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)

ANNUAL REPORT 2014

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長壽花食品股份有限公司

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
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPLIANCE ADVISER

Haitong International Capital Limited

PRINCIPAL BANKERS

Agricultural Bank of China, Zouping Sub-branch
Bank of China, Zouping Sub-branch
Industrial and Commercial Bank of China, Zouping Sub-branch
Wing Lung Bank Limited

REGISTERED OFFICE

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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/

On behalf of the board of directors (the "Directors") (the "Board") of Changshouhua Food Company Limited (the "Company"), I would like to present to the shareholders of the Company ("Shareholders") the annual results and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2014.

FINANCIAL PERFORMANCE

For the year ended 31 December 2014, the Group's revenue was approximately RMB2,778.9 million and the Group's profit for the year attributable to owners of the Company was approximately RMB266.3 million.

FINAL DIVIDEND

The Board resolved to recommend to the Shareholders at the forthcoming annual general meeting of the Company to be held on Friday, 29 May 2015 ("2015 AGM") a final dividend of HK cents 20 (2013: HK cents 15) per share for the year ended 31 December 2014 to be paid on Monday, 29 June 2015 to those Shareholders whose names appear on the register of members of the Company on Tuesday, 9 June 2015.

BUSINESS REVIEW

Since its establishment, the Group has constantly put its efforts in research and development as well as in innovation of its production technology and capability. Since the establishment of the brand of 長壽花 (Longevity Flower), the Group has developed and expanded sales channels, and for many years the brand has been taking a leading position in the market far ahead of other competitors. Changshouhua's brand position as a pioneer and market leader in China's corn oil industry is deeply rooted.

In recent years, the Group has focused on the operation of its own brand with active efforts in enhancing the popularity, influence and reputation of the brand of 長壽花 (Longevity Flower). Meantime, the marketing network has been actively improved by developing direct marketing channels in first and second tier cities and distributors in third and fourth tier areas. All those mentioned above have contributed to a deep going, wide and through sales network. The market performance of oils in 2014 continued to be weak. Nevertheless, the sales of Changshouhua foods managed to achieved certain growth thanks to its relentless effort.

With the refining and canning production lines of the Group at 桐廬三星玉米產業科技有限公司 (Tonglu Sanxing Corn Industry and Technology Company Limited*) putting into production in 2014, the Group's production capacity will be significantly enhanced. In addition, the Group has introduced into the market the Changshouhua rice germ oil at the end of May in 2014, adding a new high-end member to the Changshouhua family of edible oils.

During the year ended 31 December 2014, the brand image of 長壽花 (Longevity Flower) has been continuously promoted. The sales network has expanded with a certain degree of increase in its sales volume.

* *For identification purpose only*

Chairman's Statement

APPRECIATION

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

Wang Mingxing
Chairman

Hong Kong, 25 March 2015

FINANCIAL REVIEW

For the year ended 31 December 2014, the Group recorded revenue of approximately RMB2,778.9 million (2013: approximately RMB2,930.3 million), representing a decrease of approximately 5.2%. For the year ended 31 December 2014, the sales of (i) corn oil under our brand; (ii) non-branded corn oil in bulk; (iii) corn meal; and (iv) other oil amounted to approximately RMB1,634.6 million, RMB535.4 million, RMB415.0 million and RMB193.9 million (2013: approximately RMB1,848.7 million, RMB545.8 million, RMB411.1 million and RMB124.6 million) respectively and accounted for approximately 58.8%, 19.3%, 14.9% and 7.0% (2013: approximately 63.1%, 18.6%, 14.0% and 4.3%) 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 99.9% and 0.1% (2013: 100.0% and 0%) respectively of the Group's total sales for the year ended 31 December 2014.

Revenue and Gross Profit/(Loss)

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

	Year ended 31 December 2014		Year ended 31 December 2013	
	RMB'000	**%**	RMB'000	%
Revenue				
Corn oil				
– Corn oil under our brand	**1,634,610**	**58.8%**	1,848,743	63.1%
– Non-branded corn oil	**535,388**	**19.3%**	545,774	18.6%
Corn meal	**415,027**	**14.9%**	411,124	14.0%
Other oil	**193,923**	**7.0%**	124,627	4.3%
	2,778,948	**100.0%**	2,930,268	100.0%
Gross profit/(loss)				
Corn oil				
– Corn oil under our brand	**494,189**	**88.8%**	557,743	93.5%
– Non-branded corn oil	**23,446**	**4.2%**	14,629	2.5%
Corn meal	**(17,083)**	**(3.0)%**	(15,782)	(2.7)%
Other oil	**55,880**	**10.0%**	39,951	6.7%
	556,432	**100.0%**	596,541	100.0%
Gross profit/(loss) ratio				
Corn oil				
– Corn oil under our brand		**30.2%**		30.2%
– Non-branded corn oil		**4.4%**		2.7%
Corn meal		**(4.1)%**		(3.8)%
Other oil		**28.8%**		32.1%
Overall		**20.0%**		20.4%

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:

	Year ended 31 December 2014	Year ended 31 December 2013
Quantities sold (tonnes)		
Corn oil under our brand	**154,095**	151,293
Non-branded corn oil	**77,623**	67,651
Average selling price (RMB/tonne)		
Corn oil under our brand	**10,608**	12,220
Non-branded corn oil	**6,897**	8,067
Percentage of decrease of average selling price		
Corn oil under our brand	**(13.2)%**	(8.1)%
Non-branded corn oil	**(14.5)%**	(9.5)%
Average unit cost of sales (RMB/tonne)		
Corn oil under our brand	**7,401**	8,533
Non-branded corn oil	**6,595**	7,851
Percentage of decrease of average unit cost of sales		
Corn oil under our brand	**(13.3)%**	(9.2)%
Non-branded corn oil	**(16.0)%**	(5.1)%

Decrease in revenue

The decrease in revenue of the Group from approximately RMB2,930.3 million for the year ended 31 December 2013 to approximately RMB2,778.9 million for the year ended 31 December 2014 by approximately RMB151.3 million or 5.2% was mainly the combined result of: (i) the decrease in the sales of corn oil under our brand by approximately RMB214.1 million or 11.6%; and (ii) the decrease in the sales of non-branded corn oil by approximately RMB10.4 million or 1.9%.

The sales volume of corn oil under our brand increased from 151,293 tonnes for the year ended 31 December 2013 to 154,095 tonnes for the year ended 31 December 2014, while the average selling price of corn oil under our brand decreased from RMB12,220 per tonne for the year ended 31 December 2013 to RMB10,608 per tonne for the year ended 31 December 2014, representing an increase of approximately 1.9% in sale volume and a decrease of approximately 13.2% in average selling price respectively. The increase in sales volume of corn oil under our brand was mainly attributable to the expansion of sales network.

The sales volume of non-branded corn oil in bulk for the year ended 31 December 2014 increased by approximately 9,972 tonnes or 14.7% as compared with the year 2013 which was mainly due to the increase in production capacity and the influence of the brand of 長壽花 (Longevity Flower). The average selling price of non-branded corn oil decreased by approximately 14.5% as compared with the year 2013 which was in line with the decrease in market price of soybean oil as a result of the abundant supply of soybean in the market. This also affected the market price of corn oil.

The sales of corn meal for the year ended 31 December 2014 increased by approximately RMB3.9 million or 0.9% and the average selling price of corn meal increased by approximately 6.2% which was mainly resulted from the expansion of feed industry in the PRC which led to a rise in the price of corn meal.

The sales of other oil for the year ended 31 December 2014 mainly comprised sunflower seed oil, peanut oil, rice germ oil and olive oil. The increase in sales of other oil by approximately RMB69.3 million or 55.6% was mainly due to, in addition to sunflower seed oil and olive oil, the sales of two new products of the Group, rice germ oil and peanut oil, in 2014.

Decrease in gross profit and gross profit margin

The gross profit for the year ended 31 December 2014 was approximately RMB556.4 million (2013: RMB596.5 million) with gross profit margin of approximately 20.0% (2013: 20.4%), of which gross profit/(loss) margins for the sales of (i) corn oil under our brand; (ii) non-branded corn oil in bulk; (iii) corn meal; and (iv) other oil were approximately 30.2%, 4.4%, (4.1)% and 28.8% (2013: 30.2%, 2.7%, (3.8)% and 32.1%) respectively.

The Group's gross profit margin of corn oil under our brand remained at approximately 30.2% for the year ended 31 December 2014 because the decrease in selling price was offset by the decrease in purchase price of raw materials.

Gross profit margin for non-branded corn oil increased from approximately 2.7% for the year ended 31 December 2013 to approximately 4.4% for the year ended 31 December 2014 which was mainly due to the decrease in the price of raw materials and improvement in production technology which led to a decrease in the cost of production of crude corn oil.

Gross profit margin of other oil decreased from approximately 32.1% for the year ended 31 December 2013 to approximately 28.8% for the year ended 31 December 2014, which was mainly due to the lower gross profit ratio of the Group's new product, peanut oil, which was introduced into market during the year of 2014.

Cost of Sales

The cost of sales mainly included costs of raw materials, direct labour and manufacturing overhead. Direct labour costs include wages and other compensation paid to production workers. Manufacturing overhead includes depreciation, freight costs, electricity, steam power, indirect labour and packing expenses. The costs of raw materials constituted the largest component of total cost of sales and accounted for approximately 89.9% of the total cost of sales for the year ended 31 December 2014 (2013: 90.9%).

Other Income

Other income of approximately RMB85.2 million (2013: RMB80.8 million) mainly comprised sales of scrap materials of approximately RMB39.9 million (2013: RMB34.4 million), bank interest income of approximately RMB26.3 million (2013: RMB8.5 million), compensation income from insurance company of approximately RMB52,000 (2013: RMB26.7 million) and government grants and subsidies of approximately RMB5.1 million (2013: nil). The increase in other income was mainly due to the increase in bank interest income, sales of scrap materials and government grants and subsidies which were offset by the absence of compensation income from insurance company as a result of a fire accident occurred in prior year.

Selling and Distribution Expenses

Selling and distribution expenses decreased from approximately RMB279.4 million for the year ended 31 December 2013 to approximately RMB251.2 million for the year ended 31 December 2014. Selling and distribution expenses mainly comprised transportation charges of approximately RMB40.1 million (2013: RMB48.8 million), advertising and promotion expenses of approximately RMB76.9 million (2013: RMB95.5 million), expenses of representative offices of approximately RMB40.7 million (2013: RMB51.7 million) and sales staff costs of approximately RMB77.2 million (2013: RMB66.9 million).

The significant decrease in advertising and promotion expenses by approximately RMB18.5 million was mainly due to the increasing reputation and awareness of 長壽花 (Longevity Flower) brand by the consumers and in order to lower the expenses of the Group, advertising activities were reduced. The significant decrease in expenses of representative offices by approximately RMB11.0 million was mainly because the Group has put more focus on cost reduction and efficiency enhancement. The increase in sales staff costs by approximately RMB10.3 million was mainly because that the Group has put more efforts in the expansion of its sales network which led to an increase in the headcount of sales person.

The management of the Group is confident that the investments made by the Group on the brand advertising campaigns and the expansion of distribution network for the year ended 31 December 2014 would result in better sales performance in the future.

Administrative Expenses

Administrative expenses of approximately RMB65.8 million (2013: RMB58.2 million) mainly comprised: (i) administrative staff costs of approximately RMB16.9 million (2013: RMB14.2 million); (ii) depreciation and amortization expenses of approximately RMB14.0 million (2013: RMB10.4 million); (iii) other taxes of approximately RMB11.0 million (2013: RMB12.4 million); and (iv) legal and professional fees of approximately RMB3.9 million (2013: RMB4.8 million).

The increase in administrative staff costs was mainly due to the increase in the number of administrative staff to cope with the continuous expansion of the Group's business. The decrease in other taxes was mainly due to the decrease in sales, which led to the decrease in value-added tax paid and in turn resulted in a decrease in other taxes.

Profit before Taxation and Profit Attributable to Shareholders

The Group recorded profit before income tax of approximately RMB309.3 million for the year ended 31 December 2014 (2013: RMB336.7 million), representing a decrease of approximately 8.1% as compared with the year ended 31 December 2013. The Group's profit attributable to owners of the Company decreased by approximately 1.5% from approximately RMB270.3 million for the year ended 31 December 2013 to approximately RMB266.3 million for the year ended 31 December 2014.

The net profit margin of the Group for the year ended 31 December 2014 was approximately 9.6% (31 December 2013: 9.2%). The basic earnings per share attributable to owners of the Company amounted to approximately RMB46.4 cents for the year ended 31 December 2014, as compared with approximately RMB49.2 cents for the year ended 31 December 2013.

Acquisition of Property, Plant and Equipment

As at 31 December 2014, deposits paid for the Group's construction or acquisition of production plant, equipment and land use rights amounted to approximately RMB53.9 million (2013: RMB20.6 million).

Trade Receivables

As at 31 December 2014, trade receivables was approximately RMB407.1 million (2013: RMB297.5 million). The significant increase in trade receivables was mainly due to the increase in sales in the fourth quarter of 2014 as compared to that of 2013.

Prepayments, Deposits and Other Receivables

As at 31 December 2014, prepayments, deposits and other receivables amounted to approximately RMB80.2 million (2013: RMB102.2 million), which mainly comprised (i) deposits paid for purchase of raw materials of approximately RMB31.5 million (2013: RMB61.6 million); and (ii) other receivables of approximately RMB45.6 million (2013: RMB29.9 million). The decrease in the deposits paid for purchase of raw materials was mainly due to the increase in credit purchase during the year of 2014.

The increase in other receivables was mainly due to the increase in interest receivables on bank deposits.

FUTURE PLANS

The Group will continue to enhance brand-building and expansion of marketing channels. It is expected that direct sales in first and second tier cities will be comprehensively achieved within two years with the sales channels sinking at the same time. It is also expected that the new product rice germ oil will be directly sold in first and second tier cities in 2015.

CAPITAL STRUCTURE

The Company's issued share capital as at 31 December 2014 is HK$57,356,000 divided into 573,560,000 ordinary shares of HK$0.1 each ("Shares").

As at 31 December 2014, the borrowings of the Group was approximately RMB531.2 million (2013: RMB41.5 million). The gearing ratio as at 31 December 2014 (calculated as total borrowings divided by the amount of shareholders' equity) was 24.5% (2013: 2.1%). The current ratio (calculated as current assets divided by current liabilities) as at 31 December 2014 was 2.3 times (31 December 2013: 4.7 times). The Group continued to adopt 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

At 31 December 2014, the Group had interest-bearing bank borrowings amounted to approximately RMB531.2 million (31 December 2013: RMB41.5 million). The Group's cash and bank balances and pledged bank deposits amounted to RMB1,242.9 million (31 December 2013: RMB607.7 million).

MATERIAL ACQUISITION AND DISPOSALS

On 24 March 2014, a share transfer agreement was entered into with the owner of China Edible Oil Company Limited ("Edible Oil"), whom is an independent third party, for the sale and purchase of the entire equity interest in Edible Oil at an aggregate consideration of HK$160 million. Edible Oil and its subsidiary are principally engaged in the business of edible oil. Completion of the transaction took place on 18 April 2014.

Save as aforesaid, there was no material acquisition or disposal by the Company during the year ended 31 December 2014.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE

Most transactions of the Group are settled in Renminbi ("RMB") since the operations of the Group are mainly carried out in the PRC, and the major subsidiaries of the Group are operating in an RMB environment and the functional currency of the major subsidiaries is RMB. The reporting currency of the Group is RMB. The Group's cash and bank deposits are predominantly in RMB. The Group's interst-bearing bank borrowings are denominated in Hong Kong Dollars and US Dollars. The Company will pay dividends in Hong Kong Dollars if dividends are declared. The Directors are of the view that RMB is relatively stable against the other currencies and the Group will closely monitor the fluctuations in exchange rates, and that hedging by means of derivative instruments is therefore not necessary.

RMB is currently not a freely convertible currency. A portion of the Group's RMB revenue or profit may be converted into other currencies to meet foreign currency obligations of the Group such as the payment of dividends, if declared.

PLEDGE OF GROUP ASSETS

As at 31 December 2014, the Group had a pledged bank deposit amounted to approximately RMB45.0 million (2013: RMB42.2 million).

CAPITAL COMMITMENTS AND OPERATING LEASE COMMITMENTS

The Group has capital commitment of approximately RMB27.8 million (31 December 2013: RMB40.4 million) as at 31 December 2014, which mainly represented commitments made for the construction of production plants in Hangzhou and purchase of the parts used for replacement and renovation of the Group's production lines. The Group had operating lease commitments of approximately RMB3.0 million in respect of leasing of properties as at 31 December 2014 (31 December 2013: RMB4.2 million).

EMPLOYEE BENEFITS AND REMUNERATION POLICIES

As at 31 December 2014, the Group had a total of 4,472 employees (31 December 2013: 4,482). The employees of the Group were remunerated based on their experience, qualifications, the Group's performance and the prevailing market conditions. During the year, staff costs (including Directors' remunerations) amounted to approximately RMB116.9 million (31 December 2013: RMB104.2 million).

Moreover, the share option scheme (the "Scheme") was adopted on 23 November 2009 to retain staff members who have made contributions to the success of the Group. On 14 May 2010, options in an aggregate of 25,000,000 Shares were granted to 6 executive Directors and 26 employees of the Group. During the year, no new share option was granted and no share options were exercised under the Scheme.

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save for the share options granted to the Directors under the Scheme, at no time during the year ended 31 December 2014 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 31 December 2014.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group has no material contingent liabilities.

FINAL DIVIDEND

The Board resolved to recommend to the Shareholders at the 2015 AGM a final dividend of HK cents 20 (2013: HK cents 15) per Share for the year ended 31 December 2014 to be paid on Monday, 29 June 2015 to the Shareholders whose names appear on the register of members of the Company on Tuesday, 9 June 2015.

Corporate Governance Report

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

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") in Appendix 14 to the Listing Rules as its own code of corporate governance.

During the year ended 31 December 2014, the Company was in compliance with the code provisions set out in the CG Code except for the deviations 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.

Code provision A.6.7 of the CG Code requires that the independent non-executive directors of the Company should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Wang Aiguo and Mr. Wang Ruiyuan, both being the independent non-executive Directors, did not attend the annual general meeting of the Company held on 19 May 2014 ("2014 AGM") due to their other business engagement.

Code provision E.1.2 of the CG Code requires that the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination committee and any other committees (as appropriate) to attend. Mr. Wang Aiguo, the chairman of each of the audit committee (the "Audit Committee") and the remuneration committee (the "Remuneration Committee") of the Company, did not attend the 2014 AGM due to the reason stated above.

Save as the aforesaid and in the opinion of the Directors, the Company had met all code provisions set out in the CG Code during the year ended 31 December 2014.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. 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 throughout the year.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company, and is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall Group strategy, major acquisitions and disposals, annual budgets, annual and interim results, recommendations on Directors' appointment or re-appointment, approval of major capital transactions and other significant operational and financial matters. The management was delegated the authority and responsibility by the Board for the daily management of the Group. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this report.

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

Executive Directors

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

Independent non-executive Directors

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

Mr. Wang Mingxing is the younger brother of Mr. Wang Mingfeng and the elder brother of Mr. Wang Mingliang, and all three of them are shareholders of Shandong Sanxing Group Company Limited ("Shandong Sanxing") which wholly and beneficially owns Zouping Sanxing Grease Industry Company Limited ("Sanxing Grease"), the controlling Shareholder.

Save as aforesaid, the Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board. The composition of the Board reflects the balanced skills and experience for effective leadership. The biographical information of the Directors are set out on pages 34 to 37 under the section headed "Biographical Details of Directors and Senior Management".

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

Board Meetings

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

During the year ended 31 December 2014, the Board held four meetings. All Directors were given an opportunity to include any matters in the agenda for regular Board meetings, and were also given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance.

Name of Director	Number of attendance
Mr. Wang Mingxing	4/4
Mr. Wang Mingfeng	4/4
Mr. Wang Mingliang	4/4
Mr. Cheng Wenming	4/4
Mr. Sun Guohui	4/4
Mr. Huang Da	4/4
Mr. Wang Aiguo	4/4
Mr. Liu Shusong	4/4
Mr. Wang Ruiyuan	4/4

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

General Meetings

During the year ended 31 December 2014, the 2014 AGM was held on 19 May 2014.

Name of Director	Number of attendance
Mr. Wang Mingxing	1/1
Mr. Wang Mingfeng	1/1
Mr. Wang Mingliang	1/1
Mr. Cheng Wenming	1/1
Mr. Sun Guohui	1/1
Mr. Huang Da	1/1
Mr. Wang Aiguo	0/1
Mr. Liu Shusong	1/1
Mr. Wang Ruiyuan	0/1

The Board is responsible for maintaining an on-going dialogue with Shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation.

Directors' Training

According to the code provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant.

All Directors have participated in continuous professional development by way of receiving in-house briefing, taking part in business-related training/activities and attending seminars relating to their role as a Director of the Company. Each of the Directors has provided a record of training they received for the year ended 31 December 2014 to the Company.

The following table sets forth the summary of particular training that each Director received for the year ended 31 December 2014:

Name of Director	Attending or participating in seminars/in-house briefing or reading materials relevant to the Group's business/director's duties
Mr. Wang Mingxing	✓
Mr. Wang Mingfeng	✓
Mr. Wang Mingliang	✓
Mr. Cheng Wenming	✓
Mr. Sun Guohui	✓
Mr. Huang Da	✓
Mr. Wang Aiguo	✓
Mr. Liu Shusong	✓
Mr. Wang Ruiyuan	

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

All independent non-executive Directors have been appointed for a term of three years commencing from 18 December 2012 and are subject to retirement by rotation in accordance with the Articles of Association of the Company (the "Articles").

NOMINATION COMMITTEE

The Company established the Nomination Committee on 23 November 2009 with written terms of reference, which was revised on 21 December 2011 and 22 August 2013 respectively to comply with the code provisions under the CG Code. The revised terms of reference of the Nomination Committee is currently made available on the Stock Exchange's website and the Company's website.

The Nomination Committee consists of one executive Director, namely Mr. Wang Mingxing (as chairman) and three independent non-executive Directors, namely Mr. Wang Aiguo, Mr. Liu Shusong and Mr. Wang Ruiyuan.

The functions of the Nomination Committee are to review and monitor the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Group's strategy; to identifying qualified individuals to become members of the Board; to assess the independence of independent non-executive Directors; and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executive officer.

The Board adopted on 22 August 2013 a board diversity policy (the "Board Diversity Policy") and delegated certain duties under the Policy to the Nomination Committee. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimum composition of the Board. The Nomination Committee and the Board had reviewed on 24 March 2014 the structure of the Board and is of the opinion the Board met the requirements under the terms of the Board Diversity Policy.

The Nomination Committee will discuss and review the measurable objectives for implementing the Board Diversity Policy from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained.

During the year ended 31 December 2014, the Nomination Committee held only one meeting and reviewed the structure, size and diversity of the Board, assessed the independence of the independent non-executive Directors and considered the re-election of Directors.

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

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 23 November 2009 with written terms of reference, which was revised on 21 December 2011 to comply with the code provisions under the CG Code. The revised terms of reference of the Remuneration Committee is currently made available on the Stock Exchange's website and the Company's website.

The Remuneration Committee consists of one executive Director, namely Mr. Wang Mingxing, and three independent non-executive Directors, namely Mr. Wang Aiguo (as chairman), Mr. Liu Shusong and Mr. Wang Ruiyuan.

The functions of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure on the remuneration packages for all Directors' and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The model of Remuneration Committee described in code provision B.1.2(c)(ii) of the CG Code has been adopted by the Remuneration Committee.

During the year ended 31 December 2014, the Remuneration Committee held only one meeting and reviewed the remuneration policy and structure for the Directors and senior management.

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

The Company has adopted a share option scheme on 23 November 2009. The purpose of the share option scheme is to enable the Board to grant options to selected eligible participants to motivate them and to optimize their performance and efficiency for the benefit of the Group. Details of the share option scheme are set out in the Directors' Report.

The emolument payable to Directors will depend on their respective contractual terms under employment contracts or service contracts, if any, and will be fixed by the Board with recommendation of the Remuneration Committee, the performance of the Group and the prevailing marketing conditions. Details of the Directors' remuneration and senior management for the year ended 31 December 2014 are set out in notes 14(a) and 32(b), respectively, to the financial statements.

Senior Management's Remuneration

Senior Management's remuneration payment of the Group for the year ended 31 December 2014 falls within the following bands:

	Number of individuals
Nil to RMB100,000	–
RMB100,001 to RMB200,000	–
RMB200,001 to RMB300,000	1
RMB300,001 to RMB400,000	1

AUDIT COMMITTEE

The Company established the Audit Committee on 23 November 2009 with written terms of reference, which was revised on 21 December 2011 to comply with the code provisions under the CG Code. The revised terms of reference of the Audit Committee is currently made available on the Stock Exchange's website and the Company's website.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Wang Aiguo (as chairman), Mr. Liu Shusong and Mr. Wang Ruiyuan.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, reappointment 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 meets the external auditor regularly to discuss any area of concern during the audit. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual report.

During the year ended 31 December 2014, the Audit Committee held two meetings.

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

During the year ended 31 December 2014, the Audit Committee reviewed the annual and interim results of the Group, which were in the opinion of the Audit Committee that the preparation of such results complied with the applicable accounting standards and the Listing Rules.

The Audit Committee noted the existing internal control system of the Group and also noted that review of the same shall be carried out annually.

CORPORATE GOVERNANCE COMMITTEE

The Company established the CG Committee on 27 March 2012 with written terms of reference, which is aligned with the code provisions set out in the CG Code. The CG Committee comprises three executive Directors, namely Mr. Wang Mingliang (as chairman), Mr. Cheng Wenming and Mr. Sun Guohui.

The functions of the CG Committee are to develop and review the Company's policies and practices on corporate governance to comply with the CG Code and other legal or regulatory requirements and make recommendations to the Board; to oversee the Company's orientation program for new Director; to review and monitor the training and continuous professional development of Directors and senior management; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and to review the Company's disclosure in the Corporate Governance Report.

During the year ended 31 December 2014, the CG Committee held only one meeting and reviewed the training and continuous professional development of Directors and senior management; and reviewed the Company's compliance with the CG Code for the year ended 31 December 2013.

AUDITOR'S REMUNERATION

For the year ended 31 December 2014, the remuneration paid/payable to the Company's auditor, BDO Limited ("BDO"), is as follows:

	HK$'000
Services rendered	
Audit services *(Note 1)*	1,550
Non-audit services *(Note 2)*	350
	1,900

Notes: 1. Services were rendered by BDO in respect of the audit of the consolidated financial statements of the Group for the year ended 31 December 2014.

2. Services were rendered by BDO in respect of the review of the interim financial information of the Group for the six months ended 30 June 2014 and the report on the continuing connected transactions of the Group for the year ended 31 December 2014.

COMPANY SECRETARY

The Company engaged an external professional company secretarial services provider, Uni-1 Corporate Services Limited ("Uni-1"), to provide compliance and full range of company secretarial services to the Group in order to assist the Group to cope with the changing regulatory environment and to suit different commercial needs.

Ms. Chan Yuen Ying, Stella ("Ms. Chan"), the representative of Uni-1, was appointed as the named Company Secretary of the Company.

Mr. Wang Baogang, the director of Investor Relations of the Company, is the primary corporate contact person at the Company for the Company Secretary.

According to the requirements of Rule 3.29 of the Listing Rules, Ms. Chan had taken no less than 15 hours of relevant professional training for the year ended 31 December 2014.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

Shareholders to convene an extraordinary general meeting

Shareholders may convene an extraordinary general meeting of the Company according to the provisions as set out in the Articles and the Companies Law (2011 Revision) of the Cayman Islands. The procedures Shareholders can use to convene an extraordinary general meeting are set out in the document entitled "Procedures for a Shareholder to Propose a Person for Election as a Director", which is currently available on the Company's website.

Putting enquiries by shareholders to the Board

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong.

Procedures for putting forward proposals by shareholders at shareholders' meetings

Shareholders should follow the procedures set out in the sub-section headed "Shareholders to convene an extraordinary general meeting" above for putting forward proposals for discussion at general meetings.

Voting by Poll

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions to be set out in the notice of 2015 AGM will be voted by poll.

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders.

Information of the Company is disseminated to the Shareholders in the following manner:

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

Mr. Wang Mingxing, being the Chairman of the Board, the chairman of the Nomination Committee, attended the 2014 AGM to answer questions and collect views of Shareholders. Mr. Wang Aiguo, being the chairman of the Audit Committee and the Remuneration Committee, did not attend the 2014 AGM due to his engagement in his own official business.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 December 2014, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

Internal Control

Management had implemented a system of internal control to provide reasonable assurance that the Group's assets are safeguarded, proper accounting records are maintained, appropriate legislation and regulations are complied with, reliable financial information are provided for management and publication purpose and investment and business risks affecting the Group are identified and managed.

During the year ended 31 December 2014, the Board has conducted a review of the system of internal control to ensure the effectiveness and adequacy of the system. The Board shall conduct such review at least once annually.

The Directors of the Company are pleased to submit their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 18 to the financial statements.

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 31 December 2014 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 40 to 101.

The Board resolved to recommend to the Shareholders at the 2015 AGM to be held on Friday, 29 May 2015 a final dividend of HK cents 20 (2013: HK cents 15) per Share for the year ended 31 December 2014 to be paid on Monday, 29 June 2015 to the Shareholders whose names appear on the register of members of the Company on Tuesday, 9 June 2015.

CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the shareholders to attend and vote at the 2015 AGM, the register of members of the Company will be closed from Thursday, 28 May 2015 to Friday, 29 May 2015, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2015 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 27 May 2015.

For determining the entitlement of the Shareholders to the final dividend, the register of members of the Company will be closed from Monday, 8 June 2015 to Tuesday, 9 June 2015, both days inclusive, during which period no transfers of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares accompanies by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited for registration not later than 4:30 p.m. on Friday, 5 June 2015.

SHARE CAPITAL

Details of movements in the Company's share capital for the year ended 31 December 2014 are set out in note 28 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2014.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company's reserves available for distribution to the Shareholders amounted to approximately RMB648,373,000 (2013: RMB723,133,000).

DIRECTORS

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

Executive Directors

Mr. Wang Mingxing
Mr. Wang Mingfeng
Mr. Wang Mingliang
Mr. Cheng Wenming
Mr. Sun Guohui
Mr. Huang Da

Independent Non-executive Directors

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

In accordance with Article 84(1) of the Articles, Mr. Wang Mingliang, Mr. Huang Da and Mr. Liu Shusong shall retire by rotation at the 2015 AGM and, being eligible, offer themselves for re-election.

INDEPENDENCE CONFIRMATION

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

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") which was approved by a resolution of the then sole shareholder 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.

(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 year ended 31 December 2014 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 2014	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2014
Directors								
Mr. Wang Mingxing	14 May 2010	14 May 2010 to 13 May 2011	14 May 2011 to 13 May 2015	5.4	400,000	–	–	400,000
		14 May 2011 to 13 May 2012	14 May 2012 to 13 May 2015	5.4	400,000	–	–	400,000
Mr. Wang Mingfeng	14 May 2010	14 May 2010 to 13 May 2011	14 May 2011 to 13 May 2015	5.4	400,000	–	–	400,000
		14 May 2011 to 13 May 2012	14 May 2012 to 13 May 2015	5.4	400,000	–	–	400,000
Mr. Wang Mingliang	14 May 2010	14 May 2010 to 13 May 2011	14 May 2011 to 13 May 2015	5.4	400,000	–	–	400,000
		14 May 2011 to 13 May 2012	14 May 2012 to 13 May 2015	5.4	400,000	–	–	400,000
Mr. 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
Total					4,000,000	–	–	4,000,000

Notes:

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

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

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

As at 31 December 2014, the number of shares in respect of which options had been granted and remaining outstanding under the Scheme was 4,000,000 shares, representing approximately 0.70% of the shares of the Company in issue at that date.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Wang Mingxing, Mr. Wang Mingfeng, Mr. Wang Mingliang, Mr. Sun Guohui and Mr. Huang Da entered into a service agreement with the Company on 18 December 2012 for a term of three years commencing from 18 December 2012, and unless terminated by not less than three months' notice in writing served by either party on the other or in accordance with the provisions set out in the respective service agreement. Each of them may receive a discretionary bonus, the amount of which will be determined by reference to the recommendations of the Remuneration Committee.

Mr. Cheng Wenming entered into a service agreement with the Company on 22 May 2013 for a fixed term of three years commencing from 22 May 2013 unless terminated by not less than three months' notice in writing served by either party to the other.

Each of the independent non-executive Directors has signed a letter of appointment issued by the Company on 18 December 2012 for a fixed term of three years commencing from 18 December 2012 unless terminated by not less than three months' prior notice in writing served by either party on the other.

None of the Directors who are proposed for re-election at the 2015 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2014, the interest or short positions of the directors or chief executives in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance ("SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), are set out below:

1. Interests in shares, 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)*	46.91%
	Beneficial owner	Long position	6,796,000 *(Note 2)*	1.18%
Mr. Wang Mingfeng	Interest of controlled corporations	Long position	269,037,249 *(Note 1)*	46.91%
	Beneficial owner	Long position	800,000 *(Note 2)*	0.14%
Mr. Wang Mingliang	Interest of controlled corporations	Long position	269,037,249 *(Note 1)*	46.91%
	Beneficial owner	Long position	800,000 *(Note 2)*	0.14%
Mr. Sun Guohui	Beneficial owner	Long position	800,000 *(Note 2)*	0.14%
Mr. Huang Da	Beneficial owner	Long position	800,000 *(Note 2)*	0.14%

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 Sanxing Grease, which is wholly-owned by Shandong Sanxing, which in turn is owned as to 24.4% by Mr. Wang Mingxing, 24.8% by Mr. Wang Mingfeng, 24.4% by Mr. Wang Mingliang.

2. 800,000 shares are derived from the interest in the share options granted by the Company. 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 Company
Mr. Wang Mingxing	Shandong Sanxing	Beneficial owner	Long position	24.4%
	Sanxing Grease	Interest of controlled corporations	Long position	24.4%
	Sanxing Trade	Interest of controlled corporations	Long position	24.4%
	Corn Oil Luxembourg *(Note)*	Interest of controlled corporations	Long position	24.4%
Mr. Wang Mingfeng	Shandong Sanxing	Beneficial owner	Long position	24.8%
	Sanxing Grease	Interest of controlled corporations	Long position	24.8%
	Sanxing Trade	Interest of controlled corporations	Long position	24.8%
	Corn Oil Luxembourg *(Note)*	Interest of controlled corporations	Long position	24.8%
Mr. Wang Mingliang	Shandong Sanxing	Beneficial owner	Long position	24.4%
	Sanxing Grease	Interest of controlled corporations	Long position	24.4%
	Sanxing Trade	Interest of controlled corporations	Long position	24.4%
	Corn Oil Luxembourg *(Note)*	Interest of controlled corporations	Long position	24.4%

Note: Pursuant to the resolution passed by the shareholders of Corn Oil Luxembourg at an extraordinary general meeting held on 22 December 2009, Corn Oil Luxembourg was put into liquidation on 22 December 2009 and the liquidation is still under process.

Save as disclosed above, none of the Directors or chief executive of the Company or their respective associates, had any interest in short position in the shares, underlying shares or debentures of the Company or its associated corporations which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2014.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, the interests or short positions of every person, other than Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out as follows:

Name of Shareholder	**Nature of Interest**	**Long Position/ Short Position**	**Number of ordinary shares/ underlying shares**	**Approximate percentage of shareholding in the Company**
Sanxing Trade *(Note 1)*	Beneficial owner	Long position	268,883,630	46.88%
	Interest of controlled corporations	Long position	153,619	0.03%
Sanxing Grease *(Note 1)*	Interest of controlled corporations	Long position	269,037,249	46.91%
Shangdong Sanxing *(Note 1)*	Interest of controlled corporations	Long position	269,037,249	46.91%
Munsun Assets Management Ltd *(Note 2)*	Interest of controlled corporations	Long position	143,607,000	25.04%
Munsun Umbrella Trust – Munsun Agriculture and Consumer Fund (of which TMF (Cayman) Ltd. Acts as Trustee)	Investment manager	Long position	57,657,000	10.05%
UBS Group AG *(Note 3)*	Interest of controlled corporations	Long position	30,896,000	5.39%
	Interest of controlled corporations	Short position	5,066,000	0.88%

Notes:

1. 153,619 ordinary shares were held by Corn Oil Luxembourg (where it is in the process of voluntary winding up), which is owned as to approximately 82.7% by Sanxing Trade; and 268,883,630 ordinary shares were held by Sanxing Trade, which is wholly owned by Sanxing Grease, which in turn is wholly-owned by Shandong Sanxing, and therefore, Sanxing Grease and Shandong Sanxing are deemed to be interested in these 269,037,249 ordinary shares pursuant to the SFO.

2. 19,895,000 ordinary shares were held by Munsun Financial Investment Fund LP, 510,000 ordinary shares were held by Munsun Umbrella Trust-Munsun Financial II Fund, 274,000 ordinary shares were held by Munsun Clean Energy Fund, 3,031,000 ordinary shares were held by Munsun China Growth Fund, 587,000 ordinary shares were held by Munsun Umbrella Trust-Munsun New Technology Fund, 15,410,000 ordinary shares were held by Munsun China Opportunity Investment Fund, 25,660,000 ordinary shares were held by Munsun Umbrella Trust-Munsun Stable Growth Fund, 58,081,000 ordinary shares were held by Munsun Umbrella Trust-Munsun Agriculture and Consumer Fund and 20,159,000 ordinary shares were held by Munsun Absolute Fund, all of the above mentioned fund companies are wholly owned by Munsun Assets Management (Asia) Ltd ("Munsun Asia"), whereas Munsun Asia is wholly owned by Munsun Assets Management Ltd ("Munsun Management"), and therefore Munsun Management is deemed to be interested in these 143,607,000 ordinary shares pursuant to the SFO.

3. 2,041,000 ordinary shares and 2,066,000 short positions were held by UBS AG, 22,419,000 ordinary shares were held by UBS Fund Services (Luxembourg) S.A., 3,436,000 ordinary shares were held by UBS Global asset Management (Hong Kong) Limited and 3,000,000 ordinary shares and 3,000,000 short positions were held by UBS Securities LLC, all being directly owned as to 90.40% by UBS Group AG, and therefore UBS Group AG is deemed to be interested in these 30,896,000 ordinary shares and 5,066,000 short positions 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 31 December 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules 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 throughout the year.

CONNECTED TRANSACTIONS

The Group has entered into a number of transactions with entities which are connected persons (as defined in Chapter 14A of the Listing Rules) of the Company, and such transactions constitute connected transactions and continuing connected transactions of the Company under Chapter 14A of the Listing Rules. These relevant entities include:

(1) 山東三星集團有限公司 (Shandong Sanxing), a company owned as to 24.4% by Mr. Wang Mingxing, 24.8% by Mr. Wang Mingfeng and 24.4% by Mr. Wang Mingliang, all being executive Directors of the Company, which is therefore a connected person of the Company;

(2) 鄒平三星油脂工業有限公司 (Sanxing Grease), the sole shareholder of SanXing Trade, the controlling shareholder of the Company holding approximately 46.91% of the issued share capital of the Company, which is therefore a connected person of the Company;

(3) 內蒙古三星糧油工業有限公司 (Inner Mongolia Sanxing Food & Oil Industry Company Limited) ("Sanxing Mongolia"), a company wholly-owned by Shandong Sanxing, which is therefore an associate of Shandong Sanxing and a connected person of the Company;

(4) 山東明達熱電有限公司 (Shandong Mingda Heat and Electricity Company Limited) ("Shandong Mingda"), a company wholly-owned by Shandong Sanxing, which is therefore an associate of Shandong Sanxing and a connected person of the Company; and

(5) 山東三星集團油品有限公司 (Shandong Sanxing Group Oil Products Company Limited) ("Sanxing Group Oil Products"), a company owned as to 40% by Shandong Sanxing. As Shandong Sanxing is entitled to control the exercise of more than 30% voting power in Sanxing Group Oil Products' general meeting, Sanxing Group Oil Products is an associate of Shandong Sanxing and a connected person of the Company.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following continuing connected transactions (as defined in the Listing Rules) constitute exempt continuing connected transactions for the Company under Rule 14A.76(1) of the Listing Rules and are fully exempted from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules:

1. Trademark Licence Agreements

Sanxing Grease and 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, entered into two trademark licence agreements ("Trademark Licence Agreements") dated 16 November 2009, pursuant to which Sanxing Grease agreed to grant a licence to Corn Industry to use the registered trademarks 長壽花 (Longevity Flower) and 金銀花 (Gold & Silver Flower) on an exclusive, sole and royalty-free basis for a term of 10 years commencing from 16 November 2009, which is automatically renewable on a 10-year term upon expiry of the then current term, unless Corn Industry terminates the agreements by written notice prior to the expiry of the term of the agreements. According to the Trademark License Agreements, Corn Industry has options to acquire the registered trademarks 長壽花 (Longevity Flower) and 金銀花 (Gold & Silver Flower) at any time during the term of the agreements for a nominal consideration of RMB10 for each registered trademark.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

1. Corn Industry and Shandong Mingda entered into a framework agreement ("Renewed Steam and Electricity Supply Agreement") dated 10 February 2012, pursuant to which Shandong Mingda agreed to supply steam and/or electricity to Corn Industry for a term up to 31 December 2014.

   The cap for the annual transaction amount for the procurement of steam and/or electricity under the Renewed Steam and Electricity Supply Agreement for the year ended 31 December 2014 is RMB50.0 million.

   The actual transaction amount for the procurement of steam and/or electricity pursuant to the Renewed Steam and Electricity Supply Agreement for the year ended 31 December 2014 amounted to approximately RMB45.5 million.

2. Corn Industry and Sanxing Mongolia entered into a framework agreement ("Renewed Master Processing Agreement") dated 10 February 2012, pursuant to which Sanxing Mongolia agreed to provide Corn Industry with processing services ("Squeezing Processing Services") through its squeezing production process by processing the corn embryo supplied by Corn Industry into crude oil and corn meal for a term up to 31 December 2014.

   The cap for the annual transaction amount for the procurement of Squeezing Processing Services under the Renewed Master Processing Agreement for the year ended 31 December 2014 is RMB7.5 million.

   The actual transaction amount for the procurement of Squeezing Processing Services pursuant to the Renewed Master Processing Agreement for the year ended 31 December 2014 amounted to approximately RMB3.3 million.

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

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

2. on normal commercial terms which are no less favourable to the Company than terms available to independent third parties; and

3. in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

BDO Limited, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. BDO Limited has provided a letter to the Directors of the Company containing qualified conclusion in respect of the continuing connected transactions as set out above which took place during the year in accordance with Rule 14A.56 of the Listing Rules as the aggregate quantity of electricity purchased by the Group for the year ended 31 December 2014 has exceeded the maximum annual transaction quantity for electricity as specified in the Renewed Steam and Electricity Supply Agreement.

Save as disclosed above, other related party transactions entered into by the Group which also constitute connected transactions (including continuing connected transactions), but are exempted from disclosure requirement under Chapter 14A of the Listing Rules, are set out in note 32 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2014, approximately 9.25% of the Group's turnover and approximately 41.18% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers, respectively. Approximately 18.42% of the Group's purchases were attributable to the Group's largest supplier. To the best knowledge of the Directors, none of the Directors or chief executive of the Company or any shareholder owning more than 5% of the Company's share capital or their respective associates, had any interest in the Group's five largest suppliers.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the year ended 31 December 2014 and up to the date of this report.

AUDIT COMMITTEE

The Company established the Audit Committee on 23 November 2009 with written terms of reference in compliance with the CG Code.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Wang Aiguo (as chairman), Mr. Wang Ruiyuan and Mr. Liu Shusong. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2014.

During the year ended 31 December 2014, the Audit Committee reviewed the annual and interim results of the Group, which were in the opinion of the Audit Committee that the preparation of such results complied with the applicable accounting standards and the Listing Rules.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 12 to 21 of the 2014 Annual Report.

AUDITOR

The Company has not changed its external auditor during the past three years.

A resolution will be submitted to the 2015 AGM to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board
Changshouhua Food Company Limited

Wang Mingxing
Chairman

Hong Kong, 25 March 2015

EXECUTIVE DIRECTORS

Mr. Wang Mingxing ("Mr. Wang MX")

Mr. Wang MX, aged 51, is one of the co-founders of the Group. He was appointed as an executive Director of the Company on 9 September 2009. He is the Chairman of the Board and the chief executive officer of the Company. He is also the chairman of the nomination committee of the Company ("Nomination Committee") and a member of the remuneration committee of the Company ("Remuneration Committee"). Mr. Wang MX is the sole director of SanXing Trade Co., Ltd. ("Sanxing Trade") and an executive director of Sanxing Grease, both of which are the controlling shareholders of the Company. He is also a director of each of Shandong Sanxing Corn Industry Technology Company Limited ("Corn Industry") and Corn Industry Investment Co., Ltd., both of which are the subsidiaries of the Company. He is responsible for the overall strategic planning and management of the Group. Mr. Wang MX has extensive experience in the corn products industry, and has been engaged in the edible corn oil products business for over ten years. Mr. Wang MX obtained a bachelor degree in Mechanical Engineering from Shandong University of Technology (山東工業大學) in 1985 and was qualified as a Chinese Career Manager in 2005 by Chinese Career Manager Coalition. He received a number of awards during the recent years. Among others, he was awarded as The Fifth National Rural Entrepreneur (第五屆全國鄉鎮企業家) by the Ministry of Agriculture of the PRC in 2004. In 2006, He was also awarded as The Fourth Entrepreneur of Edible Oil in Shandong (第四屆"山東省糧油企業家") by The Grain and Food Association of Shandong Province (山東省糧食行業協會). He was further elected by The China Food Safety Annual Conference (中國食品安全年會組委會) as the Outstanding Managing Entrepreneur of the China Food Safety Annual Conference in 2007 (2007年度中國食品安全年會優秀管理企業家) and admitted as a member of China Association for Quality Inspection in 2007.

Mr. Wang Mingfeng ("Mr. Wang MF")

Mr. Wang MF, aged 56, is one of the co-founders of the Group. He was appointed as an executive Director of the Company on 23 November 2009. He is also a director of Corn Industry. He is responsible for monitoring the internal control system of the Group and leads an internal audit team of the Group. He has been engaged in the edible corn oil product business for over nine years. Mr. Wang MF obtained a bachelor degree in Business Administration from Hebei Radio & TV University (河北廣播電視大學) in 1983. He was awarded as Vice President of The Eighth Industrial and Commercial Joint Association in Zouping (鄒平縣第八屆工商業聯合會副會長) by Chinese Communist Zouping County Committee (中共鄒平縣委員會) in 2006. He was also awarded as The Outstanding Business Management Expert of Binzhou City (濱州市"優秀企業經營管理人才") by Chinese Communist Binzhou City Committee (中共濱州市委) and the People's Government of Binzhou City (濱州市人民政府) in 2007. He became The First Vice President of Binzhou Municipal Association of Grain Sector (濱州市糧食行業協會第一屆理事會副會長) in June 2007.

Mr. Wang Mingliang ("Mr. Wang ML")

Mr. Wang ML, aged 43, is one of the co-founders of the Group. He was appointed as an executive Director on 23 November 2009. He is also the chairman of the corporate governance committee of the Company ("CG Committee"). He is a director of Corn Industry. He is responsible for handling customer relationships. He has been engaged in the edible corn oil product business for over nine years. Mr. Wang ML obtained a bachelor degree in Mechanical Engineering from Harbin University of Science and Technology (哈爾濱科學技術大學) in 1994 and was qualified as an Internal Inspector of Quality System in 2001 by Beijing Oxford and Cambridge Senior Training Center (北京牛津－劍橋高級培訓中心). He further completed the Tsinghua University Chief Executives' Leadership and Commercial Strategy Class (清華大學領導商略總裁高級研修班) in 2006. He was awarded as The Top 10 Factory Manager of Zouping (鄒平縣"十佳廠長") by Chinese Communist Zouping County Committee (中共鄒平縣委員會) and the People's Government of Zouping County (鄒平縣人民政府) in 2004.

Mr. Sun Guohui ("Mr. Sun")

Mr. Sun, aged 37, is the executive sales manager of the Company. He was appointed as an executive Director of the Company on 23 November 2009. He is also a member of the CG Committee. Mr. Sun worked at Zouping Vehicle Standard Parts Factory (鄒平汽車標準件廠) from 1996 to 2000 and joined the Hainan office of such factory in 1999. Mr. Sun joined the Group in 2000. He is responsible for the sales and marketing of the Group's products. Mr. Sun is familiar with the edible oil industry and is experienced in the sales and marketing affairs. Mr. Sun graduated from Shandong Province Binzhou Agriculture Secondary School (山東省濱州農業學校) in 1994. He further completed the Tsinghua University Chief Executives' Leadership and Commercial Strategy Class (清華大學領導商略總裁高級研修班) in 2006. In 2005 and 2006, Mr. Sun was awarded as an Outstanding Manager by Sanxing Group. He was awarded as Safe Manufacturing Advanced Individual (安全生產先進個人) by Chinese Communist Zouping County Committee (中共鄒平縣委員會) and the People's Government of Zouping County (鄒平縣人民政府) in 2006. He was also awarded as The Top 10 Outstanding Youth (十佳青年) by Chinese Communist Handian Town Committee of the People's Government of Handian Town (韓店鎮人民政府中共韓店鎮委員會) in 2008.

Mr. Huang Da ("Mr. Huang")

Mr. Huang, aged 32, was appointed as an executive Director of the Company on 23 November 2009. Mr. Huang joined the Group in 2008. He is responsible for corporate affairs and investor relations. He obtained a master degree in Western Economics from Fudan University (復旦大學) in 2008.

Mr. Cheng Wenming ("Mr. Cheng")

Mr. Cheng, aged 50, was appointed as an executive Director of the Company on 22 May 2013. He is also a member of the corporate governance committee of the Company. He majored in finance in Shandong TV University from September 1993 to July 1995, and studied in the Capital Strategy Training Class for Chairmen organized by the Vocational Training Centre for Managers at Tsinghua University in 2009 to 2010. Since August 2003, he has served as the Deputy General Manager of Shandong Sanxing Group Company Limited ("Shandong Sanxing"), one of the controlling shareholders of the Company, and he is mainly responsible for the capital financing affairs of Shandong Sanxing. He obtained the Assistant Accountant qualification awarded by the Ministry of Finance of the People's Republic of China in October 1994.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Aiguo ("Mr. Wang AG")

Mr. Wang AG, aged 50, was appointed as an independent non-executive Director of the Company on 23 November 2009. He is also the chairman of each of the audit committee of the Company and the Remuneration Committee, and a member of the Nomination Committee. Mr. Wang AG is currently the Dean of the School of Accounting of Shandong University of Finance and Economics (山東財經大學) and a member of the council of the Accounting Society of China (中國會計學會). He obtained a doctorial degree in Management Science and Engineering from Tianjin University (天津大學) in 2006. Mr. Wang AG engages in researches in the area of accounting and auditing. His publications include Accounting Theory Research – building up an accounting theory model with Chinese feature (會計理論研究－構建中國特色的會計理論體系) published by Nanhai Publishing Company (南海出版公司) in 1995, Cost Accounting Theory (成本會計理論) published by Inner Mongolia University Press (內蒙古大學出版社) in 1999, and Innovative Research on the Strategic Management Mode of High-Technique Enterprise (高技術企業戰略管理模式的創新研究) published by Shandong People's Publishing House (山東人民出版社) in 2009. His research papers were also published in various finance and accounting journals. He also serves as an independent non-executive director of Hisense Kelon Electrical Holdings Co. Ltd. (stock code: 921) and Shandong Chenming Paper Holdings Limited (stock code: 1812), companies listed on the Stock Exchange. He previously served as the executive director of Trauson Holdings Company Limited (a company delisted from the main board of the Stock Exchange, stock code: 325) from March 2013 to July 2013, and as an independent non-executive director of Laiwu Steel Corporation (a company delisted from the Shanghai Stock Exchange, stock code: 600102) from June 2008 to February 2012.

Mr. Liu Shusong ("Mr. Liu")

Mr. Liu, aged 49, was appointed as an independent non-executive Director of the Company on 23 November 2009. He is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Liu obtained a master degree in Laws from China University of Political Science and Law (中國政法大學) in 2001. He was jointly accredited as The Top 10 Lawyer in the City ("全市十佳律師") by Binzhou Judiciary (濱州市司法局) and Binzhou Law Society (濱州市律師協會) in 2004. In the same year, Mr. Liu was recognised as Shandong Province Outstanding Member of China Democratic League (中國民主同盟山東省優秀盟員). Mr. Liu was also awarded as The Seventh "Top 10 Outstanding Youngsters in Binzhou" (第七屆"濱州十大傑出青年") in August 2005. Mr. Liu was a committee member of The Ninth Binzhou City Chinese People's Political Consultative Conference Committee (中國人民政治協商會議第九屆濱州市委員會) in 2008.

Mr. Wang Ruiyuan ("Mr. Wang RY")

Mr. Wang RY, aged 76, was appointed as an independent non-executive Director of the Company on 23 November 2009. He is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Wang is currently the vice president of Chinese Cereals and Oils Association. He obtained a bachelor degree in Food Engineering from Jiangnan University (江南大學) (formerly known as "Wuxi Light Industry Institute (無錫輕工業學院)") in 1964. He is the chief editor of various publications in the area of oil and grease including Vegetable Oil Processing Industry (植物油料加工產業學) and The History of Development in the Oil and Grease Industry in China (中國油脂工業發展史), both of which were published by Chemical Industry Press (化學工業出版社), and Food and Medicine Confidence Project Science Popularisation Series – Food and Oil (食品藥品放心工程科普叢書－糧油食品) published by State Food and Drug Administration (國家食品藥品監督管理局) and China National Association of Grain Sector (中國糧食行業協會). Mr. Wang was awarded the Government special subsidy (政府特殊津貼) by the State Council of the PRC (中國國務院) in 1996 in respect of his contribution in the engineering technology for the PRC.

SENIOR MANAGEMENT

Ms. An Xiuping ("Ms. An")

Ms. An, aged 40, is a director of Corn Industry and Corn Oil Luxembourg. Ms. An joined the Group in 1999 as the finance manager of Sanxing Grease. She is now a senior finance manager of the Group. Ms. An graduated from 山東濱州職業專修學院 (Shandong Binzhou Vocational Technical School) majoring in Computer Information Management in 2006.

Mr. Ren Zaishun ("Mr. Ren")

Mr. Ren, aged 39, joined the Group in 2003 responsible for corn oil sales and promotion, and had been the manager of sales department in 2008. He is currently the sales director of the Group.

COMPANY SECRETARY

Ms. Chan Yuen Ying, Stella ("Ms. Chan")

Ms. Chan, aged 43, was appointed as the company secretary of the Company on 23 November 2009. Ms. Chan is a fellow member of the Institute of Chartered Secretaries and Administrators and a fellow member of the Hong Kong Institute of Chartered Secretaries. She is also a member of the Hong Kong Institute of Directors. Ms. Chan has over 15 years' experience in handling listed company secretarial matters.

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TO THE SHAREHOLDERS OF CHANGSHOUHUA FOOD COMPANY LIMITED
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Changshouhua Food Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 40 to 101, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Lo Ngai Hang
Practising Certificate Number P04743

Hong Kong, 25 March 2015

Consolidated Income Statement

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Revenue	7	**2,778,948**	2,930,268
Cost of sales		**(2,222,516)**	(2,333,727)
Gross profit		**556,432**	596,541
Other income	7	**85,180**	80,767
Selling and distribution costs		**(251,204)**	(279,381)
Administrative expenses		**(65,789)**	(58,155)
Other operating expenses		**(387)**	(2,606)
Profit from operations	8	**324,232**	337,166
Finance costs	9	**(14,897)**	(488)
Profit before taxation		**309,335**	336,678
Income tax expense	10	**(43,056)**	(66,371)
Profit for the year attributable to owners of the Company		**266,279**	270,307
Earnings per share attributable to owners of the Company	13		
Basic (RMB cents)		**46.43**	49.20
Diluted (RMB cents)		**46.34**	49.15

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
Profit for the year	**266,279**	270,307
Other comprehensive income that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	**38**	539
Other comprehensive income for the year, net of tax	**38**	539
Total comprehensive income attributable to owners of the Company	**266,317**	270,846

Statements of Financial Position

As at 31 December 2014

	Notes	Group 2014 RMB'000	Group 2013 RMB'000	Company 2014 RMB'000	Company 2013 RMB'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	15	**793,338**	742,667	**–**	–
Land use rights	16	**139,102**	126,575	**–**	–
Goodwill	17	**62,762**	–	**–**	–
Pledged bank deposits	23	**45,000**	–	**–**	–
Deposits paid for acquisition of capital assets and land use rights	21	**53,895**	20,584	**–**	–
Deposits paid for acquisition of subsidiaries	21	**–**	43,337	**–**	43,337
Amount due from a subsidiary	18	**–**	–	**271,043**	–
Interest in subsidiaries	18	**–**	–	**938,961**	784,677
		1,094,097	933,163	**1,210,004**	828,014
Current assets					
Inventories	19	**206,480**	310,089	**–**	–
Trade receivables	20	**407,131**	297,468	**–**	–
Prepayments, deposits and other receivables	21	**80,243**	102,230	**552**	826
Amounts due from related companies	22	**3,651**	355	**–**	–
Amount due from a subsidiary	18	**–**	–	**44,256**	–
Pledged bank deposits	23	**–**	42,200	**–**	–
Cash and bank balances	23	**1,197,903**	565,473	**19,720**	960
		1,895,408	1,317,815	**64,528**	1,786
Current liabilities					
Trade payables	24	**58,188**	31,667	**–**	–
Accrued liabilities, other payables and deposits received	25	**205,310**	188,417	**13,245**	1,181
Dividend payables		**17,689**	–	**17,689**	–
Amounts due to related companies	26	**6,203**	9,854	**–**	–
Amount due to a subsidiary	18	**–**	–	**7,879**	7,847
Interest-bearing bank borrowings	27	**531,173**	41,466	**531,173**	41,466
Tax payables		**4,452**	11,611	**–**	–
		823,015	283,015	**569,986**	50,494
Net current assets/(liabilities)		**1,072,393**	1,034,800	**(505,458)**	(48,708)
Net assets		**2,166,490**	1,967,963	**704,546**	779,306
EQUITY					
Equity attributable to owners of the Company					
Share capital	28	**50,109**	50,109	**50,109**	50,109
Reserves	29	**2,116,381**	1,917,854	**654,437**	729,197
Total equity		**2,166,490**	1,967,963	**704,546**	779,306

On behalf of the Board

Wang Mingxing
Director

Cheng Wenming
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Share capital RMB'000	Share premium* RMB'000	Share option reserve* RMB'000	Other reserves* RMB'000 (note 29(i))	Capital reserve* RMB'000 (note 29(ii))	Merger reserve* RMB'000 (note 29(iii))	Translation reserve* RMB'000	Proposed final dividend* RMB'000	Retained profits* RMB'000	Total RMB'000
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
Shares issued under subscription agreement (note 28(a))	2,097	119,469	–	–	–	–	–	–	–	121,566
Shares issued under share option scheme (note 28(b))	1,672	88,655	–	–	–	–	–	–	–	90,327
2012 final dividend declared	–	–	–	–	–	–	–	(42,776)	–	(42,776)
2013 final dividend proposed	–	(67,790)	–	–	–	–	–	67,790	–	–
Transactions with owners	3,769	140,334	–	–	–	–	–	25,014	–	169,117
Profit for the year	–	–	–	–	–	–	–	–	270,307	270,307
Other comprehensive income	–	–	–	–	–	–	539	–	–	539
Total comprehensive income for the year	–	–	–	–	–	–	539	–	270,307	270,846
Transfer to statutory reserves	–	–	–	34,988	–	–	–	–	(34,988)	–
Exercise of share options (note 28(b))	–	–	(31,839)	–	–	–	–	–	31,839	–
At 31 December 2013 and 1 January 2014	**50,109**	**621,583**	**6,064**	**126,779**	**53,941**	**69,131**	**1,771**	**67,790**	**970,795**	**1,967,963**
2013 final dividend declared	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(67,790)**	**-**	**(67,790)**
2014 final dividend proposed	**-**	**(90,766)**	**-**	**-**	**-**	**-**	**-**	**90,766**	**-**	**-**
Transactions with owners	**-**	**(90,766)**	**-**	**-**	**-**	**-**	**-**	**22,976**	**-**	**(67,790)**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**266,279**	**266,279**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**38**	**-**	**-**	**38**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**38**	**-**	**266,279**	**266,317**
Transfer to statutory reserves	**-**	**-**	**-**	**32,200**	**-**	**-**	**-**	**-**	**(32,200)**	**-**
At 31 December 2014	**50,109**	**530,817**	**6,064**	**158,979**	**53,941**	**69,131**	**1,809**	**90,766**	**1,204,874**	**2,166,490**

* The consolidated reserves of the Group of approximately RMB2,116,381,000 (2013: approximately RMB1,917,854,000) as at 31 December 2014 as presented in the statement of financial position comprised these reserve accounts.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Profit before taxation		**309,335**	336,678
Adjustments for:			
Interest income	7	**(26,291)**	(8,533)
Interest expenses	9	**14,897**	488
Depreciation of property, plant and equipment	8	**71,650**	56,699
Amortisation of land use rights	8	**2,644**	1,864
Gain on disposal of property, plant and equipment	8	**–**	(1,156)
Operating profit before working capital changes		**372,235**	386,040
Decrease/(Increase) in inventories		**111,040**	(21,213)
Increase in trade receivables		**(103,847)**	(147,329)
Decrease/(Increase) in prepayments, deposits and other receivables		**49,507**	(19,707)
Increase in trade payables		**26,521**	132
Increase in accrued liabilities, other payables and deposits received		**13,630**	48,372
Cash generated from operations		**469,086**	246,295
Income taxes paid		**(50,215)**	(66,584)
Net cash generated from operating activities		**418,871**	179,711
Cash flows from investing activities			
Interest received		**17,954**	8,533
Acquisition of subsidiaries, net	33	**(82,684)**	(56,147)
Purchases of property, plant and equipment		**(108,836)**	(195,634)
Increase in pledged bank deposits		**(2,800)**	(42,200)
Additions to land use rights		**(15,171)**	–
(Increase)/Decrease in amounts due from related companies		**(3,296)**	175
Deposits paid for acquisition of subsidiaries		**–**	(43,337)
Deposits paid for acquisition of capital assets		**(11,729)**	(8,983)
Proceeds from disposal of property, plant and equipment		**–**	12,199
Net cash used in investing activities		**(206,562)**	(325,394)

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
Cash flows from financing activities		
Interest paid	**(14,897)**	(488)
Proceeds from issue of ordinary shares	**–**	211,893
Decrease in amounts due to related companies	**(4,626)**	(644)
Proceeds from interest-bearing bank borrowings	**531,173**	41,466
Repayment of interest-bearing bank borrowings	**(41,466)**	–
Dividend paid	**(50,101)**	(42,776)
Net cash generated from financing activities	**420,083**	209,451
Net increase in cash and cash equivalents	**632,392**	63,768
Cash and cash equivalents at 1 January	**565,473**	501,166
Effect of foreign exchange rates, net	**38**	539
Cash and cash equivalents at 31 December	**1,197,903**	565,473
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**1,197,903**	565,473

1. 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 Province, the People's Republic of China (the "PRC"). The Company's shares have been listed on the Mainboard of The Stock Exchange of Hong Kong Limited (the "HKEX") since 18 December 2009.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 18 to the financial statements.

The financial statements for the year ended 31 December 2014 were approved by the board of directors on 25 March 2015.

2. ADOPTION OF NEW AND REVISED STANDARDS AND NEW HONG KONG COMPANIES ORDINANCE PROVISIONS RELATING TO THE PREPARATION OF FINANCIAL STATEMENTS

2.1 New and revised standards adopted by the Group

In the current year, the Group has applied for the first time the following new and revised International Financial Reporting Standards ("IFRSs") and International Accounting Standards ("IASs") issued by the International Accounting Standards Board ("IASB"), which are relevant to and effective for the Group's financial statements for the annual period on 1 January 2014.

Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures

The adoption of these new and revised standards has no material impact on the Group's financial statements.

2. ADOPTION OF NEW AND REVISED STANDARDS AND NEW HONG KONG COMPANIES ORDINANCE PROVISIONS RELATING TO THE PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

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

The following new/revised IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

IFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[1]
Amendments to IAS 1	Disclosure Initiative[2]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to IAS 27	Equity Method in Separate Financial Statements[2]
IFRS 9 (2014)	Financial Instruments[4]
IFRS 15	Revenue from Contracts with Customers[3]

1 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018

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

Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to IAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

2. ADOPTION OF NEW AND REVISED STANDARDS AND NEW HONG KONG COMPANIES ORDINANCE PROVISIONS RELATING TO THE PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

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

IFRS 9 (2014) – Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

IFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in IAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

IFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 supersedes existing revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

IFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

IFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under IFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

2. ADOPTION OF NEW AND REVISED STANDARDS AND NEW HONG KONG COMPANIES ORDINANCE PROVISIONS RELATING TO THE PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.3 New Hong Kong Companies Ordinance provisions relating to the preparation of financial statements

The provisions of the new Hong Kong Companies Ordinance, Cap. 622, in relation to the preparation of financial statements will apply to the Company in its first financial year beginning on or after 3 March 2014 (i.e. the financial year ending 31 December 2015).

The directors consider that there will be no impact on the Group's financial position or performance, however the new Hong Kong Companies Ordinance, Cap. 622, would have impacts on the presentation and disclosures in the consolidated financial statements. For example, there will be no requirement to include a statement of financial position of the Company and related notes, and statutory disclosures will be simplified.

3. BASIS OF PREPARATION

3.1 Statement of compliance

The financial statements have been prepared in accordance with IFRSs which collective term includes all applicable individual International Financial Reporting Standards and Interpretations approved by the IASB, and all applicable individual International Accounting Standards and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB. The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

3.2 Basis of measurement

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

3.3 Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

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

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

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

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, interest in subsidiaries is stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4.3 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Goodwill (Continued)

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

4.4 Property, plant and equipment

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

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

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

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

Buildings	The shorter of the lease terms and 20 years
Plant and machinery	10 years
Office equipment	3 to 5 years
Motor vehicles	4 to 5 years

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.5 Leasing

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

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

4.6 Financial Instruments

(a) Financial assets

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 Financial Instruments (Continued)

(b) Impairment loss on financial assets

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

– significant financial difficulty of the debtor;

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 Financial Instruments (Continued)

(c) Financial liabilities

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

Financial liabilities at amortised cost including trade payables, accrued liabilities, other payables, dividend payables, interest-bearing bank borrowings and amounts due to related companies/a subsidiary are subsequently measured at amortised cost using the effective interest method. The related interest expense is recognised in accordance with the Group's accounting policy for borrowing costs.

Gains or losses are recognised in profit or loss when the liabilities are derecognised.

(d) Effective interest method

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

(e) Equity instruments

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

(f) Derecognition

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Land use rights

The operating or finance lease determination is stated in note 4.5 and also applied to leases of land. Land use rights in the PRC are accordingly determined to be operating leases.

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

4.8 Inventories

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

4.9 Cash and cash equivalents

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

4.10 Revenue recognition

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

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

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

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

4.11 Cost of sales

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.12 Income tax

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

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

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

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

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

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

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

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

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

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

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

(i) the same taxable entity; or

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.13 Foreign currency translation

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

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

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

4.14 Employee benefits

(a) Defined contribution retirement plan

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

(b) Short-term employee benefits

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.15 Share-based payments

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

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

4.16 Impairment of non-financial assets

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.17 Borrowing costs

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

4.18 Provisions and contingent liabilities

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

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

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

4.19 Segment reporting

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.20 Related parties

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.21 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(i) Impairment of receivables

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

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

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

(iii) Net realisable value of inventories

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(iv) Provision for tax

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

(v) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

6. SEGMENT INFORMATION

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

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

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

6. SEGMENT INFORMATION (CONTINUED)

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

	Year ended 31 December 2014				
	Corn oil				
	Non-branded RMB'000	Own brand RMB'000	Other oil RMB'000	Corn meal RMB'000	Total RMB'000
Revenue from external customers	**535,388**	**1,634,610**	**193,923**	**415,027**	**2,778,948**
Reportable segment revenue	**535,388**	**1,634,610**	**193,923**	**415,027**	**2,778,948**
Reportable segment profits/(loss)	**23,446**	**494,189**	**55,880**	**(17,083)**	**556,432**
Depreciation	**13,898**	**30,960**	**3,747**	**11,730**	**60,335**

	Year ended 31 December 2013				
	Corn oil				
	Non-branded RMB'000	Own brand RMB'000	Other oil RMB'000	Corn meal RMB'000	Total RMB'000
Revenue from external customers	545,774	1,848,743	124,627	411,124	2,930,268
Reportable segment revenue	545,774	1,848,743	124,627	411,124	2,930,268
Reportable segment profits/(loss)	14,629	557,743	39,951	(15,782)	596,541
Depreciation	10,960	26,637	1,747	8,808	48,152

6. SEGMENT INFORMATION (CONTINUED)

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

	2014	2013
	RMB'000	RMB'000
Profit		
Reportable segment profit	**556,432**	596,541
Other income	**85,180**	80,767
Selling and distribution costs	**(251,204)**	(279,381)
Administrative expenses	**(65,789)**	(58,155)
Other operating expenses	**(387)**	(2,606)
Finance costs	**(14,897)**	(488)
Profit before taxation	**309,335**	336,678

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

	2014	2013
	RMB'000	RMB'000
Local (country of domicile):		
– PRC	**2,777,471**	2,930,268
Export (foreign countries):		
– Malaysia	**1,477**	–
	2,778,948	2,930,268

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

7. REVENUE AND OTHER INCOME

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

	2014 **RMB'000**	2013 RMB'000
Revenue		
Sale of goods	**2,778,948**	2,930,268
Other income		
Interest income:		
– bank balances	**26,291**	8,473
– others	**–**	60
Sales of scrap materials	**39,851**	34,423
Compensation income from insurance company	**52**	26,692
Compensation income from sundry creditors	**86**	168
Government grants and subsidies	**5,095**	–
Others	**13,805**	10,951
	85,180	80,767

8. PROFIT FROM OPERATIONS

	2014 **RMB'000**	2013 RMB'000
Profit from operations is arrived at after charging/(crediting):		
Auditor's remuneration	**1,224**	1,201
Cost of inventories recognised as an expense	**1,998,411**	2,120,838
Depreciation on property, plant and equipment *	**71,650**	56,699
Amortisation of land use rights **	**2,644**	1,864
Gain on disposal of property, plant and equipment	**–**	(1,156)
Net foreign exchange loss	**2,912**	1,803
Operating lease charges on rented premises	**1,805**	2,144
Staff costs (including directors' remuneration)		
– Wages, salaries and bonus	**112,276**	100,258
– Contribution to defined contribution pension plan ^	**4,631**	3,935
Total staff costs	**116,907**	104,193

8. PROFIT FROM OPERATIONS (CONTINUED)

* Depreciation expenses have been included in:

- cost of sales of approximately RMB60,335,000 (2013: RMB48,152,000); and
- administrative expenses of approximately RMB11,315,000 (2013: RMB8,547,000).

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

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

9. FINANCE COSTS

	2014 **RMB'000**	2013 RMB'000
Interest charges on financial liabilities stated at amortised cost:		
Bank and other borrowings		
– wholly repayable within five years	**14,897**	488

10. INCOME TAX EXPENSE

	2014 **RMB'000**	2013 RMB'000
Current tax		
– Provision for PRC income tax	**43,056**	66,371

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

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

Shandong Sanxing Corn Industry Technology Company Limited ("Corn Industry") 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 years ended 31 December 2013 and 2014, Corn Industry is subject to enterprise income tax rate of 15%.

10. INCOME TAX EXPENSE (CONTINUED)

No deferred tax asset has been recognised in respect of the unused tax losses of RMB62,050,000 (2013: RMB36,620,000), that are available, within a maximum period of five years in the PRC, for offsetting against future taxable profits of the relevant entities in the Group in which the losses arose, due to the unpredictability of future profit streams.

Deferred tax liabilities have not been established for the withholding tax and other taxation that would be payable on the undistributed earnings of a subsidiary of RMB1,131,730,000 (2013: RMB930,745,000) as the Group is in a position to control the dividend policies of the subsidiary and it is probable that such amount will be reinvested in the foreseeable future.

The Group did not have any other significant temporary differences which gave rise to a deferred tax asset or liability as at 31 December 2013 and 2014.

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

	2014 **RMB'000**	2013 RMB'000
Profit before income tax	**309,335**	336,678
Tax calculated at the rates applicable to profits in the tax jurisdiction concerned	**54,390**	59,814
Tax effect of tax losses not recognised	**2,552**	6,557
Utilisation of tax losses previously not recognised*	**(13,886)**	–
Income tax expense	**43,056**	66,371

* Amount represented unutilised tax losses of Corn Industry which were approved by the relevant PRC tax authority to offset against its taxable profits during the year ended 31 December 2014.

11. DIVIDENDS

The directors recommend the payment of a final dividend to the shareholders of Hong Kong cents 20 per share for the year ended 31 December 2014 (2013: Hong Kong cents 15 per share), subject to shareholders' approval at the forthcoming annual general meeting. The proposed final dividend declared after the reporting date has not been recognised as a liability at the reporting date, but reflected as an appropriation of share premium account for the year.

12. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders includes a loss of RMB18,616,000 (2013: RMB5,043,000) which has been dealt with in the financial statements of the Company.

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2014	2013
Earnings		
	RMB'000	RMB'000
Earnings for the purposes of basic and diluted earnings per share	**266,279**	270,307
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**573,560,000**	549,408,000
Effect of dilutive potential ordinary shares – share options	**1,122,000**	594,000
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**574,682,000**	550,002,000

The computation of diluted earnings per share for the year ended 31 December 2013 does not assume the exercise of certain of the Company's share options as the exercise price of those options is higher than the average market price for shares during the period when those options are outstanding.

14. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Directors' emoluments for the year are set out below:

	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Contribution to pension plans RMB'000	Total RMB'000
Year ended 31 December 2014					
Executive directors					
Mr. Wang Mingxing	–	508	–	–	508
Mr. Wang Mingfeng	–	508	–	–	508
Mr. Wang Mingliang	–	508	–	–	508
Mr. Sun Guohui	–	203	–	9	212
Mr. Huang Da	–	500	–	–	500
Mr. Cheng Wenming	–	344	–	–	344
	–	2,571	–	9	2,580
Independent non-executive directors					
Mr. Liu Shusong	50	–	–	–	50
Mr. Wang Ruiyuan	170	–	–	–	170
Mr. Wang Aiguo	50	–	–	–	50
	270	–	–	–	270
	270	2,571	–	9	2,850

14. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(a) Directors' emoluments (Continued)

	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Contribution to pension plans RMB'000	Total RMB'000
Year ended 31 December 2013					
Executive directors					
Mr. Wang Mingxing	–	500	–	–	500
Mr. Wang Mingfeng	–	500	–	–	500
Mr. Wang Mingliang	–	500	–	–	500
Mr. Wang Fuchang*	–	112	–	–	112
Mr. Sun Guohui	–	130	–	4	134
Mr. Huang Da	–	500	–	8	508
Mr. Cheng Wenming**	–	182	–	–	182
	–	2,424	–	12	2,436
Independent non-executive directors					
Mr. Liu Shusong	50	–	–	–	50
Mr. Wang Ruiyuan	170	–	–	–	170
Mr. Wang Aiguo	50	–	–	–	50
	270	–	–	–	270
	270	2,424	–	12	2,706

* Mr. Wang Fuchang retired on 15 May 2013

** Mr. Cheng Wenming was appointed on 22 May 2013

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2013: nil).

14. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) Five highest paid individuals

The five highest paid individuals of the Group included four directors (2013: four) for the year ended 31 December 2014 whose emoluments are reflected in the analysis presented above.

The analysis of the emoluments of the remaining one (2013: one) individual for the year ended 31 December 2014, whose emoluments fell within the band from nil to HK$1,000,000, are set out below:

	2014 RMB'000	2013 RMB'000
Salaries, allowances and benefits in kind	**353**	350
Contribution to defined contribution pension plan	**9**	8
	362	358

During the years ended 31 December 2013 and 2014, no emolument was paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2013						
Cost	266,700	418,009	15,399	1,210	5,137	706,455
Accumulated depreciation	(37,163)	(114,986)	(6,694)	(140)	–	(158,983)
Net book amount	229,537	303,023	8,705	1,070	5,137	547,472
Year ended 31 December 2013						
Opening net book amount	229,537	303,023	8,705	1,070	5,137	547,472
Acquisition of a subsidiary (note 33)	–	–	–	262	7,542	7,804
Additions	109,956	107,042	759	282	39,877	257,916
Transfer	17,481	–	–	–	(17,481)	–
Disposal	(9,594)	(4,175)	(57)	–	–	(13,826)
Depreciation	(13,313)	(40,231)	(2,902)	(253)	–	(56,699)
Closing net book amount	334,067	365,659	6,505	1,361	35,075	742,667

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (Continued)

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2013 and 1 January 2014						
Cost	383,991	519,592	16,050	1,754	35,075	956,462
Accumulated depreciation	(49,924)	(153,933)	(9,545)	(393)	–	(213,795)
Net book amount	334,067	365,659	6,505	1,361	35,075	742,667
Year ended 31 December 2014						
Opening net book amount	334,067	365,659	6,505	1,361	35,075	742,667
Acquisition of subsidiaries (note 33)	–	–	2	100	–	102
Additions	30,357	21,035	1,077	6	69,744	122,219
Transfer	36,000	3,701	–	–	(39,701)	–
Depreciation	(19,101)	(49,135)	(2,989)	(425)	–	(71,650)
Closing net book amount	381,323	341,260	4,595	1,042	65,118	793,338
At 31 December 2014						
Cost	450,348	544,328	17,101	2,033	65,118	1,078,928
Accumulated depreciation	(69,025)	(203,068)	(12,506)	(991)	–	(285,590)
Net book amount	381,323	341,260	4,595	1,042	65,118	793,338

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

16. LAND USE RIGHTS

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

	Group RMB'000
At 1 January 2013	
Cost	83,619
Accumulated amortisation	(3,295)
Net carrying amount	80,324
Year ended 31 December 2013	
Opening net carrying amount	80,324
Acquisition of a subsidiary (note 33)	48,115
Amortisation	(1,864)
Closing net carrying amount	126,575
At 31 December 2013 and 1 January 2014	
Cost	**131,734**
Accumulated amortisation	**(5,159)**
Net carrying amount	**126,575**
Year ended 31 December 2014	
Opening net carrying amount	**126,575**
Additions	**15,171**
Amortisation	**(2,644)**
Closing net carrying amount	**139,102**
At 31 December 2014	
Cost	**146,905**
Accumulated amortisation	**(7,803)**
Net carrying amount	**139,102**

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

17. GOODWILL

The amount of goodwill capitalised as an asset, arising from business combinations, is as follows:

	Group RMB'000
At 1 January 2013, 31 December 2013 and 1 January 2014	
Gross carrying amount	–
Accumulated impairment	–
Net carrying amount	–
Year ended 31 December 2014	
Opening net carrying amount	**–**
Acquisition of subsidiaries (note 33)	**62,762**
Closing net carrying amount	**62,762**
At 31 December 2014	
Gross carrying amount	**62,762**
Accumulated impairment	**–**
Net carrying amount	**62,762**

Goodwill acquired through business combination has been allocated to the own brand corn oil cash-generating units for impairment testing.

For the impairment testing in 2014, the recoverable amounts for the own brand corn oil cash-generating units were determined based on value-in-use calculations, covering a detailed five-year budget plan, followed by an extrapolation of expected cash flows at the average growth rates of 5% and discount rate of 14.3% estimated by the management.

The key assumptions for the impairment testing have been determined by the Group's management based on past performance and their expectations for the industry development. The discount rates used are pre-tax and reflect specific risks relating to the relevant cash-generating units.

Apart from the considerations described in determining the value in use of the own brand corn oil cash-generating units above, the Group's management is not currently aware of any other probable changes that would necessitate changes in the key estimates.

18. INTEREST IN AND AMOUNTS DUE FROM/TO SUBSIDIARIES

	Company	
	2014	2013
	RMB'000	RMB'000
Unlisted shares, at cost	**250,793**	123,895
Amount due from a subsidiary	**688,168**	660,782
	938,961	784,677

Particulars of the subsidiaries as at 31 December 2014 are as follows:

Name	Country/ Place and date of incorporation/ establishment and kind of legal entity	Particulars of issued and fully paid share capital/ registered capital	Effective interest held by the Company	Principal activities
Interests held directly				
Corn Industry Investment Co., Ltd.	Incorporated on 28 December 2006 in the BVI, limited liability company	59,701 shares at U.S. dollars ("US$") 1 per share	100%	Investment holding
China Edible Oil Company Limited**	Incorporated on 21 January 2011 in the BVI, limited liability company	1 share at US$1 per share	100%	Investment holding
Interests held indirectly				
Shandong Sanxing Corn Industry Technology Company Limited 山東三星玉米產業科技有限公司	Established on 14 November 2006 in the PRC, wholly-foreign-owned enterprise	US$127,000,000	100%	Production and sale of edible oil and corn meal
內蒙三星玉米產業科技有限公司	Established on 21 May 2010 in the PRC, limited liability company	RMB10,000,000	100%	Production and sale of crude oil and corn meal
遼寧三星玉米產業科技有限公司	Established on 24 May 2010 in the PRC, limited liability company	RMB10,000,000	100%	Production and sale of crude oil and corn meal
桐廬三星玉米產業科技有限公司*	Established on 22 October 2012 in the PRC, limited liability company	RMB40,876,430	100%	Production and sale of edible oil
廣州久久福食品有限公司**	Established on 31 May 2011 in the PRC, limited liability company	US$12,000,000	100%	Trading of edible oil

* The company was acquired in September 2013 (note 33).
** The companies were acquired in April 2014 (note 33).

18. INTEREST IN AND AMOUNTS DUE FROM/TO SUBSIDIARIES (CONTINUED)

The financial statements of the subsidiaries for the year ended 31 December 2014 are audited by BDO Limited for the purpose of incorporation into the Group's consolidated financial statements.

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

The amounts due from a subsidiary included in the Company's non-current and current assets of approximately RMB271,043,000 (2013: nil) and RMB44,256,000 (2013: nil), respectively, are unsecured, interest free and repayable according to the terms set out in the relevant contract.

The amount due to a subsidiary included in the Company's current liabilities of approximately RMB7,879,000 (2013: RMB7,847,000) is unsecured, interest free and repayable on demand.

19. INVENTORIES

	Group	
	2014	2013
	RMB'000	RMB'000
Raw materials	**92,476**	191,954
Work-in-progress	**23,712**	6,381
Finished goods	**90,292**	111,754
	206,480	310,089

20. TRADE RECEIVABLES

Trade receivables are non-interest bearing. 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. They are recognised at their original invoice amounts which represent their fair values at initial recognition.

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

	Group	
	2014	2013
	RMB'000	RMB'000
Within 60 days	**243,936**	215,004
61-90 days	**67,308**	26,186
91-180 days	**78,196**	52,197
181-365 days	**16,371**	3,821
Over 365 days	**1,320**	260
Total trade receivables	**407,131**	297,468

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

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

	Group	
	2014	2013
	RMB'000	RMB'000
Neither past due nor impaired	**357,423**	239,374
Not more than 3 months past due	**40,653**	42,884
3 to not more than 6 months past due	**8,288**	11,648
6 to 12 months past due	**767**	3,562
Total trade receivables	**407,131**	297,468

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

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

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments	**34,607**	72,373	**–**	–
Other receivables	**45,636**	29,857	**552**	826
Deposits paid for acquisition of capital assets and land use rights	**53,895**	20,584	**–**	–
Deposits paid for acquisition of subsidiaries (note 33)	**–**	43,337	**–**	43,337
	134,138	166,151	**552**	44,163
Less: Portion due within one year included under current assets	**(80,243)**	(102,230)	**(552)**	(826)
Non-current portion included under non-current assets	**53,895**	63,921	**–**	43,337

22. AMOUNTS DUE FROM RELATED COMPANIES

	Group	
	2014	2013
	RMB'000	RMB'000
Shandong Sanxing Group Oil Products Company Limited 山東三星集團油品有限公司 ("Sanxing Group Oil Products")	**–**	23
Shandong Sanxing Group Company Limited 山東三星集團有限公司 ("Shandong Sanxing")	**4**	6
Zouping Sanxing Iron Construction Company Limited 鄒平三星鋼結構有限公司 ("Sanxing Iron Construction")	**1,899**	–
Shandong Mingda Heat and Electricity Company Limited 山東明達熱電有限公司 ("Shandong Mingda")	**812**	326
Inner Mongolia Sanxing Food & Oil Industry Company Limited 內蒙古三星糧油工業有限公司 ("Sanxing Mongolia")	**936**	–
	3,651	355

22. AMOUNTS DUE FROM RELATED COMPANIES (CONTINUED)

Particulars of amount due from related companies are as follows:

	As at 31 December 2014 RMB'000	Maximum amount outstanding during the year RMB'000	As at 1 January 2014 RMB'000
Sanxing Group Oil Products	**–**	**23**	**23**
Shandong Sanxing	**4**	**18**	**6**
Sanxing Iron Construction	**1,899**	**1,899**	**–**
Shandong Mingda	**812**	**5,831**	**326**
Sanxing Mongolia	**936**	**936**	**–**

	As at 31 December 2013 RMB'000	Maximum amount outstanding during the year RMB'000	As at 1 January 2013 RMB'000
Sanxing Group Oil Products	23	23	17
Shandong Sanxing	6	277	27
Sanxing Iron Construction	–	11,850	351
Zouping Anxing Automobiles Company Limited 鄒平安星駕校有限公司 ("Anxing Automobiles")*	N/A	6	6
Shandong Mingda	326	326	–
Sanxing Mongolia	–	544	129

* Anxing Automobiles was not a related company of the Group since 2013.

An entity which has significant influence over the Company, has controlling interests in the above related companies, except for Shandong Sanxing and Anxing Automobiles. Mr. Wang Mingfeng, Mr. Wang Mingxing, Mr. Wang Mingliang, Mr. Sun Guohui and Mr. Cheng Wenming, directors of the Company, also have beneficial interest in the above related companies.

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

23. CASH AND BANK BALANCES AND PLEDGED BANK DEPOSITS

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current assets				
Pledged bank deposits	**45,000**	–	**–**	–
Current assets				
Pledged bank deposits	**–**	42,200	**–**	–
Cash at banks and in hand	**527,903**	414,703	**19,720**	960
Short-term bank deposits	**670,000**	150,770	**–**	–
	1,197,903	565,473	**19,720**	960
	1,197,903	607,673	**19,720**	960

Bank deposits pledged as securities for standby letter of credit issued by banks to secure the Group's bank borrowings (note 27) earn 4.68% (2013: 2.80%) interest per annum and have a maturity of 36 months (2013: 13 months) when acquired. The short-term bank deposits earn 3.23% (2013: 3.01%) interest per annum. They have a maturity of within 1 year and are eligible for immediate cancellation without receiving any interest for the last deposit period. The other bank deposits earn interest at floating rates based on daily bank deposit rates.

The Group's cash and bank balances and pledged bank deposits denominated in RMB were amounted to RMB1,222,393,000 (2013: RMB605,926,000) and were deposited with banks in the PRC. The RMB is not freely convertible into other currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

24. TRADE PAYABLES

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

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

	Group	
	2014	2013
	RMB'000	RMB'000
Within 30 days	**34,533**	15,504
31-60 days	**8,661**	5,069
61-90 days	**5,743**	2,548
91-180 days	**4,821**	4,542
181-365 days	**2,175**	2,970
Over 365 days	**2,255**	1,034
	58,188	31,667

25. ACCRUED LIABILITIES, OTHER PAYABLES AND DEPOSITS RECEIVED

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Accrued liabilities	**74,030**	73,708	**1,226**	1,181
Other payables	**99,979**	67,299	**12,019**	–
Deposits received	**31,301**	47,410	**–**	–
	205,310	188,417	**13,245**	1,181

26. AMOUNTS DUE TO RELATED COMPANIES

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

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

27. INTEREST-BEARING BANK BORROWINGS

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Secured bank borrowing	**43,173**	41,466	**43,173**	41,466
Unsecured bank borrowings	**488,000**	–	**488,000**	–
	531,173	41,466	**531,173**	41,466

During the year ended 31 December 2014, the Company as borrower has entered into a facility agreement with a bank in respect of a revolving loan of HK$200,000,000 (equivalent to approximately RMB158,250,000 as at 31 December 2014) (the "Revolving Loan") pursuant to which, among others, the Group is required not to mortgage, assign, charge or otherwise encumber any of its assets without prior written consent from the bank.

As at 31 December 2014, the Group has failed to satisfy the said covenant as bank deposits amounted to RMB45,000,000 (note 23) have been pledged to another bank (the "Breach"). Such Breach may also trigger the cross-default provisions in other facility agreements entered into by the Company.

Subsequent to the reporting date, the Company has obtained a waiver (the "Waiver") from the bank in respect of the Breach on 19 March 2015. The Group and the Company did not receive any demand notice for repayment of any bank loans as a result of the Breach. In the opinion of the directors, based on the Waiver obtained and the legal advice, the Company is no longer in breach of any covenants in the facility agreements upon obtaining the Waiver on 19 March 2015.

As a result of the aforesaid matters, all bank borrowings of the Group and the Company were subject to demand for immediate repayment and classified as current liabilities as at 31 December 2014.

27. INTEREST-BEARING BANK BORROWINGS (CONTINUED)

Their original scheduled repayment at the reporting date is summarised as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Secured bank borrowing repayable within one year	**43,173**	41,466	**43,173**	41,466
Unsecured bank borrowings				
repayable within one year	**207,142**	–	**207,142**	–
repayable after one year, but not exceeding two years, which contain a repayment on demand clause	**115,188**	–	**115,188**	–
repayable after two years, but not exceeding five years, which contain a repayment on demand clause	**165,670**	–	**165,670**	–
	488,000	–	**488,000**	–
	531,173	41,466	**531,173**	41,466

As at 31 December 2014, the Group's and the Company's interest-bearing bank borrowings are bearing floating interest rate at 2.95% per annum over LIBOR, 2.80% or 2.20% per annum over HIBOR (31 December 2013: 2.10% per annum over HIBOR).

As at 31 December 2014, the Revolving Loan was guaranteed by certain subsidiaries of the Company.

The Group's and the Company's interest-bearing bank borrowings as at 31 December 2014 amounted to approximately RMB43,173,000 (2013: RMB41,466,000) 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 RMB45,000,000 as at 31 December 2014 (2013: RMB42,200,000) (note 23).

28. SHARE CAPITAL

	Notes	Number of shares	Amount HK$
Authorised:			
At 31 December 2013 and 2014, ordinary shares of HK$0.10 each		9,000,000,000	900,000,000
Issued and fully paid:			
At 1 January 2013, ordinary shares of HK$0.10 each		526,250,000	52,625,000
Share issued under subscription agreement	(a)	26,310,000	2,631,000
Share issued under share option scheme	(b)	21,000,000	2,100,000
At 31 December 2013, 1 January 2014 and 31 December 2014, ordinary shares of HK$0.10 each		573,560,000	57,356,000

The issued and fully paid share capital is equivalent to approximately RMB50,109,000 as at 31 December 2014 (2013: RMB50,109,000).

Notes:

(a) On 5 July 2013, the Company issued and allotted 26,310,000 shares in cash at the subscription price of HK$5.8 per subscription share pursuant to the subscription agreement entered into on 27 June 2013.

(b) On 8 July 2013, the Company issued and allotted 21,000,000 shares pursuant to the exercise of share options under the share option scheme as set out in note 30 to the financial statements to a director and certain eligible participants with the issue price of HK$5.4 per share.

29. RESERVES

Group

Details of the movements on the Group's reserves are as set out in the consolidated statement of changes in equity on page 43.

Notes:

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

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

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

29. RESERVES (CONTINUED)

Company

	Share premium RMB'000	Share option reserve RMB'000	Contributed surplus RMB'000 (note)	Proposed final dividend RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2013	481,249	37,903	95,267	42,776	(72,633)	584,562
Shares issued under subscription agreement (note 28(a))	119,469	–	–	–	–	119,469
Shares issued under share option scheme (note 28(b))	88,655	–	–	–	–	88,655
2012 final dividend declared	–	–	–	(42,776)	–	(42,776)
2013 final dividend proposed	(67,790)	–	–	67,790	–	–
Transactions with owners	140,334	–	–	25,014	–	165,348
Loss for the year	–	–	–	–	(20,713)	(20,713)
Other comprehensive income	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	(20,713)	(20,713)
Exercise of share options (note 28(b))	–	(31,839)	–	–	31,839	–
At 31 December 2013 and 1 January 2014	**621,583**	**6,064**	**95,267**	**67,790**	**(61,507)**	**729,197**
2013 final dividend declared	**–**	**–**	**–**	**(67,790)**	**–**	**(67,790)**
2014 final dividend proposed	**(90,766)**	**–**	**–**	**90,766**	**–**	**–**
Transactions with owners	**(90,766)**	**–**	**–**	**22,976**	**–**	**(67,790)**
Loss for the year	**–**	**–**	**–**	**–**	**(6,970)**	**(6,970)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(6,970)**	**(6,970)**
At 31 December 2014	**530,817**	**6,064**	**95,267**	**90,766**	**(68,477)**	**654,437**

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

30. SHARE OPTION SCHEME

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

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

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

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

	Number of share options					
Grantees	**Outstanding at 1 January 2014**	**Granted during the year**	**Lapsed during the year**	**Exercised during the year**	**Outstanding at 31 December 2014**	**Exercise price**
Mr. Wang Mingxing	**800,000**	**–**	**–**	**–**	**800,000**	**HK$5.40**
Mr. Wang Mingfeng	**800,000**	**–**	**–**	**–**	**800,000**	**HK$5.40**
Mr. Wang Mingliang	**800,000**	**–**	**–**	**–**	**800,000**	**HK$5.40**
Mr. Sun Guohui	**800,000**	**–**	**–**	**–**	**800,000**	**HK$5.40**
Mr. Huang Da	**800,000**	**–**	**–**	**–**	**800,000**	**HK$5.40**
	4,000,000	**–**	**–**	**–**	**4,000,000**	

	Number of share options					
Grantees	Outstanding at 1 January 2013	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 December 2013	Exercise price
Mr. Wang Mingxing	800,000	–	–	–	800,000	HK$5.40
Mr. Wang Mingfeng	800,000	–	–	–	800,000	HK$5.40
Mr. Wang Mingliang	800,000	–	–	–	800,000	HK$5.40
Mr. Wang Fuchang	800,000	–	–	(800,000)	–	HK$5.40
Mr. Sun Guohui	800,000	–	–	–	800,000	HK$5.40
Mr. Huang Da	800,000	–	–	–	800,000	HK$5.40
Mr. Cheng Wenming	800,000	–	–	(800,000)	–	HK$5.40
Other employees	19,400,000	–	–	(19,400,000)	–	HK$5.40
	25,000,000	–	–	(21,000,000)	4,000,000	

30. SHARE OPTION SCHEME (CONTINUED)

The weighted average exercise price of share options outstanding at the end of the year is HK$5.40 (2013: HK$5.40) and their remaining contractual life was approximately 4.4 months (2013: 16.4 months). All share options outstanding at the end of the year had vested and were exercisable. The fair value of the share options granted during the year ended 31 December 2010, valued as at the grant date, was RMB39,091,000. No share-based compensation expense is included in the consolidated income statement for the years ended 31 December 2014 and 2013.

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

The first 50% of the share options

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

The remaining share options

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

31. COMMITMENT

Operating lease commitment

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

	Group	
	2014	2013
	RMB'000	RMB'000
Within one year	**1,536**	2,023
In the second to fifth years	**1,422**	1,912
After five years	**–**	288
	2,958	4,223

31. COMMITMENT (CONTINUED)

Operating lease commitment (Continued)

The Group leases a number of properties under operating lease and leasehold land. The leases run for initial period of 3 months to 10 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

	Group	
	2014	2013
	RMB'000	RMB'000
Contracted but not provided for	**27,759**	40,443
Authorised but not contracted for	**–**	–
	27,759	40,443

32. RELATED PARTY TRANSACTIONS

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

		Group	
		2014	2013
	Notes	**RMB'000**	RMB'000
Sales to shareholders	(i)	**1**	2
Sales to related companies	(i)	**862**	1,492
Purchases from related companies	(ii)	**54**	273
Supply of steam and electric power from a related company	(iii)	**45,506**	36,601
Subcontracting services rendered by a related company	(iv)	**3,342**	5,818
Construction services rendered by and property, plant and equipment purchased from related companies	(v)	**833**	24,929
Disposal of property, plant and equipment to a related company	(vi)	**–**	2,783

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (Continued)

Notes:

(i) Sales to shareholders and related companies, of which Mr. Wang Mingfeng, Mr. Wang Mingxing, Mr. Wang Mingliang, Mr. Sun Guohui and Mr. Cheng Wenming have beneficial interest, were made in the ordinary course of business with reference to the terms negotiated between the Group and these shareholders/related companies.

(ii) Purchases from related companies, of which Mr. Wang Mingfeng, Mr. Wang Mingxing, Mr. Wang Mingliang, Mr. Sun Guohui and Mr. Cheng Wenming 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, Mr. Sun Guohui and Mr. Cheng Wenming 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, Mr. Sun Guohui and Mr. Cheng Wenming have beneficial interest in the related company, were made according to the terms of the agreements.

(v) Construction services rendered by and property, plant and equipment purchased from related companies, of which Mr. Wang Mingfeng, Mr. Wang Mingxing, Mr. Wang Mingliang, Mr. Sun Guohui and Mr. Cheng Wenming have beneficial interest in the related companies, were conducted under mutually agreed terms negotiated between the Group and the related companies.

(vi) Disposal of property, plant and equipment to a related company, of which Mr. Wang Mingfeng, Mr. Wang Mingxing, Mr. Wang Mingliang, Mr. Sun Guohui and Mr. Cheng Wenming have beneficial interest, was conducted under mutually agreed terms negotiated between the Group and the related company.

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

(b) Key management personnel compensation

	Group	
	2014	2013
	RMB'000	RMB'000
Short term employee benefits of directors and other members of key management	**3,469**	3,373

33. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2014

On 24 March 2014, the Company entered into an agreement to acquire the entire equity interest of China Edible Oil Company Limited ("Edible Oil") and its subsidiary (collectively the "Edible Oil Group") at a consideration of HK$160,000,000 (equivalent to approximately RMB126,898,000) by cash. The acquisition was completed on 18 April 2014.

Edible Oil is an investment holding company incorporated in the BVI which holds 100% equity interest of 廣州久久福食品有限公司 ("Guangzhou Jiu Jiu Fu"), a company incorporated in the PRC which is principally engaged in the trading of edible oil.

The acquisition was made with the aims to expand the Group's production capacity by constructing new production plants on the land to be acquired by Guangzhou Jiu Jiu Fu and to better manage the Group's sales and distribution networks.

Details of the net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration	
Cash	126,898
Fair value of net assets acquired	(64,136)
Goodwill	62,762

The fair value of identifiable assets and liabilities of Edible Oil Group as at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	102
Deposits paid for acquisition of land use rights	33,990
Inventories	7,431
Trade and other receivables	24,999
Cash and bank balances	877
Accrued liabilities, other payables and deposits received	(3,263)
Net assets acquired	64,136

33. ACQUISITION OF SUBSIDIARIES (CONTINUED)

For the year ended 31 December 2014 (Continued)

An analysis of net cash outflow in respect of the acquisition is as follows:

	RMB'000
Cash consideration	(126,898)
Deposits paid in prior year	43,337
Cash and bank balances acquired	877
Net cash outflow for the year ended 31 December 2014	(82,684)

Notes:

The fair value of trade and other receivables amounted to RMB24,999,000. The gross amount of these receivables is RMB24,999,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

The goodwill of RMB62,762,000, which is not deductible for tax purposes, comprises the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing operations of the Group.

Since the acquisition date, Edible Oil Group has contributed revenue and loss after tax of approximately RMB23,565,000 and RMB2,255,000 respectively to the Group. If the acquisition had occurred on 1 January 2014, the Group's revenue and profit after tax would have been approximately RMB2,821,150,000 and RMB263,250,000 respectively for the year ended 31 December 2014. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future performance.

The acquisition-related costs were not material. They have been expensed and are included in administrative expenses.

33. ACQUISITION OF SUBSIDIARIES (CONTINUED)

For the year ended 31 December 2013

On 6 September 2013, Corn Industry has entered into an agreement to acquire the entire equity interest of 杭州康皇食品有限公司, which the name of the company was subsequently changed to 桐廬三星玉米產業科技有限公司, at a consideration of RMB80,000,000 by cash. The acquisition was completed on 25 September 2013 and accounted for as acquisition of assets.

	RMB'000
Net assets acquired in this transaction are as follows:	
Property, plant and equipment	7,804
Land use rights	48,115
Other receivables	530
Cash and bank balances	23,853
Other payables	(302)
Net assets acquired	80,000
Consideration satisfied by:	
Cash	80,000
An analysis of net cash outflow in respect of the acquisition of a subsidiary is as follows:	
Cash consideration	(80,000)
Cash and bank balances acquired	23,853
Net cash outflow	(56,147)

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

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

(a) Categories of financial assets and liabilities

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

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Loans and receivables				
– Trade receivables	**407,131**	297,468	**–**	–
– Other receivables	**45,636**	29,857	**552**	826
– Amounts due from related companies	**3,651**	355	**–**	–
– Amounts due from a subsidiary	**–**	–	**315,299**	–
Pledged bank deposits	**45,000**	42,200	**–**	–
Cash and bank balances	**1,197,903**	565,473	**19,720**	960
	1,699,321	935,353	**335,571**	1,786
Financial liabilities				
At amortised cost				
– Trade payables	**58,188**	31,667	**–**	–
– Accrued liabilities and other payables	**101,206**	68,480	**13,245**	1,181
– Dividend payables	**17,689**	–	**17,689**	–
– Amounts due to related companies	**6,203**	9,854	**–**	–
– Amount due to a subsidiary	**–**	–	**7,879**	7,847
– Interest-bearing bank borrowings	**531,173**	41,466	**531,173**	41,466
	714,459	151,467	**569,986**	50,494

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Interest rate risk

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

(i) Interest rate profile

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

	Group			
	Weighted average effective interest rate		Carrying amount	
	2014	2013	**2014**	2013
	%	%	**RMB'000**	RMB'000
Variable rate instruments				
Financial assets				
Cash at banks	**0.34%**	0.36%	**525,715**	413,384
Financial liabilities				
Interest-bearing bank borrowings	**3.01%**	2.31%	**531,173**	41,466
Fixed rate instruments				
Financial assets				
Short-term bank deposits	**3.23%**	3.01%	**670,000**	150,770
Pledged bank deposits	**4.68%**	2.80%	**45,000**	42,200
Other receivable	**N/A**	3.60%	**–**	276

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Interest rate risk (Continued)

(i) Interest rate profile (Continued)

	Company			
	Weighted average effective interest rate		Carrying amount	
	2014	2013	**2014**	2013
	%	%	**RMB'000**	RMB'000
Variable rate instruments				
Financial assets				
Cash at banks	**0.02%**	0.02%	**19,720**	960
Financial liabilities				
Interest-bearing bank borrowings	**3.01%**	2.31%	**531,173**	41,466

(ii) Interest rate sensitivity analysis

The following tables illustrate the sensitivity of the profit for the year and equity to a reasonably possible change in interest rates of +25 basis points and –25 basis points (2013: +/–25 basis points), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's financial instruments held at each reporting date. All other variables are held constant. There is no impact on other components of consolidated equity in response to the possible change in interest rates.

	Group			
	2014		2013	
	+25 basis points RMB'000	**–25 basis points RMB'000**	+25 basis points RMB'000	–25 basis points RMB'000
Effect on profit for the year and retained earnings	**(207)**	**207**	773	(773)

	Company			
	2014		2013	
	+25 basis points RMB'000	**–25 basis points RMB'000**	+25 basis points RMB'000	–25 basis points RMB'000
Effect on loss for the year and accumulated losses	**(1,279)**	**1,279**	(101)	101

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Credit risk

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

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

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

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

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

(d) Foreign currency risk

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

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

(d) Foreign currency risk (Continued)

(i) Foreign currency risk exposure

	Group					
	2014			2013		
	HK$	**EURO**	**US$**	HK$	EURO	US$
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Assets:						
Other receivables	**552**	**–**	**–**	826	–	–
Cash and bank balances	**13,140**	**7**	**7,362**	960	8	779
	13,692	**7**	**7,362**	1,786	8	779
Liabilities:						
Accrued liabilities and other payables	**13,245**	**–**	**–**	1,181	–	–
Dividend payables	**17,689**	**–**	**–**	–	–	–
Interest-bearing bank borrowings	**201,423**	**–**	**329,750**	41,466	–	–
	232,357	**–**	**329,750**	42,647	–	–

	Company		
	2014		2013
	HK$	**US$**	HK$
	RMB'000	**RMB'000**	RMB'000
Assets:			
Other receivables	**552**	**–**	826
Amounts due from a subsidiary	**–**	**315,299**	–
Cash and bank balances	**13,140**	**6,580**	960
	13,692	**321,879**	1,786
Liabilities:			
Accrued liabilities and other payables	**13,245**	**–**	1,181
Dividend payables	**17,689**	**–**	–
Interest-bearing bank borrowings	**201,423**	**329,750**	41,466
	232,357	**329,750**	42,647

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

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

(d) Foreign currency risk (Continued)

(ii) Foreign currency sensitivity analysis

The following table illustrates the sensitivity of the Group's profit after tax for the year and equity in regards to a 1% (2013: 1%) appreciation in the Group entities' functional currencies against HK$, EURO and US$. All other variables are held constant. The rate is used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates. There is no impact on other components of combined equity in response to the general fluctuation in the following foreign currency rates.

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

	Group					
	2014			2013		
	HK$	**EURO**	**US$**	HK$	EURO	US$
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Effect on profit for the year and retained earnings	**2,187**	**–**	**3,224**	409	–	(8)

	Company		
	2014		2013
	HK$	**US$**	HK$
	RMB'000	**RMB'000**	RMB'000
Effect on loss for the year and accumulated losses	**2,187**	**79**	409

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

These are the same method and assumption used in preparing the sensitivity analysis included in the financial statements of the year ended 31 December 2014.

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

(e) Liquidity risk

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

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

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

Specifically, for interest-bearing bank borrowings which contain a repayment on demand clause which can be exercised at the bank's sole discretion or are subject to demand for immediate repayment due to the Breach as set out in note 27, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lender was to invoke its unconditional rights to call the loan with immediate effect.

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year or on demand				
– Trade payables	**58,188**	31,667	**–**	–
– Accrued liabilities and other payables	**101,206**	68,480	**13,245**	1,181
– Dividend payables	**17,689**	–	**17,689**	–
– Amounts due to related companies	**6,203**	9,854	**–**	–
– Amount due to a subsidiary	**–**	–	**7,879**	7,847
– Interest-bearing bank borrowings	**531,173**	41,466	**531,173**	41,466
	714,459	151,467	**569,986**	50,494

The table that follows summarises the maturity analysis of interest-bearing bank borrowings with a repayment on demand clause or with certain covenants being breached (note 27) based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "within one year or on demand" time band in the maturity analysis above. Taking into account the Group's financial position, the Waiver obtained and the legal advice, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreement.

34. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

(e) Liquidity risk (Continued)

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**261,919**	41,873	**261,919**	41,873
More than one year but less than two years	**122,646**	–	**122,646**	–
More than two years but less than five years	**165,818**	–	**165,818**	–
Total contractual undiscounted cash flow	**550,383**	41,873	**550,383**	41,873

(f) Fair value

The fair values of the Group's financial assets and liabilities as at 31 December 2013 and 2014 were not materially different from their carrying amounts. Fair value estimates are made at a specific point in time and are based on relevant market information about the financial instruments.

35. CAPITAL MANAGEMENT

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

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

35. CAPITAL MANAGEMENT (CONTINUED)

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Total debts				
Trade payables	**58,188**	31,667	**–**	–
Accrued liabilities, other payables and deposits received	**205,310**	188,417	**13,245**	1,181
Dividend payables	**17,689**	–	**17,689**	–
Amounts due to related companies	**6,203**	9,854	**–**	–
Amount due to a subsidiary	**–**	–	**7,879**	7,847
Interest-bearing bank borrowings	**531,173**	41,466	**531,173**	41,466
	818,563	271,404	**569,986**	50,494
Less: Cash and bank balances	**(1,197,903)**	(565,473)	**(19,720)**	(960)
Net debts	**N/A**	N/A	**550,266**	49,534
Equity	**2,166,490**	1,967,963	**704,546**	779,306
Total debts to equity ratio	**N/A**	N/A	**78.10%**	6.36%

Financial Highlights

For the year ended 31 December 2014

	Year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Revenue	**2,778,948**	2,930,268	2,704,175	2,057,587	1,537,376
Cost of sales	**(2,222,516)**	(2,333,727)	(2,167,048)	(1,676,178)	(1,283,164)
Gross profit	**556,432**	596,541	537,127	381,409	254,212
Other income	**85,180**	80,767	54,204	46,426	26,577
Selling and distribution costs	**(251,204)**	(279,381)	(216,254)	(155,591)	(65,903)
Administrative expenses	**(65,789)**	(58,155)	(55,597)	(58,108)	(43,453)
Losses from fire	**–**	–	(26,248)	—	—
Other operating expenses	**(387)**	(2,606)	(1,477)	(954)	(480)
Finance costs	**(14,897)**	(488)	—	(876)	(2,851)
Profit before taxation	**309,335**	336,678	291,755	212,306	168,102
Income tax expense	**(43,056)**	(66,371)	(87,496)	(35,475)	(24,734)
Profit for the year attributable to owners of the Company	**266,279**	270,307	204,259	176,831	143,368
ASSETS AND LIABILITIES					
Total assets	**2,989,505**	2,250,978	1,724,383	1,545,636	1,330,211
Total liabilities	**(823,015)**	(283,015)	(196,383)	(195,142)	(142,945)
	2,166,490	1,967,963	1,528,000	1,350,494	1,187,266