

# 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)



Interim Report  
2 0 1 5



# CONTENTS

- 2** Corporate Information
- 3** Management Discussion and Analysis
- 15** Other Information
- 21** Report on Review of Interim Financial Information
- 22** Consolidated Income Statement
- 23** Consolidated Statement of Comprehensive Income
- 24** Consolidated Statement of Financial Position
- 25** Consolidated Statement of Changes In Equity
- 26** Condensed Consolidated Statement of Cash Flows
- 27** Notes to the Interim Financial Information

Expressed in Renminbi (“RMB”)

## 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

### 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

Cricket Square  
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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/>

## Management Discussion and Analysis

The board (the “Board”) of directors (the “Directors”) of Changshouhua Food Company Limited (the “Company”) is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2015 together with the relevant comparative figures.

### BUSINESS REVIEW

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

The Group recorded revenue of approximately RMB1,321.8 million for the six months ended 30 June 2015, representing a slight increase of approximately 0.8% over the revenue of RMB1,311.5 million for the six months ended 30 June 2014. Despite downward pressure in historical market price of China’s edible oil, the Group’s overall sales volume for own-brand edible oil increased by approximately 17.5%, which was achieved through (i) focusing gradually on sales of own-brand edible oil; (ii) brand product diversification; and (iii) the expansion and improvement in sales network. These efforts offset the adverse effect of decline in market selling price for China’s edible oil. In the future, the Group will focus more on developing its own-brand, and gradually reduce its revenue share for non-branded corn oil to meet in line with development policies of the Company for its long term benefits.

### Comparable Core Profit

The Group’s profit attributable to owners of the Company decreased by approximately 9.7% from approximately RMB118.8 million for the six months ended 30 June 2014 to approximately RMB107.3 million for the six months ended 30 June 2015. The decrease in profit is mainly attributable to the arrangement by the Group for the declaration of dividends by a domestic company to a foreign company in the first half of 2015 for the purpose of distributing the 2014 final dividends to the Shareholders, such declaration of dividends by the domestic company incurred 10% withholding income tax (approximately RMB10.0 million). Such declaration of the dividends in last year was made in the second half of 2014, which resulted in an increase in income tax expense for the first half of this year as compared with the corresponding period last year. Compared with the corresponding period last year, selling expenses increased by approximately RMB6.4 million mainly because the Group has strengthened its internal management and improved the estimation of accrual of selling expenses. Excluding the above withholding income tax (approximately RMB10.0 million) and the selling expenses after taxation (at 15% tax rate of approximately RMB5.5 million), the actual comparable core profit was approximately RMB122.8 million. Compared with corresponding period of last year (approximately RMB118.8 million), the Group’s comparable core profit for the six months ended 30 June 2015 increased by approximately 3.4% amid downward pressure in historical market price for China’s edible oil.

During the period under review, despite downward pressure in historical market price of China’s edible oil market, the Group continued promoting its brand image and recognition and continued to put greater efforts into the direct sales in first and second tier cities, while expanding the marketing channels in third and fourth tier cities through its distributors. Also, the Group increased its efforts in public relations to improve public awareness toward the brand of 長壽花 (Longevity Flower).

## Management Discussion and Analysis

The Group's long-term and enduring development depends on its mature and stable marketing and distribution network. During the six months ended 30 June 2015, two (2) new representative offices of the Group were set up in the PRC. As at 30 June 2015, the Group had a distribution network of 1,460 (31 December 2014: 1,397) wholesale distributors and 157 (31 December 2014: 156) retailers, covering all provincial-level administrative regions (except Tibet) of Mainland China.

For the six months ended 30 June 2015, despite the Group's sales of corn oil under its own-brand increased by approximately RMB8.1 million or 1.0%, its gross profit generated decreased by approximately RMB10.5 million or 3.9% because of the downward pressure in historical market price for China's corn oil. Sales volume of own-brand corn oil increased by approximately 6,385 tonnes or 8.7%, and sales volume of non-branded corn oil decreased by approximately 15,180 tonnes or 42.6% for the six months ended 30 June 2015 to 79,622 tonnes and 20,429 tonnes respectively, as compared with 73,277 tonnes and 35,609 tonnes for the six months ended 30 June 2014.

### FINANCIAL REVIEW

For the six months ended 30 June 2015, the Group recorded revenue of approximately RMB1,321.8 million (2014: RMB1,311.5 million), representing a slight increase of approximately 0.8%. For the six months ended 30 June 2015, the sales of (1) own-brand corn oil; (2) non-branded corn oil in bulk; (3) corn meal; and (4) other oil amounted to approximately RMB837.7 million, RMB144.7 million, RMB136.1 million and RMB203.4 million (2014: approximately RMB829.6 million, RMB249.8 million, RMB179.5 million and RMB52.6 million) respectively, and accounted for approximately 63.4%, 10.9%, 10.3% and 15.4% (2014: 63.3%, 19.0%, 13.7% and 4.0%) respectively of the Group's total revenue. Sales of the Group's products were made in the PRC for the six months ended 30 June 2014 and 2015. Other than the edible corn oil produced by ourselves and the own-brand rice germ oil which were developed by own technology and manufactured by third party, other own-brand edible oil and/or its raw material crude oil were purchased from outsiders.

## Management Discussion and Analysis

### Revenue and Gross Profit/(Loss)

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

	Six months ended 30 June 2015		Six months ended 30 June 2014	
	RMB'000	%	RMB'000	%
<b>Revenue</b>				
Corn oil				
– Own-brand corn oil	<b>837,669</b>	<b>63.4</b>	829,556	63.3
– Non-branded corn oil	<b>144,676</b>	<b>10.9</b>	249,755	19.0
Corn meal	<b>136,098</b>	<b>10.3</b>	179,498	13.7
Other oil	<b>203,403</b>	<b>15.4</b>	52,645	4.0
	<b>1,321,846</b>	<b>100.0</b>	1,311,454	100.0
<b>Gross profit/(loss)</b>				
Corn oil				
– Own-brand corn oil	<b>263,109</b>	<b>91.6</b>	273,654	94.3
– Non-branded corn oil	<b>5,658</b>	<b>2.0</b>	6,847	2.3
Corn meal	<b>(25,614)</b>	<b>(8.9)</b>	(7,820)	(2.7)
Other oil	<b>44,060</b>	<b>15.3</b>	17,626	6.1
	<b>287,213</b>	<b>100.0</b>	290,307	100.0
<b>Gross profit/(loss) ratio</b>				
Corn oil				
– Own-brand corn oil		<b>31.4</b>		33.0
– Non-branded corn oil		<b>3.9</b>		2.7
Corn meal		<b>(18.8)</b>		(4.4)
Other oil		<b>21.7</b>		33.5
Overall		<b>21.7</b>		22.1

## Management Discussion and Analysis

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

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

	For the six months ended 30 June	
	2015	2014
<b>Quantities sold (tonnes)</b>		
Own-brand corn oil	<b>79,662</b>	73,277
Non-branded corn oil	<b>20,429</b>	35,609
<b>Average selling price (RMB/tonne)</b>		
Own-brand corn oil	<b>10,515</b>	11,321
Non-branded corn oil	<b>7,082</b>	7,014
<b>Average unit cost of sales (RMB/tonne)</b>		
Own-brand corn oil	<b>7,212</b>	7,586
Non-branded corn oil	<b>6,805</b>	6,822

### Revenue

The revenue of the Group slightly increased by approximately RMB10.4 million or 0.8% from approximately RMB1,311.5 million for the six months ended 30 June 2014 to approximately RMB1,321.8 million for the six months ended 30 June 2015. Despite increase in the sales of own-brand corn oil by approximately RMB8.1 million or 1.0% and increase in the sales of other oil by approximately RMB150.8 million or 286.4%, the decrease in the sales of non-branded corn oil and the decrease in the sales of corn meal have offset against most revenue growth.

The sales volume of own-brand corn oil increased from 73,277 tonnes for the six months ended 30 June 2014 to 79,662 tonnes for the six months ended 30 June 2015, representing an increase of approximately 8.7%. The increase in sales volume of own-brand corn oil was mainly due to the increasing demand resulting from: (i) the Group's expanded distribution network to the counties, townships and communities, (ii) the Group's well-recognised brand of 長壽花 (Longevity Flower) by consumers and (iii) the widely accepted concept of "corn oil is healthy edible oil". Despite decrease in average selling price of own-brand corn oil, which was affected by the falling market price of edible oil in the first half of 2015, from RMB11,321 per tonne for the six months ended 30 June 2014 to RMB10,515 per tonne for the six months ended 30 June 2015, representing a decrease of approximately 7.1%, the revenue of own-brand corn oil increased by approximately 1.0%.

The sales volume of non-branded corn oil in bulk decreased by approximately 15,180 tonnes or 42.6% from 35,609 tonnes for the six months ended 30 June 2014 to 20,429 tonnes for the six months ended 30 June 2015. As the Group will focus its development on own-brand corn oil, sales for non-branded corn oil will be reduced gradually, making way for sales of own-brand corn oil. The average selling price of non-branded corn oil increased by approximately 1.0% from RMB7,014 per tonne for the six months ended 30 June 2014 to RMB7,082 per tonne for the six months ended 30 June 2015. The significant decrease in sales volume resulted in a decrease of approximately 42.1% in the overall sales of non-branded corn oil.

## Management Discussion and Analysis

The sales of other oil for the six months ended 30 June 2015 mainly comprised sales of sunflower seed oil, peanut oil, rice germ oil and olive oil. The sales volume of other oil significantly increased by approximately 16,618 tonnes or 409.3% from 4,060 tonnes for the six months ended 30 June 2014 to 20,678 tonnes for the six months ended 30 June 2015, which was mainly due to the expansion of sales network as well as the increasing influence of the Group's brand of 長壽花 (Longevity Flower). The overall average selling price of other oil decreased by approximately 24.1% from RMB12,967 per tonne for the six months ended 30 June 2014 to RMB9,837 per tonne for the six months ended 30 June 2015, which was mainly affected by the falling market price of edible oil in the first half of 2015. During the period under review, the overall sales of other oil increased significantly by approximately 286.4%, while total revenue for other own-brand edible oil increased by 1.7 times as compared with last year.

The sales of corn meal decreased by approximately RMB43.4 million or 24.2% from RMB179.5 million for the six months ended 30 June 2014 to RMB136.1 million for the six months ended 30 June 2015, which was mainly attributable to the decrease in selling price of corn meal by approximately 26.0% from RMB1,789 for the six months ended 30 June 2014 to RMB1,324 for the six months ended 30 June 2015.

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

The gross profit for the six months ended 30 June 2015 was approximately RMB287.2 million (2014: RMB290.3 million) with gross profit margin of approximately 21.7% (2014: 22.1%), of which gross profit/(loss) margin for the sales of (i) own-brand corn oil, (ii) non-branded corn oil in bulk, (iii) corn meal, and (iv) other oil were approximately 31.4%, 3.9%, (18.8)% and 21.7% (2014: 33.0%, 2.7%, (4.4)% and 33.5%) respectively.

The Group's gross profit margin of own-brand corn oil decreased from approximately 33.0% for the six months ended 30 June 2014 to approximately 31.4% for the six months ended 30 June 2015, which was mainly due to the decrease of approximately 7.1% in average selling price of own-brand corn oil which offset the decrease of approximately 4.9% in the average unit cost of sales during the period.

The gross profit margin for non-branded corn oil slightly increased from approximately 2.7% for the six months ended 30 June 2014 to approximately 3.9% for the six months ended 30 June 2015, which was mainly due to the slight increase in average selling price of non-branded oil in the first half of the year.

The gross loss margin of corn meal deteriorated from approximately (4.4)% for the six months ended 30 June 2014 to approximately (18.8)% for the six months ended 30 June 2015 which was mainly due to the decrease in average selling price.

The overall gross profit margin of other oil dropped from approximately 33.5% for the six months ended 30 June 2014 to approximately 21.7% for the six months ended 30 June 2015, which was mainly due to the decrease in its average selling price by approximately 24.1%. For the six months ended 30 June 2015, gross profit margin remained steady for other own-brand edible oil:

<b>Gross profit margin</b>	
Own-brand olive oil	52.8%
Own-brand rice germ oil	43.5%
Own-brand sunflower seed oil	33.7%
Own-brand peanut oil	13.6%



## Management Discussion and Analysis

Among various own-brand edible oil, own-brand peanut oil has recorded a significant drop in gross profit margin because of surging cost in the raw material peanuts. However, sales for own-brand peanut oil was outstanding. Total revenue for other own-brand edible oil increased by 1.7 times as compared with last year. Own-brand rice germ oil will be one of the Group's key new healthy edible oil, and the newly packaged rice germ oil, which contains 13,800ppm oryzanol, will be launched directly to all first and second-tier cities by the end of 2015.

Despite downward pressure in historical market selling price of China's edible oil, the Group strengthened its direct sales effort in first and second-tier cities by focusing on selling own-brand edible oil to maintain the overall gross profit margin at a certain level.

### Cost of Sales

Cost of sales mainly included costs of raw materials, direct labour and manufacturing overhead. Direct labour costs included wages and other compensation paid to production workers. Manufacturing overhead included depreciation, freight costs, electricities and steam power, indirect labour and oil bags expenses. The costs of raw materials constituted the largest component of total cost of sales and accounted for approximately 90.0% of total cost of sales for the six months ended 30 June 2015 (2014: 90.5%).

### Other Income

Other income for the six months ended 30 June 2015 was approximately RMB37.1 million (2014: RMB29.1 million), which mainly comprised: (i) sales of scrap materials of approximately RMB12.5 million (2014: RMB15.4 million), (ii) bank and other interest income of approximately RMB17.4 million (2014: RMB5.1 million), (iii) short term investment income of nil (2014: RMB6.7 million), and (iv) government grants of approximately RMB5.5 million (2014: RMB1.5 million). The increase in other income during the six months ended 30 June 2015 was mainly due to the increase of interest income.

### Selling and Distribution Expenses

Selling and distribution expenses increased from approximately RMB130.0 million for the six months ended 30 June 2014 to approximately RMB136.5 million for the six months ended 30 June 2015. Compared with the corresponding period last year, selling expenses increased by approximately RMB6.4 million mainly because the Group has strengthened its internal management and improved the estimation of accrual of selling expenses. Selling and distribution expenses mainly comprised: (i) carriage and transportation charges of approximately RMB14.6 million (2014: RMB17.5 million), (ii) advertising and marketing expenses of approximately RMB23.7 million (2014: RMB30.1 million), (iii) expenses of representative offices of approximately RMB40.7 million (2014: RMB29.8 million), and (iv) sales staff costs of approximately RMB32.1 million (2014: RMB35.9 million).

The Group has set up two (2) new representative offices during the six months ended 30 June 2015 and expanded its marketing and distribution network to more cities in the PRC by increasing the number of wholesale distributors to 1,460 (31 December 2014: 1,397) for the six months ended 30 June 2015. Therefore, expenses of representative offices increased during the period.

Advertising and marketing expenses decreased in the first half of 2015 mainly due to optimisation of advertising efforts. The number of advertisements was reduced in regions with poor advertising effectiveness. The decrease in sales staff costs of approximately RMB3.8 million was mainly due to distributors were hiring their own sales staff directly.

## Management Discussion and Analysis

The management of the Group is confident that the continuous investments by the Group in the brand advertising campaigns and the expansion of distribution network for the six months ended 30 June 2015 will result in better sales performance and contribute to the Group's long-term expansion in the future.

### Administrative Expenses

Administrative expenses of approximately RMB36.1 million (2014: RMB34.4 million) mainly comprised: (i) administrative staff costs of approximately RMB8.4 million (2014: RMB6.4 million), (ii) depreciation expenses of approximately RMB8.7 million (2014: RMB6.5 million), (iii) other taxes of approximately RMB7.3 million (2014: RMB4.5 million), and (iv) legal and professional fees of approximately RMB2.6 million (2014: RMB1.2 million).

The increase in other taxes of approximately RMB2.8 million was mainly due to an increase in the Group's sales volume which resulted in a higher value-added tax and increase in urban maintenance and construction tax and education supplementary tax, which were required to be paid during the six months ended 30 June 2015.

The increase in legal and professional fees of approximately RMB1.4 million was mainly due to certain non-recurring consultancy fees for professional services.

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

The Group recorded profit before income tax of approximately RMB143.1 million for the six months ended 30 June 2015 (2014: RMB147.2 million), representing a decrease of approximately 2.7%. The Group's profit attributable to owners of the Company decreased by approximately 9.7% from approximately RMB118.8 million for the six months ended 30 June 2014 to approximately RMB107.3 million for the six months ended 30 June 2015.

The net profit margin of the Group for the six months ended 30 June 2015 was approximately 8.1% (2014: 9.1%). The basic earnings per share attributable to owners of the Company amounted to approximately RMB18.71 cents for the six months ended 30 June 2015 (2014: RMB20.72 cents).

The decrease in net profit margin was mainly due to the increase of selling and distribution cost and income tax expense during the six months ended 30 June 2015. The decrease in basic earnings per share attributable to owners of the Company was mainly due to the decrease in profit.

### Income tax expense

For the six months ended 30 June 2015, the income tax expense of the Group amounted to approximately RMB35.8 million (for the six months ended 30 June 2014: RMB28.3 million). For the purpose of distributing the 2014 dividends to the Shareholders, the Group has arranged for the declaration of dividends by a domestic company to a foreign company in the first half of 2015, such declaration of the dividends from the domestic company incurred 10% withholding income tax (RMB10.0 million). Such declaration of dividends in last year was made in the second half of 2014, which resulted in an increase for the six months ended 30 June 2015 as compared with the corresponding period last year. Excluding such withholding income tax of approximately RMB10.0 million, the actual comparable income tax expense should be approximately RMB25.8 million.

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

As at 30 June 2015, deposits paid for acquisition of property, plant and equipment and land use rights amounted to approximately RMB20.3 million (31 December 2014: RMB53.9 million).

## Management Discussion and Analysis

### Trade and Notes Receivables

As at 30 June 2015, trade and notes receivables totalled to approximately RMB387.8 million (31 December 2014: RMB407.1 million) comprising trade receivables of approximately RMB385.7 million (31 December 2014: RMB407.1 million) and notes receivables of approximately RMB2.1 million (31 December 2014: Nil). The decrease in trade receivables was mainly due to the extra effort made on the collection of receivables during the second quarter of 2015.

### Prepayments, Deposits and Other Receivables

As at 30 June 2015, prepayments, deposits and other receivables amounted to approximately RMB94.9 million (31 December 2014: RMB80.2 million) which mainly comprised: (i) deposits paid for purchase of raw materials of approximately RMB46.7 million (31 December 2014: RMB31.5 million); (ii) prepayment paid for advertising expenses of approximately RMB7.1 million (31 December 2014: RMB0.7 million); (iii) other receivables of approximately RMB38.6 million (31 December 2014: RMB45.6 million). The significant increase in the deposits paid for purchase of raw materials was mainly due to the increase in purchase orders made to meet production needs in the coming months.

## FIVE-YEAR BUSINESS DEVELOPMENT PLAN (2016-2020) – A HEALTHY BRAND FOCUSING ON MEDIUM AND HIGH END MARKETS

In recent years, the Group has been operating amid downward pressure in market price of China's edible oil. In response to the ever changing China's edible oil industry, we have formulated plans and are well-prepared for the business development in the next three to five years, in order for our business model to better cope with future challenges. In recent years, we have built the brand image of 長壽花 (Longevity Flower) and expanded our sales and distribution network, corn oil sales volume has been growing steadily, all of which helped the Group to establish its market leading position and share in China's edible oil market. We have also increased our efforts in public relations to improve recognition towards the brand of 長壽花 (Longevity Flower). Furthermore, the Group has also invested in scientific research on edible oil to ensure an advanced level of quality in products for the 長壽花 (Longevity Flower) brand in the PRC can be maintained.

Other than solidifying our advantages set out above, we have formulated a three/five year business development plan that concentrates on three major topics as follows:

### 1. Brand upgrading

The brand image of 長壽花 (Longevity Flower) as a healthy product in medium and high end markets is further enhanced through the concept of Changshouhua corn oil as healthy edible oil:

#### **Revamp of the brand image of 長壽花 (Longevity Flower)**

The Group will gradually review existing advertisements in the next couple of years and make appropriate adjustments. We plan to re-brand the image of 長壽花 (Longevity Flower) through the producing of all-new commercials and advertising slogans by the end of the year.

#### **Introducing a new spokesperson in line with future promotions of new product**

The Group is in preparation of introducing a new spokesperson for the brand of 長壽花 (Longevity Flower). Drawing on the new Changshouhua spokesperson's credibility and healthy image, a series of new 長壽花 (Longevity Flower) brand products will be promoted to medium and high end consumers (including young families, lifestyle pursuers, etc.).

## Management Discussion and Analysis

### ***Review and change packaging on a regular basis***

Packaging with different appearances and capacities are designed accordingly with respect to different branded products of 長壽花 (Longevity Flower). The packaging are reviewed and changed on a regular basis to provide fresh experience to consumers. We hope that the brand image of 長壽花 (Longevity Flower) remains young and vibrant.

### ***Organise marketing events in major annual festivals***

The Group does not organise marketing events in major annual festivals (such as Lunar New Year, Mother's Day, Father's Day, Mid-Autumn Festival, etc.) purely with an eye to increase turnover, but also to promote, through organising marketing events in major annual festivals, the newly packaged Changshouhua rice germ oil to consumers and educate them about Changshouhua's healthy product image.

### ***Strengthen efforts on advertising campaigns***

In line with new products that will be launched in the future as well as a new spokesperson, the Group will strengthen its effort in online video advertising (including film, television, and network, etc.), outdoor media advertising (including station signs for public transports, public transport vehicles and billboards, etc.), newspaper, radio advertising and other forms of advertising campaign (such as Changshouhua's public relations events) in the future.

## **2. Product diversification**

In addition to maintaining Changshouhua's leading status in corn oil, we will leverage on the Group's sales network and brand advantages, introduce different type of healthy edible oil and attract more potential consumers in order to further enhance our revenue:

### ***Changshouhua rice germ oil***

Being one of the Group's future emphases, this healthy edible oil is culled from rice of excellent quality produced in mainland China. It is refined by physical refining process and is rich in oryzanol, vitamin E and phytocholesterols. The newly packaged rice germ oil, which contains 13,800ppm oryzanol, is sold directly to all first and second-tier cities before the end of 2015, and then gradually extended to wholesale distributor network.

### ***Changshouhua rapeseed oil***

Rapeseed oil is very popular in mainland China with huge market opportunities. The Group will introduce distinctive rapeseed oil product in the next five years (such as grade one rapeseed oil which is rich in nutrition and the sesame flavoured rapeseed oil which contains a unique taste) and focus on high-quality and distinctive rapeseed oil products.

### ***Changshouhua peanut oil/olive oil/sunflower seed oil***

The Group continues to enrich consumer's choice by introducing other healthy oil and grease products such as peanut oil, sunflower seed oil and olive oil, to complement with the edible oil products under the brand of 長壽花 (Longevity Flower) brand.

## Management Discussion and Analysis

### ***Food products under the Changshouhua Kitchen series***

According to Chinese saying, the “open door seven items” (or seven necessities) are firewood, rice, oil, salt, sauce, vinegar and tea, respectively. The Group hopes to introduce other non-edible oil products gradually within the next five years. Other than existing edible oil, the Group, through its high-end and healthy image of 長壽花 (Longevity Flower), will provide medium and high-end consumers group the seven necessities they needed. The Group plans to establish a series of food products known as “Changshouhua Kitchen”, and introduce other non-edible oil products in the next five years.

### **3. Expand and optimise sales network**

For the six months ended 30 June 2015, the Group’s distribution network consists of 1,460 wholesale distributors and 157 retailers, covering all provincial level administrative regions in mainland China (except Tibet) with approximately 170,000 sales locations. The Group’s future objective is to gradually expand its distribution network toward all counties, townships and communities in the PRC.

#### ***Expansion in sales channel cooperation***

The Group will focus on selling directly to retailers in first and second-tier Chinese cities in the next five years with an aim to improve gross profit margin.

In addition to the continuous close cooperation with retailers and the promotion of a cooperative alliance model, the Group also reviews and optimises the layout of traditional sales channel on a regular basis, such as extending its cooperation with small and medium sized supermarket stores, reviewing the list of partner dealers regularly and introduces new cooperative dealers, improving the coverage rate in sales terminals.

Combining e-commerce with internet represents a major future trend. As such, online sales channel are gradually developed by the Group as well.

In addition, the Group plans to implement the “Changshouhua Kitchen” project within the next three years, which will be launched partially in the market by means of tie-in sales, by leveraging on the advantages of directly operated supermarkets and hypermarkets. Not only can it improve gross profit margin, but it also provides a one-stop shopping experience of healthy kitchen supplies for consumers.

#### ***Sales network layout in specific regions and expansion***

The Group aims to realise the potential of third and fourth-tier Chinese cities in the next three years and further its network expansion as well as make improvement in coverage rate on the basis that Changshouhua dealers are located in basically all Chinese county-level cities.

The Group generates sales revenue from seven major regions including Zhejiang Province, Shandong Province, Beijing and Tianjin area, Guangdong Province, Hubei Province, Chongqing and Northeast China, and enjoys a dominant leading position in the corn edible oil market in terms of market share. In the future, the Group will concentrate its resources in brand development and in cooperating with directly operated supermarkets and hypermarkets, thus solidifying its dominant leading position.

## Management Discussion and Analysis

On the other hand, Henan Province, Hebei Province, Jiangsu Province, Shanxi Province and Sichuan Province are the five key development and promotional regions for the Group in the next five years. In these markets, the Group will adopt a policy in which wholesalers are to take on a direct role to ensure a more effective and extensive sales network, while guaranteeing that products can be reached to target consumers.

### CAPITAL STRUCTURE

The Company's issued share capital as at 30 June 2015 is HK\$57,356,000, divided into 573,560,000 shares of HK\$0.1 each.

The Group adopts a prudent treasury policy. Its gearing ratio (calculated as total borrowings divided by the amount of shareholders' equity) as at 30 June 2015 was 25.2% (31 December 2014: 24.5%). The current ratio (calculated as current assets divided by current liabilities) as at 30 June 2015 was 2.3 times (31 December 2014: 2.3 times). The Group continues to monitor stringent debt collection policy so as to minimise the risks of sales on credit and to ensure that funds are timely collected.

### LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2015, the Group's borrowings, which are repayable within five years, amounted to approximately RMB550.5 million (31 December 2014: RMB531.2 million). The Group's cash and bank balances and pledged bank deposits amounted to approximately RMB1,208.0 million (31 December 2014: RMB1,242.9 million).

### MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any material acquisition or disposal of subsidiaries or associates during the six months ended 30 June 2015.

### EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE

Most transactions of the Group are settled in RMB since the operations of the Group are mainly carried out in the PRC, and the major subsidiaries of the Group are operating under 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 interest-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.

### PLEDGE ON GROUP ASSETS

As at 30 June 2015, the Group had pledged bank deposits amounted to approximately RMB45.0 million (31 December 2014: RMB45.0 million).

### CAPITAL COMMITMENTS AND OPERATING LEASE COMMITMENTS

The Group had capital commitment of approximately RMB32.0 million as at 30 June 2015 (31 December 2014: RMB27.8 million) which mainly represented commitments made for the construction of the new production plant in Hangzhou, as well as the purchase of the new production machinery and equipment during the period under review. The Group had operating lease commitments of approximately RMB2.4 million in respect of leased properties as at 30 June 2015 (31 December 2014: RMB3.0 million).

## Management Discussion and Analysis

### EMPLOYEE BENEFITS AND REMUNERATION POLICIES

As at 30 June 2015, the Group had a total of 3,922 employees (31 December 2014: 4,472). The employees of the Group were remunerated based on their experience, qualifications, the Group's results and the market condition. During the period under review, staff costs (including Directors' remunerations) amounted to approximately RMB51.5 million (30 June 2014: RMB52.1 million). Staff costs accounted for approximately 3.9% of the Group's turnover (30 June 2014: 4.0%) during the period under review.

Moreover, a 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 six months ended 30 June 2015, no share options were granted and no share options were exercised within the exercise period. Upon expiry of the exercise period on 13 May 2015, 4,000,000 share options granted to 5 executive Directors lapsed. The Directors believe that the compensation packages offered by the Group to staff members are competitive in comparison with market standards and practices.

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

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for (i) the share options granted to the Directors under the Scheme; and (ii) the derivative interests from the two sets of zero coupon secured exchangeable bond due 2018, which were to be disclosed under the section headed "DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES", at no time during the six months ended 30 June 2015 was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of shares in, or debt securities, including debentures, of the Company or any other body corporate.

### SIGNIFICANT INVESTMENTS HELD

There were no significant investments held by the Company as at 30 June 2015.

### CONTINGENT LIABILITIES

As at 30 June 2015, the Group did not have any material contingent liabilities.

### INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2015 (30 June 2014: Nil).

### SEGMENTAL INFORMATION

Details of segmental information of the Group as at 30 June 2015 are set out in note 4 to the interim financial information.

## Other Information

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

As at 30 June 2015, the interests or short position 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 (Chapter 571, Laws of Hong Kong) (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code"), 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%
	Interest of controlled corporation	Long position	30,000,000 (Note 2)	5.23%
	Beneficial owner	Long position	5,996,000	1.05%
Mr. Wang Mingfeng	Interest of controlled corporations	Long position	269,037,249 (Note 1)	46.91%
	Interest of controlled corporation	Long position	30,000,000 (Note 2)	5.23%
Mr. Wang Mingliang	Interest of controlled corporations	Long position	269,037,249 (Note 1)	46.91%
	Interest of controlled corporation	Long position	30,000,000 (Note 2)	5.23%

Notes:

- Mr. Wang Mingxing, Mr. Wang Mingfeng and Mr. Wang Mingliang are deemed to be interested in 269,037,249 shares of the Company ("Shares"), held by SanXing Trade Co., Ltd. ("Sanxing Trade"), whereby Sanxing Trade is wholly-owned by Zouping Sanxing Grease Industry Company Limited ("Sanxing Grease"), which is wholly-owned by Shandong Sanxing Group Company Limited ("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.
- 30,000,000 Shares were derived from the two sets of zero coupon secured exchangeable bond due 2018 ("Exchangeable Bonds") pursuant to the Subscription Agreements dated 30 April 2015. The relevant details are set out in the announcement made by the Company dated 30 April 2015.



## Other Information

### 2. Interests in associated corporations

<b>Name of Director</b>	<b>Name of associated corporations</b>	<b>Nature of Interest</b>	<b>Long position/ Short position</b>	<b>Approximate percentage of shareholding in the associated corporation</b>
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%
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%
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%

Save as disclosed above, none of the Directors or chief executive of the Company or their respective associates, had any interests or short position in the shares, underlying shares or debentures of the Company or its associated corporations which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2015.

## Other Information

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, the interests or short positions of every person, other than Directors or chief executives of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out as follows:

<b>Name of Shareholder</b>	<b>Nature of interest</b>	<b>Long position/ Short position</b>	<b>Number of Shares/ underlying shares</b>	<b>Approximate percentage of shareholding in the Company</b>
Sanxing Trade <i>(Note 1)</i>	Beneficial owner	Long position	299,037,249	52.14%
Sanxing Grease <i>(Note 1)</i>	Interest of controlled corporations	Long position	299,037,249	52.14%
Shandong Sanxing <i>(Note 1)</i>	Interest of controlled corporations	Long position	299,037,249	52.14%
China Precious Metal Resources Holdings Co., Ltd <i>(Note 2)</i>	Interest of controlled corporations	Long position	108,621,000	18.94%
	Interest of controlled corporations	Short position	30,000,000	5.23%
UBS Group AG <i>(Note 3)</i>	Interest of controlled corporations	Long position	30,896,000	5.39%
	Interest of controlled corporations	Short position	5,066,000	0.88%

## Other Information

### Notes:

1. 299,037,249 Shares were held by Sanxing Trade of which 30,000,000 Shares were derived from the Exchangeable Bonds. Sanxing Trade 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 299,037,249 Shares pursuant to the SFO.
2. 10,223,000 ordinary shares were held by Munsun China Opportunity Investment Fund, 3,082,000 ordinary shares were held by Munsun China Growth Fund, 20,159,000 ordinary shares and 10,105,000 short positions were held by Munsun Absolute Fund, 43,331,000 ordinary shares were held by Munsun Umbrella Trust- Munsun Agriculture and Consumer Fund, 1,248,000 ordinary shares were held by Munsun Umbrella Trust- Munsun Financial II Fund, 371,000 ordinary shares were held by Munsun Umbrella Trust- Munsun New Technology Fund, 10,312,000 were held by Munsun Umbrella Trust- Munsun Stable Growth Fund and 19,895,000 ordinary shares and 19,895,000 short positions were held by Munsun Financial Investment Fund LP, all of the above mentioned fund companies are wholly owned by Munsun Asset Management (Asia) Ltd ("Munsun Asia"), whereas Munsun Asia is wholly owned by Munsun Assets Management Ltd ("Munsun Management"), and Munsun Management is wholly-owned by China Precious Metal Resources Holdings Co., Ltd. ("China Precious Metal"). Therefore, China Precious Metal is deemed to be interested in the 108,621,000 ordinary shares and deemed to hold the 30,000,000 short positions 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 deemed to hold the 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 position in the shares or underlying shares of the Company as at 30 June 2015.

## SHARE OPTION SCHEME

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

## Other Information

Details of movements in the Company's share options during the six months ended 30 June 2015 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 2015	Granted/ (Lapsed) during the period	Exercised during the period	Outstanding at 30 June 2015
<b>Directors</b>								
Mr. Wang Mingxing	14 May 2010	14 May 2010 to 13 May 2011	14 May 2011 to 13 May 2015	5.4	400,000	(400,000)	-	-
		14 May 2011 to 13 May 2012	14 May 2012 to 13 May 2015	5.4	400,000	(400,000)	-	-
Mr. Wang Mingfeng	14 May 2010	14 May 2010 to 13 May 2011	14 May 2011 to 13 May 2015	5.4	400,000	(400,000)	-	-
		14 May 2011 to 13 May 2012	14 May 2012 to 13 May 2015	5.4	400,000	(400,000)	-	-
Mr. Wang Mingliang	14 May 2010	14 May 2010 to 13 May 2011	14 May 2011 to 13 May 2015	5.4	400,000	(400,000)	-	-
		14 May 2011 to 13 May 2012	14 May 2012 to 13 May 2015	5.4	400,000	(400,000)	-	-
Mr. 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)	-	-

As at 30 June 2015, the grantees did not exercise the share options within the exercise period. Therefore, 4,000,000 share options lapsed during the period.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2015.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors had complied with the required standard set out in the Model Code during the six months ended 30 June 2015.

## Other Information

### CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. During the six months ended 30 June 2015, the Company has been in compliance with the relevant code provisions set out in the CG Code except for the deviation from code provision A.2.1 which is explained below.

Code provision A.2.1 of the CG Code requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Wang Mingxing, the Chairman of the Company, is also 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 the current Board which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive Directors.

Save as the aforesaid and in the opinion of the Directors, the Company has been in compliance with the relevant code provisions set out in the CG code during the six months ended 30 June 2015.

### AUDIT COMMITTEE

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

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and addressing any issues regarding 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 the sufficiency of staff training programmes and related budget) and the internal control procedures.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Wang Aiguo (as chairman), Mr. Wang Ruiyuan and Mr. Liu Shusong. The Audit Committee has reviewed the unaudited interim financial report of the Group for the six months ended 30 June 2015.

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

Hong Kong, 28 August 2015

# Report on Review of Interim Financial Information



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

*(incorporated in the Cayman Islands with limited liability)*

### Introduction

We have reviewed the interim financial information set out on pages 22 to 40 which comprises the consolidated statement of financial position of Changshouhua Food Company Limited as of 30 June 2015 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34.

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

21

### Scope of review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

### BDO Limited

*Certified Public Accountants*

### Lo Ngai Hang

Practising Certificate Number P04743

Hong Kong, 28 August 2015

## Consolidated Income Statement

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 (unaudited) RMB'000	2014 (unaudited) RMB'000
<b>Revenue</b>	5	<b>1,321,846</b>	1,311,454
Cost of sales		<b>(1,034,633)</b>	(1,021,147)
<b>Gross profit</b>		<b>287,213</b>	290,307
Other income	5	<b>37,104</b>	29,108
Selling and distribution expenses		<b>(136,474)</b>	(130,037)
Administrative expenses		<b>(36,096)</b>	(34,399)
Other operating expenses		<b>(189)</b>	(83)
<b>Profit from operations</b>	6	<b>151,558</b>	154,896
Finance costs	7	<b>(8,437)</b>	(7,746)
<b>Profit before taxation</b>		<b>143,121</b>	147,150
Income tax expense	8	<b>(35,817)</b>	(28,336)
<b>Profit for the period</b>		<b>107,304</b>	118,814
		<b>RMB cents</b>	RMB cents
<b>Earnings per share for profit attributable to the owners of the Company during the period</b>	9		
– Basic		<b>18.708</b>	20.715
– Diluted		<b>N/A</b>	20.664

## Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2015

Six months ended 30 June

2015	2014
(unaudited)	(unaudited)
RMB'000	RMB'000

<b>Profit for the period</b>	<b>107,304</b>	118,814
<b>Other comprehensive income that may be reclassified subsequently to profit or loss:</b>		
Exchange (loss)/gain on translation of financial statements of foreign operations	<b>(120)</b>	91
Other comprehensive income for the period, net of tax	<b>(120)</b>	91
<b>Total comprehensive income for the period attributable to owners of the Company</b>	<b>107,184</b>	118,905



# Consolidated Statement of Financial Position

As at 30 June 2015

	Notes	30 June 2015 (unaudited) RMB'000	31 December 2014 (audited) RMB'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	790,412	793,338
Land use rights		171,600	139,102
Goodwill	19	62,762	62,762
Pledged bank deposits	13	–	45,000
Deposits paid for acquisition of capital assets and land use rights		20,339	53,895
		<b>1,045,113</b>	1,094,097
<b>Current assets</b>			
Inventories		289,558	206,480
Trade and notes receivables	12	387,790	407,131
Prepayments, deposits and other receivables		94,922	80,243
Amounts due from related companies		4,931	3,651
Pledged bank deposits	13	45,000	–
Cash and bank balances	13	1,162,960	1,197,903
		<b>1,985,161</b>	1,895,408
<b>Current liabilities</b>			
Trade payables	14	51,936	58,188
Accrued liabilities, other payables and deposits received		185,765	205,310
Dividend payables		44,286	17,689
Amounts due to related companies		11,784	6,203
Borrowings	15	550,473	531,173
Tax payables		3,122	4,452
		<b>847,366</b>	823,015
<b>Net current assets</b>		<b>1,137,795</b>	1,072,393
<b>Net assets/Total assets less current liabilities</b>		<b>2,182,908</b>	2,166,490
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	16	50,109	50,109
Reserves		2,132,799	2,116,381
<b>Total equity</b>		<b>2,182,908</b>	2,166,490

## Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	Share capital	Share premium	Share option reserve	Other reserves	Capital reserve	Merger reserve	Translation reserve	Proposed final dividend	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2014</b>	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)
Transactions with owners	-	-	-	-	-	-	-	(67,790)	-	(67,790)
Profit for the period	-	-	-	-	-	-	-	-	118,814	118,814
Other comprehensive income										
- Exchange gain on translation of financial statements of foreign operations	-	-	-	-	-	-	91	-	-	91
Total comprehensive income for the period	-	-	-	-	-	-	91	-	118,814	118,905
<b>At 30 June 2014 (unaudited)</b>	<b>50,109</b>	<b>621,583</b>	<b>6,064</b>	<b>126,779</b>	<b>53,941</b>	<b>69,131</b>	<b>1,862</b>	<b>-</b>	<b>1,089,609</b>	<b>2,019,078</b>
<b>At 1 January 2015</b>	<b>50,109</b>	<b>530,817</b>	<b>6,064</b>	<b>158,979</b>	<b>53,941</b>	<b>69,131</b>	<b>1,809</b>	<b>90,766</b>	<b>1,204,874</b>	<b>2,166,490</b>
2014 final dividend declared	-	-	-	-	-	-	-	(90,766)	-	(90,766)
Transactions with owners	-	-	-	-	-	-	-	(90,766)	-	(90,766)
Profit for the period	-	-	-	-	-	-	-	-	107,304	107,304
Other comprehensive income										
- Exchange loss on translation of financial statements of foreign operations	-	-	-	-	-	-	(120)	-	-	(120)
Total comprehensive income for the period	-	-	-	-	-	-	(120)	-	107,304	107,184
Lapse of share options	-	-	(6,064)	-	-	-	-	-	6,064	-
<b>At 30 June 2015 (unaudited)</b>	<b>50,109</b>	<b>530,817</b>	<b>-</b>	<b>158,979</b>	<b>53,941</b>	<b>69,131</b>	<b>1,689</b>	<b>-</b>	<b>1,318,242</b>	<b>2,182,908</b>

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 (unaudited) RMB'000	2014 (unaudited) RMB'000
<b>Net cash generated from operating activities</b>	<b>41,811</b>	148,686
<b>Net cash used in investing activities</b>	<b>(423,328)</b>	(66,953)
<b>Net cash (used in)/generated from financing activities</b>	<b>(53,306)</b>	386,293
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(434,823)</b>	468,026
<b>Cash and cash equivalents at beginning of the period</b>	<b>1,197,903</b>	565,473
Effect of foreign exchange rate changes on cash and cash equivalents	(120)	91
<b>Cash and cash equivalents at end of the period</b>	<b>762,960</b>	1,033,590

# Notes to the Interim Financial Information

*For the six months ended 30 June 2015*

## 1. GENERAL CORPORATE INFORMATION

Changshouhua Food Company Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands on 9 September 2009. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company and its subsidiaries (the “Group”) is located at Handian Industrial Park, Zouping County, Shandong 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 “Stock Exchange”) since 18 December 2009.

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are the production and sale of edible oil, crude oil and corn meal.

The interim financial information for the six months ended 30 June 2015 was approved and authorised for issue by the board of directors on 28 August 2015.

## 2. BASIS OF PREPARATION

The interim financial information for the six months ended 30 June 2015 has been prepared in accordance with International Accounting Standard 34 “Interim financial reporting” issued by the International Accounting Standards Board (the “IASB”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

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

The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2014.

## 3. ACCOUNTING POLICIES

The accounting policies used in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2014, except for the adoption of the standards, amendments and interpretations issued by the IASB mandatory for annual periods beginning on or after 1 January 2015. The effect of the adoption of these standards, amendments and interpretations was not material to the Group’s results of operations or financial position.

## Notes to the Interim Financial Information

For the six months ended 30 June 2015

### 4. SEGMENT INFORMATION

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

The business components in the internal reporting to the executive directors are determined following the Group's major products and service lines which are production and sale of (i) Corn oil, including non-branded corn oil and own brand corn oil; (ii) Other oils, mainly refined edible sunflower seed oil, 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 International Financial Reporting Standards financial statements. There have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

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

	Six months ended 30 June 2015				
	Corn oil				Total RMB'000 (unaudited)
	Non- branded RMB'000 (unaudited)	Own brand RMB'000 (unaudited)	Other oil RMB'000 (unaudited)	Corn meal RMB'000 (unaudited)	
Revenue from external customers	144,676	837,669	203,403	136,098	
<b>Reportable segment revenue</b>	<b>144,676</b>	<b>837,669</b>	<b>203,403</b>	<b>136,098</b>	<b>1,321,846</b>
<b>Reportable segment profit/(loss)</b>	<b>5,658</b>	<b>263,109</b>	<b>44,060</b>	<b>(25,614)</b>	<b>287,213</b>
<b>Depreciation</b>	<b>3,918</b>	<b>16,192</b>	<b>4,490</b>	<b>4,557</b>	<b>29,157</b>

## Notes to the Interim Financial Information

For the six months ended 30 June 2015

### 4. SEGMENT INFORMATION (Continued)

	Six months ended 30 June 2014				
	Corn oil				Total RMB'000 (unaudited)
	Non- branded RMB'000 (unaudited)	Own brand RMB'000 (unaudited)	Other oil RMB'000 (unaudited)	Corn meal RMB'000 (unaudited)	
Revenue from external customers	249,755	829,556	52,645	179,498	
<b>Reportable segment revenue</b>	249,755	829,556	52,645	179,498	1,311,454
<b>Reportable segment profit/(loss)</b>	6,847	273,654	17,626	(7,820)	290,307
<b>Depreciation</b>	6,877	15,738	991	5,303	28,909

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

	Six months ended 30 June	
	2015 (unaudited) RMB'000	2014 (unaudited) RMB'000
Reportable segment profit	<b>287,213</b>	290,307
Other income	<b>37,104</b>	29,108
Selling and distribution expenses	<b>(136,474)</b>	(130,037)
Administrative expenses	<b>(36,096)</b>	(34,399)
Other operating expenses	<b>(189)</b>	(83)
Finance costs	<b>(8,437)</b>	(7,746)
Profit before taxation	<b>143,121</b>	147,150

## Notes to the Interim Financial Information

For the six months ended 30 June 2015

### 5. REVENUE AND OTHER INCOME

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

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>(unaudited)</b>	(unaudited)
	<b>RMB'000</b>	RMB'000
<b>Revenue</b>		
Sales of goods	<b>1,321,846</b>	1,311,454
<b>Other income</b>		
Interest income:		
– bank balances	<b>17,291</b>	3,713
– others	<b>72</b>	1,342
Sales of scrap materials	<b>12,516</b>	15,409
Compensation income from sundry creditors	<b>74</b>	24
Net foreign exchange gain	<b>1,100</b>	–
Government grants*	<b>5,479</b>	1,478
Others	<b>572</b>	7,142
	<b>37,104</b>	29,108

\* The Group received grants from the relevant PRC government authorities in support of the Group's edible oil business in the PRC. There were no unfulfilled conditions to receive the grants.

### 6. PROFIT FROM OPERATIONS

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

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>(unaudited)</b>	(unaudited)
	<b>RMB'000</b>	RMB'000
Cost of inventories recognised as expenses	<b>931,022</b>	924,455
Depreciation on property, plant and equipment	<b>38,039</b>	35,319
Amortisation of land use rights	<b>1,491</b>	1,812
Operating lease charges on rented premises	<b>1,628</b>	1,517
Staff costs (including directors' remuneration)		
– Wages, salaries and bonus	<b>49,105</b>	50,319
– Contribution to defined contribution pension plan	<b>2,352</b>	1,783
Total staff costs	<b>51,457</b>	52,102
Net foreign exchange (gain)/loss	<b>(1,100)</b>	4,076

## Notes to the Interim Financial Information

For the six months ended 30 June 2015

### 7. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>(unaudited)</b>	(unaudited)
	<b>RMB'000</b>	RMB'000
Interest charges on financial liabilities stated at amortised cost:		
Interest-bearing bank borrowings – wholly repayable within five years	<b>7,756</b>	7,746
Other borrowings – wholly repayable within five years	<b>681</b>	–
	<b>8,437</b>	7,746

### 8. INCOME TAX EXPENSE

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>(unaudited)</b>	(unaudited)
	<b>RMB'000</b>	RMB'000
Current tax		
– Provision for PRC income tax	<b>35,817</b>	28,336

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

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

Shandong Sanxing Corn Industry Technology Company Limited has been accredited as a High-tech Enterprise by the Accrediting Bodies under the Administrative Measures for Determination of High and New Technology Enterprises and is subject to preferential tax rate of 15% for the year ended 31 December 2014 and the six months ended 30 June 2015.



## Notes to the Interim Financial Information

For the six months ended 30 June 2015

### 9. 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:

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>(unaudited)</b>	(unaudited)
<b>Earnings</b>	<b>RMB'000</b>	RMB'000
Earnings for the purposes of basic and diluted earnings per share	<b>107,304</b>	118,814
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>573,560,000</b>	573,560,000
Effect of dilutive potential ordinary shares – share options	<b>N/A</b>	1,422,000
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>N/A</b>	574,982,000

No diluted earnings per share has been presented for the period ended 30 June 2015 because the exercise price of the Company's share options was higher than the average market price for shares during the period when those options are outstanding.

### 10. INTERIM DIVIDEND

The board of directors of the Company resolved not to declare an interim dividend for the six months ended 30 June 2015 (30 June 2014: Nil).

### 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group incurred capital expenditure of approximately RMB27,971,000 (six months ended 30 June 2014: RMB36,906,000) in construction in progress, approximately RMB160,000 (six months ended 30 June 2014: RMB660,000) in office equipment, approximately RMB954,000 (six months ended 30 June 2014: RMB12,974,000) in plant and machinery, approximately RMB6,028,000 (six months ended 30 June 2014: RMB7,326,000) in buildings, and nil (six months ended 30 June 2014: RMB7,000) in motor vehicles, excluding property, plant and equipment acquired through a business combination (note 19).

## Notes to the Interim Financial Information

For the six months ended 30 June 2015

### 12. TRADE AND NOTES RECEIVABLES

	<b>30 June 2015 (unaudited) RMB'000</b>	31 December 2014 (audited) RMB'000
Trade receivables	<b>385,700</b>	407,131
Notes receivables	<b>2,090</b>	–
	<b>387,790</b>	407,131

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

	<b>30 June 2015 (unaudited) RMB'000</b>	31 December 2014 (audited) RMB'000
Within 60 days	<b>228,064</b>	243,936
61 – 90 days	<b>47,943</b>	67,308
91 – 180 days	<b>69,033</b>	78,196
181 – 365 days	<b>36,147</b>	16,371
Over 365 days	<b>6,603</b>	1,320
	<b>387,790</b>	407,131

## Notes to the Interim Financial Information

For the six months ended 30 June 2015

### 13. CASH AND BANK BALANCES AND PLEDGED BANK DEPOSITS

	<b>30 June 2015 (unaudited) RMB'000</b>	31 December 2014 (audited) RMB'000
<b>Non-current assets</b>		
Pledged bank deposits (note 15)	-	45,000
<b>Current assets</b>		
Pledged bank deposits (note 15)	<b>45,000</b>	-
Cash and bank balances		
– Cash at banks and in hand	<b>202,960</b>	527,903
– Short-term bank deposits	<b>960,000</b>	670,000
Cash and bank balances as stated in the consolidated statement of financial position	<b>1,162,960</b>	1,197,903
Short-term bank deposits that are not classified as cash and cash equivalents	<b>(400,000)</b>	-
Cash and cash equivalents for the presentation of the condensed consolidated statement of cash flows	<b>762,960</b>	1,197,903

### 14. TRADE PAYABLES

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

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

	<b>30 June 2015 (unaudited) RMB'000</b>	31 December 2014 (audited) RMB'000
Within 30 days	<b>30,311</b>	34,533
31-60 days	<b>8,968</b>	8,661
61-90 days	<b>5,949</b>	5,743
91-180 days	<b>4,126</b>	4,821
181-365 days	<b>2,019</b>	2,175
Over 365 days	<b>563</b>	2,255
	<b>51,936</b>	58,188

## Notes to the Interim Financial Information

For the six months ended 30 June 2015

### 15. BORROWINGS

	<b>30 June 2015 (unaudited) RMB'000</b>	31 December 2014 (audited) RMB'000
Secured bank borrowing	<b>42,995</b>	43,173
Unsecured bank borrowings	<b>469,727</b>	488,000
Unsecured other borrowings	<b>37,751</b>	–
	<b>550,473</b>	531,173

During the year ended 31 December 2014, the Group as borrower has entered into a facility agreement with a bank in respect of a revolving loan of HK\$200,000,000 (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 13) 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 Group with other banks.

The Revolving Loan is renewed in February 2015 and the Group has obtained a waiver (the “Waiver”) from the bank in respect of the Breach on 19 March 2015. The Group 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 Group 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 as at 31 December 2014 were subject to demand for immediate repayment and classified as current liabilities.

As at 30 June 2015, the Group’s bank and other borrowings were either repayable within one year or repayable after one year which contained a repayment on demand clause and thus were classified as current liabilities.

## Notes to the Interim Financial Information

For the six months ended 30 June 2015

### 15. BORROWINGS (Continued)

The original scheduled repayment of the Group's bank and other borrowings at the reporting date were as follows:

	<b>30 June 2015 (unaudited) RMB'000</b>	31 December 2014 (audited) RMB'000
Secured bank borrowing and unsecured other borrowings repayable within one year	<b>80,746</b>	43,173
Unsecured bank borrowings repayable within one year	<b>239,242</b>	207,142
repayable after one year, but not exceeding two years, which contain a repayment on demand clause	<b>230,485</b>	115,188
repayable after two years, but not exceeding five years, which contain a repayment on demand clause	-	165,670
	<b>469,727</b>	488,000
	<b>550,473</b>	531,173

36

As at 30 June 2015, the Group'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 2014: 2.95% per annum over LIBOR, 2.80% or 2.20% per annum over HIBOR). The Group's other borrowings are bearing fixed interest rate of 3.6% per annum.

As at 30 June 2015, the Revolving Loan with outstanding amount of approximately RMB157,597,000 was guaranteed by certain subsidiaries of the Company (31 December 2014: RMB158,250,000).

The Group's interest-bearing bank borrowings as at 30 June 2015 amounted to approximately RMB42,995,000 (31 December 2014: RMB43,173,000) 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 30 June 2015 (31 December 2014: RMB45,000,000) (note 13).

## Notes to the Interim Financial Information

For the six months ended 30 June 2015

### 16. SHARE CAPITAL

	Number of shares	Amount HK\$
<b>Authorised:</b>		
At 31 December 2014 and 30 June 2015, ordinary shares of HK\$0.10 each	9,000,000,000	900,000,000
<b>Issued and fully paid:</b>		
At 31 December 2014 and 30 June 2015, 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 and 30 June 2015.

### 17. COMMITMENT

#### Operating lease commitment

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

	30 June 2015 (unaudited) RMB'000	31 December 2014 (audited) RMB'000
Within one year	1,225	1,536
In the second to fifth years	1,146	1,422
	<b>2,371</b>	2,958

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.

## Notes to the Interim Financial Information

For the six months ended 30 June 2015

### 17. COMMITMENT (Continued)

#### Capital commitment

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

	<b>30 June 2015 (unaudited) RMB'000</b>	31 December 2014 (audited) RMB'000
Property, plant and equipment:		
Contracted but not provided for	<b>32,004</b>	27,759
Authorised but not contracted for	-	-
	<b>32,004</b>	27,759

### 18. RELATED PARTY TRANSACTIONS

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

		<b>Six months ended 30 June 2015 (unaudited) RMB'000</b>	2014 (unaudited) RMB'000
	Notes		
Sales to related companies	(i)	<b>687</b>	513
Purchases from a related company	(ii)	<b>222,238</b>	-
Supply of steam and electric power from a related company	(iii)	<b>22,492</b>	20,092
Subcontracting services rendered by a related company	(iv)	-	2,068
Property, plant and equipment purchased from a related company	(v)	-	833

## Notes to the Interim Financial Information

For the six months ended 30 June 2015

### 18. RELATED PARTY TRANSACTIONS (Continued)

Notes:

- (i) Sales to 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.
- (ii) Purchases 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, were made according to the terms of the sales and purchase agreement.
- (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) Property, plant and equipment purchased 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, was conducted under mutually agreed terms negotiated between the Group and the related company.

### 19. ACQUISITION OF SUBSIDIARIES

#### For the six months ended 30 June 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:

	<b>RMB’000</b>
Purchase consideration	
Cash	<b>126,898</b>
Fair value of net assets acquired	<b>(64,136)</b>
Goodwill	<b>62,762</b>



## Notes to the Interim Financial Information

For the six months ended 30 June 2015

### 19. ACQUISITION OF SUBSIDIARIES (Continued)

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)
	<hr/>
Net assets acquired	64,136

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

	(unaudited) RMB'000
Cash consideration	(126,898)
Deposits paid in prior year	43,337
Cash consideration payable as at 30 June 2014	39,656
Cash and bank balances acquired	877
	<hr/>
Net cash outflow for the six months ended 30 June 2014	(43,028)

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 and up to 30 June 2014, Edible Oil Group has contributed revenue and loss after tax of approximately RMB9,602,000 and RMB705,000 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 RMB1,353,656,000 and RMB115,785,000 respectively for the six months ended 30 June 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.