CHINA CORN OIL Company Limited

中國玉米油股份有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1006)

INTERIM REPORT 2011

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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

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

Auditor
BDO Limited

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
Haitong International 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 1502, 15th Floor
The Chinese Bank Building
61-65 Des Voeux Road Central
Hong Kong

Stock Code
Hong Kong Stock Exchange : 1006

Website
http://www.chinacornoil.com/

Management Discussion and Analysis

Business Review

The Group is principally engaged in the production 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 and export bulk sales mainly to other companies engaging in the sale of edible corn oil under their own brands.

During the six months ended 30 June 2011, total revenue of the Group has increased by approximately RMB325.0 million, or approximately 51.7% as compared to the six months ended 30 June 2010, while profit attributable to owners of the Company has increased by approximately RMB33.4 million, representing a growth of approximately 75.2% as compared to the six months ended 30 June 2010. The significant increase of revenue and profits was mainly due to the increases in both the selling prices of the Group's corn oil products and the sales amounts of the Group's branded corn oil products consummated by the additional refinement capacity of the new refinement plant which commenced production in the fourth quarter of 2010.

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. 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. During the period under review, a total of four new representative offices of the Group were set up in Heilongjiang, Jilin, Henan and Xinjiang provinces, where the Group has previously commenced sales in Heilongjiang, Jilin and Henan provinces. As at 30 June 2011, the Group had a distribution network of approximately 349 wholesale distributors (31 December 2010: 222), approximately 66 retailers (31 December 2010: 64) and 20 sales representative offices (31 December 2010: 16) covering 30 (31 December 2010: 29) provinces and/or administrative municipalities in the PRC. The investments in 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 of corn oil under our brand in view of its strong performance for the period under review. For the six months ended 30 June 2011, the Group's sales of corn oil under our brand increased by approximately RMB290.4 million or 259.5% whereas the gross profit generated from the sales of corn oil under our brand increased by approximately RMB83.7 million or 226.2%. Sales volume of branded corn oil tripled during the period under review to 30,208 tonnes as compared to 9,932 tonnes for the six months ended 30 June 2010, while the sales volume of non-branded oil decreased from 53,056 tonnes for the six months ended 30 June 2010 to 43,141 tonnes for the six months ended 30 June 2011. This change in sales mix echoed our shift of focus to sales of corn oil under our own brand.

The construction of two new squeezing production plants in Inner Mongolia ("New Mongolia Squeezing Plant") and Liaoning ("New Liaoning Squeezing Plant") are in progress and is expected to be completed and commence production in late third quarter or early fourth quarter of 2011. Upon completion, the New Mongolia Squeezing Plant and the New Liaoning Squeezing Plant will each house an additional production line with annual squeezing capacity of 100,000 tonnes of crude corn and other oil, hence to increase the total squeezing capacity of our Group to 300,000 tonnes.

The Directors consider that the construction of the two plants enables the Group to: (1) enhance its ability to obtain crude corn oil for its refinement process via its squeezing production, which could lessen the Group's reliance on sourcing crude corn oil via external purchases and make us less vulnerable to price fluctuations in crude corn oil; and (2) have more direct access to procure corn embryos in Inner Mongolia and Liaoning due to the rich supply in these regions. As such, the Group can have better control of its purchase cost of corn embryos.

Due to the increase in sales amounts of the Group's branded oil products and in anticipation of further growing demand for its branded oil products, the Group has invested RMB50 million for construction of a new packaging production plant ("New Packaging Plant") in January 2011 located next to the Group's existing production plant in Zouping in the Shandong Province.

The New Packaging Plant will house an additional production line for the Group's packaging process for injection of the Group's edible oil products into plastic bottles and is expected that upon full operation, the Group will have additional annual production capacity for the packaging process of 100,000 tonnes of edible oil and the Group's total annual packaging capacity will increase to 150,000 tonnes of edible oil. The construction of the New Packaging Plant is expected to be completed and commence operation in late third quarter or early fourth quarter of 2011.

Management Discussion and Analysis

Financial Review

For the six months ended 30 June 2011, the Group recorded revenue of approximately RMB954.2 million (30 June 2010: RMB629.2 million), representing an increase of approximately 51.7%. For the six months ended 30 June 2011, the sales of (1) corn oil under our brand; (2) non-branded corn oil in bulk; (3) corn meal; and (4) other oil amounted to approximately RMB402.2 million, RMB408.8 million, RMB112.7 million and RMB30.5 million (30 June 2010: approximately RMB111.9 million, RMB367.0 million, RMB117.2 million and RMB33.1 million) respectively, and accounted for approximately 42.2%, 42.8%, 11.8% and 3.2% (30 June 2010: 17.8%, 58.3%, 18.6% and 5.3%) respectively of the Group's total revenue. Sales of corn oil under our brand were all made in the PRC whilst sales of non-branded oil were made both in the PRC and overseas. Revenue from the PRC and overseas countries accounted for approximately 81% and 19% (30 June 2010: 97% and 3%) respectively of the Group's total sales for the six months ended 30 June 2011. Turnover from exports accounted for a much larger percentage out of total turnovers for the period under review as we increased sales of non-branded oil to overseas customers who on average paid higher prices than domestic customers.

Revenue and Gross Profit/(Loss)

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

	Six months ended 30 June 2011		Six months ended 30 June 2010	
	RMB'000	%	RMB'000	%
Revenue				
Corn oil				
– Corn oil under our brand	402,266	42.2%	111,934	17.8%
– Non-branded corn oil	408,764	42.8%	366,991	58.3%
Corn meal	112,672	11.8%	117,211	18.6%
Other oil	30,512	3.2%	33,094	5.3%
	954,214	100%	629,230	100%
Gross profit/(loss)				
Corn oil				
– Corn oil under our brand	120,711	70.4%	36,964	46.9%
– Non-branded corn oil	42,460	24.8%	26,528	33.7%
Corn meal	(2,193)	(1.3)%	3,423	4.3%
Other oil	10,464	6.1%	11,919	15.1%
	171,442	100%	78,834	100%
Gross profit/(loss) ratio				
Corn oil				
– Corn oil under our brand		30.0%		33.0%
– Non-branded corn oil		10.4%		7.2%
Corn meal		(1.9)%		2.9%
Other oil		34.3%		36.0%
Overall		18.0%		12.5%

Management Discussion and Analysis

Increase in the average selling prices of corn oil products

The following table sets forth the increase in average selling prices of the Group's corn oil products and fluctuations of quantities sold:

	For the six months ended 30 June	
	2011	2010
Quantities sold (tonnes)		
Corn oil under our brand	**30,208**	9,932
Non-branded corn oil	**43,141**	53,056
Average selling price (RMB/tonne)		
Corn oil under our brand	**13,317**	11,270
Non-branded corn oil	**9,475**	6,917
Average unit cost of sales (RMB/tonne)		
Corn oil under our brand	**9,320**	7,548
Non-branded corn oil	**8,491**	6,417

Increase in revenue

The increase in revenue of the Group from approximately RMB629.2 million for the six months ended 30 June 2010 to approximately RMB954.2 million for the six months ended 30 June 2011 by approximately RMB325.0 million or 51.7% was mainly the combined result of: the increase in the sales of corn oil under our brand by approximately RMB290.4 million or 259.5%; and the increase in the sales of non-branded corn oil by approximately RMB41.8 million or 11.4%; offset by the decrease in the sales of other oils by approximately RMB2.6 million or 7.9%; and the decrease in the sales of corn meal by approximately RMB4.5 million or 3.8%.

The sales volume of corn oil under our brand increased from 9,932 tonnes for the six months ended 30 June 2010 to 30,208 tonnes for the six months ended 30 June 2011, representing an increase of approximately 204.1%, which was mainly because (1) the Group's distribution channels have been largely expanded due to continuous marketing efforts; (2) the brand name of our corn oil 長壽花 (Longevity Flower) has been more recognised by existing and new customers; and (3) more consumers realised corn oil is a more healthy edible oil. This increase in the sales volume, together with the increase in the average selling price of corn oil under our brand by approximately 18.2% from RMB11,270 per tonne for the six months ended 30 June 2010 to RMB13,317 per tonne for the six months ended 30 June 2011 resulted in the 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 the market price of corn oil for the six months ended 30 June 2011 as compared to the six months ended 30 June 2010 which is in general in line with the increase in the future price of soybean oil for the six months ended 30 June 2011 compared to six months ended 30 June 2010; and

2. the increase in advertising and marketing efforts in promoting the brand awareness of 長壽花 (Longevity Flower), hence boosted the market demand of corn oil under our brand.

Management Discussion and Analysis

The sales volume of non-branded corn oil in bulk for the period dropped by approximately 18.8% compared to the first half of 2010, which was consistent with the Group's strategy to allocate its production capacity to branded corn oil with priority, which enjoyed higher profit margin. Nevertheless, the revenue of non-branded corn oil increased by 11.4% as the average selling price of non-branded corn oil increased by 37.0% during the period under review. This increase was also in line with the increase in the future price of soybean oil for the period under review as compared to the first half of 2010.

The sales of other oils for the six months ended 30 June 2011 mainly comprised sunflower seed oil, olive oil and other oil products. The decrease in sales of other oils by approximately RMB2.6 million or 7.9% was mainly due to the decrease in the bulk sales of sunflower seed oil by approximately RMB5.3 million offset by increase in sales of olive oil under our brand by RMB2.4 million.

The sales of corn meals decreased by approximately RMB4.5 million or 3.8% due to the drop in average selling price of corn meals. Though the sales volume of corn meals increased slightly by 8.0% which was in line with the increase of the squeezed crude oil as corn meal is a by-product of the Group's squeezing production.

Increase in gross profit and gross profit margin

The gross profit for the six months ended 30 June 2011 was approximately RMB171.4 million (30 June 2010: RMB78.8 million) with gross profit margin of approximately 18.0% (30 June 2010: 12.5%), of which gross profit/(loss) margins for the sales of (1) corn oil under our brand; (2) non-branded corn oil in bulk; (3) corn meal; and (4) other oil were approximately 30.0%, 10.4%, (1.9)% and 34.3% (30 June 2010: 33.0%, 7.2%, 2.9% and 36.0%) respectively.

The Group's gross profit margin of corn oil under our brand decreased slightly from approximately 33.0% in the first half of 2010 to approximately 30.0% in the first half of 2011, which was mainly due to the increase in provision of discounts and other promotional activities conducted in newly developed markets.

Gross profit margin for non-branded corn oil rose from approximately 7.2% in the first half of 2010 to approximately 10.4% in the first half of 2011. This increase in gross profit margin is considered by the Directors as a return to normal margin to be achieved by the Group given its strong bargaining power with its suppliers. The low profit margin recorded in the comparative period was due to the decrease in market price of non-branded corn oil while the price of our raw materials, corn embryo and crude corn oil, decreased at a slower pace and magnitude than that of non-branded corn oil.

Gross profit margin of other oil dropped slightly from approximately 36.0% in the first half of 2010 to approximately 34.3% in the first half of 2011. Such small drop in gross profit margin was mainly due to the decrease in gross profit margin of sunflower seed oil from approximately 29.5% for six months ended 30 June 2010 to approximately 23.4% for six months ended 30 June 2011.

Cost of Sales

The cost of sales mainly 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 constitutes the largest component of total cost of sales and accounted for approximately 91.5% of the total costs of sales for the six months ended 30 June 2011 (30 June 2010: 94.0%).

Other Income

Other income of approximately RMB18.3 million (30 June 2010: approximately RMB9.1 million) mainly comprised of sales of scrap materials of approximately RMB15.8 million (30 June 2010: approximately 7.7 million) and bank interest income of approximately RMB2.3 million (30 June 2010: RMB0.2 million). The significant increase in sales of scrap materials was mainly due to the increase in selling price of scrap materials and the increase in production volume of corn oil for the six months ended 30 June 2011 as scrap materials are by-products in the corn oil refinement process. The increase in bank interest income was mainly due to the increase in interest rates for deposits at banks.

Management Discussion and Analysis

Selling and Distribution Expenses

Selling and distribution expenses nearly tripled from approximately RMB22.6 million for the six months ended 30 June 2010 to approximately RMB64.1 million for the six months ended 30 June 2011. Selling and distribution expenses comprised of mainly carriage and transportation charges of approximately RMB11.2 million (30 June 2010: 9.4 million), advertising and marketing expenses of approximately RMB24.7 million (30 June 2010: RMB4.4 million), expenses of representative offices of approximately RMB11.3 million (30 June 2010: RMB3.2 million) and sales staff costs of approximately RMB13.9 million (30 June 2010: RMB5.2 million).

The increase in advertising and marketing expenses was mainly due to (1) amortisation of deferred advertising expenses from advertising contracts signed by the Group with various advertising agencies during 2010 which spread over periods of around three years; and (2) signing of an advertising contract with a new agent in the first half of 2011 with deferred advertising expenses of RMB26 million which spread over one year. On the other hand, the increase in expenses of representative offices was mainly because the Group has (i) set up 4 more representative offices to 20 representative offices as at 30 June 2011 compared to 16 representative offices as at 31 December 2010; and (ii) expanded its marketing and distribution network to more cities in the PRC by increasing the number of wholesale distributors and retailers to 349 (31 December 2010: 222) and 66 (31 December 2010: 64) respectively for the six months ended 30 June 2011. Moreover, the increase in sales staff costs was mainly due to (i) increase in sales staff; and (ii) increase in basic salaries paid to the sales staff.

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 2011 will result in better sales performance in the future.

Administrative Expenses

Administrative expenses of approximately RMB28.8 million (30 June 2010: RMB12.1 million) comprised mainly: (i) administrative staff costs of approximately RMB5.4 million (30 June 2010: 1.5 million); (ii) share-based payment expenses for share options granted to staff in May 2010 of approximately RMB11.4 million (30 June 2010: 3.7 million); (iii) depreciation expenses of approximately RMB2.4 million (30 June 2010: 1.0 million); and (iv) city construction tax and education supplementary tax of approximately RMB1.3 million (30 June 2010: Nil).

The increase in administrative staff costs was mainly due to the recruitment and training costs incurred for workers for the New Mongolia Squeezing Plant and the New Liaoning Squeezing Plant. As the construction of the two plants has not been completed and production has not commenced during the first half year of 2011, such costs were classified as administrative in nature. The sharp increase in share-based payment expenses was due to such expenses have been accounted for on a pro-rata basis. Accordingly the share-based payment expenses for the six months ended 30 June 2011 were six months pro-rata, whilst the share-based payment expenses for the six months ended 30 June 2010 were two months pro-rata.

Profit before Taxation and Profit Attributable to Owners of the Company

The Group recorded profit before income tax of approximately RMB95.4 million for the six months ended 30 June 2011 (30 June 2010: approximately RMB51.7 million), representing an increase of approximately 84.5%. The Group's profit attributable to owners of the Company increased by approximately 75.2% from approximately RMB44.4 million for the six months ended 30 June 2010 to approximately RMB77.8 million for the six months ended 30 June 2011.

The net profit margin of the Group for the six months ended 30 June 2011 was approximately 8.2% (30 June 2010: 7.1%). The basic earnings per share attributable to owners of the Company amounted to approximately RMB14.78 cents for the six months ended 30 June 2011 (30 June 2010: RMB 8.44 cents). The Directors consider that the increase in net profit margin and basic earnings per share attributable to owners of the Company was mainly due to the increase in the Group's gross profit margin.

Management Discussion and Analysis

Acquisition of Property, Plant and Equipment and Land Use Rights

The Group has entered into contracts with the local governments of Inner Mongolia and Liaoning for the acquisition of two pieces of lands respectively that are used for the construction of the New Mongolia Squeezing Plant and the New Liaoning Squeezing Plant in May 2010. The Group obtained the land use right certificates of the two pieces of lands in Inner Mongolia and Liaoning in May 2011 and June 2011 respectively.

Trade and Notes Receivables

As at 30 June 2011, trade and notes receivables was approximately RMB209.9 million (31 December 2010: RMB90.4 million) comprised of trade receivables of approximately RMB116.9 million (31 December 2010: RMB82.4 million) and notes receivables of approximately RMB93.0 million (31 December 2010: RMB8.0 million). The increase in trade receivable was in line with the increase in sales for the six months ended 30 June 2011. The significant increase in note receivable was due to the increase in sales of non-branded oil to overseas customers who normally settle their purchases using letters of credit. These letters of credits were backed by the issuing banks and usually have a maturity period within 60 days.

Trade and notes receivable turnover day was 28.6 days for six months ended 30 June 2011 (30 June 2010: 22.5 days). The increase in trade and note receivable turnover days was not significant, and 28.6 turnover days was within the Group's common credit terms of 60 days.

Prepayments, Deposits and Other Receivables

As at 30 June 2011, prepayments, deposits and other receivables amounted to approximately RMB89.6 million (31 December 2010: RMB76.9 million) which mainly comprised deposits paid for purchase of raw materials of approximately RMB25.7 million (31 December 2010: RMB11.4 million), deferred advertising expenses of approximately RMB53.6 million (31 December 2010: RMB49.9 million) and other receivables of approximately RMB10.3 million (31 December 2010: RMB15.6 million). The increase of the prepayments, deposits and other receivables was mainly due to the increase in deposits paid for purchase of raw materials of RMB14.3 million as a result of expansion of production.

Deferred advertising expenses of approximately RMB24.2 million had been amortised as advertising expenses during the period under review and additional RMB28.3 million was added to the deferred advertising expenses as at 30 June 2011 mainly as a result of the entering into of a new advertising contract by the Group with amount of RMB26 million during the first half of 2011 which spread over one year.

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 maximise shareholders' benefits. The Group will continue to enhance brand image and recognition of 長壽花 (Longevity Flower), enhance the marketing and distribution network, explore new business opportunities, and penetrate to increase its market shares. Considering the strong sales growth and the high profit margin of the corn oil under our brand, the Group will continue to place a strong focus on this segment by investing in the promotion of the brand 長壽花 (Longevity Flower). 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 sales in the future. Overall, the Directors look forward to a more prosperous future performance of the Group's business.

Management Discussion and Analysis

In addition, as stated in the above paragraph, the Group is expanding its squeezing production capacity by the construction of the New Mongolia Squeezing Plant and the New Liaoning Squeezing Plant respectively, which are expected to be completed and commence operation in late third quarter or early fourth quarter of 2011 which will increase the Group's total annual production capacity by 200,000 tonnes (100,000 tonnes each) of crude corn and other oil for the squeezing process. On the other hand, the Group is expanding its packaging production capacity by investing approximately RMB50 million in January 2011 for the construction of the New Packaging Plant. The New Packaging Plant will house an additional production line for the Group's packaging process for injection of the Group's edible oil products into plastic bottles. The construction of the New Packaging Plant is expected to be completed and commence production in the late third quarter or early fourth quarter of 2011, which will provide the Group with an additional annual packaging capacity of 100,000 tonnes of edible oil to a total capacity of 150,000 tonnes of edible oil.

Moreover, the State Food and Drug Administration (國家食品藥品監督管理局) has granted the Group a healthy food (保健食品) certificate (國食健字G20100707) for our brand 長壽花 (Longevity Flower) for manufacturing certified healthy edible oil in November 2010. The Group was the first edible corn oil manufacturer in China granted such certificate. The Group expects to sell its edible corn oil products labelled with the healthy food certificate in the second half of 2011.

Capital Structure

The Company's issued share capital as at 30 June 2011 is HK$52,625,000 divided into 526,250,000 shares of HK$0.1 each.

The Group adopts a prudent treasury policy, and its gearing ratio (calculated as total borrowings divided by the amount of shareholders' equity) as at 30 June 2011 was 0% (31 December 2010: 4.21%). The current ratio (calculated as current assets divided by current liabilities) as at 30 June 2011 was 7.9 times (31 December 2010: 6.0 times). The Group continued to monitor stringent debt collection policy so as to minimise the risks of sales on credit and to ensure that funds are timely collected.

Liquidity and Financial Resources

As at 30 June 2011, the Group had paid off all unsecured interest-bearing bank borrowings (31 December 2010: RMB50 million). The Group's cash and bank balances amounted to RMB377.8 million (31 December 2010: RMB519.0 million).

Material Acquisition or Disposals

The Group did not have any material acquisition or disposal of subsidiaries or associates during the six months ended 30 June 2011.

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 an RMB environment and the functional currency of the major subsidiaries is RMB. The reporting currency of the Group is RMB. The Group has exported edible oil and refined oil products to the Middle East, Southeast Asia and Africa and the transactions were settled in either United States Dollars or Euro. The Group's cash and bank deposits are predominantly 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.

Pledge of Group Assets

As at 30 June 2011, the Group had not pledged any of its assets to its bankers to secure banking facilities granted to the Group.

Management Discussion and Analysis

Capital Commitments and Operating Lease Commitments

The Group has capital commitment of approximately RMB66.9 million (31 December 2010: RMB61.7 million) as at 30 June 2011 which mainly represented commitments made during the construction process of the New Mongolia Squeezing Plant, the New Liaoning Squeezing Plant and the New Packaging Plant. The Group had operating lease commitments of approximately RMB3.2 million in respect of leasing of properties as at 30 June 2011 (31 December 2010: RMB3.6 million).

Employee Benefits and Remuneration Policies

As at 30 June 2011, the Group had a total of 2,273 employees (31 December 2010: 1,704). The employees of the Group were remunerated based on their experience, qualifications, the Group's performance and the market conditions. During the period, staff costs (including Directors' remunerations) amounted to approximately RMB13.9 million (six months ended 30 June 2010: RMB13.9 million). Staff costs accounted for approximately 3.8% of the Group's turnover (six months ended 30 June 2010: 2.2%) during the period.

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' Right to Acquire Shares or Debentures

At no time during the six months ended 30 June 2011 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 2011.

Contingent Liabilities

As at 30 June 2011, 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 2011 (2010: Nil).

Segmental Information

Details of segmental information of the Group as at 30 June 2011 are set out in note 4 in the interim financial report.

Other Information

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

As at 30 June 2011, 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 (the "SFO") which were notified to the Company and The Stock Exchange of Hong Kong Limited (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 Transaction by Directors of Listed Issuers (the "Model Code"), are set out below:

1. Interests and short positions in shares, underlying shares and debenture of the Company

Name of Directors	Nature of Interest	Long position/ Short position	Number of ordinary shares/ underlying shares	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 corporations (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 corporations (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	1,800,000 (Note 3)	0.34%

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. ("Corn Oil Luxembourg"), whereby China Corn Luxembourg is owned as to approximately 82.73% by Sanxing Trade, which in turn is wholly-owned 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") (the spouse of Mr. Wang Mingliang) and 33.6% by Shandong Sanxing Group Company Limited ("Shandong Sanxing"), which in turn is owned as to 20% by Mr. Wang Mingxing, 20.4% by Mr. Wang Mingfeng and 20% by Mr. Wang Mingliang.

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

3. 800,000 shares of interest of Mr. Huang Da are derived from the interest in the share options granted by the Company on 14 May 2010, details are set out in the section headed "Share Option Scheme".

Other Information

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 (Note 2)	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%

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 executives 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 2011.

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 2011, 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:

Name of Shareholders	Name of interest	Long position/ Short position	Number of ordinary shares/ underlying shares	Approximate percentage of shareholding in the Company
Sanxing Trade (Note 1)	Beneficial owner	Long position	268,883,630	51.09%
	Interest of controlled corporations	Long position	153,619	0.03%
Sanxing Grease (Note 1)	Interest of controlled corporations	Long position	269,037,249	51.12%
Shangdong Sanxing (Note 1)	Interest of controlled corporations	Long position	269,037,249	51.12%
Ms. Huo (Note 2)	Interest of spouse	Long position	269,837,249	51.28%
BNP Paribas Asset Management SAS (Note 3)	Investment manager	Long position	31,520,000	5.99%

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 therefore, she is deemed to be interested in 269,037,249 shares held by Corn Oil Luxembourg and Sanxing Trade and 800,000 share options of the Company granted to Mr. Wang Mingliang pursuant to the SFO.

(3) These 31,520,000 shares were held by Shinhan BNP Paribas Investment Trust Management Co., Ltd., which in turn is wholly-owned by BNP Paribas Asset Management SAS 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 2011.

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 of the Company passed on 23 November 2009 and adopted by a resolution of the Board of Directors (the "Board") of the Company on 23 November 2009. The purpose of the Scheme is to provide incentives to Participants (as defined in the prospectus of the Company dated 8 December 2009 (the "Prospectus")) to contribute to the Company and its subsidiaries (the "Group") by providing the Participants the opportunity to acquire the proprietary interest 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

Details of movements in the Company's share options during the six months ended 30 June 2011 are set out below:

Grantee	Date of grant of share options	Vesting period	Exercise period	Exercise price of share options (HK$)	Outstanding at 1 January 2011	Granted/ (Lapsed) during the period	Exercised during the period	Outstanding at 30 June 2011
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

As at 30 June 2011, the number of shares in respect of which options had been granted and remaining outstanding under the Scheme was 25,000,000 shares, representing 4.75% of the shares of the Company in issue at that date.

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 (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 six months ended 30 June 2011.

Code on Corporate Governance Practices

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

During the six months ended 30 June 2011, the Company was in compliance with the code provisions set out in the CG Code except that code A.2.1 requires the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Wang Mingxing, the Chairman of the Company, was also acting 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 caliber individuals with sufficient number thereof being independent non-executive Directors.

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 six months ended 30 June 2011.

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 six months ended 30 June 2011.

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

Hong Kong, 23 August 2011

Independent Review Report

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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 information set out on pages 18 to 32 which comprises the consolidated statement of financial position of China Corn Oil Company Limited as of 30 June 2011 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 Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information 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 this interim financial information in accordance with International Financial Reporting Standards.

Our responsibility is to express a conclusion on this interim financial information based on our review. This report is made 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 information 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 information is not prepared, in all material respects, in accordance with International Financial Reporting Standards.

BDO Limited
Certified Public Accountants
Lo Ngai Hang
Practising Certificate Number P04743

Hong Kong, 23 August 2011

Consolidated Income Statement

For the six months ended 30 June 2011

		Six months ended 30 June	
		2011	2010
		(unaudited)	(unaudited)
	Notes	**RMB'000**	RMB'000
Revenue	5	**954,214**	629,230
Cost of sales		**(782,772)**	(550,396)
Gross profit		**171,442**	78,834
Other income	5	**18,269**	9,135
Selling and distribution expenses		**(64,117)**	(22,625)
Administrative expenses		**(28,818)**	(12,108)
Other operating expenses		**(483)**	(394)
Profit from operations	6	**96,293**	52,842
Finance costs	7	**(879)**	(1,162)
Profit before income tax		**95,414**	51,680
Income tax expense	8	**(17,625)**	(7,247)
Profit for the period		**77,789**	44,433
		RMB cents	RMB cents
Earnings per share for profit attributable to owners of the Company during the period	9		
–Basic		**14.782**	8.443
–Diluted		**N/A**	8.435

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Profit for the period	**77,789**	44,433
Other comprehensive income		
Exchange loss on translation of financial statements of foreign operations	**(51)**	(672)
Other comprehensive income for the period, net of tax	**(51)**	(672)
Total comprehensive income for the period attributable to owners of the Company	**77,738**	43,761

Consolidated Statement of Financial Position

As at 30 June 2011

	Notes	30 June 2011 (unaudited) RMB'000	31 December 2010 (audited) RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	428,353	388,059
Land use rights		79,486	56,552
Deposits paid for acquisition of property, plant and equipment and land use rights		11,542	27,383
		519,381	471,994
Current assets			
Inventories		153,742	171,894
Trade and notes receivables	12	209,911	90,391
Prepayments, deposits and other receivables		89,600	76,866
Amounts due from related parties		409	81
Cash and bank balances	13	377,754	518,985
		831,416	858,217
Current liabilities			
Trade payables	14	16,480	16,542
Accrued liabilities, other payables and deposits received		68,084	57,798
Amounts due to related parties		6,069	4,052
Amount due to immediate holding company		10,622	–
Interest-bearing bank borrowing	15	–	50,000
Tax payables		4,266	14,553
		105,521	142,945
Net current assets		725,895	715,272
Net assets/Total assets less current liabilities		1,245,276	1,187,266
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	46,340	46,340
Reserves		1,198,936	1,140,926
Total equity		1,245,276	1,187,266

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	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

	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	Proposed final dividend RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2011	46,340	553,977	18,204	44,536	53,941	69,131	216	31,119	369,802	1,187,266
2010 final dividend paid	–	–	–	–	–	–	–	(31,119)	–	(31,119)
Recognition of share-based payments	–	–	11,391	–	–	–	–	–	–	11,391
Transactions with owners	–	–	11,391	–	–	–	–	(31,119)	–	(19,728)
Profit for the period	–	–	–	–	–	–	–	–	77,789	77,789
Other comprehensive income										
– Exchange loss on translation of financial statements of foreign operations	–	–	–	–	–	–	(51)	–	–	(51)
Total comprehensive income for the period	–	–	–	–	–	–	(51)	–	–	(51)
At 30 June 2011	46,340	553,977	29,595	44,536	53,941	69,131	165	–	447,591	1,245,276

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Net cash used in operating activities	**(8,051)**	(139,196)
Net cash used in investing activities	**(63,770)**	(160,275)
Net cash (used in)/generated from financing activities	**(69,359)**	13,504
Net decrease in cash and cash equivalents	**(141,180)**	(285,967)
Cash and cash equivalents at beginning of the period	**518,985**	638,843
Effect of foreign exchange rate changes on cash and cash equivalents	**(51)**	(672)
Cash and cash equivalents at end of the period	**377,754**	352,204

Notes to the Interim Financial Information

For the six months ended 30 June 2011

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 its 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 since 18 December 2009.

The principal activity of the Group is the production and sale of edible oil.

The interim financial information for the six months ended 30 June 2011 was approved and authorised for issue by the board of directors on 23 August 2011.

2. Basis of Preparation

The interim financial information for the six months ended 30 June 2011 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 Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The interim financial information is unaudited, but has been reviewed by BDO Limited 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 information 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 2010.

3. Accounting Policies

The accounting policies used in the preparation of the interim financial information are consistent with those used in the financial statements for the year ended 31 December 2010, except for the adoption of the standards, amendments and interpretations issued by the IASB mandatory for annual periods beginning on or after 1 January 2011. The effect of the adoption of these standards, amendments and interpretations was not material to the Group's results of operations or financial position.

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.

Notes to the Interim Financial Information

For the six months ended 30 June 2011

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 2011				
	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	408,764	402,266	30,512	112,672	954,214
Reportable segment revenue	408,764	402,266	30,512	112,672	954,214
Reportable segment profit	42,460	120,711	10,464	(2,193)	171,442

	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

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

	Six months ended 30 June	
	2011 (unaudited) RMB'000	2010 (unaudited) RMB'000
Reportable segment profit	171,442	78,834
Other income	18,269	9,135
Selling and distribution expenses	(64,117)	(22,625)
Administrative expenses	(28,818)	(12,108)
Other operating expenses	(483)	(394)
Finance costs	(879)	(1,162)
Profit before income tax	95,414	51,680

Notes to the Interim Financial Information

For the six months ended 30 June 2011

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	
	2011	2010
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Revenue		
Sales of goods	**954,214**	629,230
Other income		
Interest income on bank balances stated at amortised cost	**2,265**	169
Sales of scrap materials	**15,799**	7,707
Others	**205**	1,259
	18,269	9,135

6. Profit Before Income Tax

The Group's operating profit is arrived at after charging:

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Cost of inventories recognised as expenses	**716,584**	516,403
Depreciation on property, plant and equipment	**17,504**	11,492
Amortisation of land use rights	**356**	356
Loss on disposal of property, plant and equipment	**460**	260
Operating lease charges on rented premises	**825**	–
Staff costs (including directors' remuneration)		
– Wages, salaries and bonus	**24,265**	9,662
– Contribution to defined contribution pension plan	**619**	512
– Share-based payment expenses	**11,391**	3,705
Total staff costs	**36,275**	13,879
Net foreign exchange loss	**807**	962

Notes to the Interim Financial Information

For the six months ended 30 June 2011

7. Finance Costs

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Interest charges on financial liabilities stated at amortised cost:		
Bank and other borrowings – wholly repayable within five years	**879**	1,160
Other interest expenses	**–**	2
	879	1,162

8. Income Tax Expense

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Current tax		
– Provision for PRC income tax	**17,625**	7,247

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.

PRC corporate income tax is provided at the rates applicable to the subsidiaries in the PRC on the income for statutory reporting purpose, adjusted for income and expense items which are not assessable or deductible for income tax purposes based on existing PRC income tax regulations, practices and interpretations thereof.

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 years ended 31 December 2010 and the six months ended 30 June 2011, Corn Industry is subject to EIT tax rate of 12.5%.

Notes to the Interim Financial Information

For the six months ended 30 June 2011

9. Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of RMB77,789,000 (six months ended 30 June 2010: RMB44,433,000) and the weighted average number of ordinary shares of 526,250,000 (six months ended 30 June 2010: 526,250,000) in issue during the period.

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 period 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.

For the six months ended 30 June 2011, no diluted earnings per share has been presented as the impact of exercise of the Group's outstanding share options was anti-dilutive.

10. Interim Dividend

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (2010: Nil).

11. Property, Plant and Equipment

During the six months ended 30 June 2011, the Group incurred capital expenditure of approximately RMB54,678,000 (six months ended 30 June 2010: RMB73,901,000) in construction in progress, approximately RMB95,000 (six months ended 30 June 2010: RMB4,623,000) in office equipment, approximately RMB2,638,000 (six months ended 30 June 2010: RMB23,432,000) in plant and machinery, approximately RMB637,000 (six months ended 30 June 2010: RMB19,714,000) in buildings, and approximately RMB210,000 (six months ended 30 June 2010: Nil) in motor vehicles.

12. Trade and Notes Receivables

	30 June 2011 (unaudited) RMB'000	31 December 2010 (audited) RMB'000
Trade receivables	**116,914**	82,391
Notes receivables	**92,997**	8,000
	209,911	90,391

Trade receivables are non-interest bearing. For domestic sales, 0 to 60 days and 0 to 180 days credit terms are granted to non-branded corn oil and own brand corn oil customers respectively. 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.

Notes to the Interim Financial Information

For the six months ended 30 June 2011

12. Trade and Notes Receivables (Continued)

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

	30 June 2011 (unaudited) RMB'000	31 December 2010 (audited) RMB'000
Within 60 days	187,846	72,528
61 – 90 days	5,822	5,384
91 – 180 days	9,729	11,712
181 – 365 days	6,514	767
	209,911	90,391

13. Cash and Bank Balances

	30 June 2011 (unaudited) RMB'000	31 December 2010 (audited) RMB'000
Cash at bank and in hand	56,754	168,985
Short-term bank deposits	321,000	350,000
	377,754	518,985

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 2011 (unaudited) RMB'000	31 December 2010 (audited) RMB'000
Within 30 days	7,479	8,217
31 – 60 days	3,730	2,573
61 – 90 days	1,764	1,473
91 – 180 days	1,102	1,834
181 – 365 days	1,318	1,740
Over 365 days	1,087	705
	16,480	16,542

Notes to the Interim Financial Information

For the six months ended 30 June 2011

15. Interest-bearing Bank Borrowing

	30 June 2011 (unaudited) RMB'000	31 December 2010 (audited) 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% at 31 December 2010.

The Group's interest-bearing bank borrowing is guaranteed by 鄒平星宇科技紡織有限公司 and 山東焦化集團有限公司 (formerly known as 山東鐵雄能源集團有限公司), independent third parties, as at 31 December 2010.

16. Share Capital

	Number of shares	Amount HK$
Authorised:		
At 31 December 2010 and 30 June 2011, ordinary shares of HK$0.10 each	9,000,000,000	900,000,000

	Number of shares	Amount HK$
Issued and fully paid:		
At 31 December 2010 and 30 June 2011, 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 2010 and 30 June 2011.

Notes to the Interim Financial Information

For the six months ended 30 June 2011

17. Commitments

Operating lease commitments

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

	30 June 2011 (unaudited) RMB'000	31 December 2010 (audited) RMB'000
Within one year	619	481
In the second to fifth years	1,619	1,792
After five years	1,004	1,311
	3,242	3,584

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 2011 (unaudited) RMB'000	31 December 2010 (audited) RMB'000
Property, plant and equipment:		
Contracted but not provided for	55,195	36,788
Authorised but not contracted for	11,722	24,906
	66,917	61,694

Notes to the Interim Financial Information

For the six months ended 30 June 2011

18. Related Party Transactions

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

		Six months ended 30 June	
		2011	2010
		(unaudited)	(unaudited)
	Notes	**RMB'000**	RMB'000
Sales to a shareholder	(i)	**93**	322
Sales to related companies	(i)	**446**	146
Purchases from related companies	(ii)	**93**	3,789
Supply of steam and electric power from a related company	(iii)	**13,581**	11,649
Repair and maintenance services rendered by a related company	(iv)	**1**	6
Subcontracting services rendered by a related company	(iv)	**1,956**	2,458
Purchases of property, plant and equipment from related companies	(v)	**52**	14,769
Sale of property, plant and equipment to a related company	(vi)	**–**	86

Notes to the Interim Financial Information

For the six months ended 30 June 2011

18. Related Party Transactions (Continued)

Notes:

(i) Sales to 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 these shareholder/related companies.

(ii) Purchases from 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 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) Purchase of property, plant and equipment from 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 conducted under mutually agreed terms negotiated between the Group and these related companies.

(vi) Sale of property, plant and equipment to 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.