

# CHANGSHOUHUA FOOD COMPANY LIMITED

## 長壽花食品股份有限公司

(Incorporated in the Cayman Islands with limited liability)  
(Stock code: 1006)



2012  
INTERIM REPORT

# CONTENTS

	<i>Page</i>
CORPORATE INFORMATION	2
MANAGEMENT DISCUSSION AND ANALYSIS	3
OTHER INFORMATION	13
INDEPENDENT REVIEW REPORT	20
CONSOLIDATED INCOME STATEMENT	21
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	22
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	23
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	24
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	25
NOTES TO THE INTERIM FINANCIAL INFORMATION	26
EXPRESSED IN RENMINBI (“RMB”)	

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Wang Mingxing (*Chairman*)  
Wang Mingfeng  
Wang Mingliang  
Wang Fuchang  
Sun Guohui  
Huang Da

### Independent Non-Executive Directors

Wang Aiguo  
Liu Shusong  
Wang Ruiyuan

## COMPANY SECRETARY

Chan Yuen Ying, Stella

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## CORPORATE GOVERNANCE COMMITTEE

Wang Mingliang (*Committee Chairman*)  
Wang Fuchang  
Sun Guohui

## 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  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

## COMPLIANCE ADVISER

Haitong International Capital Limited

## PRINCIPAL BANKERS

Agricultural Bank of China, Zouping Sub-branch  
Bank of China, Zouping Sub-branch  
ICBC, Zouping Sub-branch  
Wing Lung Bank Limited

## REGISTERED OFFICE

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Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## STOCK CODE

Hong Kong Stock Exchange: 1006

## WEBSITE

<http://www.chinacornoil.com/>



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

After years of development, 長壽花 (Longevity Flower) has developed into the first brand in corn oil industry in the PRC. In view of the increasing contribution of the own-brand sales of Changshouhua Food Company Limited (the “Company”) and its subsidiaries (collectively, the “Group”) to its total sales, the board (the “Board”) of directors (the “Directors”) of the Company resolved to change the English name of the Company from “China Corn Oil Company Limited” to “Changshouhua Food Company Limited” and adopt the Chinese name “長壽花食品股份有限公司” as its official Chinese name to replace “中國玉米油股份有限公司” (“Change of Company Name”) on 24 April 2012, which was approved by the shareholders of the Company by way of passing a special resolution at the extraordinary general meeting held on 25 May 2012, to build up a new corporate image of the Company and reflect the shift of the focus of the Group’s corporate strategy from production and processing to the operation of its own brand, as well as the diversification of its business in the fields of high-end food and health products.

The Change of Company Name has taken effect from 25 May 2012. The Board believes that the new company name can provide the Company with a fresh identity and image, which will benefit the Company’s future business development and is in the interest of the Company and its shareholders as a whole.

The Group is principally engaged in the production of edible corn oil products for (1) domestic sales under the brand of 長壽花 (Longevity Flower) in the PRC consumer market; and (2) domestic or export bulk sales mainly to other companies engaging in the sale of edible corn oil under their own brands.

During the six months ended 30 June 2012, total revenue of the Group has increased by approximately RMB245.5 million, or approximately 25.7% as compared to the six months ended 30 June 2011, while profit attributable to owners of the Company has increased by approximately RMB25.7 million, representing a growth of approximately 33.0% as compared to the six months ended 30 June 2011. The significant increase in revenue and profit was mainly due to the increase of approximately 81.7% in the sales amount of the Group’s branded corn oil.

During the period under review, the Group has continued increasing the investment of resources in (i) promoting its brand image and recognition; (ii) enhancing and expanding its marketing and distribution network; and (iii) improving expertise and technical know-how.

To further enhance the brand image of 長壽花 (Longevity Flower), various marketing and advertising campaigns infused with the concept of health, such as “Food Safety into the Community” and “Health Tour in China”, were launched via mass media combination of television, newspapers, radio, outdoor advertising as well as internet so as to lay our core brand idea of “healthy oil”.

After recent years of investment, the Group has formed mature and stable marketing and distribution network. During the period under review, a total of 2 new representative offices and 14 new liaison offices of the Group were set up in 9 provinces or administrative municipalities in the PRC. As at 30 June 2012, the Group had a distribution network of 533 wholesale distributors (31 December 2011: 468) and 77 retailers (31 December 2011: 77) covering all provincial-level administrative divisions in the Mainland China except Tibet.



## MANAGEMENT DISCUSSION AND ANALYSIS

Upon the operation of two newly constructed squeezing production plants in Inner Mongolia (“New Mongolia Squeezing Plant”) and Liaoning (“New Liaoning Squeezing Plant”) in the fourth quarter of 2011, in addition to its increased total annual squeezing capacity of 300,000 tonnes of crude corn oil, the Group has better control of its purchase cost of corn embryos. Meanwhile, following the operation of the new packaging production plant (“New Packaging Plant”) in November 2011, the Group currently has a total annual packaging capacity of 150,000 tonnes to cater for the growing demand of its branded edible oil products.

Furthermore, during the period under review, the Group committed to strengthening its product development capabilities by investing resources to improve its expertise and technical know-how in relation to the product quality and production techniques of edible oil products. The Group independently developed a number of corn oil refining technologies, and acquired considerable progress in the development of new corn oil products. Based on the success of development in phytosterol corn oil, the Group launched a series of new functional products like DHA corn oil and conjugated linoleic acid corn oil under its own brand of 長壽花 (Longevity Flower), which successfully attracted a great deal of orders.

With increasing marketing and advertising efforts, expanded production capacity and excellent product quality, the Group has achieved good financial returns. For the six months ended 30 June 2012, the Group’s sales of corn oil under its own brand significantly increased by approximately RMB328.8 million or 81.7% whereas the gross profit generated from the sales of corn oil under its own brand increased by approximately RMB102.1 million or 84.5%. Sales volume of branded corn oil increased by 24,446 tonnes or approximately 80.9% during the period under review to 54,654 tonnes as compared to 30,208 tonnes for the period ended 30 June 2011, while the sales volume of non-branded corn oil decreased from 43,141 tonnes for the six months ended 30 June 2011 to 32,699 tonnes for the six months ended 30 June 2012. This change in sales mix echoed the Group’s shift of its focus to sales of corn oil under its own brand. In the special survey of major grain and oil companies in 2011, which was recently co-organized by China National Association of Grain and Agricultural Bank of China, the Group ranked 21st and 9th in the Top 100 China National Grain and Oil Enterprises and the Top 50 China National Edible Oil Processing Enterprises respectively.

### FINANCIAL REVIEW

For the six months ended 30 June 2012, the Group recorded revenue of approximately RMB1,199.7 million (30 June 2011: RMB954.2 million), representing an increase of approximately 25.7%. For the six months ended 30 June 2012, the sales of (1) corn oil under our brand; (2) non-branded corn oil in bulk; (3) corn meal; and (4) other oil amounted to approximately RMB731.1 million, RMB292.0 million, RMB133.7 million and RMB42.9 million (30 June 2011: approximately RMB402.2 million, RMB408.8 million, RMB112.7 million and RMB30.5 million) respectively, and accounted for approximately 60.9%, 24.3%, 11.2% and 3.6% (30 June 2011: 42.2%, 42.8%, 11.8% and 3.2%) respectively of the Group’s total revenue. Sales of corn oil under our brand were all made in the PRC whilst sales of non-branded corn oil were made both in the PRC and overseas. Revenue from the PRC and overseas countries accounted for approximately 98.7% and 1.3% (30 June 2011: 81% and 19%) respectively of the Group’s total sales for the six months ended 30 June 2012.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Revenue and Gross Profit/(Loss)

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

	Six months ended 30 June 2012		Six months ended 30 June 2011	
	RMB'000	%	RMB'000	%
<b>Revenue</b>				
Corn oil				
– Corn oil under our brand	<b>731,096</b>	<b>60.9%</b>	402,266	42.2%
– Non-branded corn oil	<b>292,006</b>	<b>24.3%</b>	408,764	42.8%
Corn meal	<b>133,723</b>	<b>11.2%</b>	112,672	11.8%
Other oil	<b>42,863</b>	<b>3.6%</b>	30,512	3.2%
	<b>1,199,688</b>	<b>100%</b>	954,214	100%
<b>Gross profit/(loss)</b>				
Corn oil				
– Corn oil under our brand	<b>222,764</b>	<b>86.3%</b>	120,711	70.4%
– Non-branded corn oil	<b>23,631</b>	<b>9.2%</b>	42,460	24.8%
Corn meal	<b>(6,516)</b>	<b>(2.5)%</b>	(2,193)	(1.3)%
Other oil	<b>18,158</b>	<b>7.0%</b>	10,464	6.1%
	<b>258,037</b>	<b>100%</b>	171,442	100%
<b>Gross profit/(loss) ratio</b>				
Corn oil				
– Corn oil under our brand		<b>30.5%</b>		30.0%
– Non-branded corn oil		<b>8.1%</b>		10.4%
Corn meal		<b>(4.9)%</b>		(1.9)%
Other oil		<b>42.4%</b>		34.3%
Overall		<b>21.5%</b>		18.0%

# MANAGEMENT DISCUSSION AND ANALYSIS

## Fluctuations of the average selling prices of corn oil products

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

	For the six months ended 30 June	
	2012	2011
<b>Quantities sold (tonnes)</b>		
Corn oil under our brand	54,654	30,208
Non-branded corn oil	32,699	43,141
<b>Average selling price (RMB/tonne)</b>		
Corn oil under our brand	13,377	13,317
Non-branded corn oil	8,930	9,475
<b>Average unit cost of sales (RMB/tonne)</b>		
Corn oil under our brand	9,301	9,320
Non-branded corn oil	8,208	8,491

## Increase in revenue

The increase in revenue of the Group from approximately RMB954.2 million for the six months ended 30 June 2011 to approximately RMB1,199.7 million for the six months ended 30 June 2012 by approximately RMB245.5 million or 25.7% was mainly the combined result of: the increase in the sales of corn oil under our brand by approximately RMB328.8 million or 81.7%, the increase in the sales of corn meal by approximately RMB21.1 million or 18.7% and the increase in the sales of other oil by approximately RMB12.4 million or 40.5% offset by the decrease in the sales of non-branded corn oil by approximately RMB116.8 million or 28.6%.

The sales volume of corn oil under our brand increased from 30,208 tonnes for the six months ended 30 June 2011 to 54,654 tonnes for the six months ended 30 June 2012, representing an increase of approximately 80.9%, which was mainly because: (1) the Group's distribution channels have been largely expanded due to continuous marketing efforts; (2) our brand of 長壽花 (Longevity Flower) has been more recognised by existing and new customers; and (3) more consumers have realised that corn oil is one kind of healthier edible oil. Such increase in the sales volume resulted in the increase in the sales of corn oil under our brand. As corn oil products under our brand are increasingly accepted by the consumers, taking into account the stable cost of branded corn oil, the existing market environment and to maintain the product competitiveness, during the period under review, the average selling price of corn oil under our brand remained relatively stable.

The sales volume of non-branded corn oil in bulk for the period under review dropped by approximately 24.2% as compared to the corresponding period of 2011, which was consistent with the Group's strategy to allocate its production capacity to branded corn oil with priority, which enjoyed a higher profit margin. This decrease in the sales volume, together with the decrease in the average selling price of non-branded corn oil by approximately 5.8% from RMB9,475 per tonne for the six months ended 30 June 2011 to RMB8,930 per tonne for the six months ended 30 June 2012 resulted in the decrease in the sales of non-branded corn oil by approximately 28.6%.



## MANAGEMENT DISCUSSION AND ANALYSIS

The sales of other oil for the six months ended 30 June 2012 mainly comprised the sales of sunflower seed oil, olive oil and flaxseed oil. The significant increase in sales of other oil by approximately RMB12.4 million or 40.5% for the period under review was mainly due to the increase in the average selling price of other oil by approximately 39.4% from RMB14,113 per tonne for the six months ended 30 June 2011 to RMB19,670 per tonne for the six months ended 30 June 2012.

The sales of corn meal increased by approximately RMB21.1 million or 18.7% was mainly due to the increase in the average selling price of corn meal by approximately 24.0% from RMB1,212 per tonne for the six months ended 30 June 2011 to RMB1,503 per tonne for the six months ended 30 June 2012 offset by the decrease in the quantity sold of corn meal by approximately 4.3%.

### **Increase in gross profit and gross profit margin**

The gross profit of the Group for the six months ended 30 June 2012 was approximately RMB258.0 million (30 June 2011: RMB171.4 million) with gross profit margin of approximately 21.5% (30 June 2011: 18.0%), of which gross profit/(loss) margins for the sales of (1) corn oil under our brand; (2) non-branded corn oil in bulk; (3) corn meal; and (4) other oil were approximately 30.5%, 8.1%, (4.9)% and 42.4% (30 June 2011: 30.0%, 10.4%, (1.9)% and 34.3%) respectively.

The Group's gross profit margin of corn oil under our brand slightly increased from approximately 30.0% for the six months ended 30 June 2011 to approximately 30.5% for the six months ended 30 June 2012.

Gross profit margin for non-branded corn oil decreased from approximately 10.4% for the six months ended 30 June 2011 to approximately 8.1% for the six months ended 30 June 2012, which was mainly the net result of the decrease of approximately 5.8% in the average selling price of non-branded corn oil and the decrease in the average purchase price of corn embryos.

Gross loss margin of corn meal increased from approximately (1.9)% for the six months ended 30 June 2011 to approximately (4.9)% for the six months ended 30 June 2012, which was mainly due to the rising processing costs including direct labor costs and electricity rates.

Gross profit margin of other oil increased from approximately 34.3% for the six months ended 30 June 2011 to approximately 42.4% for the six months ended 30 June 2012, which was mainly due to the increase of approximately 39.4% in the average selling price of other oil, which resulted from the substantial increase in the sales of high-end oil products within the product mix of other oil.

### **Cost of Sales**

The cost of sales mainly includes costs of raw materials, labour and manufacturing overheads. 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 88.7% of the total cost of sales for the six months ended 30 June 2012 (30 June 2011: 91.5%).



# MANAGEMENT DISCUSSION AND ANALYSIS

## Other Income

Other income of approximately RMB18.0 million (30 June 2011: RMB18.3 million) mainly comprised sales of scrap materials of approximately RMB13.9 million (30 June 2011: RMB15.8 million) and bank interest income of approximately RMB3.0 million (30 June 2011: RMB2.3 million). The decrease in sales of scrap materials was mainly affected by the falling market demand coupled with a lower selling price of scrap materials. The increase in bank interest income was mainly due to the increase in deposit amount as well as the interest rate.

## Selling and Distribution Expenses

Selling and distribution expenses significantly increased from approximately RMB64.1 million for the six months ended 30 June 2011 to approximately RMB106.7 million for the six months ended 30 June 2012. Selling and distribution expenses mainly comprised carriage and transportation charges of approximately RMB14.4 million (30 June 2011: RMB11.2 million), advertising and marketing expenses of approximately RMB38.4 million (30 June 2011: RMB24.7 million), expenses of representative offices of approximately RMB19.8 million (30 June 2011: RMB11.3 million) and sales staff costs of approximately RMB21.1 million (30 June 2011: RMB13.9 million).

The increase in advertising and marketing expenses by approximately RMB13.7 million was due to the growing distribution network.

The increase in expenses of representative offices by approximately RMB8.5 million was mainly because the Group has (i) set up 2 new representative offices and 14 new liaison offices for the six months ended 30 June 2012; and (ii) expanded its marketing and distribution network to more cities in the PRC by increasing the number of wholesale distributors to 533 (31 December 2011: 468) for the six months ended 30 June 2012.

The increase in sales staff costs by approximately RMB7.2 million was mainly due to the increase in salaries paid to the newly recruited sales staff as a result of the expanded distribution network.

The management of the Group is confident that the investments by the Group in the brand advertising campaigns and the expansion of distribution network for the six months ended 30 June 2012 will result in better sales performance in the future.

## Administrative Expenses

Administrative expenses of approximately RMB23.8 million (30 June 2011: RMB28.8 million) mainly comprised: (i) administrative staff costs of approximately RMB5.3 million (30 June 2011: RMB5.4 million); (ii) share-based payment expenses for share options granted to staff in May 2010 of approximately RMB3.6 million (30 June 2011: RMB11.4 million); (iii) depreciation expenses of approximately RMB4.9 million (30 June 2011: RMB2.4 million); (iv) other taxes of approximately RMB4.8 million (30 June 2011: RMB2.3 million); and (v) legal and professional fees of approximately RMB1.3 million (30 June 2011: RMB1.4 million).

The total share-based payment expenses of the share options granted by the Company in May 2010 was estimated to be approximately RMB39.1 million, of which the last portion of approximately RMB3.6 million was recognised for the six months ended 30 June 2012.

## MANAGEMENT DISCUSSION AND ANALYSIS

The increase in other taxes by approximately RMB2.5 million was mainly due to: (i) the increase in land use tax and property tax as a result of the increased land and property in Inner Mongolia and Liaoning; (ii) the increase in city construction tax, education supplementary tax and local education tax in line with the increased sales of the Group during the period; and (iii) the newly levied water conservancy construction tax.

### **Profit before Taxation and Profit Attributable to Owners of the Company**

The Group recorded profit before income tax of approximately RMB145.1 million for the six months ended 30 June 2012 (30 June 2011: RMB95.4 million), representing an increase of approximately 52.1%. The Group's profit attributable to owners of the Company increased by approximately 33.0% from approximately RMB77.8 million for the six months ended 30 June 2011 to approximately RMB103.5 million for the six months ended 30 June 2012.

The net profit margin of the Group for the six months ended 30 June 2012 was approximately 8.6% (30 June 2011: 8.2%). The basic earnings per share attributable to owners of the Company amounted to approximately RMB19.66 cents for the six months ended 30 June 2012 (30 June 2011: RMB14.78 cents). The Directors consider that the increase in net profit margin and basic earnings per share attributable to owners of the Company was mainly due to the increase in the Group's gross profit margin.

### **Acquisition of Property, Plant and Equipment and Land Use Rights**

The Group has entered into contracts with the local governments of Inner Mongolia and Liaoning for the acquisition of two pieces of lands respectively that were used for the construction of the New Mongolia Squeezing Plant and the New Liaoning Squeezing Plant in May 2010. The Group obtained the land use right certificates of the two pieces of lands in Inner Mongolia and Liaoning in May 2011 and June 2011 respectively. The amortisation of land use rights of lands in Inner Mongolia and Liaoning for the six months ended 30 June 2012 was approximately RMB0.5 million (31 December 2011: Nil).

### **Trade and Notes Receivables**

As at 30 June 2012, the total of trade and notes receivables was approximately RMB230.1 million (31 December 2011: RMB185.4 million) comprising trade receivables of approximately RMB227.6 million (31 December 2011: RMB177.6 million) and notes receivables of approximately RMB2.6 million (31 December 2011: RMB7.8 million). The increase in trade receivables was in line with the increase in sales for the six months ended 30 June 2012. The significant decrease in notes receivables was due to the decrease in the sales of non-branded corn oil to overseas customers who normally settle their purchases using letter of credit. These letters of credit were backed by the issuing banks and usually have a maturity period of 60 days.

### **Prepayments, Deposits and Other Receivables**

As at 30 June 2012, prepayments, deposits and other receivables amounted to approximately RMB97.7 million (31 December 2011: RMB101.2 million) which mainly comprised deposits paid for purchase of raw materials of approximately RMB19.3 million (31 December 2011: RMB39.6 million), prepayment paid for advertising expenses of approximately RMB41.1 million (31 December 2011: RMB35.1 million) and other receivables of approximately RMB25.2 million (31 December 2011: RMB19.6 million). The decrease of the prepayments, deposits and other receivables was mainly due to the decrease in purchase of raw material (i.e. corn embryos) close to the period end, which was caused by low seasonal supplies of corn embryos in June and July.



# MANAGEMENT DISCUSSION AND ANALYSIS

## FUTURE PLANS

As a leading edible corn oil manufacturer in the PRC, following the Change of Company Name becoming effective, the Group has shifted the focus of its corporate strategy from production and processing to own-brand operation, and will progressively carry out its diversification strategy in the field of high-end food and health products in the near future so as to maximise shareholders' benefits. The Group is optimistic over the future performance of the segment of corn oil under its own brand and will strongly enhance the proportion of own-brand sales and strive to achieve own-brand sales of over 80% to its total sales in 2013.

The Group will continue to enhance brand image and recognition of 長壽花 (Longevity Flower), expand the marketing and distribution network, and strengthen its capability of independent innovation in product development to improve its sustainable development and to expand its market space.

The Group aims to achieve full product coverage of the county network and the township and community network in the PRC within this year and by 2014 respectively. Overall, the Directors look forward to a more prosperous future of the Group's business.

## CAPITAL STRUCTURE

The Company's issued share capital as at 30 June 2012 is HK\$52,625,000 divided into 526,250,000 shares of HK\$0.1 each.

The Group adopts a prudent treasury policy. It had no borrowings during the period under review and its gearing ratio (calculated as total borrowings divided by the amount of shareholders' equity) as at 30 June 2012 was zero (31 December 2011: 0%). The current ratio (calculated as current assets divided by current liabilities) as at 30 June 2012 was 4.5 times (31 December 2011: 4.4 times). The Group continues to monitor stringent debt collection policy so as to minimise the risks of sales on credit and to ensure that funds are timely collected.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2012, the Group had no unsecured interest-bearing bank borrowings (31 December 2011: Nil). The Group's cash and bank balances amounted to RMB412.7 million (31 December 2011: RMB400.4 million).

## MATERIAL ACQUISITION AND DISPOSALS

The Group did not have any material acquisition or disposal of subsidiaries or associates during the six months ended 30 June 2012.

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE

Most transactions of the Group are settled in 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.

A decorative background image featuring a dynamic splash of water in shades of orange and yellow, with droplets and ripples, creating a sense of movement and freshness.

## MANAGEMENT DISCUSSION AND ANALYSIS

### PLEDGE ON GROUP ASSETS

As at 30 June 2012, 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 RMB4.8 million (31 December 2011: RMB1.8 million) as at 30 June 2012 which mainly represented commitments made for purchase of the parts used for replacement and renovation of the Group's production lines. The Group had operating lease commitments of approximately RMB3.8 million in respect of leasing of properties as at 30 June 2012 (31 December 2011: RMB4.2 million).

### EMPLOYEE BENEFITS AND REMUNERATION POLICIES

As at 30 June 2012, the Group had a total of 3,182 employees (31 December 2011: 2,208). The employees of the Group were remunerated based on their experience, qualifications, the Group's performance and the market conditions. During the period, staff costs (including Directors' remunerations) amounted to approximately HK\$37.3 million (30 June 2011: HK\$36.3 million). Staff costs accounted for approximately 3.1% of the Group's turnover (30 June 2011: 3.8%) during the period.

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

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

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the share options granted to the Directors under the Scheme, at no time during the six months ended 30 June 2012 was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of shares, or debt securities, including debentures, of the Company or any other body corporate.

### SIGNIFICANT INVESTMENTS HELD

There were no significant investments held by the Company as at 30 June 2012.

### CONTINGENT LIABILITIES

As at 30 June 2012, the Group had no material contingent liabilities.



A decorative background featuring a water splash at the top and concentric ripples at the bottom, both in shades of light orange and yellow. The splash is dynamic, with droplets and bubbles, while the ripples are calm and circular.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **INTERIM DIVIDEND**

The Board did not declare the payment of an interim dividend for the six months ended 30 June 2012 (30 June 2011: Nil).

### **SEGMENTAL INFORMATION**

Details of segmental information of the Group as at 30 June 2012 are set out in note 4 in the interim financial report.

## OTHER INFORMATION

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2012, 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 (the "SFO") which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code"), are set out below:

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

Name of Directors	Nature of Interest	Long position/ Short position	Number of ordinary shares/ underlying shares	Approximate percentage of shareholding in the Company
Mr. Wang Mingxing	Interest of controlled corporations	Long position	269,037,249 (Note 1)	51.12%
	Beneficial owner	Long position	6,252,000 (Note 2)	1.19%
Mr. Wang Mingfeng	Interest of controlled corporations	Long position	269,037,249 (Note 1)	51.12%
	Beneficial owner	Long position	800,000 (Note 3)	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 3)	0.15%
Mr. Wang Fuchang	Beneficial owner	Long position	800,000 (Note 3)	0.15%
Mr. Sun Guohui	Beneficial owner	Long position	800,000 (Note 3)	0.15%
Mr. Huang Da	Beneficial owner	Long position	1,800,000 (Note 4)	0.34%

## OTHER INFORMATION

### 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% by Mr. Wang Mingxing, 20.4% by Mr. Wang Mingfeng, 20% by Mr. Wang Mingliang.
2. 800,000 shares of interests of Mr. Wang Mingxing are derived from the interests in the share options granted by the Company on 14 May 2010, details of which are set out in the section headed "Share Option Scheme".
3. These interests are derived from the interests in the share options granted by the Company, details of which are set out in the section headed "Share Option Scheme".
4. 800,000 shares of interest of Mr. Huang Da are derived from the interest in the share options granted by the Company on 14 May 2010, details of which are set out in the section headed "Share Option Scheme".

## 2. Interests in associated corporations

Name of Directors	Name of associated corporations	Nature of Interest	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 (Note 2)	Beneficial owner	Long position	16.5%
	SanXing Trade	Interest of controlled corporations	Long position	16.5%
	Corn Oil Luxembourg (Note 1)	Interest of controlled corporations	Long position	16.5%

## OTHER INFORMATION

### Notes:

1. Pursuant to the resolution passed by the shareholders of Corn Oil Luxembourg at an extraordinary general meeting held on 22 December 2009, Corn Oil Luxembourg was put into liquidation with effect on 22 December 2009 and 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 positions in the shares, underlying shares or debentures of the Company or its associated corporations which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2012.

### INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS/OTHER PERSONS RECORDED IN THE REGISTER KEPT UNDER SECTION 336 OF THE SFO

As at 30 June 2012, the interests or short positions of every person, other than Directors or chief executives of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out as follows:

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



## OTHER INFORMATION

### 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 therefore, she is deemed to be interested in 269,037,249 shares held by Corn Oil Luxembourg and SanXing Trade and 800,000 share options of the Company granted to Mr. Wang Mingliang pursuant to the SFO.
3. These 31,520,000 shares were held by Shinhan BNP Paribas Investment Trust Management Co., Ltd., which in turn is wholly-owned by BNP Paribas Asset Management SAS as investment manager.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 June 2012.

## SHARE OPTION SCHEME

The Company adopted the Scheme which was approved by a resolution of the then sole shareholder of the Company passed on 23 November 2009 and adopted by a resolution of the Board on 23 November 2009. The purpose of the Scheme is to provide incentives to Participants (as defined in the prospectus of the Company dated 8 December 2009 (the "Prospectus")) to contribute to the Group by providing the Participants the opportunity to acquire the proprietary interest in the Company and to encourage the Participants to work towards enhancing the value of the Company as well as to enable the Group to recruit high-calibre employees and/or attract human resources that are valuable to the Group.

The principal terms of the Scheme are summarised as follows:

- (1) The limit on the total number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other scheme(s) of any member of the Group must not exceed 10% of the nominal amount of all the issued share capital of the Company as at the date of commencement of the listing of the shares on the Stock Exchange, i.e. 18 December 2009 (the "Listing Date") (which is 50,000,000 shares) unless Shareholders' approval has been obtained, and which must not in aggregate exceed 30% of the shares in issue from time to time.
- (2) The total number of shares issued and which may be issued upon exercise of all options (whether exercised, cancelled or outstanding) granted to any Participant in any 12-month period shall not exceed 1% of the issued shares as of the proposed grant date.
- (3) The subscription price for the shares under the options to be granted under the Scheme will be a price determined by the Board at the time of grant of the options, and will be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant (subject to acceptance) of the options, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares.

## OTHER INFORMATION

- (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 movements in the Company's share options during the six months ended 30 June 2012 are set out below:

Grantee	Date of grant of share options	Vesting period	Exercise period	Exercise price of share options (HK\$)	Balance at 1 January 2012	Granted / (Lapsed) during the period	Exercised during the period	Outstanding at 30 June 2012
<b>Directors</b>								
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
<b>Employees</b>								
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
<b>Total</b>					25,000,000	–	–	25,000,000



## OTHER INFORMATION

As at 30 June 2012, the number of shares in respect of which options had been granted and remaining outstanding under the Scheme was 25,000,000 shares, representing 4.75% of the shares of the Company in issue at that date.

### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

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

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standards set out in the Model Code during the six months ended 30 June 2012.

### **CORPORATE GOVERNANCE PRACTICES**

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("Former CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), which came into effect on 1 January 2005 and was recently revised and renamed as Corporate Governance Code and Corporate Governance Report ("New CG Code") with effect from 1 April 2012.

During the six months ended 30 June 2012, the Company was in compliance with the code provisions set out in the Former CG Code except for the deviation from code provision A.2.1, which is explained below.

Code provision A.2.1 of the Former CG Code requires that the roles 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.

During the period from 1 April 2012 to 30 June 2012, the Company has also complied with the code provisions set out in the New CG Code except for the deviation from code provision A.6.7, which is explained below.

Code provision A.6.7 of the New CG Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Wang Aiguo, Mr. Liu Shusong and Mr. Wang Ruiyuan, being independent non-executive Directors, did not attend the 2012 annual general meeting of the Company held on 16 May 2012 due to their engagement in their own official business.

Save as the aforesaid and in the opinion of the Directors, the Company has met all code provisions set out in the Former CG code and the New CG Code during the six months ended 30 June 2012.



## OTHER INFORMATION

### AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) on 23 November 2009 with written terms of reference (“Terms of Reference”) in compliance with the Former CG Code, which was revised on 21 December 2011 to comply with the New CG Code. The revised Terms of Reference is currently made available on the Stock Exchange’s website and the Company’s website.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor; reviewing the interim and annual reports and accounts of the Group; and overseeing the Company’s financial reporting system including the adequacy of resources, qualifications and experience of staff in charge of the Company’s financial reporting function and their training arrangement and budget, and the internal control procedures.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Wang Aiguo (as chairman), Mr. Wang Ruiyuan and Mr. Liu Shusong. The Audit Committee has reviewed the unaudited interim financial report of the Group for the six months ended 30 June 2012.

On behalf of the Board  
**Changshouhua Food Company Limited**  
**Wang Mingxing**  
*Chairman*

Hong Kong, 9 August 2012





# INDEPENDENT REVIEW REPORT

## **To the Board of Directors of Changshouhua Food Company Limited**

*(formerly known as China Corn Oil Company Limited)  
(incorporated in the Cayman Islands with limited liability)*

## **INTRODUCTION**

We have reviewed the interim financial information set out on pages 21 to 34 which comprises the consolidated statement of financial position of Changshouhua Food Company Limited as of 30 June 2012 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial information in accordance with International Financial Reporting Standards.

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

## **SCOPE OF REVIEW**

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

## **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Financial Reporting Standards.

### **BDO Limited**

*Certified Public Accountants*

### **Lo Ngai Hang**

Practising Certificate Number P04743

9 August 2012

# CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012 (unaudited) RMB'000	2011 (unaudited) RMB'000
<b>Revenue</b>	5	<b>1,199,688</b>	954,214
Cost of sales		<b>(941,651)</b>	(782,772)
<b>Gross profit</b>		<b>258,037</b>	171,442
Other income	5	<b>18,007</b>	18,269
Selling and distribution expenses		<b>(106,666)</b>	(64,117)
Administrative expenses		<b>(23,764)</b>	(28,818)
Other operating expenses		<b>(483)</b>	(483)
<b>Profit from operations</b>	6	<b>145,131</b>	96,293
Finance costs	7	<b>—</b>	(879)
<b>Profit before taxation</b>		<b>145,131</b>	95,414
Income tax expense	8	<b>(41,664)</b>	(17,625)
<b>Profit for the period</b>		<b>103,467</b>	77,789
		<b>RMB cents</b>	RMB cents
<b>Earnings per share for profit attributable to the owners of the Company during the period</b>	9		
— Basic		<b>19.661</b>	14.782
— Diluted		<b>N/A</b>	N/A

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012 (unaudited) RMB'000	2011 (unaudited) RMB'000
<b>Profit for the period</b>	<b>103,467</b>	77,789
<b>Other comprehensive income</b>		
Exchange loss on translation of financial statements of foreign operations	<b>(1,599)</b>	(51)
Other comprehensive income for the period, net of tax	<b>(1,599)</b>	(51)
<b>Total comprehensive income for the period attributable to owners of the Company</b>	<b>101,868</b>	77,738

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	30 June 2012 (unaudited) RMB'000	31 December 2011 (audited) RMB'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	584,103	605,421
Land use rights		80,852	81,686
Deposits paid for acquisition of capital assets		3,589	3,256
		<b>668,544</b>	690,363
<b>Current assets</b>			
Inventories		234,922	171,178
Trade and notes receivables	12	230,128	185,404
Prepayments, deposits and other receivables		94,098	97,970
Amounts due from related companies		986	363
Cash and bank balances	13	412,730	400,358
		<b>972,864</b>	855,273
<b>Current liabilities</b>			
Trade payables	14	41,738	38,308
Accrued liabilities, other payables and deposits received		143,057	133,133
Amounts due to related companies		12,208	13,204
Tax payables		18,419	10,497
		<b>215,422</b>	195,142
<b>Net current assets</b>		<b>757,442</b>	660,131
<b>Net assets/Total assets less current liabilities</b>		<b>1,425,986</b>	1,350,494
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	15	46,340	46,340
Reserves		1,379,646	1,304,154
<b>Total equity</b>		<b>1,425,986</b>	1,350,494



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Other reserves RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Translation reserve RMB'000	Proposed final dividend RMB'000	Retained profits RMB'000	Total RMB'000
<b>At 1 January 2011</b>	46,340	553,977	18,204	44,536	53,941	69,131	216	31,119	369,802	1,187,266
2010 final dividend paid	–	–	–	–	–	–	–	(31,119)	–	(31,119)
Recognition of share-based payments	–	–	11,391	–	–	–	–	–	–	11,391
Transactions with owners	–	–	11,391	–	–	–	–	(31,119)	–	(19,728)
Profit for the period	–	–	–	–	–	–	–	–	77,789	77,789
Other comprehensive income										
– Exchange loss on translation of financial statements of foreign operations	–	–	–	–	–	–	(51)	–	–	(51)
Total comprehensive income for the period	–	–	–	–	–	–	(51)	–	77,789	77,738
<b>At 30 June 2011 (unaudited)</b>	46,340	553,977	29,595	44,536	53,941	69,131	165	–	447,591	1,245,276
<b>At 1 January 2012</b>	46,340	524,025	34,326	66,549	53,941	69,131	1,610	29,952	524,620	1,350,494
2011 final dividend paid	–	–	–	–	–	–	–	(29,952)	–	(29,952)
Recognition of share-based payments	–	–	3,576	–	–	–	–	–	–	3,576
Transactions with owners	–	–	3,576	–	–	–	–	(29,952)	–	(26,376)
Profit for the period	–	–	–	–	–	–	–	–	103,467	103,467
Other comprehensive income										
– Exchange loss on translation of financial statements of foreign operations	–	–	–	–	–	–	(1,599)	–	–	(1,599)
Total comprehensive income for the period	–	–	–	–	–	–	(1,599)	–	103,467	101,868
<b>At 30 June 2012 (unaudited)</b>	46,340	524,025	37,902	66,549	53,941	69,131	11	–	628,087	1,425,986

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012 (unaudited) RMB'000	2011 (unaudited) RMB'000
<b>Net cash generated from/(used in) operating activities</b>	<b>46,875</b>	(8,051)
<b>Net cash used in investing activities</b>	<b>(1,333)</b>	(63,770)
<b>Net cash used in financing activities</b>	<b>(31,571)</b>	(69,359)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>13,971</b>	(141,180)
<b>Cash and cash equivalents at beginning of the period</b>	<b>400,358</b>	518,985
Effect of foreign exchange rate changes on cash and cash equivalents	<b>(1,599)</b>	(51)
<b>Cash and cash equivalents at end of the period</b>	<b>412,730</b>	377,754

# NOTES TO THE INTERIM FINANCIAL INFORMATION

*For the six months ended 30 June 2012*

## 1. GENERAL CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the 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 Group is located at Handian Industrial Park, Zouping County, Shandong, the People's Republic of China (the "PRC"). The Company's shares have been listed on the Main Board of the Stock Exchange since 18 December 2009.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are the production and sales of edible oil, crude oil and corn meal. The Directors consider the ultimate holding company is Zouping Sanxing Grease Industry Company Limited, a wholly foreign-owned enterprise established in the PRC.

The interim financial information for the six months ended 30 June 2012 was approved and authorised for issue by the Board on 9 August 2012.

## 2. BASIS OF PREPARATION

The interim financial information for the six months ended 30 June 2012 has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim financial reporting" issued by the International Accounting Standards Board (the "IASB") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The interim financial information is unaudited, but has been reviewed by BDO Limited in accordance with International Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the International Auditing and Assurance Standards Board.

The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2011.

## 3. ACCOUNTING POLICIES

The accounting policies used in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2011, except for the adoption of the standards, amendments and interpretations issued by the IASB mandatory for annual periods beginning on or after 1 January 2012. The effect of the adoption of these standards, amendments and interpretations was not material to the Group's results of operations or financial position.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

## 4. SEGMENT INFORMATION

The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the 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. There have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

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

	Six months ended 30 June 2012				
	Corn oil				
	Non-branded RMB'000 (unaudited)	Own brand RMB'000 (unaudited)	Other oil RMB'000 (unaudited)	Corn meal RMB'000 (unaudited)	Total RMB'000 (unaudited)
Revenue from external customers	292,006	731,096	42,863	133,723	1,199,688
<b>Reportable segment revenue</b>	<b>292,006</b>	<b>731,096</b>	<b>42,863</b>	<b>133,723</b>	<b>1,199,688</b>
<b>Reportable segment profit/(loss)</b>	<b>23,631</b>	<b>222,764</b>	<b>18,158</b>	<b>(6,516)</b>	<b>258,037</b>
Depreciation	6,386	12,096	588	3,337	22,407

	Six months ended 30 June 2011				
	Corn oil				
	Non-branded RMB'000 (unaudited)	Own brand RMB'000 (unaudited)	Other oil RMB'000 (unaudited)	Corn meal RMB'000 (unaudited)	Total RMB'000 (unaudited)
Revenue from external customers	408,764	402,266	30,512	112,672	954,214
<b>Reportable segment revenue</b>	<b>408,764</b>	<b>402,266</b>	<b>30,512</b>	<b>112,672</b>	<b>954,214</b>
<b>Reportable segment profit/(loss)</b>	<b>42,460</b>	<b>120,711</b>	<b>10,464</b>	<b>(2,193)</b>	<b>171,442</b>
Depreciation	7,039	5,411	385	2,207	15,042



# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

## 4. SEGMENT INFORMATION (Continued)

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

	Six months ended 30 June	
	2012 (unaudited) RMB'000	2011 (unaudited) RMB'000
Reportable segment profit	258,037	171,442
Other income	18,007	18,269
Selling and distribution expenses	(106,666)	(64,117)
Administrative expenses	(23,764)	(28,818)
Other operating expenses	(483)	(483)
Finance costs	—	(879)
Profit before taxation	145,131	95,414

## 5. REVENUE AND OTHER INCOME

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

	Six months ended 30 June	
	2012 (unaudited) RMB'000	2011 (unaudited) RMB'000
<b>Revenue</b>		
Sales of goods	1,199,688	954,214
<b>Other income</b>		
Interest income:		
— bank balances	2,977	2,265
— others	88	—
Sales of scrap materials	13,906	15,799
Sundry compensation income	187	—
Gain on disposal of property, plant and equipment	7	—
Others	842	205
	18,007	18,269

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

## 6. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging:

	Six months ended 30 June	
	2012 (unaudited) RMB'000	2011 (unaudited) RMB'000
Cost of inventories recognised as expenses	<b>863,609</b>	716,584
Depreciation on property, plant and equipment	<b>27,334</b>	17,504
Amortisation of land use rights	<b>833</b>	356
(Gain)/Loss on disposal of property, plant and equipment	<b>(7)</b>	460
Operating lease charges on rented premises	<b>516</b>	825
Staff costs (including Directors' remuneration)		
– Wages, salaries and bonus	<b>32,562</b>	24,265
– Contribution to defined contribution pension plan	<b>1,182</b>	619
– Share-based payment expenses	<b>3,577</b>	11,391
Total staff costs	<b>37,321</b>	36,275
Net foreign exchange loss	<b>18</b>	807

## 7. FINANCE COSTS

	Six months ended 30 June	
	2012 (unaudited) RMB'000	2011 (unaudited) RMB'000
Interest charges on financial liabilities stated at amortised cost:		
Bank and other borrowings – wholly repayable within one year	<b>–</b>	879

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

## 8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012 (unaudited) RMB'000	2011 (unaudited) RMB'000
Current tax		
— Provision for PRC income tax	<b>41,664</b>	17,625

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

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

Shandong Sanxing Corn Industry Technology Company Limited (“Corn Industry”) was approved as a foreign invested enterprise in 2007. Pursuant to an approval document on certain tax preferential policies titled “Guo Shui Han (2007) No. 41” issued by the Bureau of State Tax of Zouping County, Shandong Province (山東省鄒平縣國家稅務局鄒國稅函(2007)41號文), Corn Industry is entitled for exemption of PRC enterprise income tax (“EIT”) for two years starting from the first year of profitable operations after offsetting prior year tax losses, followed by a three-year 50% tax deduction. The year ended 31 December 2007 was Corn Industry’s first profit-making year and was the first year of its tax holiday. For the years ended 31 December 2011 and the six months ended 30 June 2012, Corn Industry is subject to EIT tax rate of 12.5% and 25% respectively.

## 9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of RMB103,467,000 (six months ended 30 June 2011: RMB77,789,000) and the weighted average number of ordinary shares of 526,250,000 (six months ended 30 June 2011: 526,250,000) in issue during the period.

For the six months ended 30 June 2011 and 2012, no diluted earnings per share has been presented as the impact of exercise of the Group’s outstanding share options was anti-dilutive.

## 10. INTERIM DIVIDEND

The Board did not declare the payment of an interim dividend for the six months ended 30 June 2012 (30 June 2011: Nil).

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group incurred capital expenditure of approximately RMB1,009,000 (six months ended 30 June 2011: RMB54,678,000) in construction in progress, approximately RMB52,000 (six months ended 30 June 2011: RMB95,000) in office equipment, approximately RMB2,273,000 (six months ended 30 June 2011: RMB2,638,000) in plant and machinery, approximately RMB1,051,000 (six months ended 30 June 2011: RMB637,000) in buildings, and approximately RMB1,659,000 (six months ended 30 June 2011: RMB210,000) in motor vehicles.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

## 12. TRADE AND NOTES RECEIVABLES

	<b>30 June 2012 (unaudited) RMB'000</b>	31 December 2011 (audited) RMB'000
Trade receivables	<b>227,577</b>	177,564
Notes receivables	<b>2,551</b>	7,840
	<b>230,128</b>	185,404

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 note receivables as at the reporting date based on the invoice date, net of impairment, is as follows:

	<b>30 June 2012 (unaudited) RMB'000</b>	31 December 2011 (audited) RMB'000
Within 60 days	<b>153,219</b>	131,285
61 – 90 days	<b>27,372</b>	23,698
91 – 180 days	<b>25,478</b>	22,932
181 – 365 days	<b>20,889</b>	5,320
Over 365 days	<b>3,170</b>	2,169
	<b>230,128</b>	185,404

## 13. CASH AND BANK BALANCES

	<b>30 June 2012 (unaudited) RMB'000</b>	31 December 2011 (audited) RMB'000
Cash at bank and in hand	<b>82,730</b>	210,358
Short-term bank deposits	<b>330,000</b>	190,000
	<b>412,730</b>	400,358



# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

## 14. TRADE PAYABLES

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

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

	<b>30 June 2012 (unaudited) RMB'000</b>	31 December 2011 (audited) RMB'000
Within 30 days	<b>34,689</b>	24,295
31 – 60 days	<b>1,589</b>	7,289
61 – 90 days	<b>1,432</b>	2,231
91 – 180 days	<b>857</b>	2,813
181 – 365 days	<b>1,781</b>	624
Over 365 days	<b>1,390</b>	1,056
	<b>41,738</b>	38,308

## 15. SHARE CAPITAL

	<b>Number of shares</b>	<b>Amount HK\$</b>
<b>Authorised:</b>		
<b>At 31 December 2011 and 30 June 2012, ordinary shares of HK\$0.10 each</b>	<b>9,000,000,000</b>	<b>900,000,000</b>
	<b>Number of shares</b>	<b>Amount HK\$</b>
<b>Issued and fully paid:</b>		
<b>At 31 December 2011 and 30 June 2012, ordinary shares of HK\$0.10 each</b>	<b>526,250,000</b>	<b>52,625,000</b>

The issued and fully paid share capital is equivalent to approximately RMB46,340,000 as at 31 December 2011 and 30 June 2012.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

## 16. COMMITMENT

### Operating lease commitment

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

	<b>30 June 2012 (unaudited) RMB'000</b>	31 December 2011 (audited) RMB'000
Within one year	<b>1,655</b>	1,655
In the second to fifth year	<b>1,364</b>	1,563
After five years	<b>789</b>	958
	<b>3,808</b>	4,176

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.

### Capital commitment

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

	<b>30 June 2012 (unaudited) RMB'000</b>	31 December 2011 (audited) RMB'000
Property, plant and equipment:		
Contracted but not provided for	<b>4,763</b>	1,778
Authorised but not contracted for	<b>—</b>	—
	<b>4,763</b>	1,778

# NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2012

## 17. RELATED PARTY TRANSACTIONS

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

	Notes	Six months ended 30 June	
		2012 (unaudited) RMB'000	2011 (unaudited) RMB'000
Sales to a shareholder	(i)	—	93
Sales to related companies	(i)	<b>258</b>	446
Purchases from related companies	(ii)	<b>64</b>	93
Supply of steam and electric power from related companies	(iii)	<b>13,807</b>	13,581
Subcontracting services rendered by a related company	(iv)	<b>1,500</b>	1,956
Purchases of property, plant and equipment from related companies	(v)	—	52

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 are 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 Mr. Sun Guohui are shareholders and/or directors and have beneficial interest, were made in the ordinary course of business with reference to the terms negotiated between the Group and related companies.
- (iii) Supply of steam and electric power from a related company, of which Mr. Wang Mingfeng, Mr. Wang Mingxing, Mr. Wang Mingliang and Mr. Sun Guohui have beneficial interest and/or are 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 are directors in the related companies, were made according to the terms of the agreements.
- (v) Purchases of property, plant and equipment from related companies, of which Mr. Wang Mingfeng, Mr. Wang Mingxing, Mr. Wang Mingliang and Mr. Sun Guohui have beneficial interest and/or are directors, were conducted under mutually agreed terms negotiated between the Group and these related companies.