segment Information (Continued)

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. There have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

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

	Six months ended 30 June 2010				
	Corn oil				
	Non-branded corn oil RMB'000 (unaudited)	Own brand corn oil RMB'000 (unaudited)	Other oils RMB'000 (unaudited)	Corn meal RMB'000 (unaudited)	Group RMB'000 (unaudited)
Revenue from external customers	366,991	111,934	33,094	117,211	629,230
Reportable segment revenue	366,991	111,934	33,094	117,211	629,230
Reportable segment profit	26,528	36,964	11,919	3,423	78,834

	Six months ended 30 June 2009				
	Corn oil				
	Non-branded corn oil RMB'000 (audited)	Own brand corn oil RMB'000 (audited)	Other oils RMB'000 (audited)	Corn meal RMB'000 (audited)	Group RMB'000 (audited)
Revenue from external customers	373,568	63,889	16,084	59,360	512,901
Reportable segment revenue	373,568	63,889	16,084	59,360	512,901
Reportable segment profit	52,585	10,188	1,753	62	64,588

4. Segment Information (Continued)

A reconciliation between the reportable segment profit and the Group's profit before income tax is set out below:

	Six months ended 30 June	
	2010	2009
	(unaudited)	(audited)
	RMB'000	RMB'000
Reportable segment profit	**78,834**	64,588
Other income	**9,135**	6,076
Selling and distribution expenses	**(22,625)**	(4,751)
Administrative expenses	**(12,108)**	(3,583)
Other operating expenses	**(394)**	(100)
Finance costs	**(1,162)**	(928)
Profit before income tax	**51,680**	61,302

5. 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:

	Six months ended 30 June	
	2010	2009
	(unaudited)	(audited)
	RMB'000	RMB'000
Revenue		
Sales of goods	**629,230**	512,901
Other income		
Interest income on bank balances stated at amortised cost	**169**	37
Sales of scrap materials	**7,707**	4,794
Compensation income from sundry creditors	**–**	950
Others	**1,259**	295
	9,135	6,076

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For the six months ended 30 June 2010

6. Finance Costs

	Six months ended 30 June	
	2010	2009
	(unaudited)	(audited)
	RMB'000	RMB'000
Interest charges on financial liabilities stated at amortised cost:		
Bank and other borrowings – wholly repayable within five years	**1,160**	925
Other interest expenses	**2**	3
	1,162	928

7. Profit Before Income Tax

The Group's operating profit is arrived at after charging/(crediting):

	Six months ended 30 June	
	2010	2009
	(unaudited)	(audited)
	RMB'000	RMB'000
Depreciation	**11,492**	11,231
Operating lease charges on:		
– Rental premises	**–**	30
– Land lease payments	**356**	80
Reversal of written down of inventories to net realisable value (Note)	**–**	(3,115)
Staff costs (including directors' remuneration)		
– Wages, salaries and bonus	**9,662**	3,889
– Contribution to defined contribution pension plan	**512**	222
– Share-based payment expenses	**3,705**	–
Total staff costs	**13,879**	4,111
Net foreign exchange loss	**962**	24

Note: The Group reversed RMB3,115,000 of inventories previously written down during the six month ended 30 June 2009. The Group has sold all of the goods to unrelated third parties at prices higher than the original costs.

8. Income Tax Expense

	Six months ended 30 June	
	2010	2009
	(unaudited)	(audited)
	RMB'000	RMB'000
Current tax		
– Provision for PRC income tax	**7,247**	7,663

8. Income Tax Expense (Continued)

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 periods.

Shandong Sanxing Corn Industry Technology Company Limited ("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 (山東省鄒平縣國家税務局鄒國税函(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 years ended 31 December 2009 and 2010, Corn Industry is subject to EIT tax rate of 12.5%.

9. Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of RMB44,433,000 (six months ended 30 June 2009: RMB53,639,000) and the weighted average number of ordinary shares of 526,250,000 (six months ended 30 June 2009: 325,000,000) in issue during the period.

The weighted average number of shares of 325,000,000 ordinary shares used to calculate the basic earnings per share for the six months ended 30 June 2009 comprising:

(i) the 1 share of the Company allotted and issued at nil paid on 9 September 2009 (note 16(b)); and

(ii) the 324,999,999 shares issued as consideration for the acquisition of a subsidiary (note 16(c)(ii)).

The calculation of diluted earnings per share for the six months ended 30 June 2010 is based on the profit attributable to owners of the Company of RMB44,433,000 and the weighted average number of ordinary shares of 526,791,000 outstanding during the period, after adjusting for the effects of all dilutive potential ordinary shares. The weighted average number of ordinary shares used in the calculation of diluted earnings per share is calculated based on the weighted average number of ordinary shares of 526,250,000 in issue during the year as used in calculation of basic earnings per share plus the number of ordinary shares of 541,000 deemed to be issued at no consideration as if all the Company's shares options had been exercised.

Amount of diluted earnings per share for the six months ended 30 June 2009 has not been disclosed as no potential ordinary shares existed during the period.

10. Interim Dividend

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: Nil).

11. Property, Plant and Equipment

During the six months ended 30 June 2010, the Group incurred capital expenditure of approximately RMB73,901,000 (six months ended 30 June 2009: Nil) in construction in progress, approximately RMB4,623,000 (six months ended 30 June 2009: RMB87,000) in office equipment, approximately RMB3,469,000 (six months ended 30 June 2009: RMB23,432,000) in plant and machinery and approximately RMB19,714,000 (six months ended 30 June 2009: RMB49,000) in buildings.

12. Trade and Notes Receivables

	30 June 2010 (unaudited) RMB'000	31 December 2009 (audited) RMB'000
Trade receivables	31,422	47,517
Notes receivables	69,397	7,502
	100,819	55,019

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

	30 June 2010 (unaudited) RMB'000	31 December 2009 (audited) RMB'000
Within 60 days	98,039	47,671
61 – 90 days	1,838	2,031
91 – 180 days	942	4,764
181 – 365 days	–	553
	100,819	55,019

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.

13. Cash and Bank Balances

	30 June 2010 (unaudited) RMB'000	31 December 2009 (audited) RMB'000
Cash at bank and in hand	352,204	362,392
Short-term bank deposits	–	276,451
	352,204	638,843

14. 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:

	30 June 2010 (unaudited) RMB'000	31 December 2009 (audited) RMB'000
Within 30 days	9,810	2,395
31-60 days	2,354	1,865
61-90 days	1,273	864
91-180 days	1,498	1,095
181-365 days	381	483
Over 365 days	628	458
	15,944	7,160

15. Interest-Bearing Bank Borrowing

	30 June 2010 (unaudited) RMB'000	31 December 2009 (audited) RMB'000
Unsecured bank borrowing repayable within one year	50,000	50,000

The Group's interest-bearing bank borrowing is bearing fixed rate at 5.841% (at 31 December 2009: 5.841%) per annum as at 30 June 2010. The interest-bearing bank borrowing is denominated in RMB.

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 and 30 June 2010.

16. 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 and 30 June 2010, 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 certain restructuring exercise of the Group	(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 and 30 June 2010, 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 and 30 June 2010.

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 divided into 3,800,000 ordinary shares of HK$0.10 each 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.

(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.

17. Commitments

Operating lease commitments

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

	30 June 2010 (unaudited) RMB'000	31 December 2009 (audited) RMB'000
Within one year	13	30

The Group leases 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 commitments

At the end of the reporting date, the Group had the following capital commitments:

	30 June 2010 (unaudited) RMB'000	31 December 2009 (audited) RMB'000
Property, plant and equipment:		
Contracted but not provided for	9,300	768
Authorised but not contracted for	–	–
	9,300	768

18. Related Party Transactions

In addition to the transactions and balances detailed elsewhere in the interim financial report, the Group had the following transactions with related parties at agreed terms.

		Six months ended 30 June	
	Notes	**2010** **RMB'000**	2009 RMB'000
Sales to shareholders	(i)	**322**	48,981
Sales to related companies	(i)	**146**	–
Purchases from a shareholder	(ii)	**–**	10,193
Purchases from related companies	(ii)	**3,789**	5,487
Supply of steam and electric power from a related company	(iii)	**11,649**	10,597
Repair and maintenance services rendered by a related company	(iv)	**6**	6
Freight services rendered by a related company	(iv)	**–**	7,291
Subcontracting services rendered by a related company	(iv)	**2,458**	–
Rental expenses paid to a shareholder	(v)	**–**	110
Purchases of property, plant and equipment from related companies	(vi)	**14,769**	7,029
Purchases of property, plant and equipment from a shareholder	(vi)	**–**	15,864
Sale of property, plant and equipment to a shareholder	(vii)	**–**	20,345
Sale of property, plant and equipment to a related company	(vii)	**86**	–

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.

18. Related Party Transactions (Continued)

Notes: (Continued)

(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) 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.

(vii) Sale of property, plant and equipment to a shareholder and 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, was conducted under mutually agreed terms.