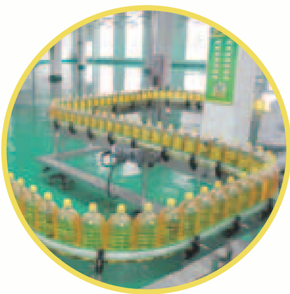
CHINA CORN OIL

中國玉米油股份有限公司 Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1006)



2011
ANNUAL REPORT

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Corporate Information

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Wang Aiguo
Wang Ruiyuan
Liu Shusong

COMPANY SECRETARY

Chan Yuen Ying, Stella

AUDIT COMMITTEE

Wang Aiguo *(chairman)*
Wang Ruiyuan
Liu Shusong

REMUNERATION COMMITTEE

Wang Aiguo *(chairman)*
Wang Mingxing
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 REGISTRAR

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

BRANCH REGISTRAR

Tricor Investor Services Limited
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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
Wing Lung Bank Limited

REGISTERED OFFICE

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Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

STOCK CODE

Hong Kong Stock Exchange: 1006

WEBSITE

http://www.chinacornoil.com/

Chairman's Statement

On behalf of the board of directors (the "Directors") (the "Board") of China Corn Oil Company Limited (the "Company"), I would like to present to the shareholders the annual results and audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011.

FINANCIAL PERFORMANCE

For the year ended 31 December 2011, the Group's revenue was approximately RMB2,057.6 million and the Group's profit attributable to owners of the Company was approximately RMB176.8 million.

FINAL DIVIDEND

The Board resolved to recommend to the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Wednesday, 16 May 2012 a final dividend of HK cents 7 (2010: HK cents 7) per share for the year ended 31 December 2011 to be paid on Friday, 1 June 2012 to those shareholders whose names appear on the register of members of the Company on Thursday, 24 May 2012.

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 or export bulk sales mainly to other companies engaging in the sale of edible corn oil under their own brands.

During the year, total revenue of the Group has increased by approximately RMB520.2 million, or approximately 33.8%, while profit attributable to owners of the Company has increased by approximately RMB33.5 million, representing a growth of approximately 23.3%. The increase of revenue and profit was mainly due to the increase in the sales volume of the Group's branded corn oil products.

During the year, the Group has increased 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 year, 12 new representative offices and 18 liaison offices of the Group were set up in 10 provinces or administrative municipalities in the PRC. As at 31 December 2011, the Group had a distribution network of 468 wholesale distributors (2010: 222), 77 retailers (2010: 64) covering 31 (2010: 29) provinces 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 again shown the Group's effort to put a higher focus towards the sales of corn oil under its own brand in view of its strong performance for the year 2011. For the year ended 31 December 2011, the Group's sales of corn oil under its own brand increased by approximately RMB655.7 million or 162.3% whereas the gross profit generated from the sales of corn oil under its own brand increased by approximately RMB167.8 million or 130.5%. Sales volume of branded corn oil increased by approximately 124.1% during the year to 80,724 tonnes as compared to 36,014 tonnes for the year ended 31 December 2010, while the sales volume of non-branded corn oil decreased from 105,113 tonnes for the year ended 31 December 2010 to 72,156 tonnes for the year ended 31 December 2011. This change in sales mix echoed the Group's shift of focus to sales of corn oil under its own brand.

Chairman's Statement

The construction of two new squeezing production plants in Inner Mongolia ("New Mongolia Squeezing Plant") and Liaoning ("New Liaoning Squeezing Plant") has been completed and both plants have commenced production in the fourth quarter of 2011. Upon completion, each of the New Mongolia Squeezing Plant and the New Liaoning Squeezing Plant has a production line with annual squeezing capacity of 100,000 tonnes of crude corn oil and other oil, hence to increase the total annual squeezing capacity of the Group from 100,000 tonnes to 300,000 tonnes.

The new packaging production plant ("New Packaging Plant") has been constructed and has commenced operation in November 2011. The New Packaging Plant has a production line for the Group's packaging process for injection of the Group's edible oil products into plastic bottles with an annual packaging capacity of 100,000 tonnes and hence to increase the total annual packaging capacity of the Group to 150,000 tonnes.

APPRECIATION

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

Wang Mingxing
Chairman

Hong Kong, 27 March 2012

Management Discussion and Analysis

FINANCIAL REVIEW

For the year ended 31 December 2011, the Group recorded revenue of approximately RMB2,057.6 million (2010: approximately RMB1,537.4 million), representing an increase of approximately 33.8%. For the year ended 31 December 2011, 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 RMB1,059.8 million, RMB684.7 million, RMB242.7 million and RMB70.3 million (2010: approximately RMB404.1 million, RMB782.3 million, RMB244.2 million and RMB106.8 million) respectively and accounted for approximately 51.5%, 33.3%, 11.8% and 3.4% (2010: approximately 26.3%, 50.9%, 15.9% and 6.9%) 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, Middle East and other overseas countries accounted for approximately 90.2%, 8.6% and 1.2% (2010: 98.6%, 1.0% and 0.4%) respectively of the Group's total revenue for the year ended 31 December 2011. Turnover from exports accounted for a much larger percentage out of total turnover of the Group for the year ended 31 December 2011 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 table sets forth the breakdown of revenue and gross profit/(loss) margin by product categories:

	Year ended 31 December 2011		Year ended 31 December 2010	
	RMB'000	**%**	RMB'000	%
Revenue				
Corn oil				
— Corn oil under our brand	**1,059,784**	**51.5%**	404,129	26.3%
— Non-branded corn oil	**684,748**	**33.3%**	782,329	50.9%
Corn meal	**242,737**	**11.8%**	244,158	15.9%
Other oil	**70,318**	**3.4%**	106,760	6.9%
	2,057,587	**100.0%**	1,537,376	100.0%
Gross profit/(loss)				
Corn oil				
— Corn oil under our brand	**296,336**	**77.7%**	128,563	50.6%
— Non-branded corn oil	**63,835**	**16.7%**	87,236	34.3%
Corn meal	**(12)**	**(0.0)%**	1,775	0.7%
Other oil	**21,250**	**5.6%**	36,638	14.4%
	381,409	**100.0%**	254,212	100.0%
Gross profit/(loss) ratio				
Corn oil				
— Corn oil under our brand		**28.0%**		31.8%
— Non-branded corn oil		**9.3%**		11.2%
Corn meal		**0.0%**		0.7%
Other oil		**30.2%**		34.3%
Overall		**18.5%**		16.5%

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:

	Year ended 31 December 2011	Year ended 31 December 2010
Quantities sold (tonnes)		
Corn oil under our brand	**80,724**	36,014
Non-branded corn oil	**72,156**	105,113
Average selling price (RMB/tonne)		
Corn oil under our brand	**13,129**	11,221
Non-branded corn oil	**9,490**	7,443
Percentage of increase of average selling price		
Corn oil under our brand	**17.0%**	27.8%
Non-branded corn oil	**27.5%**	11.8%
Average unit cost of sales (RMB/tonne)		
Corn oil under our brand	**9,458**	7,652
Non-branded corn oil	**8,605**	6,613
Percentage of increase of average unit cost of sales		
Corn oil under our brand	**23.6%**	14.6%
Non-branded corn oil	**30.1%**	13.9%

Increase in Revenue

The increase in revenue of the Group from approximately RMB1,537.4 million for the year ended 31 December 2010 to approximately RMB2,057.6 million for the year ended 31 December 2011 by approximately RMB520.2 million or 33.8% was mainly the combined result of: (i) the increase in the sales of corn oil under our brand by approximately RMB655.7 million or 162.3%; (ii) the decrease in the sales of non-branded corn oil by approximately RMB97.6 million or 12.5%; (iii) the decrease in the sales of other oil by approximately RMB36.5 million or 34.2%; and (iv) the decrease in the sales of corn meal by approximately RMB1.4 million or 0.6%.

The sales volume and average selling price of corn oil under our brand increased from 36,014 tonnes and RMB11,221.0 per tonne for the year ended 31 December 2010 to 80,724 tonnes and RMB13,128.6 per tonne for the year ended 31 December 2011, representing an increase of approximately 124.1% and 17.0% respectively. The Directors believe such increases were mainly due to (i) the Group's distribution channels have been largely expanded due to the significant increase of marketing efforts; (ii) the brand name of our corn oil, 長壽花 (Longevity Flower), has been more recognised by existing and new customers; and (iii) more consumers have realised that corn oil is a more healthy edible oil.

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 2011 as compared to 2010 which was in general in line with the increase in the prices of soybean oil, peanut oil and rapeseed oil for 2011 as compared to 2010; and

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

The sales volume of non-branded corn oil in bulk for the year decreased by approximately 31.4% compared to 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. Accordingly, the revenue of non-branded corn oil decreased by 12.5% despite the increase in the average selling price of non-branded corn oil by 27.5% during the year which was also in line with the increase in the prices of soybean oil, peanut oil and rapeseed oil for 2011 as compared to 2010.

The sales of other oil for the year ended 31 December 2011 mainly comprised the sales of sunflower seed oil, olive oil and flaxseed oil. The decrease in sales of other oil by approximately RMB36.4 million or 34.1% was mainly due to (i) the Group's strong emphasis on promoting corn oil products during the year; (ii) the decrease in the bulk sales of sunflower seed oil by approximately RMB28.5 million; and (iii) the decrease in the bulk sales of flaxseed oil by RMB7.2 million.

The sales of corn meal decreased by approximately RMB1.4 million or 0.6% due to the drop in quantity sold of corn meal. The sales volume of corn meal decreased by 1.27% whilst the average selling price of corn meal increased slightly by 0.7%.

Increase in Gross Profit and Gross Profit Margin

The gross profit for the year ended 31 December 2011 was approximately RMB381.4 million (2010: RMB254.2 million) with gross profit margin of approximately 18.5% (2010: 16.5%), of which gross profit margin for the sales of (1) corn oil under our brand; (2) non-branded corn oil in bulk; (3) corn meal; and (4) other oil was approximately 28.0%, 9.3%, 0.0% and 30.2% (2010: 31.8%, 11.2%, 0.7% and 34.3%) respectively.

The Group's gross profit margin of corn oil under its own brand decreased from approximately 31.8% for the year ended 31 December 2010 to approximately 28.0% for the year ended 31 December 2011, which was mainly due to the discounts offered in various promotion activities in the newly developed markets in the PRC.

Gross profit margin for non-branded corn oil decreased from approximately 11.2% for the year ended 31 December 2010 to approximately 9.3% for the year ended 31 December 2011, which was mainly due to (i) the increase in the cost of raw materials, labour, electricity and petroleum; and (ii) the new production lines have just been put into operation, the capacity of which has not yet been fully utilised while various expenses so incurred have been counted in full.

Gross profit margin of other oil decreased from approximately 34.3% for the year ended 31 December 2010 to approximately 30.2% for the year ended 31 December 2011, which was mainly due to the discounts offered in various promotion activities in the newly developed markets in the PRC.

Management Discussion and Analysis

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 packaging, freight costs, depreciation and utilities expenses. The costs of raw materials constituted the largest component of total cost of sales and accounted for approximately 91.4% of the total cost of sales for the year ended 31 December 2011 (2010: 93.6%).

Other Income

Other income of approximately RMB46.4 million (2010: RMB26.6 million) comprised mainly sales of scrap materials of approximately RMB32.6 million (2010: RMB23.5 million) and bank interest income of approximately RMB7.6 million (2010: RMB338,000). The significant increase in sales of scrap materials was mainly due to the increase in selling price of scrap materials for the year ended 31 December 2011. The scrap materials are by-products in the corn oil refinement process. The increase in bank interest income was mainly due to the interest of the time deposits placed by the Group with the banks at high interest rates.

Selling and Distribution Expenses

Selling and distribution expenses significantly increased from approximately RMB65.9 million for the year ended 31 December 2010 to approximately RMB155.6 million for the year ended 31 December 2011. Selling and distribution expenses mainly comprised carriage and transportation charges of approximately RMB22.8 million (2010: 17.7 million), advertising and marketing expenses of approximately RMB48.5 million (2010: RMB16.2 million), expenses of representative offices of approximately RMB30.5 million (2010: RMB13.6 million) and sales staff costs of approximately RMB35.6 million (2010: RMB14.7 million).

The increase in advertising and marketing expenses by approximately RMB32.3 million 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) the entering into an advertising contract with a new agent in the first half of 2011 with advertising expenses of RMB26.0 million which spread over the year ended 31 December 2011.

The increase in expenses of representative offices by approximately RMB16.9 million was mainly because the Group has (i) set up 12 new representative offices and 18 liaison offices during the year; and (ii) expanded its marketing and distribution network to more cities in the PRC by increasing the number of wholesale distributors and retailers to 468 (2010: 222) and 77 (2010: 64) respectively for the year ended 31 December 2011.

The increase in sales staff costs by approximately RMB20.9 million was mainly due to the increase both in recruitment of sales staff and the basic salaries paid to 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 year ended 31 December 2011 will result in better sales performance in the future.

Administrative Expenses

Administrative expenses of approximately RMB58.1 million (2010: RMB43.5 million) comprised mainly: (i) share-based payment expenses for share options granted to staff in May 2010 of approximately RMB16.1 million (2010: RMB18.2 million); (ii) administrative staff costs of approximately RMB10.0 million (2010: RMB3.9 million); (iii) depreciation expenses of approximately RMB5.2 million (2010: RMB1.6 million); (iv) other taxes of approximately RMB5.3 million (2010: RMB1.9 million); and (v) legal and professional fees of approximately RMB4.5 million (2010: RMB4.7 million).

The total share-based payment expenses of the share options was estimated to be approximately RMB39.1 million, of which approximately RMB16.1 million was recognised for the year ended 31 December 2011.

The increase in administrative staff costs was mainly due to the increase both in recruitment of administrative staff and the basic salaries paid to administrative staff during the year.

The increase of other taxes was mainly due to the levy of other taxes such as city construction tax and education supplementary tax which were waived in the year of 2010.

Profit before Taxation and Profit Attributable to Shareholders

The Group recorded profit before income tax of approximately RMB212.3 million for the year ended 31 December 2011 (2010: RMB168.1 million), representing an increase of approximately 26.3% compared to the year ended 31 December 2010. The Group's profit attributable to owners of the Company increased by approximately 23.3% from approximately RMB143.4 million for the year ended 31 December 2010 to approximately RMB176.8 million for the year ended 31 December 2011.

The net profit margin of the Group for the year ended 31 December 2011 was approximately 8.6% (2010: 9.3%). The basic earnings per share attributable to owners of the Company amounted to approximately RMB33.60 cents for the year ended 31 December 2011, as compared to approximately RMB27.24 cents for the year ended 31 December 2010.

Acquisition of Property, Plant and Equipment and Land Use Rights

The Group has obtained the land use right certificates of the land in Inner Mongolia for the construction of the New Mongolia Squeezing Plant and the land in Liaoning for the construction of New Liaoning Squeezing Plant in May 2011 and June 2011 respectively. The construction of New Mongolia Squeezing Plant and New Liaoning Squeezing Plant has been completed in the fourth quarter of 2011.

Trade and Notes Receivables

As at 31 December 2011, trade and notes receivables was approximately RMB185.4 million (2010: RMB90.4 million) comprised trade receivables of approximately RMB177.6 million (2010: RMB82.4 million) and notes receivables of approximately RMB7.8 million (2010: RMB8.0 million). The increase in trade receivables was in line with the increase in sales for the year ended 31 December 2011. Notes receivables remained at a relatively stable balance as at 31 December 2011 as compared to 31 December 2010.

Management Discussion and Analysis

Prepayments, Deposits and Other Receivables

As at 31 December 2011, prepayments, deposits and other receivables amounted to approximately RMB101.2 million (2010: RMB104.3 million) which mainly comprised deposits paid for purchase of raw materials of approximately RMB39.6 million (2010: RMB11.4 million), prepayment paid for advertising expenses of approximately RMB35.1 million (2010: RMB49.1 million) and other receivables of approximately RMB19.6 million (2010: RMB15.6 million). The increase in deposits paid for purchase of raw materials of RMB28.2 million was mainly due to the increase in production during the 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 the brand image and recognition of 長壽花 (Longevity Flower), expand the marketing and distribution network, explore new business opportunities, and increase its market share. Considering the strong sales growth and the high profit margin of corn oil under its own 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 its own brand which will contribute for a larger 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.

In addition, as stated in the above paragraph, the Group has expanded its squeezing production capacity upon completing the construction of the New Mongolia Squeezing Plant and the New Liaoning Squeezing Plant (with an annual squeezing capacity of 100,000 tonnes each), both of which have commenced operation in the fourth quarter of 2011, and have increased the Group's total annual squeezing capacity by 200,000 tonnes of crude corn oil and other oil to a total squeezing capacity of 300,000 tonnes of crude corn oil and other oil. Moreover, the Group has also expanded its packaging production capacity by investing approximately RMB50.0 million in January 2011 for the construction of the New Packaging Plant which has been constructed and has commenced production in November 2011, which provides the Group with an additional annual packaging capacity of 100,000 tonnes of edible oil to a total packaging capacity of 150,000 tonnes of edible oil.

CAPITAL STRUCTURE

The Company's issued share capital as at 31 December 2011 is HK$52,625,000 divided into 526,250,000 shares of HK$0.1 each.

The Group adopted a prudent treasury policy. It had no borrowings during the year and its gearing ratio (calculated as total borrowings divided by the amount of shareholders' equity) as at 31 December 2011 was zero (2010: 4.21%). The current ratio (calculated as current assets divided by current liabilities) as at 31 December 2011 was 4.38 times (2010: 6.00 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.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds (after deduction of the underwriting commission and the relevant expenses) received by the Company from the listing of the Company's shares on the Stock Exchange on 18 December 2009 amounted to approximately HK$684.5 million (or approximately RMB593.6 million). As at 31 December 2011, approximately RMB562.1 million of the proceeds so raised was used, and the unused proceeds of approximately RMB31.5 million remain unused.

Details of the used proceeds of approximately RMB562.1 million are as follows:

1. approximately RMB92.0 million was used to market and promote our brands and products through media, roadshows and other marketing and promotional activities;

2. approximately RMB147.5 million was used to expand and enhance the marketing and distribution networks to more cities in the PRC;

3. approximately RMB275.5 million was used for capital expenditures to establish new production facilities and purchase new production equipment;

4. approximately RMB4.7 million was used for new product technology development; and

5. approximately RMB42.5 million was used to replenish the working capital of the Company.

The unutilized balance was placed in short-term bank deposits in accounts at commercial banks in the PRC and in Hong Kong. The Group intends to utilise the net proceeds balance in the same manner and proportion as set out in the prospectus of the Company dated 8 December 2009.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, the Group had paid off all unsecured interest-bearing bank borrowings (2010: RMB50.0 million). The Group's cash and bank balances amounted to RMB400.4 million (2010: RMB519.0 million).

MATERIAL ACQUISITION AND DISPOSALS

The Group did not have any material acquisition or disposal of subsidiaries or associates during the year ended 31 December 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.

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 OF GROUP ASSETS

As at 31 December 2011, 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 of approximately RMB1.8 million (2010: RMB61.7 million) as at 31 December 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 RMB4.2 million in respect of leasing of properties as at 31 December 2011 (2010: RMB3.6 million).

EMPLOYEE BENEFITS

As at 31 December 2011, the Group had a total of 2,208 employees (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 year, staff costs (including Directors' remuneration) amounted to approximately HK$75.5 million (2010: HK$45.4 million).

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 Group 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.

SIGNIFICANT INVESTMENTS HELD

There were no significant investments held by the Company as at 31 December 2011.

CONTINGENT LIABILITIES

As at 31 December 2011, the Group has no material contingent liabilities.

FINAL DIVIDEND

The Board resolved to recommend to the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Wednesday, 16 May 2012 a final dividend of HK cents 7 (2010: HK cents 7) per share for the year ended 31 December 2011 to be paid on Friday, 1 June 2012 to those shareholders whose names appear on the register of members of the Company on Thursday, 24 May 2012.

Corporate Governance Report

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

CORPORATE GOVERNANCE PRACTICE

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

During the year ended 31 December 2011, the Company was in compliance with the code provisions set out in the CG Code except that code A.2.1 requires the role of chairman and chief executive officer should be separate and should not be performed by the same individual. 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 calibre 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 year ended 31 December 2011.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Listing Rules. Having made specific enquiries to all Directors, the Company confirmed that all Directors have complied with the required standards set out in the Model Code throughout the year.

BOARD OF DIRECTORS

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

The Board currently consists of nine Directors including six executive Directors and three independent non-executive Directors:

Executive Directors

Mr. Wang Mingxing *(Chairman and Chief Executive Officer)*
Mr. Wang Mingfeng
Mr. Wang Mingliang
Mr. Wang Fuchang
Mr. Sun Guohui
Mr. Huang Da

Independent non-executive Directors

Mr. Wang Aiguo
Mr. Liu Shusong
Mr. Wang Ruiyuan

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

Save as aforesaid, the Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board and has met the recommended best practice under the CG Code for the Board to have at least one-third of its members comprising independent non-executive Directors. The biographical information of the Directors are set out on pages 31 to 35 under the section headed "Biographical Details of Directors and Senior Management".

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

The non-executive Directors are appointed for a term of three years commencing from 18 December 2009 and are subject to retirement by rotation in accordance with the Articles of Association of the Company (the "Articles").

BOARD MEETINGS

The Board has four scheduled meetings a year at quarterly interval and additional meetings will be held as and when required. The four scheduled Board meetings for a year are planned in advance. During the regular meetings of the Board, the Board reviewed the operation and financial performance and reviewed and approved the annual and interim results.

During the financial year ended 31 December 2011, the Board held 4 meetings, all Directors are given an opportunity to include any matters in the agenda for regular Board meetings, and are given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance.

Name of Director	**Number of attendance**
Mr. Wang Mingxing	4/4
Mr. Wang Mingfeng	4/4
Mr. Wang Mingliang	4/4
Mr. Wang Fuchang	4/4
Mr. Sun Guohui	4/4
Mr. Huang Da	4/4
Mr. Wang Aiguo	4/4
Mr. Liu Shusong	4/4
Mr. Wang Ruiyuan	4/4
Mr. Ke Shifeng*	1/1

* Mr. Ke Shifeng retired at the annual general meeting of the Company held on 4 May 2011 and 1 meeting was held before his retirement.

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

AUDIT COMMITTEE

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

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

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

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

During the financial year ended 31 December 2011, the Audit Committee held 2 meetings.

Name of Director	Number of attendance
Mr. Wang Aiguo *(chairman)*	2/2
Mr. Liu Shusong	2/2
Mr. Wang Ruiyuan	2/2

NOMINATION OF DIRECTORS

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

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

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

During the financial year ended 31 December 2011, the Nomination Committee held 1 meeting.

Name of Director	Number of attendance
Mr. Wang Mingxing *(chairman)*	1/1
Mr. Wang Aiguo	1/1
Mr. Liu Shusong	1/1
Mr. Wang Ruiyuan	1/1

REMUNERATION OF DIRECTORS

The Company established a remuneration committee (the "Remuneration Committee"), with written terms of reference, on 23 November 2009. The Remuneration Committee consists of one executive Director, namely Mr. Wang Mingxing and three independent non-executive Directors, namely Mr. Wang Aiguo, Mr. Wang Ruiyuan and Mr. Liu Shusong. The chairman of the Remuneration Committee has been changed from Mr. Wang Mingxing to Mr. Wang Aiguo since 21 December 2011.

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

During the financial year ended 31 December 2011, the Remuneration Committee held 1 meeting.

Name of Director	Number of attendance
Mr. Wang Aiguo *(chairman)*	1/1
Mr. Wang Mingxing	1/1
Mr. Liu Shusong	1/1
Mr. Wang Ruiyuan	1/1

The Remuneration Committee reviewed the remuneration package of the Directors and senior executives and discussed the proposals for their remuneration packages by reference to the prevailing market conditions, the business development of the Group as well as the performance of individual Directors and senior executives.

The Company has adopted a share option scheme on 23 November 2009. The purpose of the share option scheme is to enable the Board to grant options to selected eligible participants to motivate them and to optimise their performance and efficiency for the benefit of the Group. Details of the share option scheme are set out in the Report of the Directors. The emolument payable to Directors will depend on their respective contractual terms under employment contracts, if any, and as recommended by the Remuneration Committee. Details of the Directors' remuneration for the year ended 31 December 2011 are set out in note 13 to the financial statements.

AUDITOR'S REMUNERATION

For the year ended 31 December 2011, the remuneration paid/payable to the Company's auditor, BDO Limited, is as follows:

	HK$'000
Services rendered	
Audit services	1,300
Non-audit services	280
	1,580

INTERNAL CONTROL

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

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities to prepare the Company's accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2011, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that were prudent, fair and reasonable and prepared the accounts on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The annual report together with the relevant circular are distributed to all the shareholders at least 20 clear business days before the annual general meeting.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all resolutions set out in the notice of the forthcoming annual general meeting of the Company to be held on Wednesday, 16 May 2012 will be voted by poll.

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders. Information of the Company is disseminated to the shareholders in the following manner:

- delivery of the annual and interim reports to all shareholders;
- publication of announcements on the annual and interim results on the website of the Stock Exchange and the Company's website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- the general meeting of the Company is also an effective communication channel between the Board and the shareholders.

Report of the Directors

The Directors of the Company are pleased to submit their report together with the audited financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 31 December 2011 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 38 to 87.

The Directors resolved to recommend to the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Wednesday, 16 May 2012 ("2012 AGM") a final dividend of HK cents 7 (2010: HK cents 7) per share for the year ended 31 December 2011 to be paid on Friday, 1 June 2012 to those shareholders whose names appear on the register of members of the Company on Thursday, 24 May 2012.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the shareholders to attend and vote at the 2012 AGM, the register of members of the Company will be closed from Monday, 14 May 2012 to Wednesday, 16 May 2012, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2012 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 11 May 2012.

For determining the entitlement of the shareholders to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 23 May 2012 to Thursday, 24 May 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares accompanies by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited for registration not later than 4:30 p.m. on Tuesday, 22 May 2012.

SHARE CAPITAL

Details of movements in the Company's share capital for the year ended 31 December 2011 are set out in note 26 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

Report of the Directors

DISTRIBUTABLE RESERVES

As at 31 December 2011, the Company's reserves available for distribution to the Shareholders amounted to approximately RMB36,232,000 (2010: RMB83,487,000).

DIRECTORS

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

Executive Directors

Mr. Wang Mingxing
Mr. Wang Mingfeng
Mr. Wang Mingliang
Mr. Wang Fuchang
Mr. Sun Guohui
Mr. Huang Da

Non-executive Director

Mr. Ke Shifeng *(retired on 4 May 2011)*

Independent Non-executive Directors

Mr. Wang Aiguo
Mr. Liu Shusong
Mr. Wang Ruiyuan

In accordance with Article 84(1) of the Articles, Mr. Wang Mingfeng, Mr. Wang Fuchang and Mr. Liu Shusong will retire by rotation at the 2012 AGM and, being eligible, offer themselves for re-election.

INDEPENDENCE CONFIRMATION

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

SHARE OPTION SCHEME

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

The principal terms of the Scheme are summarised as follows:

(1) The limit on the total number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other scheme(s) of any member of the Group must not exceed 10% of the nominal amount of all the issued share capital of the Company as at the date of commencement of the listing of the shares on the Stock Exchange, i.e. 18 December 2009 (the "Listing Date") (which 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.

Details of the movement in the share options granted under the Scheme during the year ended 31 December 2011 are as follows:

Grantee	Date of grant of share options	Vesting period	Exercise period	Exercise price of share options *(HK$)*	Balance at 1 January 2011	Exercised during the year	Granted / (Lapsed) during the year	Outstanding at 31 December 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

Notes:

(1) The share options will lapse in 1 month after the resignation of the grantee.

(2) The closing price of the shares of the Company on 13 May 2010, i.e. the date immediately preceding the date of grant of the share options on 14 May 2010, was HK$5.41.

(3) The exercise price of the share options is subject to adjustment in the case of rights or bonus issue, or other similar changes in the Company's share capital.

No options were granted during the year ended 31 December 2011.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' SERVICE CONTRACTS

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

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

None of the Directors who are proposed for re-election at the 2012 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as those disclosed in the section headed "Connected Transactions", none of the Directors had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2011, the interests 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 as set out in Appendix 10 to the Listing Rules ("Model Code"), are set out below:

1. Interests in shares or underlying shares of the Company

Name of Directors	Nature of Interests	Long Position/ Short Position	Number of ordinary shares/ underlying shares	Approximate percentage of shareholding in the Company
Mr. Wang Mingxing	Interest of controlled corporations	Long position	269,037,249 *(Note 1)*	51.12%
	Beneficial owner	Long position	800,000 *(Note 2)*	0.15%
Mr. Wang Mingfeng	Interest of controlled corporations	Long position	269,037,249 *(Note 1)*	51.12%
	Beneficial owner	Long position	800,000 *(Note 2)*	0.15%
Mr. Wang Mingliang	Interest of controlled corporations	Long position	269,037,249 *(Note 1)*	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 Corn Oil Luxembourg is owned as to approximately 82.7% 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 20.4% by Mr. Wang Mingfeng, 20% by Mr. Wang Mingliang.

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

3. Included the interests in 800,000 share options granted by the Company. The relevant 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 interests	Long position/ Short position	Approximate percentage of shareholding in the associated corporation
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	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 on 22 December 2009 and the liquidation is still under process.

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 respective associates, had any interests or short position in the shares, underlying shares or debentures of the Company or its associated corporations which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2011.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, the interests or short positions of every person, other than Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out as follows:

Name of Shareholders	Nature of Interests	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	51.12%
	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%
Shandong 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	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 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 269,037,249 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 31 December 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. Having made specific enquiries to all Directors, the Company confirmed that all Directors had complied with the required standards set out in the Model Code.

CONNECTED TRANSACTIONS

Exempted continuing connected transactions

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

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

2. The Company has been purchasing petrol, diesel and lubricating oil from Shandong Sanxing Group Limited（山東三星集團有限公司）("Shandong Sanxing") (which is owned as to 60.4% by Mr. Wang Mingxing, Mr. Wang Mingliang and Mr. Wang Mingfeng, 4.4% by Mr. Sun Guohui, all being executive Directors of the Company) or its subsidiaries (the"Sanxing Group") which are used by the Group's production equipment during the production process. The purchase of the oil products from Sanxing Group for the year ended 31 December 2011 amounted to approximately RMB142,000 which constitutes de minimis continuing connected transactions, which are exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Non-exempt continuing connected transactions

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

1. Corn Industry and Inner Mongolia Sanxing Food & Oil Industry Company Limited（內蒙古三星糧油工業有限公司）("Sanxing Mongolia"), a company wholly-owned by Shandong Sanxing, entered into a master purchase agreement dated 16 November 2009 ("Master Purchase Agreement"), pursuant to which Sanxing Mongolia agreed to supply corn embryo and sunflower crude oil to Corn Industry for a term of three years commencing from 16 November 2009.

   The cap for the annual transaction amount for the purchases of corn embryo and/or sunflower crude oil under the Master Purchase Agreement for the year ended 31 December 2011 is RMB10 million.

   No purchase of corn embryo and sunflower crude oil from Sanxing Mongolia was conducted for the year ended 31 December 2011.

2. Corn Industry and Shandong Mingda Heat and Electricity Company Limited（山東明達熱電有限公司）("Shandong Mingda"), a company wholly-owned by Shandong Sanxing, entered into a steam and electricity supply agreement ("Steam and Electricity Supply Agreement") dated 16 November 2009, pursuant to which Shandong Mingda agreed to supply steam and/or electricity to Corn Industry for a term of three years commencing from 16 November 2009.

   The cap for the annual transaction amount for the supply of steam and/or electricity under the Steam and Electricity Supply Agreement for the year ended 31 December 2011 is RMB45 million.

   The actual amount for the supply of steam and/or electricity for the year ended 31 December 2011 amounted to approximately RMB29 million.

   The Stock Exchange granted to the Company a waiver dated 20 November 2009 for the above items 1-2 under Rule 14A.42(3) of the Listing Rules from compliance with the announcement and/or (where applicable) independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

3. Corn Industry and Sanxing Mongolia, entered into a framework agreement ("Master Processing Agreement") dated 11 August 2010, pursuant to which Sanxing Mongolia agreed to provide processing services to Corn Industry by processing the corn embryo supplied by Corn Industry into crude oil and corn meal through Sanxing Mongolia's squeezing production process commencing from 11 August 2010 and expired on 31 December 2011.

   The cap for the annual transaction amount for the processing services provided by Sanxing Mongolia pursuant to the Master Processing Agreement for the year ended 31 December 2011 is RMB8 million.

The actual amount for the processing services provided by Sanxing Mongolia pursuant to the Master Processing Agreement for the year ended 31 December 2011 amounted to approximately RMB4.6 million.

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

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

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

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

The auditor of the Company has provided a letter to the Directors of the Company confirming the matters stated in Rule 14A.38 of the Listing Rules in respect of the continuing connected transactions as set out above which took place during the year.

As far as the transactions set out in note 30(a) to the financial statements under heading of "Related Party Transactions" are concerned, the transactions as set out in note (i) Sales to shareholders; (i) Sales to related companies; (iv) Repair and maintenance services rendered by related companies; and (vi) Construction services rendered by a related company were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules. The transaction set out in note (ii) Purchases from related companies (to the extent of approximately RMB142,000) was a continuing connected transaction which was exempted from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. The transactions set out in note (iii) Supply of steam and electric power from a related company; and (v) Subcontracting services rendered by a related company were continuing connected transactions which had been previously disclosed by way of announcement of the Company and approved by the independent shareholders of the Company, where applicable, under the Listing Rules.

As far as transactions set out in note 30(b) are concerned, the remuneration of the Directors as determined pursuant to the service contracts entered into between the Directors and the Group and the securities issued and to be issued upon exercise of options granted to the Directors under the share option scheme of the Company were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the year and up to the date of this report.

Report of the Directors

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 approving 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 audited financial statements of the Group for the year ended 31 December 2011.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 13 to 18 of the 2011 Annual Report.

AUDITORS

Due to a merger of the businesses of Grant Thornton ("GTHK"), now known as JBPB & Co. and BDO Limited ("BDO HK") to practice in the name of BDO HK as announced by the Company on 23 November 2010, GTHK resigned and BDO HK was appointed as auditor of the Company effective from 22 November 2010. Save as aforesaid, there was no change in auditor during the past three years.

A resolution will be submitted to the 2012 AGM to re-appoint BDO HK as auditor of the Company.

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

Hong Kong, 27 March 2012

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Wang Mingxing

Aged 48, the co-founder of the Group. Mr. Wang was appointed as the executive Director of the Company on 9 September 2009. He is the Chairman of the Board and the chief executive officer of the Company. He is also the chairman of the Nomination Committee of the Company (the "Nomination Committee") and a member of the Remuneration Committee of the Company (the "Remuneration Committee"). Mr. Wang is also an executive director of Zouping Sanxing Grease Industry Company Limited, the controlling shareholder of the Company, and a director of each of Shandong Sanxing Corn Industry Technology Company Limited and Corn Industry Investment Co., Ltd., both are subsidiaries of the Company. He is responsible for the overall strategic planning and management of the Group. Mr. Wang has extensive experience in the corn products industry, and has been engaged in the edible corn oil products business for over nine years. Mr. Wang obtained a bachelor degree in Mechanical Engineering from Shandong University of Technology（山東工業大學）in 1985 and was qualified as a Chinese Career Manager in 2005 by Chinese Career Manager Coalition. Mr. Wang had received a number of awards during the recent years. Among others, he was awarded as The Fifth National Rural Entrepreneur（第五屆全國鄉鎮企業家）by the Ministry of Agriculture of the PRC in 2004. In 2006, Mr. Wang was awarded as The Fourth Entrepreneur of Edible Oil in Shandong（第四屆"山東省糧油企業家"）by The Grain and Food Association of Shandong Province（山東省糧食行業協會）. He was also elected by The China Food Safety Annual Conference（中國食品安全年會組委會）as the Outstanding Managing Entrepreneur of the China Food Safety Annual Conference in 2007 (2007年度中國食品安全年會優秀管理企業家). He was also admitted as a member of China Association for Quality Inspection in 2007. Mr. Wang did not have any directorship in other listed companies in the past three years.

Mr. Wang has entered into a service agreement with the Company for a term of three years commencing from 18 December 2009 unless terminated by not less than three months' notice in writing served by either party on the other. He is subject to retirement by rotation at least once in every three years in accordance with the Articles of Association of the Company.

As at the date of this report, Mr. Wang is interested and deemed to be interested in i) an aggregate of 269,037,249 shares held by Zouping Sanxing Grease Industry Company Limited, the controlling shareholder of the Company, representing approximately 51.12% of the existing issued shares of the Company; and ii) the share options of the Company exercisable into 800,000 shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO").

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

Mr. Wang Mingfeng

Aged 53, the co-founder of the Group, was appointed as an executive Director of the Company on 23 November 2009. He is also a director of Shandong Sanxing Corn Industry Technology Company Limited, an indirect wholly-owned subsidiary of the Company. Mr. Wang is responsible for the internal control system of the Group and leads an internal audit team of the Group. He has been engaged in the edible corn oil product business for over eight years. Mr. Wang obtained a bachelor degree in Business Administration from Hebei Radio & TV University（河北廣播電視大學）in 1983. He was awarded as Vice President of The Eighth Industrial and Commercial Joint Association in Zouping（鄒平縣第八屆工商業聯合會副會長）by Chinese Communist Zouping County Committee（中共鄒平縣委員會）in 2006. Mr. Wang was awarded as The Outstanding Business Management Expert of Binzhou City（濱州市"優秀企業經營管理人才"）by Chinese Communist Binzhou City Committee（中共濱州市委）and the People's Government of Binzhou City（濱州市人民政府）in 2007. Mr. Wang also became The First Vice President of Binzhou Municipal Association of Grain Sector（濱州市糧食行業協會第一屆理事會副會長）in June 2007. Mr. Wang did not have any directorship in other listed companies in the past three years.

Mr. Wang has entered into a service agreement with the Company for a term of three years commencing from 18 December 2009 unless terminated by not less than three months' notice in writing served by either party on the other. He is subject to retirement by rotation at least once in every three years in accordance with the Articles of Association of the Company.

As at the date of this report, Mr. Wang is interested and deemed to be interested in i) an aggregate of 269,037,249 shares held by Zouping Sanxing Grease Industry Company Limited, representing approximately 51.12% of the existing issued shares of the Company; and ii) the share options of the Company exercisable into 800,000 shares of the Company within the meaning of Part XV of the SFO.

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

Mr. Wang Mingliang

Aged 40, the co-founder of the Group, was appointed as the executive Director on 23 November 2009. He is also a director of Shandong Sanxing Corn Industry Technology Company Limited, an indirect wholly-owned subsidiary of the Company. Mr. Wang is responsible for handling customer relationships. He has been engaged in the edible corn oil product business for over eight years. Mr. Wang obtained a bachelor degree in Mechanical Engineering from Harbin University of Science and Technology（哈爾濱科學技術大學）in 1994 and was qualified as an Internal Inspector of Quality System in 2001 by Beijing Oxford and Cambridge Senior Training Center（北京牛津 — 劍橋高級培訓中心）. Mr. Wang further completed the Tsinghua University Chief Executives' Leadership and Commercial Strategy Class（清華大學領導商略總裁高級研修班）in 2006. Mr. Wang was awarded as The Top 10 Factory Manager of Zouping（鄒平縣"十佳廠長"）by Chinese Communist Zouping County Committee（中共鄒平縣委員會）and the People's Government of Zouping County（鄒平縣人民政府）in 2004. Mr. Wang did not have any directorship in other listed companies in the past three years.

Mr. Wang has entered into a service agreement with the Company for a term of three years commencing from 18 December 2009 unless terminated by not less than three months' notice in writing served by either party to the other. He is subject to retirement by rotation at least once in every three years in accordance with the Articles of Association of the Company.

As at the date of this report, Mr. Wang is interested and deemed to be interested in i) an aggregate of 269,037,249 shares held by Zouping Sanxing Grease Industry Company Limited, the controlling shareholder of the Company, representing approximately 51.12% of the existing issued shares of the Company; and ii) the share options of the Company exercisable into 800,000 shares of the Company within the meaning of Part XV of the SFO.

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

Biographical Details of Directors and Senior Management

Mr. Wang Fuchang

Aged 52, the chief financial officer of the Group, was appointed as an executive Director of the Company on 9 September 2009. He is also a director of Shandong Sanxing Corn Industry Technology Company Limited, an indirect wholly-owned subsidiary of the Company. Mr. Wang joined the Group in 2005 as deputy general manager and is responsible for the finance management of the Group. He is experienced in banking system and finance management, and has 12 years of management experience in the food industry before joining Bank of China in 1993. Mr. Wang obtained a bachelor degree in Management Science from Shandong University（山東大學）in 1988. In 1997, Mr. Wang completed an accounting course at Shandong Economic University（山東經濟學院）and in 2003, he completed a law course at Shandong University. In 2006, he completed a course in relation to financial management at Peking University. Mr. Wang did not have any directorship in other listed companies in the past three years.

Mr. Wang has entered into a service agreement with the Company for a term of three years commencing from 18 December 2009 unless terminated by not less than three months' notice in writing served by either party on the other. He is subject to retirement by rotation at least once in every three years in accordance with the Articles of Association of the Company.

As at the date of this report, Mr. Wang is interested in the share options of the Company exercisable into 800,000 shares of the Company within the meaning of Part XV of the SFO.

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

Mr. Sun Guohui

Aged 34, the executive sales manager of the Company. He was appointed as an executive Director of the Company on 23 November 2009. Mr. Sun worked at Zouping Vehicle Standard Parts Factory（鄒平汽車標準件廠）from 1996 to 2000 and joined the Hainan office of such factory in 1999. Mr. Sun joined the Group in 2000. He is responsible for the sales and marketing of our products. Mr. Sun is familiar with the edible oil industry and is experienced in the sales and marketing affairs. Mr. Sun graduated from Shandong Province Binzhou Agriculture Secondary School（山東省濱州農業學校）in 1994. He further completed the Tsinghua University Chief Executives' Leadership and Commercial Strategy Class（清華大學領導商略總裁高級研修班）in 2006. In 2005 and 2006, Mr. Sun was awarded as an Outstanding Manager by Sanxing Group. He was awarded as Safe Manufacturing Advanced Individual（安全生產先進個人）by Chinese Communist Zouping County Committee（中共鄒平縣委員會）and the People's Government of Zouping County（鄒平縣人民政府）in 2006. He was awarded as The Top 10 Outstanding Youth（十佳青年）by Chinese Communist Handian Town Committee of the People's Government of Handian Town（韓店鎮人民政府中共韓店鎮委員會）in 2008. Mr. Sun did not have any directorship in other listed companies in the past three years.

Mr. Sun has entered into a service agreement with the Company for a term of three years commencing from 18 December 2009 unless terminated by not less than three months' notice in writing served by either party on the other. He is subject to retirement by rotation at least once in every three years in accordance with the Articles of Association of the Company.

As at the date of this report, Mr. Sun is interested in the share options of the Company exercisable into 800,000 shares of the Company within the meaning of Part XV of the SFO.

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

Mr. Huang Da

Aged 29, was appointed as an executive Director of the Company on 23 November 2009. Mr. Huang joined the Group in 2008. He is responsible for corporate affairs and investor relations. He obtained a master degree in Western Economics from Fudan University（復旦大學）in 2008. Mr. Huang did not have any directorship in other listed companies in the past three years.

Mr. Huang has entered into a service agreement with the Company for a term of three years commencing from 18 December 2009 unless terminated by not less than three months' notice in writing served by either party on the other. He is subject to retirement by rotation at least once in every three years in accordance with the Articles of Association of the Company.

As at the date of this report, Mr. Huang is interested in i) 1,000,000 shares of the Company; and ii) the share options of the Company exercisable into 800,000 shares of the Company within the meaning of Part XV of the SFO.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Aiguo

Aged 46, was appointed as an independent non-executive Director of the Company on 23 November 2009. He is also the chairman of each of the Audit Committee of the Company (the "Audit Committee") and the Remuneration Committee and a member of the Nomination Committee. Mr. Wang is currently the Dean of the School of Accounting of Shandong University of Finance and Economics（山東財經大學）and a member of the council of the Accounting Society of China（中國會計學會）. He obtained a doctorial degree in Management Science and Engineering from Tianjin University（天津大學）in 2006. Mr. Wang engages in researches in the area of accounting and auditing. His publications include Accounting Theory Research — building up an accounting theory model with Chinese feature（會計理論研究 — 構建中國特色的會計理論體系）published by Nanhai Publishing Company（南海出版公司）in 1995, Cost Accounting Theory（成本會計理論）published by Inner Mongolia University Press（內蒙古大學出版社）in 1999, and Innovative Research on the Strategic Management Mode of High-Technique Enterprise（高技術企業戰略管理模式的創新研究）published by Shandong People's Publishing House（山東人民出版社）in 2009. His research papers were also published in various finance and accounting journals. He is currently an independent director of Laiwu Steel Corporation, an A-share company listed on the Shanghai Stock Exchange, engaging in the manufacture and sale of cast iron, steel, steel materials, and steel bands. Save as aforesaid, Mr. Wang did not have any directorship in other listed companies in the past three years.

Mr. Wang has signed a letter of appointment with the Company for a term of three years commencing from 18 December 2009 unless terminated by not less than three months' prior notice in writing served by either party on the other. He is subject to retirement by rotation at least once every three years in accordance with the Articles of Association of the Company.

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

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

Mr. Liu Shusong

Aged 46, was appointed as an independent non-executive Director on 23 November 2009. He is also a member of each of the Audit Committee, Remuneration Committee and Nomination Committee. Mr. Liu obtained a master degree in Laws from China University of Political Science and Law（中國政法大學）in 2001. He was jointly accredited as The Top 10 Lawyer in the City（全市十佳律師）by Binzhou Judiciary（濱州市司法局）and Binzhou Law Society（濱州市律師協會）in 2004. In the same year, Mr. Liu was recognised as Shandong Province Outstanding Member of China Democratic League（中國民主同盟山東省優秀盟員）. Mr. Liu was also awarded as The Seventh "Top 10 Outstanding Youngsters in Binzhou"（第七屆"濱州十大傑出青年"）in August 2005. Mr. Liu was a committee member of The Ninth Binzhou City Chinese People's Political Consultative Conference Committee（中國人民政治協商會議第九屆濱州市委員會）in 2008. Mr. Liu did not have any directorship in other listed companies in the past three years.

Mr. Liu has signed a letter of appointment with the Company for a term of three years commencing from 18 December 2009 unless terminated by not less than three months' prior notice in writing served by either party on the other. He is subject to retirement by rotation at least once in every three years in accordance with the Articles of Association of the Company.

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

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

Mr. Wang Ruiyuan

Aged 73, was appointed as an independent non-executive Director of the Company on 23 November 2009. He is also a member of each of the Audit Committee, Remuneration Committee and Nomination Committee. Mr. Wang is currently the vice president of Chinese Cereals and Oils Association. He obtained a bachelor degree in Food Engineering from Jiangnan University（江南大學）(formerly know as 'Wuxi Light Industry Institute（無錫輕工業學院）') in 1964. He is the chief editor of various publications in the area of oil and grease including Vegetable Oil Processing Industry（植物油料加工產業學）and The History of Development in the Oil and Grease Industry in China（中國油脂工業發展史）both published by Chemical Industry Press（化學工業出版社）, and Food and Medicine Confidence Project Science Popularisation Series — Food and Oil（食品藥品放心工程科普叢書 — 糧油食品）published by State Food and Drug Administration（國家食品藥品監督管理局）and China National Association of Grain Sector（中國糧食行業協會）. Mr. Wang was awarded the Government special subsidy（政府特殊津貼）by the State Council of the PRC（中華人民共和國國務院）in 1996 in respect of his contribution in the engineering technology for the PRC. Mr. Wang did not have any directorship in other listed companies in the past three years.

Mr. Wang has signed a letter of appointment with the Company for a term of three years commencing from 18 December 2009 unless terminated by not less than three months' prior notice in writing served by either party on the other. He is subject to retirement by rotation at least once in every three years in accordance with the Articles of Association of the Company.

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

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

COMPANY SECRETARY

Ms. Chan Yuen Ying, Stella

Aged 40, was appointed as the company secretary of the Company on 23 November 2009. Ms. Chan is an associate member of the Institute of Chartered Secretaries and Administrators and an associate member of the Hong Kong Institute of Chartered Secretaries. She is also a member of the Hong Kong Institute of Directors. Ms. Chan has over 15 years' experience in handling listed company secretarial matters.

Independent Auditor's Report

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TO THE SHAREHOLDERS OF CHINA CORN OIL COMPANY LIMITED
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Corn Oil Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 38 to 87, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our 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.

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

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

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Lo Ngai Hang
Practising Certificate Number P04743

Hong Kong, 27 March 2012

Consolidated Income Statement

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Revenue	7	**2,057,587**	1,537,376
Cost of sales		**(1,676,178)**	(1,283,164)
Gross profit		**381,409**	254,212
Other income	7	**46,426**	26,577
Selling and distribution costs		**(155,591)**	(65,903)
Administrative expenses		**(58,108)**	(43,453)
Other operating expenses		**(954)**	(480)
Profit from operations	8	**213,182**	170,953
Finance costs	9	**(876)**	(2,851)
Profit before taxation		**212,306**	168,102
Income tax expense	10	**(35,475)**	(24,734)
Profit for the year attributable to owners of the Company		**176,831**	143,368
Earnings per share attributable to owners of the Company	12		
Basic (RMB cents)		**33.60**	27.24
Diluted (RMB cents)		**N/A**	27.19

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
Profit for the year	**176,831**	143,368
Other comprehensive income		
Exchange differences arising on translation of foreign operations	**1,394**	227
Other comprehensive income for the year, net of tax	**1,394**	227
Total comprehensive income attributable to owners of the Company	**178,225**	143,595

Statements of Financial Position

As at 31 December 2011

	Notes	Group 2011 RMB'000	Group 2010 RMB'000	Company 2011 RMB'000	Company 2010 RMB'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	14	**605,421**	388,059	**—**	—
Land use rights	15	**81,686**	56,552	**—**	—
Deposits paid for acquisition of capital assets	19	**3,256**	27,383	**—**	—
Interest in subsidiaries	16	**—**	—	**642,259**	699,529
		690,363	471,994	**642,259**	699,529
Current assets					
Inventories	17	**171,178**	171,894	**—**	—
Trade and notes receivables	18	**185,404**	90,391	**—**	—
Prepayments, deposits and other receivables	19	**97,970**	76,866	**5,261**	186
Amounts due from related parties	20	**363**	81	**—**	—
Cash and bank balances	21	**400,358**	518,985	**2,527**	12,185
		855,273	858,217	**7,788**	12,371
Current liabilities					
Trade payables	22	**38,308**	16,542	**—**	—
Accrued liabilities, other payables and deposits received	23	**133,133**	57,798	**1,054**	1,558
Amounts due to related companies	24	**13,204**	4,052	**—**	—
Amount due to a subsidiary	16	**—**	—	**8,070**	8,334
Interest-bearing bank borrowing	25	**—**	50,000	**—**	—
Tax payables		**10,497**	14,553	**—**	—
		195,142	142,945	**9,124**	9,892
Net current assets (liabilities)		**660,131**	715,272	**(1,336)**	2,479
Net assets		**1,350,494**	1,187,266	**640,923**	702,008
EQUITY					
Equity attributable to owners of the Company					
Share capital	26	**46,340**	46,340	**46,340**	46,340
Reserves	27	**1,304,154**	1,140,926	**594,583**	655,668
Total equity		**1,350,494**	1,187,266	**640,923**	702,008

On behalf of the Board

Wang Mingxing
Director

Wang Fuchang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Share Capital RMB'000	Share premium* RMB'000	Share option reserve* RMB'000	Other reserves* RMB'000 (note 27(i))	Capital reserve* RMB'000 (note 27(ii))	Merger reserve* RMB'000 (note 27(iii))	Translation reserve* RMB'000	Proposed final dividend* 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
2010 final dividend proposed	–	(31,119)	–	–	–	–	–	31,119	–	–
Recognition of share-based payments	–	–	18,204	–	–	–	–	–	–	18,204
Transactions with owners	–	(31,119)	18,204	–	–	–	–	31,119	–	18,204
Profit for the year	–	–	–	–	–	–	–	–	143,368	143,368
Other comprehensive income	–	–	–	–	–	–	227	–	–	227
Total comprehensive income for the year	–	–	–	–	–	–	227	–	143,368	143,595
Transfer to statutory reserves	–	–	–	16,805	–	–	–	–	(16,805)	–
At 31 December 2010 and 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)**
2011 final dividend proposed	**–**	**(29,952)**	**–**	**–**	**–**	**–**	**–**	**29,952**	**–**	**–**
Recognition of share-based payments	**–**	**–**	**16,122**	**–**	**–**	**–**	**–**	**–**	**–**	**16,122**
Transactions with owners	**–**	**(29,952)**	**16,122**	**–**	**–**	**–**	**–**	**(1,167)**	**–**	**(14,997)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**176,831**	**176,831**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**1,394**	**–**	**–**	**1,394**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**1,394**	**–**	**176,831**	**178,225**
Transfer to statutory reserves	**–**	**–**	**–**	**22,013**	**–**	**–**	**–**	**–**	**(22,013)**	**–**
At 31 December 2011	**46,340**	**524,025**	**34,326**	**66,549**	**53,941**	**69,131**	**1,610**	**29,952**	**524,620**	**1,350,494**

* The consolidated reserves of the Group of approximately RMB1,304,154,000 (2010: approximately RMB1,140,926,000) as at 31 December 2011 as presented in the statement of financial position comprised these reserve accounts.

Consolidated Statement of Cash Flows

For the year 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Cash flows from operating activities			
Profit before taxation		**212,306**	168,102
Adjustments for:			
Interest income	7	**(7,797)**	(1,608)
Interest expenses	9	**876**	2,851
Depreciation of property, plant and equipment	8	**36,602**	27,000
Amortisation of land use rights	8	**712**	712
Loss on disposal of property, plant and equipment	8	**466**	1,264
Share-based compensation expense	8	**16,122**	18,204
Operating profit before working capital changes		**259,287**	216,525
Decrease/(Increase) in inventories		**716**	(70,699)
Increase in trade and notes receivables		**(95,013)**	(35,372)
Increase in prepayments, deposits and other receivables		**(21,104)**	(826)
Increase in trade payables		**21,766**	9,382
Increase in accrued liabilities, other payables and deposits received		**40,024**	4,700
Cash generated from operations		**205,676**	123,710
Income taxes paid		**(39,531)**	(14,060)
Net cash generated from operating activities		**166,145**	109,650
Cash flows from investing activities			
Interest received		**7,797**	1,608
Purchases of property, plant and equipment		**(186,881)**	(191,252)
Additions to land use rights		**(25,846)**	(21,845)
Deposits paid for acquisition of capital assets		**—**	(27,383)
Proceeds from disposal of property, plant and equipment		**—**	48
Net cash used in investing activities		**(204,930)**	(238,824)
Cash flows from financing activities			
Interest paid		**(876)**	(2,851)
(Increase)/decrease in amounts due from related parties		**(282)**	10,714
Increase in amounts due to related companies		**1,041**	1,226
Drawdown of bank borrowings		**—**	50,000
Repayment of bank borrowings		**(50,000)**	(50,000)
Dividend paid		**(31,119)**	—
Net cash (used in)/generated from financing activities		**(81,236)**	9,089
Net decrease in cash and cash equivalents		**(120,021)**	(120,085)
Cash and cash equivalents at 1 January		**518,985**	638,843
Effect of foreign exchange rates, net		**1,394**	227
Cash and cash equivalents at 31 December		**400,358**	518,985
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**400,358**	518,985

Notes to the Financial Statements

31 December 2011

1. CORPORATE INFORMATION

China Con 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 Province, 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 Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 16 to the financial statements. The directors of the Company consider the ultimate holding company is Zouping Sanxing Grease Industry Company Limited, a wholly-foreign-owned enterprise established in the PRC.

The financial statements for the year ended 31 December 2011 were approved by the board of directors on 27 March 2012.

2. ADOPTION OF NEW AND AMENDED STANDARDS

2.1 New and amended standards adopted by the Group

In the current year, the Group has applied for the first time amendments and revised accounting standards issued by the International Accounting Standards Board ("IASB"), which are relevant to and effective for the Group's financial statements for the annual period on 1 January 2011. These are the amendments to International Financial Reporting Standard ("IFRS") 7 included in annual improvements to International Financial Reporting Standards ("IFRSs") 2010 and revised International Accounting Standard ("IAS") 24.

IFRS 7 (Amendments) — Financial Instruments: Disclosures

As part of Improvements to IFRSs issued in 2010, IFRS 7 has been amended to enhance the interaction between quantitative and qualitative disclosures. If the carrying amount of a financial asset best represents the maximum exposure to credit risk, the standard does not require a positive statement to this effect in the financial statements. This amended disclosure requirements has been applied retrospectively. The carrying amounts of the Group's trade and note receivables, other receivables, amounts due from related parties and cash and bank balances represent the Group's maximum exposure to credit risk in respect of these financial assets as at 31 December 2011 and 2010. The prior year financial statements included a table of financial assets with exposure of credit risk to this effect which is removed in the 2011 financial statements following the amendments. The adoption of the amendments has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

IAS 24 (Revised) — Related Party Disclosures

IAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition. The adoption of IAS 24 (Revised) has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

2. ADOPTION OF NEW AND AMENDED STANDARDS (Continued)

2.1 New and amended standards adopted by the Group (Continued)

IAS24 (Revised) – Related Party Disclosures (Continued)

IAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

2.2 New or revised IFRSs that have been issued but are not yet effective

At the date of authorisation of these financial statements, certain new or amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group.

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

IFRS 9 – Financial Instruments

Under IFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and liabilities. The standard is effective for accounting periods beginning on or after 1 January 2015.

2. ADOPTION OF NEW AND AMENDED STANDARDS (Continued)

2.2 New or revised IFRSs that have been issued but are not yet effective (Continued)

IFRS 10 – Consolidated Financial Statements

IFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. IFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investors. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of IFRS 10 may result in changes in those entities which are regarded as being controlled by the Group are therefore consolidated in the financial statements. The accounting requirements in the existing IAS 27 on other consolidated related matters are carried forward unchanged. IFRS 10 is applied retrospectively subject to certain transitional provisions. The standard is effective for accounting periods beginning on or after 1 January 2013.

IFRS 13 – Fair Value Measurement

IFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with IFRS 7 provides a single source of guidance IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. IFRS 13 can be adopted early and is applied prospectively. The standard is effective for accounting periods beginning on or after 1 January 2013.

3. BASIS OF PREPARATION

3.1 Statement of compliance

The financial statements have been prepared in accordance with IFRSs which collective term includes all applicable individual International Financial Reporting Standards and Interpretations 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 financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

3.2 Basis of measurement

The financial statements have been prepared under the historical cost basis.

3.3 Functional and presentation currency

The financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Business combination and basis of consolidation

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

Inter-company transactions and balances between group companies together with unrealised gains and losses are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognized in profit and loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss.

The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by IFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Business combination and basis of consolidation (Continued)

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

4.2 Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

In the Company's statement of financial position, interest in subsidiaries is stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Property, plant and equipment

Property, plant and equipment, other than construction in progress ("CIP"), are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Buildings	The shorter of the lease terms and 20 years
Plant and machinery	10 years
Office equipment	5 years
Motor vehicles	5 years

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

The gain or loss arising on retirement or disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on retirement or disposal.

4.4 Leasing

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

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the right to use the assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.5 Financial Instruments

(a) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument.

The Group's financial assets are classified as loans and receivables, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market principally through the provision of goods and services to customers (trade debtors) and also other types of contractual monetary assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(b) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial assets are impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

— significant financial difficulty of the debtor;

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

— granting concession to a debtor because of debtor's financial difficulty; and

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss on loans and receivables is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate.

In relation to trade and notes receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Except for trade and notes receivables, the carrying amount of loans and receivables is directly reduced by any identified amount of impairment. Impaired debts are derecognised when they are assessed as uncollectible. Impairment losses in respect of trade and notes receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.5 Financial Instruments (Continued)

(b) *Impairment loss on financial assets (Continued)*

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(c) *Financial liabilities*

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred. Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities at amortised cost including trade payables, accrued liabilities, other payables, interest-bearing bank borrowing and amounts due to related companies/subsidiary are subsequently measured at amortised cost using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(d) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(e) *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(f) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Land use rights

The operating or finance lease determination is stated in note 4.4 and also applied to leases of land. Land use rights in the PRC are accordingly determined to be operating leases.

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

4.7 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

4.8 Cash and cash equivalents

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

4.9 Revenue recognition

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

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

(ii) Interest income is recognised on a time-proportion basis using the effective interest method.

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

4.10 Cost of sales

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Income tax

Income taxes for the year comprise current tax and deferred tax.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised for to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

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

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable entity; or

  (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Foreign currency translation

Transactions entered into by the consolidated entities in currencies other than the functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

4.13 Employee benefits

(a) Defined contribution retirement plan

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

(b) Short-term employee benefits

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.14 Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

4.15 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of the property, plant and equipment, land use rights, deposits paid and other non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4.16 Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.17 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present obligation (legal or constructive) as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

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

4.18 Segment reporting

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

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

4.19 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.19 Related parties (Continued)

(b) An entity is related to the Group if:

(i) The entity and the Group are members of the same group meaning that each parent, subsidiary and fellow subsidiary is related to the others;
(ii) One entity is an associate or joint venture of the other entity or an associate or joint venture of a member of a group of which other entity is a member;
(iii) Both entities are joint ventures of the same third party;
(iv) One entity is a joint venture of a third party and other entity is an associate of the third entity;
(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;
(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity or of a parent of the entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;
(ii) children of that person's spouse or domestic partner; and
(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Group's accounting policies, which are described in note 4, management has made various estimates and judgments which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates and judgements are continually evaluated. The key source of estimation uncertainty and accounting judgments that results in significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the next financial year or significantly affect the amounts recognised in the financial statements are discussed below:

(i) Impairment of receivables

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

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

(iii) Net realisable value of inventories

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

(iv) Provision for tax

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

6. SEGMENT INFORMATION

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

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

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

6. SEGMENT INFORMATION (Continued)

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

	Year ended 31 December 2011				
	Corn oil				
	Non-branded RMB'000	Own brand RMB'000	Other oil RMB'000	Corn meal RMB'000	Total RMB'000
Revenue from external customers	**684,748**	**1,059,784**	**70,318**	**242,737**	**2,057,587**
Reportable segment revenue	**684,748**	**1,059,784**	**70,318**	**242,737**	**2,057,587**
Reportable segment profits/(loss)	**63,835**	**296,336**	**21,250**	**(12)**	**381,409**
Depreciation	**11,615**	**14,282**	**918**	**4,541**	**31,356**

	Year ended 31 December 2010				
	Corn oil				
	Non-branded RMB'000	Own brand RMB'000	Other oil RMB'000	Corn meal RMB'000	Total RMB'000
Revenue from external customers	782,329	404,129	106,760	244,158	1,537,376
Reportable segment revenue	782,329	404,129	106,760	244,158	1,537,376
Reportable segment profits	87,236	128,563	36,638	1,775	254,212
Depreciation	13,784	5,464	1,392	4,805	25,445

6. SEGMENT INFORMATION (Continued)

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

	2011	2010
	RMB'000	RMB'000
Profit		
Reportable segment profit	**381,409**	254,212
Other income	**46,426**	26,577
Selling and distribution costs	**(155,591)**	(65,903)
Administrative expenses	**(58,108)**	(43,453)
Other operating expenses	**(954)**	(480)
Finance costs	**(876)**	(2,851)
Profit before taxation	**212,306**	168,102

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

	2011	2010
	RMB'000	RMB'000
Local (country of domicile):		
— PRC	**1,856 ,326**	1,515,421
Export (foreign countries):		
— Africa	**20,334**	—
— Middle East	**177,437**	15,724
— Singapore, Malaysia and Philippines	**3,490**	6,231
	201,261	21,955
	2,057,587	1,537,376

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

7. 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:

	2011 RMB'000	2010 RMB'000
Revenue		
Sale of goods	**2,057,587**	1,537,376
Other income		
Interest income:		
— bank balances	**7,621**	338
— others	**176**	1,270
Sales of scrap materials	**32,544**	23,496
Compensation income from sundry creditors	**511**	—
Others	**5,574**	1,473
	46,426	26,577

8. PROFIT FROM OPERATIONS

	2011 RMB'000	2010 RMB'000
Profit from operations is arrived at after charging:		
Auditor's remuneration	**1,076**	870
Cost of inventories recognised as an expense	**1,531,402**	1,200,594
Depreciation on property, plant and equipment *	**36,602**	27,000
Amortisation of land use rights **	**712**	712
Loss on disposal of property, plant and equipment	**466**	1,264
Net foreign exchange loss	**3,434**	1,423
Operating lease charges on rented premises	**1,889**	638
Staff costs (including directors' remuneration)		
— Wages, salaries and bonus	**57,811**	26,386
— Contribution to defined contribution pension plan^	**1,555**	791
— Share-based compensation expense	**16,122**	18,204
Total staff costs	**75,488**	45,381

* Depreciation expenses have been included in:
- cost of sales of approximately RMB31,356,000 (2010: RMB25,445,000); and
- administrative expenses of approximately RMB5,246,000 (2010: RMB1,555,000).

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

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

9. FINANCE COSTS

	2011 RMB'000	2010 RMB'000
Interest charges on financial liabilities stated at amortised cost:		
Bank and other borrowings		
— wholly repayable within one year	**876**	2,851

10. INCOME TAX EXPENSE

	2011 RMB'000	2010 RMB'000
Current tax		
— Provision for PRC income tax	**35,475**	24,734

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

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 was entitled to 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 2011, Corn Industry was subject to EIT tax rate of 12.5%.

No deferred tax asset has been recognised in respect of the unused tax losses of RMB5,908,000 (2010: RMB nil) due to the unpredictability of future profit streams. The unused tax losses will expire in 2016.

Deferred tax liabilities have not been established for the withholding tax and other taxation that would be payable on the unremitted earnings of a subsidiary of RMB544,779,000 (2010: RMB344,092,000) as the Group is in a position to control the dividend policies of the subsidiary and it is probable that such amount will be reinvested in the foreseeable future.

The Group did not have any other significant temporary differences which gave rise to a deferred tax asset or liability as at 31 December 2010 and 2011.

10. INCOME TAX EXPENSE (Continued)

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

	2011 **RMB'000**	2010 RMB'000
Profit before income tax	**212,306**	168,102
Tax calculated at the rates applicable to profits in the tax jurisdiction concerned	**65,990**	48,134
Tax effect of tax losses not recognised	**1,478**	—
Expenses not deductible for tax purpose	**—**	1,334
Effect of tax holiday of PRC subsidiary	**(31,993)**	(24,734)
Income tax expense	**35,475**	24,734

11. DIVIDENDS

The Directors recommend the payment of a final dividend to the shareholders of the Company of Hong Kong cents 7 per share for the year ended 31 December 2011 (2010: Hong Kong cents 7 per share), subject to shareholders' approval at the forthcoming annual general meeting. The proposed final dividend to be declared after the reporting date has not been recognised as a liability at the reporting date, but reflected as an appropriation of share premium account for the year.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of RMB176,831,000 (2010: RMB143,368,000) divided by the weighted average number of 526,250,000 (2010: 526,250,000) ordinary shares in issue during the year.

The diluted earnings per share attributable to the owners of the Company for the year ended 31 December 2010 is based on the profit attributable to the owners of the Company of approximately RMB143,368,000 and on the weighted average of 527,322,000 ordinary shares outstanding during the year ended 31 December 2010, being the weighted average number of 526,250,000 ordinary shares used in basic earnings per share calculation and adjusted for the effect of the share options of 1,072,000 shares.

For the year ended 31 December 2011, no diluted earnings per share have been presented as the impact of exercise of the Group's outstanding share options was anti-dilutive.

13. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

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

	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Contribution to pension plans RMB'000	Share-based compensation expense RMB'000	Total RMB'000
Year ended 31 December 2011						
Executive directors						
Wang Mingxing	–	500	–	–	516	1,016
Wang Mingfeng	–	500	–	–	516	1,016
Wang Mingliang	–	500	–	–	516	1,016
Wang Fuchang	–	300	–	–	516	816
Sun Guohui	–	500	–	2	516	1,018
Huang Da	–	300	–	2	516	818
	–	2,600	–	4	3,096	5,700
Non-executive director						
Ke Shifeng	–	–	–	–	–	–
Independent non-executive directors						
Liu Shusong	52	–	–	–	–	52
Wang Ruiyuan	170	–	–	–	–	170
Wang Aiguo	52	–	–	–	–	52
	274	–	–	–	–	274
	274	2,600	–	4	3,096	5,974

13. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' emoluments (Continued)

	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Contribution to pension plans RMB'000	Share-based compensation expense RMB'000	Total RMB'000
Year ended 31 December 2010						
Executive directors						
Wang Mingxing	–	500	–	–	583	1,083
Wang Mingfeng	–	500	–	–	583	1,083
Wang Mingliang	–	500	–	–	583	1,083
Wang Fuchang	–	500	–	–	583	1,083
Sun Guohui	–	500	–	8	583	1,091
Huang Da	–	500	–	8	583	1,091
	–	3,000	–	16	3,498	6,514
Non-executive director						
Ke Shifeng	–	–	–	–	–	–
Independent non-executive directors						
Liu Shusong	53	–	–	–	–	53
Wang Ruiyuan	107	–	–	–	–	107
Wang Aiguo	53	–	–	–	–	53
	213	–	–	–	–	213
	213	3,000	–	16	3,498	6,727

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2010: nil).

13. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2010 and 2011 were also directors and their emoluments are reflected in the analysis presented above.

During the years ended 31 December 2010 and 2011, no emolument was paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2010						
Cost	88,048	179,180	800	–	120	268,148
Accumulated depreciation	(14,572)	(27,984)	(473)	–	–	(43,029)
Net book amount	73,476	151,196	327	–	120	225,119
Year ended 31 December 2010						
Opening net book amount	73,476	151,196	327	–	120	225,119
Additions	14,088	95,076	12,909	–	69,179	191,252
Transfer	6,356	1,076	–	–	(7,432)	–
Disposal	(1,265)	(47)	–	–	–	(1,312)
Depreciation	(5,652)	(20,378)	(970)	–	–	(27,000)
Closing net book amount	87,003	226,923	12,266	–	61,867	388,059

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group (Continued)

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2010 and 1 January 2011						
Cost	106,635	275,202	13,709	–	61,867	457,413
Accumulated depreciation	(19,632)	(48,279)	(1,443)	–	–	(69,354)
Net book amount	87,003	226,923	12,266	–	61,867	388,059
Year ended 31 December 2011						
Opening net book amount	87,003	226,923	12,266	–	61,867	388,059
Additions	–	94,726	251	258	159,195	254,430
Transfer	175,787	44,339	18	–	(220,144)	–
Disposal	(460)	–	(6)	–	–	(466)
Depreciation	(6,255)	(27,864)	(2,446)	(37)	–	(36,602)
Closing net book amount	256,075	338,124	10,083	221	918	605,421
At 31 December 2011						
Cost	281,569	414,267	13,972	258	918	710,984
Accumulated depreciation	(25,494)	(76,143)	(3,889)	(37)	–	(105,563)
Net book amount	256,075	338,124	10,083	221	918	605,421

The lease term of the land on which the buildings locate is held under medium terms.

15. LAND USE RIGHTS

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

	Group RMB'000
At 1 January 2010	
Cost	35,623
Accumulated amortisation	(204)
Net carrying amount	35,419
Year ended 31 December 2010	
Opening net carrying amount	35,419
Additions	21,845
Amortisation	(712)
Closing net carrying amount	56,552
At 31 December 2010 and 1 January 2011	
Cost	**57,468**
Accumulated amortisation	**(916)**
Net carrying amount	**56,552**
Year ended 31 December 2011	
Opening net carrying amount	**56,552**
Additions	**25,846**
Amortisation	**(712)**
Closing net carrying amount	**81,686**
At 31 December 2011	
Cost	**83,314**
Accumulated amortisation	**(1,628)**
Net carrying amount	**81,686**

Land use rights represented leasehold interests in land located in the PRC, and held under medium term leases.

16. INTEREST IN SUBSIDIARIES

	Company 2011 RMB'000	2010 RMB'000
Unlisted shares, at cost	**123,895**	123,895
Amount due from a subsidiary	**518,364**	575,634
	642,259	699,529

Particulars of the subsidiaries as at 31 December 2011 are as follows:

Name	Country/ Place and date of incorporation/ establishment and kind of legal entity	Particulars of issued and fully paid share capital/ registered capital	Effective interest held by the Company	Principal activities
Interests held directly				
Corn Industry Investment Co., Ltd.	Incorporated on 28 December 2006 in the BVI, limited liability company	59,701 shares at U.S. dollars ("US$") 1 per share	100%	Investment holding
Interests held indirectly				
Shandong Sanxing Corn Industry Technology Company Limited 山東三星玉米產業科技有限公司	Established on 14 November 2006 in the PRC, wholly-foreign-owned enterprise	US$30,000,000	100%	Production and sale of edible oil and corn meal
內蒙三星玉米產業科技有限公司	Established on 21 May 2010 in the PRC, wholly-foreign-owned enterprise	RMB10,000,000	100%	Production and sale of crude oil and corn meal
遼寧三星玉米產業科技有限公司	Established on 24 May 2010 in the PRC, wholly-foreign-owned enterprise	RMB10,000,000	100%	Production and sale of crude oil and corn meal

The financial statements of the subsidiaries for the year ended 31 December 2011 are audited by BDO Limited for the purpose of incorporation into the Group's consolidated financial statements.

The amount due from/to a subsidiary is unsecured and interest free. In the opinion of the directors, the settlement of the amount due from a subsidiary is neither planned nor likely to occur in the foreseeable future and in substance, the amount is an extension of the Company's investment in the subsidiary. The amount due to a subsidiary is repayable on demand.

17. INVENTORIES

	Group 2011 RMB'000	Group 2010 RMB'000
Raw materials	**85,750**	78,120
Work-in-progress	**24,369**	13,593
Finished goods	**61,059**	80,181
	171,178	171,894

18. TRADE AND NOTES RECEIVABLES

	Group 2011 RMB'000	Group 2010 RMB'000
Trade receivables	**177,564**	82,470
Less: Allowance for impairment	**—**	(79)
	177,564	82,391
Notes receivables	**7,840**	8,000
Total trade and notes receivables	**185,404**	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.

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

	Group 2011 RMB'000	Group 2010 RMB'000
Within 60 days	**131,285**	72,528
61-90 days	**23,698**	5,384
91-180 days	**22,932**	11,712
181-365 days	**5,320**	767
Over 365 days	**2,169**	—
Total trade and notes receivables	**185,404**	90,391

At each of the reporting dates, the Group reviewed receivables for evidence of impairment on both an individual and collective basis.

18. TRADE AND NOTES RECEIVABLES (Continued)

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

	Group	
	2011	2010
	RMB'000	RMB'000
Neither past due nor impaired	**135,129**	90,255
Not more than 3 months past due	**35,816**	65
3 to not more than 6 months past due	**9,196**	71
6 to 12 months past due	**5,017**	—
Over 1 year past due	**246**	—
	185,404	90,391

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

The table below reconciled the impairment loss of trade receivables for the year:

	Group	
	2011	2010
	RMB'000	RMB'000
At 1 January	**79**	79
Bad debt written-off	**(79)**	—
At 31 December	**—**	79

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

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments	**78,386**	61,246	**–**	–
Other receivables	**19,584**	15,620	**5,261**	186
Deposits paid for acquisition of capital assets	**3,256**	27,383	**–**	–
	101,226	104,249	**5,261**	186
Less: Portion due within one year included under current assets	**(97,970)**	(76,866)	**(5,261)**	(186)
Non-current portion included under non-current assets	**3,256**	27,383	**–**	–

20. AMOUNTS DUE FROM RELATED PARTIES

	Group	
	2011	2010
	RMB'000	RMB'000
Amounts due from related companies		
— Shandong Sanxing Property Investment Co., Ltd. 山東三星物業投資有限公司 (formerly known as Shandong Sanxing Motor Trade Co., Ltd. 山東三星集团汽貿有限公司) ("Sanxing Property Investment")	**11**	–
— Zouping Xingyu Logistic Co., Ltd. 鄒平星宇物流有限公司 (formerly known as Zouping Sanxding Logistic Centre Company Limited) ("Xingyu Logisitic")	**–**	66
— Shandong Sanxing Group Oil Products Company Limited ("Sanxing Petrol")	**–**	9
— Shandong Sanxing Group Co., Ltd. ("Sanxing Group")	**–**	4
— Zouping Sanxing Steel Structure Co., Ltd. ("Sanxing Steel")	**352**	2
	363	81

20. AMOUNTS DUE FROM RELATED PARTIES (Continued)

Particulars of amount due from related parties are as follows:

	As at 31 December 2011 RMB'000	Maximum amount outstanding during the year RMB'000	As at 1 January 2011 RMB'000
Amounts due from related companies			
— Sanxing Property Investment	**11**	**26**	**—**
— Xingyu Logistic	**—**	**66**	**66**
— Sanxing Petrol	**—**	**9**	**9**
— Sanxing Group	**—**	**14**	**4**
— Sanxing Steel	**352**	**352**	**2**

	As at 31 December 2010 RMB'000	Maximum amount outstanding during the year RMB'000	As at 1 January 2010 RMB'000
Amount due from a shareholder			
— Zouping Sanxing Grease Industry Company Limited ("Sanxing Grease")	—	9,727	9,727
Amounts due from related companies			
— Zouping Anxing Automobile Co., Ltd. ("Zouping Anxing")	—	3	3
— Xingyu Logistic	66	66	66
— Sanxing Petrol	9	1,016	866
— Sanxing Group	4	370	—
— Sanxing Steel	2	9,815	—
Amounts due from directors			
— Wang Mingxing	—	33	33
— Huang Da	—	100	100

Sanxing Grease has controlling interest in the Company. Also, an entity which has significant influence over the Company, has controlling interests in the above related companies. Mr. Wang Mingfeng, Mr. Wang Mingxing, Mr. Wang Mingliang and Mr. Sun Guohui, directors of the Company, also have beneficial interest in each of the above shareholder and related companies.

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

21. CASH AND BANK BALANCES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at banks and in hand	**210,358**	168,985	**2,527**	12,185
Short-term bank deposits	**190,000**	350,000	**—**	—
	400,358	518,985	**2,527**	12,185

The short-term bank deposits earn 3.31% (2010: 0.36%) interest per annum. They have a maturity of 30 days and are eligible for immediate cancellation without receiving any interest for the last deposit period. The other bank deposits earn interest at floating rates based on daily bank deposit rates.

The Group's cash and bank balances denominated in RMB were amounted to RMB395,628,000 (2010: RMB506,606,000) and were deposited with banks in the PRC. The RMB is not freely convertible into other currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

22. TRADE PAYABLES

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

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

	Group	
	2011	2010
	RMB'000	RMB'000
Within 30 days	**24,295**	8,217
31-60 days	**7,289**	2,573
61-90 days	**2,231**	1,473
91-180 days	**2,813**	1,834
181-365 days	**624**	1,740
Over 365 days	**1,056**	705
	38,308	16,542

23. ACCRUED LIABILITIES, OTHER PAYABLES AND DEPOSITS RECEIVED

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Accrued liabilities	**22,076**	13,239	**1,054**	1,558
Other payables	**61,045**	23,799	**–**	–
Deposits received	**50,012**	20,760	**–**	–
	133,133	57,798	**1,054**	1,558

24. AMOUNTS DUE TO RELATED COMPANIES

Mr. Wang Mingfeng, Mr. Wang Mingxing, Mr. Wang Mingliang and Mr. Sun Guohui, directors of the Company, have beneficial interest in the related companies. An entity which has significant influence over the Company, also has controlling interests in these related companies.

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

25. INTEREST-BEARING BANK BORROWING

	Group	
	2011	2010
	RMB'000	RMB'000
Unsecured bank borrowing repayable within one year	**–**	50,000

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

26. SHARE CAPITAL

	Number of shares	Amount
		HK$
Authorised:		
At 31 December 2010 and 2011, ordinary shares of HK$0.10 each	9,000,000,000	900,000,000
Issued and fully paid:		
At 31 December 2010 and 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 2011.

27. RESERVES

Group

Details of the movements on the Group's reserves are as set out in the consolidated statement of changes in equity on page 41.

Notes:

(i) Other reserves

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

(ii) Capital reserves

Capital reserves of the Group represent the difference between the registered capital of Corn Industry and the net assets value transferred from Sanxing Grease to Corn Industry pursuant to a group restructuring ("Restructuring Exercise") carried out by the Group to rationalise the structure of the Group in preparation of the initial public offering of the Company's shares on the HKEX.

(iii) Merger reserve

The merger reserve of the Group represented the difference between (a) the sum of nominal value of the combined capital and share premium of the subsidiaries acquired in pursuant to the Restructuring Exercise; and (b) the nominal value of the share capital of the Company issued in exchange thereof pursuant to the Restructuring Exercise.

27. RESERVES (Continued)

Company

	Share premium RMB'000	Share option reserve RMB'000	Contributed surplus RMB'000 (note)	Proposed final dividend RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2010	585,096	–	95,267	–	(2,916)	677,447
2010 final dividend proposed	(31,119)	–	–	31,119	–	–
Recognition of share-based payments	–	18,204	–	–	–	18,204
Transactions with owners	(31,119)	18,204	–	31,119	–	18,204
Loss for the year	–	–	–	–	(39,983)	(39,983)
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	(39,983)	(39,983)
At 31 December 2010	553,977	18,204	95,267	31,119	(42,899)	655,668
2010 final dividend paid	–	–	–	(31,119)	–	(31,119)
2011 final dividend proposed	(29,952)	–	–	29,952	–	–
Recognition of share-based payments	–	16,122	–	–	–	16,122
Transactions with owners	(29,952)	16,122	–	(1,167)	–	(14,997)
Loss for the year	–	–	–	–	(46,088)	(46,088)
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	(46,088)	(46,088)
At 31 December 2011	**524,025**	**34,326**	**95,267**	**29,952**	**(88,987)**	**594,583**

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

28. SHARE OPTION SCHEME

On 14 May 2010, the Company granted to certain eligible participants a total of 25,000,000 share options to subscribe for ordinary shares of HK$0.10 each in the share capital of the Company under the share option scheme adopted by the Company on 23 November 2009. The share options granted are exercisable as follows:

(i) the first 50% of the share options between the first and fifth anniversary of the date of grant; and

(ii) the remaining share options between the second and fifth anniversary of the date of grant.

The following table discloses the movements of the share options during the year.

	Number of share options					
Grantees	**Outstanding at 1 January 2011**	**Granted during the year**	**Lapsed during the year**	**Exercised during the year**	**Outstanding at 31 December 2011**	**Exercise price**
Wang Mingxing	**800,000**	**–**	**–**	**–**	**800,000**	**HK$5.40**
Wang Mingfeng	**800,000**	**–**	**–**	**–**	**800,000**	**HK$5.40**
Wang Mingliang	**800,000**	**–**	**–**	**–**	**800,000**	**HK$5.40**
Wang Fuchang	**800,000**	**–**	**–**	**–**	**800,000**	**HK$5.40**
Sun Guohui	**800,000**	**–**	**–**	**–**	**800,000**	**HK$5.40**
Huang Da	**800,000**	**–**	**–**	**–**	**800,000**	**HK$5.40**
Other employees	**20,200,000**	**–**	**–**	**–**	**20,200,000**	**HK$5.40**
	25,000,000	**–**	**–**	**–**	**25,000,000**	

	Number of share options					
Grantees	Outstanding at 1 January 2010	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 December 2010	Exercise price
Wang Mingxing	–	800,000	–	–	800,000	HK$5.40
Wang Mingfeng	–	800,000	–	–	800,000	HK$5.40
Wang Mingliang	–	800,000	–	–	800,000	HK$5.40
Wang Fuchang	–	800,000	–	–	800,000	HK$5.40
Sun Guohui	–	800,000	–	–	800,000	HK$5.40
Huang Da	–	800,000	–	–	800,000	HK$5.40
Other employees	–	20,200,000	–	–	20,200,000	HK$5.40
	–	25,000,000	–	–	25,000,000	

28. SHARE OPTION SCHEME (Continued)

The weighted average exercise price of share options outstanding at the end of the year is HK$5.40 (2010: HK$5.40) and their remaining contractual life was 4 years (2010: 5 years). Of the total number of share options outstanding at the end of the year, 12,500,000 share options had vested and were exercisable. The fair value of the share options granted during the year ended 31 December 2010, valued as at the grant date, was RMB39,091,000. The share-based compensation expense of RMB16,122,000 (2010: RMB18,204,000) is included in the consolidated income statement for the year ended 31 December 2011.

The following significant assumptions were used to derive the fair value, under Binomial Option Pricing Model, of the share options granted during the year ended 31 December 2010:

The first 50% of the share options

(i) an annualised volatility of 52.5% throughout the option life;
(ii) nil dividend yield;
(iii) the estimated expected life of the options granted is 2.5 years; and
(iv) the risk free rate of 0.77% which is based on the yields on the Hong Kong Monetary Authority exchange fund notes.

The remaining share options

(i) an annualised volatility of 53.5% throughout the option life;
(ii) nil dividend yield;
(iii) the estimated expected life of the options granted is 3 years; and
(iv) the risk free rate of 1% which is based on the yields on the Hong Kong Monetary Authority exchange fund notes.

29. COMMITMENT

Operating lease commitment

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

	Group	
	2011	2010
	RMB'000	RMB'000
Within one year	**1,655**	481
In the second to fifth years	**1,563**	1,792
After five years	**958**	1,311
	4,176	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 9 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.

29. COMMITMENT (Continued)

Capital commitment

	Group	
	2011	2010
	RMB'000	RMB'000
Contracted but not provided for	**1,778**	36,788
Authorised but not contracted for	**–**	24,906
	1,778	61,694

30. RELATED PARTY TRANSACTIONS

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

		Group	
		2011	2010
	Notes	**RMB'000**	RMB'000
Sales to shareholders	(i)	**43**	1,367
Sales to related companies	(i)	**660**	424
Purchases from related companies	(ii)	**142**	3,883
Supply of steam and electric power from a related company	(iii)	**29,396**	26,645
Repair and maintenance services rendered by related companies	(iv)	**1**	35
Subcontracting services rendered by a related company	(v)	**4,594**	4,291
Construction services rendered by a related company	(vi)	**–**	14,000

30. RELATED PARTY TRANSACTIONS (Continued)

Notes:

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

(v) Services rendered by a related company, of which Mr. Wang Mingliang was shareholder and director in the related company, were made according to the terms of the agreements.

(vi) Construction services from a related company, of which Mr. Wang Mingxing, Mr. Wang Mingliang, Mr. Wang Mingfeng and Mr. Sun Guohui have beneficial interest, were conducted under mutually agreed terms negotiated between the Group and the related company.

During the years ended 31 December 2010 and 2011, the Group also acquired property, plant and equipment of RMB616,000 and RMB52,000 respectively from related companies, of which Mr. Wang Mingfeng, Mr. Wang Mingxing, Mr. Wang Mingliang and Mr. Sun Guohui have beneficial interest and/or were directors. In addition, as at 31 December 2011, the amounts due to related companies included an unsettled consideration of RMB8,288,000 payable to a construction company in respect of certain construction contracts in the aggregate amount of RMB57,491,000 entered into between the Group and that construction company during the year ended 31 December 2010. Such construction company was not a related party to the Group as at the date of entering into the construction contracts. In August 2011, that construction company became a related party of the Group in which Mr. Wang Mingfeng, Mr. Wang Mingxing, Mr. Wang Mingliang and Mr. Sun Guohui have beneficial interest and/or were directors of that construction company. The purchase and/or construction of properly, plant and equipment were conducted under mutually agreed terms negotiated between the Group and these companies.

An entity which has significant influence over the Company, also has controlling interests in these related parties.

(b) Key management personnel compensation

	Group	
	2011	2010
	RMB'000	RMB'000
Short term employee benefits of directors and other members of key management	**5,974**	8,266

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

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

(a) Categories of financial assets and liabilities

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Loans and receivables				
— Trade and notes receivables	**185,404**	90,391	**—**	—
— Other receivables	**19,584**	15,620	**5,261**	186
— Amounts due from related parties	**363**	81	**—**	—
Cash and bank balances	**400,358**	518,985	**2,527**	12,185
	605,709	625,077	**7,788**	12,371
Financial liabilities				
At amortised cost				
— Trade payables	**38,308**	16,542	**—**	—
— Other payables	**61,045**	23,799	**—**	—
— Amounts due to related companies	**13,204**	4,052	**—**	—
— Amount due to a subsidiary	**—**	—	**8,070**	8,334
— Interest-bearing bank borrowing	**—**	50,000	**—**	—
	112,557	94,393	**8,070**	8,334

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

(b) Interest rate risk

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

(i) Interest rate profile

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

	Group			
	Weighted average effective interest rate		Carrying amount	
	2011	2010	**2011**	2010
	%	%	**RMB'000**	RMB'000
Variable rate instruments				
Financial assets				
Cash at bank	**0.49%**	0.27%	**208,850**	168,614
Fixed rate instruments				
Financial assets				
Short-term bank deposits	**3.31%**	0.36%	**190,000**	350,000
Other receivable	**3.60%**	—	**5,075**	—
Financial liabilities				
Interest-bearing bank borrowing	**—**	5.84%	**—**	50,000

	Company			
	Weighted average effective interest rate		Carrying amount	
	2011	2010	**2011**	2010
	%	%	**RMB'000**	RMB'000
Variable rate instruments				
Financial assets				
Cash at bank	**0.02%**	0.02%	**2,527**	12,185

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

(b) Interest rate risk (Continued)

(ii) Interest rate sensitivity analysis

The following tables illustrate the sensitivity of the profit for the year and equity to a reasonably possible change in interest rates of +25 basis points and -25 basis points (2010: +/-25 basis points), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's financial instruments held at each reporting date. All other variables are held constant. There is no impact on other components of consolidated equity in response to the possible change in interest rates.

	Group			
	2011		2010	
	RMB'000 +25 basis points	**RMB'000 -25 basis points**	RMB'000 +25 basis points	RMB'000 -25 basis points
Effect on profit for the year and retained earnings	**602**	**(602)**	245	(245)

	Company			
	2011		2010	
	RMB'000 +25 basis points	**RMB'000 -25 basis Points**	RMB'000 +25 basis points	RMB'000 -25 basis points
Effect on loss for the year and accumulated losses	**7**	**(7)**	34	(34)

(c) Credit risk

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

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

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

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

(c) Credit risk (Continued)

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

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(d) Foreign currency risk

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

(i) Foreign currency risk exposure

	Group					
	2011			2010		
	HK$ RMB'000	**EURO RMB'000**	**US$ RMB'000**	HK$ RMB'000	EURO RMB'000	US$ RMB'000
Assets:						
Other receivables	**5,075**	**–**	**–**	–	–	–
Cash and bank balances	**2,527**	**10**	**696**	12,185	8	186
	7,602	**10**	**696**	12,185	8	186
Liabilities:						
Other payables	**1,054**	**–**	**4,671**	–	–	–

	Company	
	2011	2010
	HK$ RMB'000	HK$ RMB'000
Assets:		
Other receivables	**5,075**	–
Cash and bank balances	**2,527**	12,185
	7,602	12,185
Liabilities:		
Other payables	**1,054**	–

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

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

(d) Foreign currency risk (Continued)

(ii) Foreign currency sensitivity analysis

The following table illustrates the sensitivity of the Group's profit after tax for the year and equity in regards to a 1% (2010: 1%) appreciation in the Group entities' functional currencies against HK$, EURO and US$. All other variables are held constant. The rate is used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates. There is no impact on other components of combined equity in response to the general fluctuation in the following foreign currency rates.

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

	Group					
	2011			2010		
	HK$	**EURO**	**US$**	HK$	EURO	US$
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Effect on profit for the year and retained earnings	**(65)**	**–**	**(40)**	(106)	–	(2)

	Company	
	2011	2010
	HK$	HK$
	RMB'000	RMB'000
Effect on loss for the year/period and accumulated losses	**(65)**	(106)

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

These are the same method and assumption used in preparing the sensitivity analysis included in the financial statements of the year ended 31 December 2010.

(e) Liquidity risk

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

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

(e) Liquidity risk (Continued)

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

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

	Group			
	Carrying Amount RMB'000	**Total contractual undiscounted cash flow** RMB'000	**On demand** RMB'000	**Less than one year** RMB'000
At 31 December 2011				
— Trade payables	**38,308**	**38,308**	**38,308**	**—**
— Other payables	**61,045**	**61,045**	**61,045**	**—**
— Amounts due to related companies	**13,204**	**13,204**	**13,204**	**—**
	112,557	**112,557**	**122,557**	**—**
At 31 December 2010				
— Trade payables	16,542	16,542	16,542	—
— Other payables	23,799	23,799	23,799	—
— Amounts due to related companies	4,052	4,052	4,052	—
— Interest-bearing bank borrowing	50,000	50,795	—	50,795
	94,393	95,188	44,393	50,795

	Company			
	Carrying amount RMB'000	**Total contractual undiscounted cash flow** RMB'000	**On demand** RMB'000	**Less than one year** RMB'000
At 31 December 2011				
— Amount due to a subsidiary	**8,070**	**8,070**	**8,070**	**—**
At 31 December 2010				
— Amount due to a subsidiary	8,334	8,334	8,334	—

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

(f) Fair value

The fair values of the Group's financial assets and liabilities as at 31 December 2010 and 2011were not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

32. CAPITAL MANAGEMENT

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

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Total debts				
Trade payables	**38,308**	16,542	**—**	—
Accrued liabilities, other payables and deposits received	**133,133**	57,798	**1,054**	1,558
Amounts due to related companies	**13,204**	4,052	**—**	—
Amount due to a subsidiary	**—**	—	**8,070**	8,334
Interest-bearing bank borrowing	**—**	50,000	**—**	—
	184,645	128,392	**9,124**	9,892
Less: Cash and bank balances	**(400,358)**	(518,985)	**(2,527)**	(12,185)
Net debts	**n/a**	n/a	**6,597**	n/a
Equity	**1,350,494**	1,187,266	**640,923**	702,008
Total debts to equity ratio	**n/a**	n/a	**1.03%**	n/a

Financial Highlights

For the year ended 31 December 2011

	Year ended 31 December				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Revenue	**2,057,587**	1,537,376	1,163,981	934,004	694,337
Cost of sales	**(1,676,178)**	(1,283,164)	(1,014,441)	(834,167)	(624,948)
Gross profit	**381,409**	254,212	149,540	99,837	69,389
Other income	**46,426**	26,577	23,933	15,642	13,818
Selling and distribution costs	**(155,591)**	(65,903)	(21,622)	(12,448)	(11,792)
Administrative expenses	**(58,108)**	(43,453)	(12,163)	(9,918)	(6,621)
Other operating expenses	**(954)**	(480)	(347)	(193)	(327)
Finance costs	**(876)**	(2,851)	(3,139)	(1,550)	(2,596)
Profit before taxation	**212,306**	168,102	136,202	91,370	61,871
Income tax expense	**(35,475)**	(24,734)	(16,175)	—	(876)
Profit for the year attributable to owners of the Company	**176,831**	143,368	120,027	91,370	60,995
ASSETS AND LIABILITIES					
Total assets	**1,545,636**	1,330,211	1,142,430	343,204	198,689
Total liabilities	**(195,142)**	(142,945)	(116,963)	(40,572)	(34,725)
	1,350,494	1,187,266	1,025,467	302,632	163,964