

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)



2013
INTERIM REPORT

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Wang Mingxing (*Chairman*)
Wang Mingfeng
Wang Mingliang
Cheng Wenming
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*)
Sun Guohui
Cheng Wenming

AUDITOR

BDO Limited

PRINCIPAL REGISTRAR

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
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

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

STOCK CODE

Hong Kong Stock Exchange: 1006

WEBSITE

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

Management Discussion and Analysis

The board (the “Board”) of directors (the “Directors”) of Changshouhua Food Company Limited (the “Company”) is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2013 together with the relevant comparative figures.

BUSINESS REVIEW

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 2013, total revenue of the Group increased by approximately RMB257.5 million, or approximately 21.5% as compared with the six months ended 30 June 2012, while profit attributable to owners of the Company increased by approximately RMB36.3 million, representing a growth of approximately 35.1% as compared with the six months ended 30 June 2012. The significant increase of revenue and profits was mainly attributable to a comparatively significant increase in the sales of the Group’s branded corn oil products as well as their by-products.

During the period under review, the Group continued promoting its brand image and recognition, and expanding its marketing and distribution network. Since the beginning of 2013, the Group has expanded its marketing and distribution network towards the third and fourth tier cities and has gradually taken over the operation in those supermarkets currently operated by distributors with unsatisfactory sales results for the sales network in the first and second tier cities. In addition, the Group put more efforts into marketing campaigns to boost the brand awareness of 長壽花 (Longevity Flower), and in enhancing professional knowledge and technologies. During the period, the Group’s various scientific achievements had passed authentication and reached advanced international standards.

The Group’s long-term and enduring development depends on its mature and stable marketing and distribution network. During the six months ended 30 June 2013, a total of 32 new representative offices of the Group were set up in the PRC. As at 30 June 2013, the Group had a distribution network of 815 wholesale distributors (31 December 2012: 662) and 125 retailers (31 December 2012: 77) covering all provincial-level administrative regions (except Tibet) in the Mainland China.

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 2013, the Group’s sales of corn oil under its own brand significantly increased by approximately RMB164.5 million or 22.5% and the gross profit generated from the sales of corn oil under its own brand increased by approximately RMB42.1 million or 18.9%. Sales volume of branded corn oil and non-branded corn oil increased by approximately 14,564 tonnes and 4,434 tonnes or 26.6% and 13.6% respectively for the six months ended 30 June 2013 to 69,218 tonnes and 37,133 tonnes as compared with 54,654 tonnes and 32,699 tonnes for the six months ended 30 June 2012.

Management Discussion and Analysis

FINANCIAL REVIEW

For the six months ended 30 June 2013, the Group recorded revenue of approximately RMB1,457.2 million (30 June 2012: RMB1,199.7 million), representing an increase of approximately 21.5%. For the six months ended 30 June 2013, the sales of (1) own-brand corn oil; (2) non-branded corn oil in bulk; (3) corn meal; and (4) other oil amounted to approximately RMB895.6 million, RMB314.7 million, RMB203.8 million and RMB43.1 million (30 June 2012: approximately RMB731.1 million, RMB292.0 million, RMB133.7 million and RMB42.9 million) respectively, and accounted for approximately 61.4%, 21.6%, 14.0% and 3.0% (30 June 2012: 60.9%, 24.3%, 11.2% and 3.6%) respectively of the Group's total revenue. Sales of the Group's corn oil products were mainly made in the PRC. Revenue from the PRC and overseas countries accounted for approximately 100.0% and 0.0% (30 June 2012: 98.7% and 1.3%) respectively of the Group's total revenue for the six months ended 30 June 2013.

Revenue and Gross Profit/(Loss)

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

	Six months ended 30 June 2013		Six months ended 30 June 2012	
	RMB'000	%	RMB'000	%
Revenue				
Corn oil				
– Own-brand corn oil	895,585	61.4	731,096	60.9
– Non-branded corn oil	314,699	21.6	292,006	24.3
Corn meal	203,834	14.0	133,723	11.2
Other oil	43,089	3.0	42,863	3.6
	1,457,207	100.0	1,199,688	100.0
Gross profit/(loss)				
Corn oil				
– Own-brand corn oil	264,889	95.3	222,764	86.3
– Non-branded corn oil	8,081	2.9	23,631	9.2
Corn meal	(9,587)	(3.4)	(6,516)	(2.5)
Other oil	14,500	5.2	18,158	7.0
	277,883	100.0	258,037	100.0
Gross profit/(loss) ratio				
Corn oil				
– Own-brand corn oil		29.6		30.5
– Non-branded corn oil		2.6		8.1
Corn meal		(4.7)		(4.9)
Other oil		33.7		42.4
Overall		19.1		21.5

Management Discussion and Analysis

Fluctuations in quantities sold and average selling prices of corn oil products

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

	For the six months ended 30 June	
	2013	2012
Quantities sold (tonnes)		
Own-brand corn oil	69,218	54,654
Non-branded corn oil	37,133	32,699
Average selling price (RMB/tonne)		
Own-brand corn oil	12,939	13,377
Non-branded corn oil	8,475	8,930
Average unit cost of sales (RMB/tonne)		
Own-brand corn oil	9,112	9,301
Non-branded corn oil	8,257	8,208

Increase in revenue

The increase in revenue of the Group from approximately RMB1,199.7 million for the six months ended 30 June 2012 to approximately RMB1,457.2 million for the six months ended 30 June 2013 by approximately RMB257.5 million or 21.5% was mainly due to: (i) the increase in the sales of own-brand corn oil by approximately RMB164.5 million or 22.5%, (ii) the increase in the sales of non-branded corn oil by approximately RMB22.7 million or 7.8%, (iii) the increase in the sales of corn meal by approximately RMB70.1 million or 52.4%, and (iv) the increase in the sales of other oil by approximately RMB0.2 million or 0.5%.

The sales volume of own-brand corn oil increased from 54,654 tonnes for the six months ended 30 June 2012 to 69,218 tonnes for the six months ended 30 June 2013, representing an increase of approximately 26.6%. The increase in sales volume of own-brand corn oil was mainly due to the increasing demand resulting from: (i) the Group's expanded distribution network to the county, township and community, (ii) well-recognised own brand of 長壽花 (Longevity Flower) by consumers, and (iii) well-accepted concept of "corn oil is healthy edible oil". Although the average selling price of own-brand corn oil, affected by the falling market prices of edible oil in the first half of 2013, slightly decreased from RMB13,377 per tonne for the six months ended 30 June 2012 to RMB12,939 per tonne for the six months ended 30 June 2013, representing a decrease of approximately 3.3%, such decrease was more than offset by the increase in sales volume, which resulted in a growth of approximately 22.5% in the overall sales of own-brand corn oil.

The sales volume of non-branded corn oil in bulk increased by approximately 4,434 tonnes or 13.6% from 32,699 tonnes for the six months ended 30 June 2012 to 37,133 tonnes for the six months ended 30 June 2013, which was mainly due to the expansion of corn oil market. The average selling price of non-branded corn oil decreased by approximately RMB455 per tonne or 5.1% from RMB8,930 per tonne for the six months ended 30 June 2012 to RMB8,475 per tonne for the six months ended 30 June 2013, which was mainly because international future price of soybean oil significantly decreased in the first half of 2013. The decrease in average selling price was offset by the increase in sales volume, which resulted in an increase of approximately 7.8% in the overall sales of non-branded corn oil.

Management Discussion and Analysis

The sales of other oil for the six months ended 30 June 2013 mainly comprised the sales of sunflower seed oil and olive oil. The sales volume of other oil significantly increased by approximately 659 tonnes or 30.2% from 2,179 tonnes for the six months ended 30 June 2012 to 2,838 tonnes for the six months ended 30 June 2013, which was mainly due to the expansion of the sales network as well as the increasing influence of the Group's brand of 長壽花 (Longevity Flower). The average selling price of other oil decreased by approximately 22.8% from RMB19,671 per tonne for the six months ended 30 June 2012 to RMB15,183 per tonne for the six months ended 30 June 2013, which was mainly because no sales of high-end oil products among other oil were recorded in the first half of 2013 due to the production halt of such products after the fire accident occurred in November 2012. During the period under review, the overall sales of other oil slightly increased by approximately 0.5%.

The sales of corn meal significantly increased by approximately RMB70.1 million or 52.4% from RMB133.7 million for the six months ended 30 June 2012 to RMB203.8 million for the six months ended 30 June 2013, which was mainly attributable to the increase in average selling price of corn meal by approximately 6.2% from RMB1,503 per tonne for the six months ended 30 June 2012 to RMB1,596 per tonne for the six months ended 30 June 2013 and the increase in sales volume of corn meal by approximately 43.5% from 88,962 tonnes for the six months ended 30 June 2012 to 127,681 tonnes for the six months ended 30 June 2013. The significant increase in the sales volume of corn meal mainly resulted from the overall strong demand for feeds in the first half of 2013.

Changes in gross profit/(loss) and gross profit/(loss) margin

The gross profit for the six months ended 30 June 2013 was approximately RMB277.9 million (30 June 2012: RMB258.0 million) with gross profit margin of approximately 19.1% (30 June 2012: 21.5%), of which gross profit/(loss) margin for the sales of (i) own-brand corn oil, (ii) non-branded corn oil in bulk, (iii) corn meals, and (iv) other oil were approximately 29.6%, 2.6%, (4.7)% and 33.7% (30 June 2012: 30.5%, 8.1%, (4.9)% and 42.4%) respectively.

The Group's gross profit margin of own-brand corn oil slightly decreased from approximately 30.5% for the six months ended 30 June 2012 to approximately 29.6% for the six months ended 30 June 2013, which was mainly due to the decrease of approximately 3.3% in the average selling price of its branded corn oil products, notwithstanding the decrease of approximately 2.0% in the average unit cost of sales during the period.

The gross profit margin for non-branded corn oil significantly dropped from approximately 8.1% for the six months ended 30 June 2012 to approximately 2.6% for the six months ended 30 June 2013, which was mainly due to the decrease of approximately 5.1% in the average selling price of non-branded corn oil resulting from retardation of edible oil industry in the first half of 2013.

The gross loss margin of corn meal slightly improved from approximately (4.9)% for the six months ended 30 June 2012 to approximately (4.7)% for the six months ended 30 June 2013.

The gross profit margin of other oil dropped from approximately 42.4% for the six months ended 30 June 2012 to approximately 33.7% for the six months ended 30 June 2013, which was mainly due to the significant decrease in the average selling price of other oil products.

Management Discussion and Analysis

Cost of Sales

The cost of sales mainly included costs of raw materials, direct labour and manufacturing overhead. Direct labour costs included wages and other compensation paid to production workers. Manufacturing overhead included depreciation, freight costs, packaging and utilities expenses. The costs of raw materials constituted the largest component of total cost of sales and accounted for approximately 91.2% of the total cost of sales for the six months ended 30 June 2013 (30 June 2012: 88.7%).

Other Income

Other income for the six months ended 30 June 2013 of approximately RMB53.5 million (30 June 2012: RMB18.0 million) mainly comprised: (i) sales of scrap materials of approximately RMB15.9 million (30 June 2012: RMB13.9 million), (ii) bank and other interest income of approximately RMB8.0 million (30 June 2012: RMB3.1 million), (iii) compensation income from the insurance company of approximately RMB26.7 million (30 June 2012: RMB0.2 million), and (iv) exchange gain of approximately RMB0.9 million (30 June 2012: Nil). The significant increase in bank and other interest income was mainly due to an increase in amortised interest income resulting from the increase in notes receivables during the period. The one-off compensation income from the insurance company was the reimbursement by insurance for the losses caused by the fire accident occurred in November 2012 (as disclosed in the announcement of the Company dated 11 November 2012).

Selling and Distribution Expenses

Selling and distribution expenses increased from approximately RMB106.7 million for the six months ended 30 June 2012 to approximately RMB133.0 million for the six months ended 30 June 2013. Selling and distribution expenses mainly comprised: (i) carriage and transportation charges of approximately RMB21.3 million (30 June 2012: RMB14.4 million), (ii) advertising and marketing expenses of approximately RMB41.5 million (30 June 2012: RMB38.4 million), (iii) expenses of representative offices of approximately RMB29.8 million (30 June 2012: RMB19.8 million), and (iv) sales staff costs of approximately RMB25.1 million (30 June 2012: RMB21.1 million).

The advertising and marketing expenses increased by approximately RMB3.1 million was mainly due to the expansion of the sales network as well as the brand recognition and influence of the Group's brand of 長壽花 (Longevity Flower).

The significant increase in expenses of representative offices of approximately RMB10.0 million was mainly because the Group has set up 32 new representative offices for the six months ended 30 June 2013 and expanded its marketing and distribution network to more cities in the PRC by increasing the number of wholesale distributors to 815 (31 December 2012: 662) for the six months ended 30 June 2013.

The increase in sales staff costs of approximately RMB4.0 million was mainly due to an increase in headcount.

The management of the Group is confident that the continuous investments by the Group in the brand advertising campaigns and the expansion of distribution network for the six months ended 30 June 2013 will result in better sales performance and contribute to the Group's long-term growth.

Administrative Expenses

Administrative expenses of approximately RMB26.7 million (30 June 2012: RMB23.8 million) mainly comprised: (i) administrative staff costs of approximately RMB5.7 million (30 June 2012: RMB5.3 million), (ii) depreciation expenses of approximately RMB4.8 million (30 June 2012: RMB4.9 million), (iii) other taxes of approximately RMB6.7 million (30 June 2012: RMB4.8 million), and (iv) legal and professional fees of approximately RMB2.2 million (30 June 2012: RMB1.3 million).

Management Discussion and Analysis

The increase in other taxes by approximately RMB1.9 million was mainly due to: (i) the increase in urban maintenance and construction tax and education supplementary tax; and (ii) the increase in stamp duty as a result of the increased purchases and sales of the Group during the six months ended 30 June 2013.

The increase in legal and professional fees of approximately RMB0.9 million was mainly due to the increase in consulting fee for professional services during the period.

Profit before Taxation and Profit Attributable to Owners of the Company

The Group recorded profit before income tax of approximately RMB169.7 million for the six months ended 30 June 2013 (30 June 2012: RMB145.1 million), representing an increase of approximately 16.9%. The Group's profit attributable to owners of the Company increased by approximately 35.1% from approximately RMB103.5 million for the six months ended 30 June 2012 to approximately RMB139.7 million for the six months ended 30 June 2013.

The net profit margin of the Group for the six months ended 30 June 2013 was approximately 9.6% (30 June 2012: 8.6%). The basic earnings per share attributable to owners of the Company amounted to approximately RMB26.55 cents for the six months ended 30 June 2013 (30 June 2012: RMB19.66 cents).

The increases in net profit margin and basic earnings per share attributable to owners of the Company were mainly because (i) the sales volume of the Group's branded Corn oil products increased by approximately 26.6%; (ii) 山東三星玉米產業科技有限公司 (Shandong Sanxing Corn Industry Technology Company Limited) ("Corn Industry"), an indirectly wholly-owned subsidiary of the Company, has been entitled to preferential enterprise income tax rate since 1 January 2013; and (iii) the Group was reimbursed by the insurance company in the first half of 2013 for the loss caused by the fire accident occurred in November 2012.

Acquisition of Property, Plant and Equipment and Land Use Rights

As at 30 June 2013, deposits paid for acquisition of property, plant and equipment amounted to approximately RMB39.7 million (31 December 2012: RMB73.9 million).

Trade and Notes Receivables

As at 30 June 2013, the total of trade and notes receivables amounted to approximately RMB493.6 million (31 December 2012: RMB150.1 million) comprising trade receivables of approximately RMB390.0 million (31 December 2012: RMB150.1 million) and notes receivables of approximately RMB103.6 million (31 December 2012: Nil). The significant increase in trade receivables was mainly due to an increase in own-brand sales. The increased notes receivables were mainly used to pay off the construction fee in July 2013.

Prepayments, Deposits and Other Receivables

As at 30 June 2013, prepayments, deposits and other receivables amounted to approximately RMB58.1 million (31 December 2012: RMB82.0 million) which mainly comprised: (i) deposits paid for purchase of raw materials of approximately RMB26.9 million (31 December 2012: RMB52.1 million), (ii) prepayment paid for advertising expenses of approximately RMB8.3 million (31 December 2012: RMB8.7 million), and (iii) other receivables of approximately RMB17.0 million (31 December 2012: RMB20.2 million). The significant decrease in the deposits paid for purchase of raw materials was mainly due to a significant decrease in purchase of raw materials since June is a traditional sales off-season when compared to December.

Management Discussion and Analysis

FUTURE PLANS

The Group will continue to focus on expanding its sales channels in the second half of the year. Based on its well-established sales channel, the Group is planning to further penetrate its sales network to a wider range of convenience stores in the next two years.

Following the completion of construction of the new packaging plant and the warehouse, the new packaging production plant has commenced trial-run production at the end of July 2013, which would largely enhance the packaging production capacity of the Group by 100,000 tonnes and lay a sound foundation for the Group's branded sales. A new squeezing production line in Shandong has entered the installation phase; and it will then fully utilize the unused sources of embryos in the surrounding areas after completion.

The Group progressively carries out its diversification strategy in the field of high-end food and health products and continues to enhance the proportion of its own-brand sales and strengthen its capacity of independent innovation in product development so as to maintain its sustainable development and to expand its market share. Overall, the management of the Group is optimistic over the future performance of the Group's business.

CAPITAL STRUCTURE

The Company's issued share capital as at 30 June 2013 is HK\$52,625,000 divided into 526,250,000 shares of HK\$0.1 each.

The Group adopts a prudent treasury policy. Its gearing ratio (calculated as total borrowings divided by the amount of shareholders' equity) as at 30 June 2013 was 2.6% (31 December 2012: 0%). The current ratio (calculated as current assets divided by current liabilities) as at 30 June 2013 was 4.0 times (31 December 2012: 5.2 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 2013, the Group's interest-bearing bank borrowings, which was repayable within one year and secured by irrevocable standby letter of credit issued by a bank which was then secured by the pledge of the Group's bank deposits of approximately RMB42.2 million, amounted to approximately RMB41.9 million (31 December 2012: Nil) with a floating interest rate at 2.1% per annum over HIBOR. The Group's cash and cash equivalents amounted to RMB283.6 million (31 December 2012: RMB501.2 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 2013.

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's cash and bank deposits are predominantly in RMB. The Company will pay dividends in Hong Kong Dollars if dividends are declared. The Directors are of the view that RMB is relatively stable against the other currencies and the Group will closely monitor the fluctuations in exchange rates, and that hedging by means of derivative instruments is therefore not necessary.

PLEDGE ON GROUP ASSETS

As at 30 June 2013, the Group had pledged bank deposits of Corn Industry of approximately RMB42.2 million to its banker(s) to secure the interest-bearing bank borrowings of approximately RMB41.9 million granted to the Group.

Management Discussion and Analysis

CAPITAL COMMITMENTS AND OPERATING LEASE COMMITMENTS

The Group has capital commitment of approximately RMB24.5 million (31 December 2012: RMB47.5 million) as at 30 June 2013 which mainly represented commitments made for the construction of the new packaging plant and the warehouse, as well as the purchase of the new production machinery and equipment during the period under review. The Group had operating lease commitments of approximately RMB3.9 million in respect of leasing of properties as at 30 June 2013 (31 December 2012: RMB3.4 million).

EMPLOYEE BENEFITS AND REMUNERATION POLICIES

As at 30 June 2013, the Group had a total of 3,608 employees (31 December 2012: 3,078). The employees of the Group were remunerated based on their experience, qualifications, the Group's performance and the market conditions. During the period under review, staff costs (including Directors' remunerations) amounted to approximately RMB40.6 million (30 June 2012: RMB37.3 million). Staff costs accounted for approximately 2.8% of the Group's turnover (30 June 2012: 3.1%) during the period under review.

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 the then 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 2013 was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of shares in, or debt securities, including debentures, of the Company or any other body corporate.

SIGNIFICANT INVESTMENTS HELD

There were no significant investments held by the Company as at 30 June 2013.

CONTINGENT LIABILITIES

As at 30 June 2013, the Group had no material contingent liabilities.

SUBSEQUENT EVENT

On 27 June 2013, the Company and Munsun Umbrella Trust — Munsun Agriculture and Consumer Fund (the "Subscriber") entered into the subscription agreement, pursuant to which the Subscriber agreed to subscribe for and the Company agreed to issue and allot 26,310,000 shares of the Company (the "Subscription Shares") in cash at the subscription price of HK\$5.80 per Subscription Share (the "Subscription"). The Subscription was completed on 5 July 2013 and 26,310,000 Subscription Shares were issued on the same day, and the Company raised net proceeds of approximately HK\$152.5 million for the Group's general working capital. Details of the Subscription were set out in the announcement of the Company dated 27 June 2013.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2013 (30 June 2012: Nil).

SEGMENTAL INFORMATION

Details of segmental information of the Group as at 30 June 2013 are set out in note 4 in the interim report.

Other Information

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

As at 30 June 2013, 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 were 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"), were set out below:

1. Interests in shares and underlying shares of the Company

Name of Director	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	1,302,000 (Note 3)	0.25%
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. 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%
Mr. Cheng Wenming	Beneficial owner	Long position	800,000 (Note 2)	0.15%

Other Information

Notes:

- 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") respectively, 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 20.0% by Mr. Wang Mingxing, 20.4% by Mr. Wang Mingfeng, 20.0% by Mr. Wang Mingliang.
- 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".
- The interest in 800,000 share options granted by the Company is included. The relevant details are set out in the section headed "Share Option Scheme".

2. Interests in associated corporations

Name of Director	Name of associated corporation	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)	Interest of spouse	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. 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 30 June 2013.

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

As at 30 June 2013, 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, were set out as follows:

Name of Shareholder	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%
Shangdong 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%
Munsun Assets Management Limited	Beneficial owner	Long position	29,001,000	5.51%

Other Information

Notes:

- 153,619 shares were held by Corn Oil Luxembourg (where it is in the process of voluntary winding up, these 153,619 shares will be distributed by way of transfer to its then existing shareholders on a pro-rata basis), which is owned as to approximately 82.7% by Sanxing Trade; and 268,883,630 shares were held by Sanxing Trade, which is wholly owned by Sanxing Grease, which in turn is owned as to 33.6% by Shandong Sanxing, and therefore, Sanxing Grease and Shandong Sanxing are deemed to be interested in these 269,037,249 shares pursuant to the SFO.
- 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, 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.

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 2013.

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) 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.

Details of movements in the Company's share options during the six months ended 30 June 2013 were set out below:

Grantee	Date of grant of share options	Vesting period	Exercise period	Exercise price of share options (HK\$)	Balance at 1 January 2013	Granted/ (Lapsed) during the period	Exercised during the period	Outstanding at 30 June 2013
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

Other Information

Grantee	Date of grant of share options	Vesting period	Exercise period	Exercise price of share options (HK\$)	Balance at 1 January 2013	Granted/ (Lapsed) during the period	Exercised during the period	Outstanding at 30 June 2013
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
Mr. Cheng Wenming	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					<u>25,000,000</u>	—	—	<u>25,000,000</u>

As at 30 June 2013, 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 as 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 six months ended 30 June 2013.

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 had complied with the required standard set out in the Model Code during the six months ended 30 June 2013.

Other Information

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code (“CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange as its own code of corporate governance. During the six months ended 30 June 2013, the Company was in compliance with all the relevant code provisions set out in the CG Code except the deviation from code provision A.2.1, which is explained below.

Code provision A.2.1 of the 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.

Save as the aforesaid and in the opinion of the Directors, the Company has met all the relevant code provisions set out in the CG Code during the six months ended 30 June 2013.

AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) on 23 November 2009 with written terms of reference, which was revised on 21 December 2011 and complied with the relevant code provisions set out in the CG Code.

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 2013.

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

Hong Kong, 22 August 2013

Report on Review of Interim Financial Information



Tel : +852 2218 8288
Fax : +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話 : +852 2218 8288
傳真 : +852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE BOARD OF DIRECTORS OF CHANGSHOUHUA FOOD COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 18 to 32 which comprises the consolidated statement of financial position of Changshouhua Food Company Limited as of 30 June 2013 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 other 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" ("IAS 34") 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 IAS 34.

BDO Limited

Certified Public Accountants

Lo Ngai Hang

Practising Certificate Number P04743

Hong Kong, 22 August 2013

Consolidated Income Statement

For the six months ended 30 June 2013

	Notes	Six months ended 30 June	
		2013 (unaudited) RMB'000	2012 (unaudited) RMB'000
Revenue	5	1,457,207	1,199,688
Cost of sales		(1,179,324)	(941,651)
Gross profit		277,883	258,037
Other income	5	53,510	18,007
Selling and distribution expenses		(132,951)	(106,666)
Administrative expenses		(26,747)	(23,764)
Other operating expenses		(1,885)	(483)
Profit from operations	6	169,810	145,131
Finance costs	7	(82)	—
Profit before taxation		169,728	145,131
Income tax expense	8	(29,983)	(41,664)
Profit for the period		139,745	103,467
		RMB cents	RMB cents
Earnings per share for profit attributable to the owners of the Company during the period	9		
— Basic		26.555	19.661
— Diluted		N/A	N/A

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013 (unaudited) RMB'000	2012 (unaudited) RMB'000
Profit for the period	139,745	103,467
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange loss on translation of financial statements of foreign operations	(15)	(1,599)
Other comprehensive income for the period, net of tax	(15)	(1,599)
Total comprehensive income for the period attributable to owners of the Company	139,730	101,868

Consolidated Statement of Financial Position

As at 30 June 2013

	Notes	30 June 2013 (unaudited) RMB'000	31 December 2012 (audited) RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	637,058	547,472
Land use rights		79,488	80,324
Deposits paid for acquisition of capital assets		39,689	73,883
		756,235	701,679
Current assets			
Inventories		278,850	288,876
Trade and notes receivables	12	493,618	150,139
Prepayments, deposits and other receivables		58,106	81,993
Amounts due from related companies		90	530
Pledged bank deposits	13	42,200	—
Cash and bank balances	13	283,617	501,166
		1,156,481	1,022,704
Current liabilities			
Trade payables	14	61,178	31,535
Accrued liabilities, other payables and deposits received		123,077	139,743
Amounts due to related companies		40,429	13,281
Interest-bearing bank borrowing	15	41,930	—
Tax payables		21,148	11,824
		287,762	196,383
Net current assets		868,719	826,321
Net assets/Total assets less current liabilities		1,624,954	1,528,000
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	46,340	46,340
Reserves		1,578,614	1,481,660
Total equity		1,624,954	1,528,000

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Share capital	Share premium	Share option reserve	Other reserves	Capital reserve	Merger reserve	Translation reserve	Proposed final dividend	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012	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
At 30 June 2012 (unaudited)	46,340	524,025	37,902	66,549	53,941	69,131	11	–	628,087	1,425,986
At 1 January 2013	46,340	481,249	37,903	91,791	53,941	69,131	1,232	42,776	703,637	1,528,000
2012 final dividend paid	–	–	–	–	–	–	–	(42,776)	–	(42,776)
Transactions with owners	–	–	–	–	–	–	–	(42,776)	–	(42,776)
Profit for the period	–	–	–	–	–	–	–	–	139,745	139,745
Other comprehensive income – Exchange loss on translation of financial statements of foreign operations	–	–	–	–	–	–	(15)	–	–	(15)
Total comprehensive income for the period	–	–	–	–	–	–	(15)	–	139,745	139,730
At 30 June 2013 (unaudited)	46,340	481,249	37,903	91,791	53,941	69,131	1,217	–	843,382	1,624,954

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013 (unaudited) RMB'000	2012 (unaudited) RMB'000
Net cash (used in)/generated from operating activities	(128,607)	46,875
Net cash used in investing activities	(115,587)	(1,333)
Net cash generated from/(used in) financing activities	26,660	(31,571)
Net (decrease)/increase in cash and cash equivalents	(217,534)	13,971
Cash and cash equivalents at beginning of the period	501,166	400,358
Effect of foreign exchange rate changes on cash and cash equivalents	(15)	(1,599)
Cash and cash equivalents at end of the period	283,617	412,730

Notes to the Interim Financial Information

For the six months ended 30 June 2013

1. GENERAL CORPORATE INFORMATION

Changshouhua Food Company Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands on 9 September 2009. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company and its subsidiaries (the “Group”) is located at Handian Industrial Park, Zouping County, Shandong, the People’s Republic of China (the “PRC”). The Company’s shares have been listed on the Mainboard of The Stock Exchange of Hong Kong Limited (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 of the Company consider the ultimate holding company is Zouping Sanxing Grease Industry Company Limited, a company established in the PRC.

The interim financial information for the six months ended 30 June 2013 was approved and authorised for issue by the board of directors on 22 August 2013.

2. BASIS OF PREPARATION

The interim financial information for the six months ended 30 June 2013 has been prepared in accordance with International Accounting Standard 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 2012.

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 2012, except for the adoption of the standards, amendments and interpretations issued by the IASB mandatory for annual periods beginning on or after 1 January 2013. The effect of the adoption of these standards, amendments and interpretations was not material to the Group’s results of operations or financial position.

4. SEGMENT INFORMATION

The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group’s executive directors for their decisions about resources allocation to the Group’s business components and review of these components’ performance.

Notes to the Interim Financial Information

For the six months ended 30 June 2013

4. SEGMENT INFORMATION (Continued)

The business components in the internal reporting to the executive directors are determined following the Group's major products and service lines which are production and sale of (i) Corn oil, including non-branded corn oil and own brand corn oil; (ii) Other oils, mainly refined edible sunflower seed oil, refined edible olive oil, refined edible cotton seed oil; and (iii) Corn meal.

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

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

	Six months ended 30 June 2013				
	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	314,699	895,585	43,089	203,834	1,457,207
Reportable segment revenue	314,699	895,585	43,089	203,834	1,457,207
Reportable segment profit/(loss)	8,081	264,889	14,500	(9,587)	277,883
Depreciation	5,687	11,698	530	3,959	21,874

	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
Reportable segment revenue	292,006	731,096	42,863	133,723	1,199,688
Reportable segment profit/(loss)	23,631	222,764	18,158	(6,516)	258,037
Depreciation	6,386	12,096	588	3,337	22,407

Notes to the Interim Financial Information

For the six months ended 30 June 2013

4. 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 income tax is set out below:

	Six months ended 30 June	
	2013 (unaudited) RMB'000	2012 (unaudited) RMB'000
Reportable segment profit	277,883	258,037
Other income	53,510	18,007
Selling and distribution expenses	(132,951)	(106,666)
Administrative expenses	(26,747)	(23,764)
Other operating expenses	(1,885)	(483)
Finance costs	(82)	—
Profit before taxation	169,728	145,131

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	
	2013 (unaudited) RMB'000	2012 (unaudited) RMB'000
Revenue		
Sales of goods	1,457,207	1,199,688
Other income		
Interest income:		
— bank balances	3,293	2,977
— others	4,729	88
Sales of scrap materials	15,906	13,906
Compensation income from insurance company	26,692	187
Compensation income from sundry creditors	157	—
Gain on disposal of property, plant and equipment	663	7
Net foreign exchange gain	854	—
Others	1,216	842
	53,510	18,007

Notes to the Interim Financial Information

For the six months ended 30 June 2013

6. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging/(crediting):

	Six months ended 30 June	
	2013 (unaudited) RMB'000	2012 (unaudited) RMB'000
Cost of inventories recognised as expenses	1,075,860	863,609
Depreciation on property, plant and equipment	26,680	27,334
Amortisation of land use rights	836	833
Gain on disposal of property, plant and equipment	(663)	(7)
Operating lease charges on rented premises	1,437	516
Staff costs (including directors' remuneration)		
– Wages, salaries and bonus	38,630	32,562
– Contribution to defined contribution pension plan	1,943	1,182
– Share-based payment expenses	–	3,577
Total staff costs	40,573	37,321
Net foreign exchange (gain)/loss	(854)	18

7. FINANCE COSTS

	Six months ended 30 June	
	2013 (unaudited) RMB'000	2012 (unaudited) RMB'000
Interest charges on financial liabilities stated at amortised cost:		
Interest-bearing bank borrowing – wholly repayable within one year	82	–

Notes to the Interim Financial Information

For the six months ended 30 June 2013

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013 (unaudited) RMB'000	2012 (unaudited) RMB'000
Current tax		
– Provision for PRC income tax	29,983	41,664

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

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

Shandong Sanxing Corn Industry Technology Company Limited (“Corn Industry”) has been accredited as a High-tech Enterprise by the Accrediting Bodies under the Administrative Measures for Determination of High and New Technology Enterprises on 30 November 2012 and is subject to preferential tax rate of 15% for two years commencing from 1 January 2013. For the year ended 31 December 2012 and the six months ended 30 June 2013, Corn Industry is subject to enterprise income tax rate of 25% and 15% respectively.

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of RMB139,745,000 (six months ended 30 June 2012: RMB103,467,000) and the weighted average number of ordinary shares of 526,250,000 (six months ended 30 June 2012: 526,250,000) in issue during the period.

For the six months ended 30 June 2012 and 2013, no diluted earnings per share has been presented as the impact of exercise of the Group’s outstanding share options was anti-dilutive.

10. INTERIM DIVIDEND

The board of directors of the Company resolved not to declare an interim dividend for the six months ended 30 June 2013 (30 June 2012: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group incurred capital expenditure of approximately RMB119,806,000 (six months ended 30 June 2012: RMB1,009,000) in construction in progress, approximately RMB132,000 (six months ended 30 June 2012: RMB52,000) in office equipment, approximately RMB4,523,000 (six months ended 30 June 2012: RMB2,273,000) in plant and machinery, approximately RMB3,115,000 (six months ended 30 June 2012: RMB1,051,000) in buildings, and approximately RMB285,000 (six months ended 30 June 2012: RMB1,659,000) in motor vehicles.

Notes to the Interim Financial Information

For the six months ended 30 June 2013

12. TRADE AND NOTES RECEIVABLES

	30 June 2013 (unaudited) RMB'000	31 December 2012 (audited) RMB'000
Trade receivables	390,018	150,139
Notes receivables	103,600	—
	493,618	150,139

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

	30 June 2013 (unaudited) RMB'000	31 December 2012 (audited) RMB'000
Within 60 days	255,117	94,682
61 — 90 days	106,349	17,052
91 — 180 days	119,424	29,239
181 — 365 days	10,380	9,114
Over 365 days	2,348	52
	493,618	150,139

Notes to the Interim Financial Information

For the six months ended 30 June 2013

13. CASH AND BANK BALANCES AND PLEDGED BANK DEPOSITS

	30 June 2013 (unaudited) RMB'000	31 December 2012 (audited) RMB'000
Pledged bank deposits	42,200	—
Cash at bank and in hand	133,617	301,166
Short-term bank deposits	150,000	200,000
	283,617	501,166
	325,817	501,166

14. TRADE PAYABLES

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

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

	30 June 2013 (unaudited) RMB'000	31 December 2012 (audited) RMB'000
Within 30 days	30,482	17,061
31 — 60 days	19,762	3,248
61 — 90 days	5,546	5,163
91 — 180 days	2,671	4,457
181 — 365 days	2,000	1,170
Over 365 days	717	436
	61,178	31,535

Notes to the Interim Financial Information

For the six months ended 30 June 2013

15. INTEREST-BEARING BANK BORROWING

	30 June 2013 (unaudited) RMB'000	31 December 2012 (audited) RMB'000
Secured bank borrowing repayable within one year	41,930	—

The Group's interest-bearing bank borrowing is bearing floating interest rate at 2.1% per annum over HIBOR.

The Group's interest-bearing bank borrowing is secured by irrevocable standby letter of credit issued by a bank which is then secured by the pledge of the Group's bank deposits of approximately RMB42,200,000 as at 30 June 2013 (note 13).

16. SHARE CAPITAL

	Number of shares	Amount HK\$
Authorised:		
At 31 December 2012 and 30 June 2013, ordinary shares of HK\$0.10 each	9,000,000,000	900,000,000
Issued and fully paid:		
At 31 December 2012 and 30 June 2013, 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 2012 and 30 June 2013.

Notes to the Interim Financial Information

For the six months ended 30 June 2013

17. COMMITMENT

Operating lease commitment

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

	30 June 2013 (unaudited) RMB'000	31 December 2012 (audited) RMB'000
Within one year	1,769	1,445
In the second to fifth years	1,627	1,357
After five years	456	623
	3,852	3,425

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:

	30 June 2013 (unaudited) RMB'000	31 December 2012 (audited) RMB'000
Property, plant and equipment:		
Contracted but not provided for	24,505	47,485
Authorised but not contracted for	—	—
	24,505	47,485

Notes to the Interim Financial Information

For the six months ended 30 June 2013

18. RELATED PARTY TRANSACTIONS

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

	Notes	Six months ended 30 June	
		2013 (unaudited) RMB'000	2012 (unaudited) RMB'000
Sales to related companies	(i)	855	258
Purchases from related companies	(ii)	205	64
Supply of steam and electric power from related companies	(iii)	17,534	13,807
Subcontracting services rendered by a related company	(iv)	2,574	1,500
Construction services rendered by related companies	(v)	23,936	—

Notes:

- (i) Sales to related companies, of which Mr. Wang Mingfeng, Mr. Wang Mingxing, Mr. Wang Mingliang and Mr. Sun Guohui have beneficial interest, were made in the ordinary course of business with reference to the terms negotiated between the Group and the related companies.
- (ii) Purchases from related companies, of which Mr. Wang Mingfeng, Mr. Wang Mingxing, Mr. Wang Mingliang and Mr. Sun Guohui have beneficial interest, were made in the ordinary course of business with reference to the terms negotiated between the Group and the 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 in the related company. Steam and electric expenses were paid according to the terms of the service agreements.
- (iv) Services rendered by a related company, of which Mr. Wang Mingfeng, Mr. Wang Mingxing, Mr. Wang Mingliang and Mr. Sun Guohui have beneficial interest in the related company, were made according to the terms of the agreements.
- (v) Construction services rendered by related companies, of which Mr. Wang Mingfeng, Mr. Wang Mingxing, Mr. Wang Mingliang and Mr. Sun Guohui have beneficial interest, were conducted under mutually agreed terms negotiated between the Group and the related companies.

19. EVENTS AFTER THE REPORTING DATE

On 5 July 2013, the Company issued and allotted 26,310,000 shares in cash at a subscription price of HK\$5.80 per subscription share pursuant to a subscription agreement entered into on 27 June 2013 with an independent third party.

On 8 July 2013, the Company issued and allotted 21,000,000 shares in cash at a price of HK\$5.40 per share (i.e. the exercise price) due to the exercise of share options granted to certain eligible participants under the share option scheme adopted by the Company on 23 November 2009.