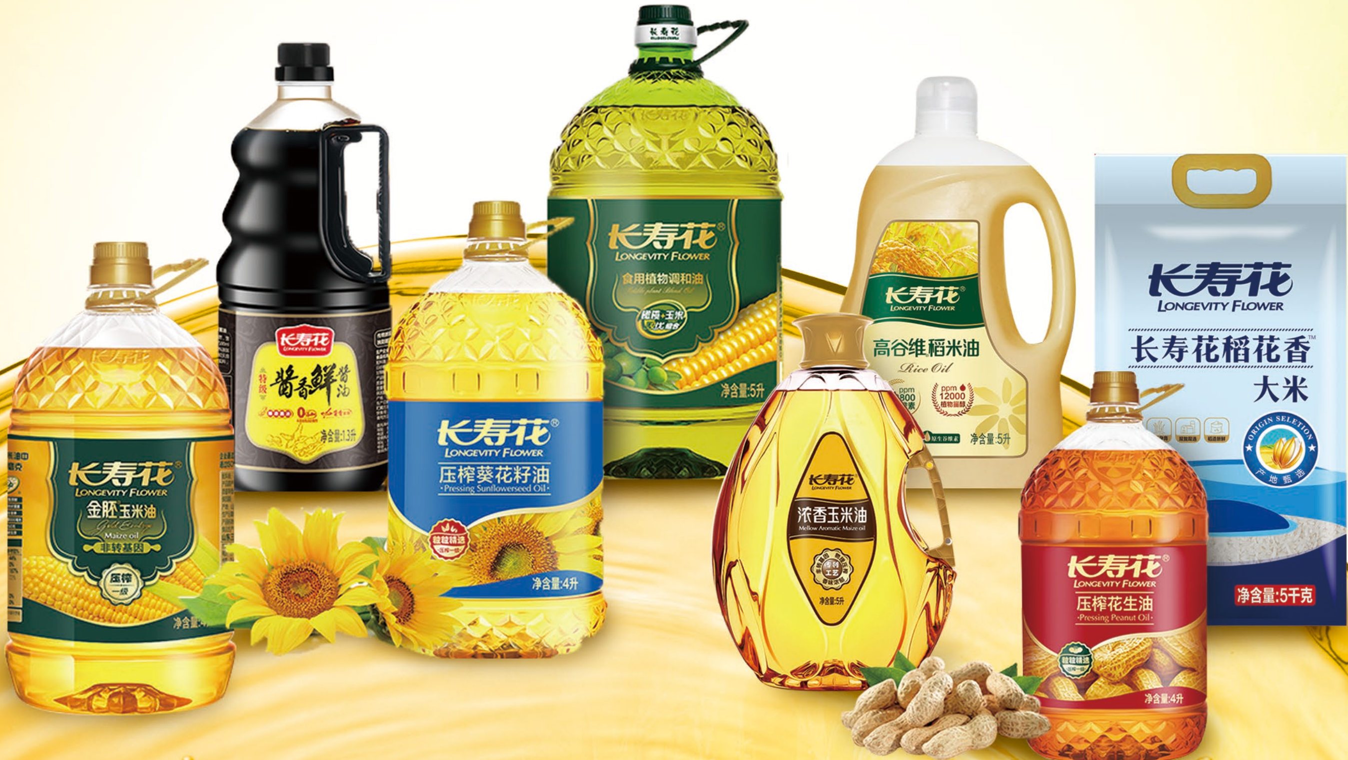
CHANGSHOUHUA FOOD COMPANY LIMITED

長壽花食品股份有限公司

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



2019 INTERIM REPORT

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Corporate Information

Board of Directors

Executive Directors

Wang Mingxing *(Chairman)*
Wang Mingfeng
Wang Mingliang
Cheng Wenming
Ren Zaishun

Independent Non-Executive Directors

Wang Aiguo
Liu Shusong
Wang Ruiyuan

Company Secretary

Chan Yuen Ying, Stella

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Corporate Governance Committee

Wang Mingliang *(Committee Chairman)*
Wang Mingfeng
Cheng Wenming

Auditor

BDO Limited

Principal Registrar

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

Branch Registrar

Tricor Investor Services Limited
Level 54, 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
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

Suites 1106-08, 11th Floor
The Chinese Bank Building
61–65 Des Voeux Road Central
Hong Kong

Stock Code

Hong Kong Stock Exchange: 1006

Website

http://www.chinacornoil.com/

Management Discussion and Analysis

Business Review

During the trade negotiations between China and US, domestic economy was still facing the uncertain macroeconomic environment which resulted in weak general consumption. The Group continuously implemented its Five-Year Business Development Plan to enhance its brand influence. To offset the negative impacts of the above uncertain macro factors, the Group optimized sales and the promotion of high-end wholesale of distributors and direct retails. In response to the dynamic industrial changes in edible oils market in the PRC, the Group continued to carry out development plan for upgrade of the brand, product diversification and expansion in and optimization of sales network. The Group will continue to integrate and optimise the sales network in line with the regional business development.

The Group has been continuing to prioritize own brand development and gradually introducing other different types of edible oil products and the series of Changshouhua Kitchen food products under the brand of "長壽花" (Longevity Flower) and started to sell several new condiments in series of soy sauce and soybean paste. According to the Five-Year Business Development Plan, the Company is committed to the product diversification and the transformation from a single-product company to a retail brand corporation. In the future, the Company will still focus on the brand development of the business of healthy kitchen series to fulfill the Company's long-term development and strategies.

The Group's long-term and enduring development depends on its mature and stable marketing and distribution network. As at 30 June 2019, the Group had a distribution network of 1,503 (31 December 2018: 1,479) wholesale distributors and 153 (31 December 2018: 153) retailers, covering all provincial-level administrative regions (except Tibet) of the PRC.

Financial review

For the six months ended 30 June 2019, the sales of the Group's products were only carried out in the PRC. Due to the uncertainties of the China-US trade war, the revenue of the Group decreased by approximately 2.6% to approximately RMB1,440.2 million (2018: approximately RMB1,479.1 million). The sales of (i) own-brand edible oil/food products under the kitchen series; (ii) non-branded edible oil; and (iii) corn meal contributed to approximately RMB842.2 million, RMB357.6 million and RMB240.4 million (2018: approximately RMB817.9 million, RMB371.3 million and RMB289.9 million) respectively and accounted for approximately 58.5%, 24.8% and 16.7% (2018: approximately 55.3%, 25.1% and 19.6%) respectively of the Group's total revenue.

The following table sets forth the breakdown of revenue by product categories:

	For the six months ended 30 June 2019		For the six months ended 30 June 2018	
	RMB'000	**Proportion**	RMB'000	Proportion
Own-brand edible oil/food products under the kitchen series	**842,236**	**58.5%**	817,903	55.3%
Non-branded edible oil	**357,587**	**24.8%**	371,233	25.1%
Corn meal	**240,380**	**16.7%**	289,936	19.6%
	1,440,203	**100%**	1,479,072	100%

Management Discussion and Analysis (Continued)

Sales of products under the brand of "長壽花" (Longevity Flower). increased by approximately 3.0% to approximately RMB842.2 million and sales of non-branded edible oil decreased by approximately 3.7% to approximately RMB357.6 million.

The following table sets forth the breakdown of quantities sold by major product categories:

	For the six months ended 30 June 2019		For the six months ended 30 June 2018	
	Quantities (tonnes)	Overall proportion	Quantities (tonnes)	Overall proportion
"長壽花" (Longevity Flower) brand				
Corn oil	59,480	45.8%	59,116	43.3%
Other edible oil	11,804	9.0%	12,074	8.9%
	71,284	54.8%	71,190	52.2%
Non-branded				
Corn oil	58,449	45.0%	64,899	47.6%
Other edible oil	231	0.2%	324	0.2%
	58,680	45.2%	65,223	47.8%
Overall edible oil	129,964	100%	136,413	100%
Corn meal	180,338		217,885	

Overall sales of edible oil decreased by 4.7% to 129,964 tonnes.

Management Discussion and Analysis (Continued)

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

	For the six months ended 30 June 2019		For the six months ended 30 June 2018	
	RMB'000	Proportion of gross profit (loss)	RMB'000	Proportion of gross profit (loss)
"長壽花" (Longevity Flower) brand				
Corn oil	256,483	79.3%	273,857	78.9%
Other edible oil/food products under the kitchen series	64,690	20.0%	59,190	17.1%
	321,173	99.3%	333,048	96.0%
Non-branded				
Corn oil	19,928	6.2%	17,605	5.1%
Other edible oil	382	0.1%	(76)	(0.1)%
	20,310	6.3%	17,529	5.0%
Corn meal	(18,172)	(5.6)%	(3,493)	(1.0)%
Overall gross profit	323,311	100%	347,083	100%

	For the six months ended 30 June 2019 Gross profit (loss) margin	For the six months ended 30 June 2018 Gross profit (loss) margin
"長壽花" (Longevity Flower) brand		
Corn oil	38.6%	42.4%
Other edible oil	38.7%	35.8%
	38.6%	41.1%
Non-branded		
Corn oil	5.6%	4.8%
Other edible oil	23.2%	(3.7)%
	5.7%	4.7%
Corn meal	(7.6)%	(1.2)%
Overall	22.4%	23.5%

Management Discussion and Analysis (Continued)

The following table shows the fluctuation of average selling prices of the Group's edible oil products:

	For the six months ended 30 June 2019		For the six months ended 30 June 2018	
	Average selling price (RMB/ton)	Average unit cost of sales (RMB/ton)	Average selling price (RMB/ton)	Average unit cost of sales (RMB/ton)
"長壽花" (Longevity Flower) brand				
Corn oil	11,179	6,867	10,929	6,289
Other edible oil	13,233	8,118	13,120	8,420
Non-branded				
Corn oil	6,090	5,749	5,688	5,417
Other edible oil	7,112	5,463	6,344	6,578

Own-brand edible oil

Despite decrease in consumption of small-pack edible oil products in the PRC resulting from the traditional low season coupled with the gloomy atmosphere due to the China-US trade war in the first half of the year, for the six months ended 30 June 2019, the sales performance of the overall own-brand edible oil was stable. However, affected by the rising cost of raw materials, the gross profit of the overall own-brand edible oil decreased by 3.6% to approximately RMB321.2 million, while the gross profit margin decreased to approximately 38.6% (for the six months ended 30 June 2018: 41.1%).

Non-branded edible oil

Bulk edible oil market was more susceptible to impacts of macro environment. Edible oil market fluctuated as a result of the uncertainty over the China-US trade deal. For the first half of 2019, sales volume of non-branded corn oil (bulk) dropped significantly by approximately 9.9% as compared with the same period of last year.

By-product – corn meal

For the six months ended 30 June 2019, the sales volume of corn meal dropped as the African swine fever hurt its demand. The gross loss increased significantly to 7.6% from 1.2% as compared with the same period of last year as the China-US trade war raised the cost of corn germ.

Management Discussion and Analysis (Continued)

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, electricity and steam power, indirect labour and packaging expenses. The costs of raw materials constituted the largest component of total cost of sales and accounted for approximately 84.7% of total cost of sales for the six months ended 30 June 2019 (for the six months ended 30 June 2018: 86.2%).

Other Income

For the six months ended 30 June 2019, other income increased by approximately 8.3% to approximately RMB56.2 million (for the six months ended 30 June 2018: RMB51.9 million). Other income mainly comprised sales of scrap materials of approximately RMB16.5 million (for the six months ended 30 June 2018: approximately RMB27.2 million), bank interest income of approximately RMB29.2 million (for the six months ended 30 June 2018: approximately RMB15.4 million) and government grants and subsidies of approximately RMB8.0 million (for the six months ended 30 June 2018: nil).

Selling and Distribution Costs

Selling and distribution costs slightly dropped by approximately 0.9% to RMB159.5 million for the six months ended 30 June 2019 (for the six months ended 30 June 2018: approximately RMB160.9 million). Selling and distribution costs mainly comprised transportation fees of approximately RMB25.1 million (for the six months ended 30 June 2018: approximately RMB24.2 million), advertising and promotion expenses of approximately RMB43.7 million (for the six months ended 30 June 2018: approximately RMB47.7 million), expenses of representative offices of approximately RMB43.4 million (for the six months ended 30 June 2018: approximately RMB40.8 million) and sales staff costs of approximately RMB44.2 million (for the six months ended 30 June 2018: approximately RMB45.2 million).

Administrative Expenses

For the six months ended 30 June 2019, administrative expenses decreased by approximately 13.5% to approximately RMB38.4 million (for the six months ended 30 June 2018: approximately RMB44.4 million). Other administrative expenses mainly comprised: (i) administrative staff costs of approximately RMB14.4 million (for the six months ended 30 June 2018: approximately RMB14.4 million); (ii) depreciation and amortization expenses of approximately RMB8.9 million (for the six months ended 30 June 2018: approximately RMB9.0 million); (iii) other taxes of approximately RMB4.8 million (for the six months ended 30 June 2018: approximately RMB9.2 million); and (iv) legal and professional fees of approximately RMB2.0 million (for the six months ended 30 June 2018: approximately RMB2.0 million).

Management Discussion and Analysis (Continued)

Income Tax Expense

For the six months ended 30 June 2019, the income tax expense of the Group decreased by approximately 10.8% to approximately RMB28.2 million (for the six months ended 30 June 2018: RMB31.6 million).

Profit Before Income Tax and Profit Attributable to Owners of the Company

For the six months ended 30 June 2019, the Group's profit before income tax and profit of the Group attributable to owners of the Company decreased by approximately 4.9% to approximately RMB181.6 million (for the six months ended 30 June 2018: approximately RMB190.9 million) and decreased by approximately 3.7% to approximately RMB153.4 million (for the six months ended 30 June 2018: approximately RMB159.3 million).

The net profit margin of the Group for the six months ended 30 June 2019 was approximately 10.7% (for the six months ended 30 June 2018: 10.8%). The basic earnings per share attributable to owners of the Company decreased to approximately RMB26.7 cents for the six months ended 30 June 2019 (for the six months ended 30 June 2018: RMB27.8 cents).

Acquisition of Property, Plant and Equipment

As at 30 June 2019, the Group's deposits paid for the acquisition of property, plant and equipment increased to approximately RMB91.4 million (31 December 2018: RMB5.7 million).

Trade Receivables

As at 30 June 2019, trade receivables were approximately RMB339.9 million (31 December 2018: RMB508.8 million).

Prepayments, Deposits and Other Receivables

As at 30 June 2019, prepayments, deposits and other receivables amounted to approximately RMB117.2 million (31 December 2018: RMB78.3 million) which mainly comprised: (i) deposits paid for purchase of raw materials of approximately RMB40.1 million (31 December 2018: RMB23.3 million); (ii) other receivables of approximately RMB42.8 million (31 December 2018: RMB38.1 million); and (iii) prepaid advertising expenses of approximately RMB21.9 million (31 December 2018: RMB1.4 million).

Management Discussion and Analysis (Continued)

Progress in the Five-Year Business Development Plan (2016-2020)

Given the dynamic edible oil's industry in the PRC, the Group announced and formulated a five-year business development plan for the brand of "長壽花" (Longevity Flower) in 2015 interim results announcement, in order to enhance our business model to deal with future challenges.

1. Brand upgrading and the further enhancement of brand image of "長壽花" (Longevity Flower) as a high-quality, green and healthy product in medium and high-end markets

Brand cooperation

The brand of "長壽花" (Longevity Flower) has become a partner of Shandong Airlines to jointly build Changshouhua's healthy kitchen up in the air. We provided passengers of Shandong Airlines with a healthy and green dining experience up in the air by using edible oil, condiments and other food products of Changshouhua.

Reviewing and changing packaging on a regular basis

The Group reviews and changes packaging on a regular basis, in an effort to refresh products and to maintain its young and vibrant brand image.

Wholesale distribution's campaigns

The Group continues the expansions in the wholesale distribution network in the PRC. The Group held wholesale distribution conference in major regions before the peak retail season to promote Changshouhua brand products, including new products of Changshouhua healthy kitchen series.

Advertising campaigns

The Group sponsors different television programmes and promotes the products through different media channels.

2. Product diversification

The Company is committed to the product diversification and the transformation from a single-product company to a retail brand corporation and attracting more potential consumers.

Changshouhua condiments

In Chinese proverbs, "Firewood, Rice, Oil, Salt, Sauce, Vinegar & Tea" are the essential cooking ingredients in Chinese family. Soy sauce and soybean paste are another basic cooking ingredients in Chinese family and are commonly used in cooking. The Company started the designation for the production in high-end condiment products, which were launched to the market under the brand of Changshouhua. New condiments are produced through traditional Taiwanese fermentation process, which include Aromatic Soy Sauce, Premium Soy Sauce, Superior Soy Sauce, Original Soy Sauce, Deluxe Dark Soy Sauce and soybean paste.

Management Discussion and Analysis (Continued)

Food products under the Changshouhua Kitchen series

The Group has introduced small size packing condiments, millet, Northeast Rice, mung beans and other grains and sales through wholesale distributors and e-commerce channel. The Group plans to develop a series of food products under the brand of "Changshouhua Healthy Kitchen" in long term to enrich the categories of high-quality green and healthy foods for customers.

3. Expanding and optimising sales network

As at 30 June 2019, the Group had 1,503 wholesale distributors and 153 retailers for its distribution network, covering all provincial-level administrative regions in mainland China (except Tibet) with approximately 300,000 domestic sales locations. The Group's objective is to gradually expand its distribution network into all counties, townships and communities in the PRC.

Expansion in sales channel cooperation

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 channels on a regular basis, such as developing cooperation with small and medium-sized supermarkets, reviewing the list of partner dealers regularly, introducing new cooperative dealers and improving the market coverage of sales terminals. To keep up with the trend of combining e-commerce with the Internet, the set-up of the e-commerce department will be an important sales channel in the future.

Sales network layout and expansion in specific regions

The Group aims to unleash the potential of third and fourth-tier Chinese cities and build on an extensive wholesale distribution network which almost covers all county-level cities across the country to further its network expansion and improve market coverage. In the future, the Group will solidify its leading position by allocating its resources to brand development and cooperation with direct retail stores such as supermarkets and hypermarkets across seven major regions, including Zhejiang Province, Shandong Province, Beijing and Tianjin, Guangdong Province, Hubei Province, Chongqing and the three provinces in Northeast China. In five provinces, namely Henan, Hebei, Jiangsu, Shanxi and Sichuan, the Group will mainly rely on wholesale distributors, to ensure a more effective and extensive sales network and that its products reach target consumers.

Management Discussion and Analysis (Continued)

Capital Structure

The Company's issued share capital as at 30 June 2019 was HK$57,356,000, divided into 573,560,000 shares of HK$0.1 each.

The Group adopts a prudent treasury policy. As at 30 June 2019, its gearing ratio (calculated as total borrowings divided by the amount of shareholders' equity) was 0.5% (31 December 2018: no borrowing). The current ratio (calculated as current assets divided by current liabilities) was 5.9 times (31 December 2018: 5.3 times). The Group continues to strictly monitor 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 2019, the Group's borrowing was approximately RMB15.8 million (as at 31 December 2018: no borrowing). The Group's cash and bank balances amounted to approximately RMB1,844.1 million (as at 31 December 2018: approximately RMB1,807.8 million).

Material Acquisition and Disposal

The Group did not have any material acquisition or disposal for the six months ended 30 June 2019.

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 borrowing is denominated in Hong Kong Dollars. The Company pays dividends in Hong Kong Dollars if dividends are declared.

Currently, RMB is not freely exchangeable. Part of the Group's income and profit in RMB can be converted to other currencies in order to fulfill the Group's foreign exchange liabilities such as repayment of borrowing and distribution of dividends (if any).

Pledge on Group Assets

As at 30 June 2019, none of the assets of the Group was pledged (31 December 2018: Nil).

Management Discussion and Analysis (Continued)

Capital Commitments

The Group had capital commitment of approximately RMB170.4 million as at 30 June 2019 (31 December 2018: RMB0.8 million), which mainly represented commitments made for purchase of fixed assets.

Employee Benefits and Remuneration Policies

As at 30 June 2019, the Group had a total of 5,778 employees (31 December 2018: 5,501). The employees of the Group were remunerated based on their experience, qualifications, the Group's results and the market conditions. For the six months ended 30 June 2019, staff costs (including Directors' remunerations) amounted to approximately RMB79.3 million (for the six months ended 30 June 2018: RMB77.9 million). For the six months ended 30 June 2019, staff costs accounted for approximately 5.5% of the Group's turnover (for the six months ended 30 June 2018: 5.3%).

Significant Investments Held

As at 30 June 2019, there were no significant investments held by the Company.

Contingent Liabilities

As at 30 June 2019, the Group has no material contingent liabilities.

Interim Dividend

The Board resolved not to declare any interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: Nil).

Other Information

Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company and associated corporations

As at 30 June 2019, the interests or short positions of the Directors or chief executives in the shares (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	299,037,249 *(Note)*	52.14%
	Beneficial owner	Long position	5,996,000	1.05%
Mr. Wang Mingfeng	Interest of controlled corporations	Long position	299,037,249 *(Note)*	52.14%
Mr. Wang Mingliang	Interest of controlled corporations	Long position	299,037,249 *(Note)*	52.14%

Note: Mr. Wang Mingxing, Mr. Wang Mingfeng and Mr. Wang Mingliang are deemed to be interested in 299,037,249 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, and 24.4% by Mr. Wang Mingliang.

Other Information (Continued)

2. Interests in associated corporations

Name of Director	Name of associated corporations	Nature of interest	Long position/ Short position	Approximate percentage of shareholding in the associated corporation
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 executives 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 2019.

Other Information (Continued)

Substantial shareholders' and other persons' interests and short positions in the Shares and underlying Shares of the Company

As at 30 June 2019, the interests or short positions of substantial shareholders (as defined in the Listing Rules) of the Company and certain other persons, other than Directors or chief executives of the Company, in the Shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out as follows:

Name of Shareholder	Nature of interest	Long position/ Short position	Number of Shares/ underlying Shares	Approximate percentage of shareholding in the Company
SanXing Trade	Beneficial owner	Long position	299,037,249 *(Note 1)*	52.14%
Sanxing Grease	Interest of controlled corporations	Long position	299,037,249 *(Note 1)*	52.14%
Shandong Sanxing	Interest of controlled corporations	Long position	299,037,249 *(Note 1)*	52.14%
Koo Yuen Kim	Beneficial owner	Long Position	64,168,881	11.19%
Pandanus Associates Inc.	Interest of controlled corporations	Long position	57,322,000 *(Note 2)*	9.99%
Pandanus Partners L.P.	Interest of controlled corporations	Long position	57,322,000 *(Note 2)*	9.99%
FIL Limited	Interest of controlled corporations	Long position	57,322,000 *(Note 2)*	9.99%

Notes:

(1) The 299,037,249 Shares are held through SanXing Trade. SanXing Trade 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 and 24.4% by Mr. Wang Mingliang. Therefore, each of Sanxing Grease and Shandong Sanxing is deemed to be interested in these 299,037,249 Shares pursuant to the SFO.

Other Information (Continued)

Substantial shareholders' and other persons' interests and short positions in the Shares and underlying Shares of the Company (Continued)

Notes: (Continued)

(2) These include:

(i) 27,412,000 Shares held by FIL Investment Management (Hong Kong) Limited, and 20,510,000 Shares held by FIL Investment Management (Singapore) Limited, both of which are wholly-owned by FIL Asia Holding Pte Limited which in turn is wholly-owned by FIL Limited. Therefore, each of FIL Limited and FIL Asia Holding Pte Limited is deemed to be interested in these 27,412,000 Shares held by FIL Investment Management (Hong Kong) Limited, and 20,510,000 Shares held by FIL Investment Management (Singapore) Limited pursuant to the SFO; and

(ii) 9,400,000 Shares held by Fidelity Investments Canada ULC. Fidelity Investments Canada ULC is wholly-owned by FIC Holdings ULC, which in turn is wholly-owned by BlueJay Lux 1 S.a.r.l. BlueJay Lux 1 S.a.r.l is wholly-owned by 483A Bay Street Holdings LP which in turn is owned as to 82% by FIL Limited. Therefore, FIL Limited is deemed to be interested in these 9,400,000 Shares held by Fidelity Investments Canada ULC pursuant to the SFO.

(iii) FIL Limited is owned as to 38.69% by Pandanus Partners, L.P., which in turn is wholly-owned by Pandanus Associates, Inc. Therefore, Pandanus Partners, L.P. and Pandanus Associates, Inc. are deemed to be interested in these 57,322,000 Shares held by FIL Limited pursuant to the SFO.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the Shares or underlying Shares of the Company as at 30 June 2019.

Share Option Scheme

The Company adopted the 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) 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.

No option was granted, cancelled or lapsed during the six months ended 30 June 2019.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2019.

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 2019.

Other Information (Continued)

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 2019, 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 2019.

Audit Committee

The Company established the Audit Committee on 23 November 2009 with written terms of reference, which was revised on 21 December 2011 and further revised on 16 December 2015 and on 27 March 2019 to comply with the code provisions under the CG Code. The 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 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 to review the risk management and the internal control systems.

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 2019.

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

Hong Kong, 28 August 2019

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 19 to 40 which comprises the consolidated statement of financial position of Changshouhua Food Company Limited as of 30 June 2019 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 a summary of significant accounting policies 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.

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

Wong Kwok Wai
Practising Certificate Number P06047

Hong Kong, 28 August 2019

Consolidated Income Statement

For the six months ended 30 June 2019

	Notes	Six months ended 30 June 2019 (unaudited) RMB'000	2018 (unaudited) RMB'000
Revenue	*5*	**1,440,203**	1,479,072
Cost of sales		**(1,116,892)**	(1,131,989)
Gross profit		**323,311**	347,083
Other income	*5*	**56,248**	51,885
Selling and distribution costs		**(159,525)**	(160,866)
Administrative expenses		**(38,434)**	(44,350)
Other operating expenses		**–**	(404)
Profit from operations	*6*	**181,600**	193,348
Finance costs	*7*	**(18)**	(2,407)
Profit before income tax		**181,582**	190,941
Income tax expense	*8*	**(28,199)**	(31,625)
Profit for the period attributable to owners of the Company		**153,383**	159,316
		RMB cents	RMB cents
Earnings per share attributable to owners of the Company	*9*		
– Basic		**26.742**	27.777
– Diluted		**N/A**	N/A

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Profit for the period	**153,383**	159,316
Other comprehensive income that may be reclassified subsequently to profit or loss		
Exchange gain/(loss) on translation of financial statements of foreign operations	**101**	(305)
Other comprehensive income for the period, net of tax	**101**	(305)
Total comprehensive income for the period attributable to owners of the Company	**153,484**	159,011

Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	30 June 2019 (unaudited) RMB'000	31 December 2018 (audited) RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	683,667	709,088
Land use rights		–	173,036
Right-of-use assets	12	171,614	–
Goodwill		62,762	62,762
Deposits paid for acquisition of capital assets		91,400	5,663
		1,009,443	950,549
Current assets			
Inventories		200,453	172,228
Right of return assets		4,068	6,131
Trade receivables	13	339,944	508,827
Prepayments, deposits and other receivables		117,220	78,325
Amounts due from related companies		89,853	11,206
Cash and bank balances	14	1,844,149	1,807,836
		2,595,687	2,584,553
Current liabilities			
Trade payables	15	121,616	118,583
Accrued liabilities and other payables		227,232	222,480
Contract liabilities		22,707	85,828
Refund liabilities		5,069	7,423
Dividend payable		22,091	3,293
Lease liabilities		434	–
Amounts due to related companies		15,387	22,745
Current tax liabilities		28,303	31,479
		442,839	491,831
Net current assets		2,152,848	2,092,722
Total assets less current liabilities		3,162,291	3,043,271
Non-current liabilities			
Borrowing	16	15,771	–
Lease liabilities		147	–
		15,918	–
Net assets		3,146,373	3,043,271
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	50,109	50,109
Reserves		3,096,264	2,993,162
Total equity		3,146,373	3,043,271

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Translation reserve RMB'000	Proposed final dividend RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 31 December 2017 as originally presented	50,109	483,051	257,990	53,941	69,131	1,904	47,766	1,782,091	2,745,983
Initial application of IFRS 9	–	–	–	–	–	–	–	(918)	(918)
Restated balances at 1 January 2018	50,109	483,051	257,990	53,941	69,131	1,904	47,766	1,781,173	2,745,065
2017 final dividend declared	–	–	–	–	–	–	(47,766)	–	(47,766)
Transactions with owners	–	–	–	–	–	–	(47,766)	–	(47,766)
Profit for the period	–	–	–	–	–	–	–	159,316	159,316
Other comprehensive income for the period	–	–	–	–	–	(305)	–	–	(305)
Total comprehensive income for the period	–	–	–	–	–	(305)	–	159,316	159,011
At 30 June 2018 (unaudited)	50,109	483,051	257,990	53,941	69,131	1,599	–	1,940,489	2,856,310
At 1 January 2019	**50,109**	**483,051**	**293,656**	**53,941**	**69,131**	**971**	**50,382**	**2,042,030**	**3,043,271**
2018 final dividend declared	**–**	**–**	**–**	**–**	**–**	**–**	**(50,382)**	**–**	**(50,382)**
Transactions with owners	**–**	**–**	**–**	**–**	**–**	**–**	**(50,382)**	**–**	**(50,382)**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**153,383**	**153,383**
Other comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**101**	**–**	**–**	**101**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**101**	**–**	**153,383**	**153,484**
At 30 June 2019 (unaudited)	**50,109**	**483,051**	**293,656**	**53,941**	**69,131**	**1,072**	**–**	**2,195,413**	**3,146,373**

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Net cash generated from operating activities	**133,571**	155,021
Cash flows from investing activities		
Purchases of property, plant and equipment	**(19,143)**	(33,680)
Proceeds from disposal of property, plant and equipment	**3,872**	1,100
(Increase)/decrease in short-term bank deposits	**(320,001)**	800,000
Deposits paid for acquisition of capital assets	**(87,006)**	–
Interest received	**28,230**	15,359
Net cash (used in)/generated from investing activities	**(394,048)**	782,779
Cash flows from financing activities		
Proceeds from borrowing	**15,458**	–
Repayment of borrowings	**–**	(200,037)
(Decrease)/increase in amounts due to related companies	**(7,371)**	5,570
Repayment of principal portion of lease liabilities	**(196)**	–
Dividend paid	**(31,185)**	(77,850)
Interest paid	**(18)**	(3,188)
Net cash used in financing activities	**(23,312)**	(275,505)
Net (decrease)/increase in cash and cash equivalents	**(283,789)**	662,295
Cash and cash equivalents at beginning of the period	**927,836**	485,032
Effect of foreign exchange rate changes on cash and cash equivalents	**101**	(305)
Cash and cash equivalents at end of the period	**644,148**	1,147,022

Notes to the Interim Financial Information

For the six months ended 30 June 2019

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 Main Board 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 2019 was approved and authorised for issue by the board of directors on 28 August 2019.

2. BASIS OF PREPARATION

The interim financial information for the six months ended 30 June 2019 has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The interim financial information is unaudited, but has been reviewed by BDO Limited in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board.

The interim financial information does not include all the information and disclosures required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs"), and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

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 2018, except for the adoption of the standards, amendments and interpretations issued by the IASB mandatory for annual periods beginning on or after 1 January 2019. The impact of the adoption of IFRS 16 Leases has been summarised as below. The other new or amended IFRSs that are effective from 1 January 2019 did not have any material impact on the Group's accounting policies.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2019

3. ACCOUNTING POLICIES (Continued)

(i) Impact of the adoption of IFRS 16

IFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces IAS 17 Leases, IFRIC-Int 4 Determining whether an Arrangement contains a Lease, SIC-Int 15 Operating Leases-Incentives and SIC-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from IAS 17. For details of IFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under IFRS 16, please refer to section (ii) to (iv) of this note.

The Group has applied IFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under IAS 17 and related interpretations as allowed by the transition provision in IFRS 16.

The following table summarises the impact of transition to IFRS 16 on consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease)):

	RMB'000
Consolidated statement of financial position as at 1 January 2019	
Land use rights	(173,036)
Right-of-use assets	173,179
Lease liabilities (non-current)	(46)
Lease liabilities (current)	(97)

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2019

3. ACCOUNTING POLICIES (Continued)

(i) Impact of the adoption of IFRS 16 (Continued)

The following reconciliation explains how the operating lease commitments disclosed applying IAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 January 2019:

	RMB'000
Reconciliation of operating lease commitments to lease liabilities	
Operating lease commitments as of 31 December 2018	732
Less: short-term leases for which lease terms end within 31 December 2019	(581)
Less: future interest expenses	(8)
Total lease liabilities as of 1 January 2019	143

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 is 5.22%.

(ii) The new definition of a lease

Under IFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

(iii) Accounting as a lessee

Under IAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the consolidated statement of financial position of the lessee.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2019

3. ACCOUNTING POLICIES (Continued)

(iii) Accounting as a lessee (Continued)

Under IFRS 16, all leases (irrespective of whether they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but IFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use assets

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use assets at cost less any accumulated depreciation and any impairment loss, and adjusts for any remeasurement of lease liability.

Lease liabilities

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2019

3. ACCOUNTING POLICIES (Continued)

(iv) Transition

As mentioned above, the Group has applied IFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under IAS 17 and related interpretations as allowed by the transition provision in IFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying IAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified as operating leases under IAS 17 and measure at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. For all these right-of-use assets, the Group has applied IAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the following practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; and (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases.

In addition, the Group has also applied the practical expedients such that: (i) IFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply IFRS 16 to contracts that were not previously identified as containing a lease under IAS 17 and IFRIC-Int 4.

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 executive directors have identified the reportable and operating segments by major product and service lines. The Group's reportable and operating segments for financial reporting purposes are production and sale of (i) Own brand products, including own brand corn oil and other edible oil under the brand name of "長壽花" (Longevity Flower); (ii) Non-branded products, mainly non-branded corn oil and other edible oil; and (iii) Corn meal.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2019

4. SEGMENT INFORMATION (Continued)

For the purposes of assessing segment performance and allocating resources between segments, the executive directors assess segment profit or loss by gross profit or loss as measured in the Group's financial statements under IFRSs.

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

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

	Six months ended 30 June 2019			
	Own brand products (Unaudited) RMB'000	Non-branded products (Unaudited) RMB'000	Corn meal (Unaudited) RMB'000	Total (Unaudited) RMB'000
Revenue from external customers	**842,236**	**357,587**	**240,380**	**1,440,203**
Reportable segment revenue	**842,236**	**357,587**	**240,380**	**1,440,203**
Reportable segment profit/(loss)	**321,173**	**20,310**	**(18,172)**	**323,311**
Depreciation	**15,558**	**10,072**	**7,721**	**33,351**

	Six months ended 30 June 2018			
	Own brand products (Unaudited) RMB'000	Non-branded products (Unaudited) RMB'000	Corn meal (Unaudited) RMB'000	Total (Unaudited) RMB'000
Revenue from external customers	817,903	371,233	289,936	1,479,072
Reportable segment revenue	817,903	371,233	289,936	1,479,072
Reportable segment profit/(loss)	333,048	17,529	(3,494)	347,083
Depreciation	17,706	12,916	10,715	41,337

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2019

4. SEGMENT INFORMATION (Continued)

Reportable segment revenue represented revenue 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	
	2019	2018
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Reportable segment profit	**323,311**	347,083
Other income	**56,248**	51,885
Selling and distribution costs	**(159,525)**	(160,866)
Administrative expenses	**(38,434)**	(44,350)
Other operating expenses	**–**	(404)
Finance costs	**(18)**	(2,407)
Profit before income tax	**181,582**	190,941

5. REVENUE AND OTHER INCOME

Revenue from the Group's principal activities represented the net invoiced value of goods sold, net of allowances for returns, trade discounts and value-added tax.

The Group has assessed that the disaggregation of revenue by operating segments in note 4 is appropriate in meeting the disclosure requirement as this is the information regularly reviewed by the Group's executive directors in order to evaluate the segment performance of the Group.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2019

5. REVENUE AND OTHER INCOME (Continued)

The Group's revenue from contracts with customers recognised at a point in time and other income is as follows:

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Revenue		
Sale of goods	**1,440,203**	1,479,072
Other income		
Interest income:		
– bank balances	**29,218**	15,359
– others	**1,095**	2,520
Sale of scrap materials	**16,465**	27,218
Compensation income from insurance company	**157**	206
Compensation income from sundry creditors	**200**	–
Government grant *(note (a))*	**8,000**	–
Net foreign exchange gain	**–**	5,767
Others	**1,113**	815
	56,248	51,885

Note:

(a) The Group received unconditional discretionary grant from the relevant PRC government authority in support of enterprise operating in specified industry.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2019

6. PROFIT FROM OPERATIONS

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Profit from operations is arrived at after charging/(crediting):		
Cost of inventories recognised as expenses	**1,116,892**	1,131,989
Depreciation on property, plant and equipment	**40,097**	50,290
Depreciation on right-of-use assets	**2,199**	–
Amortisation of land use rights	**–**	2,002
Loss on disposal of property, plant and equipment	**1,864**	15
Change in loss allowance on trade receivables	**(1)**	(362)
Operating lease charges on rented premises	**–**	1,400
Short-term lease expenses	**1,123**	–
Research and development costs	**129**	605
Employee costs (including directors' remuneration)		
– Wages, salaries and bonus	**72,706**	71,750
– Contribution to defined contribution pension plan	**6,545**	6,108
Total employee costs	**79,251**	77,858

7. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Interest on bank and other borrowings	**–**	2,407
Interest on lease liabilities	**18**	–
	18	2,407

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2019

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Current tax		
– Provision for PRC corporate income tax	**28,199**	31,625

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

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

Shandong Sanxing Corn Industry Technology Company Limited ("Corn Industry") has been accredited as a High-tech Enterprise by the Accrediting Bodies under the Administrative Measures for Determination of High and New Technology Enterprises on 30 November 2012 and is subject to preferential tax rate of 15% for two years commencing from 1 January 2013. In 2015 and 2018, Corn Industry has been re-qualified as a High-tech Enterprise for three years. Therefore, Corn Industry is accordingly entitled to the tax rate of 15% for the year ended 31 December 2018 and the six months ended 30 June 2019.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2019

9. EARNINGS PER SHARE

The calculations of the basic earnings per share attributable to owners of the Company are based on the following data:

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Earnings		
Earnings for the purposes of basic earnings per share	**153,383**	159,316
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**573,560,000**	573,560,000

The Group had no potential dilutive ordinary shares in issue during the six months ended 30 June 2018 and 30 June 2019.

10. INTERIM DIVIDEND

The board of directors of the Company resolved not to declare an interim dividend for the six months ended 30 June 2019 (30 June 2018: Nil).

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2019

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group incurred capital expenditure of approximately RMB14,147,000 (six months ended 30 June 2018: RMB3,054,000) in construction in progress, approximately RMB314,000 (six months ended 30 June 2018: RMB1,217,000) in office equipment, approximately RMB5,028,000 (six months ended 30 June 2018: RMB16,989,000) in plant and machinery and approximately RMB923,000 (six months ended 30 June 2018: RMB14,287,000) in buildings.

During the six months ended 30 June 2019, the Group disposed plant and machinery with a net book value of approximately RMB5,736,000 (six months ended 30 June 2018: RMB23,000).

12. RIGHT-OF-USE ASSETS

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to IFRS 16 is as follows:

	Land use rights (unaudited) RMB'000	Properties (unaudited) RMB'000	Total (unaudited) RMB'000
Prepaid lease payments (reclassification)	173,036	–	173,036
Contract capitalisation	–	143	143
Net book value at 1 January 2019	173,036	143	173,179
Additions	–	634	634
Depreciation charge for the period	(1,981)	(218)	(2,199)
Net book value at 30 June 2019	171,055	559	171,614

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2019

13. TRADE RECEIVABLES

	30 June 2019 (unaudited) RMB'000	31 December 2018 (audited) RMB'000
Trade receivables	339,944	508,827

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period is generally 45 to 180 days. Trade receivables are non-interest bearing. 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 the invoice date, net of loss allowance, is as follows:

	30 June 2019 (unaudited) RMB'000	31 December 2018 (audited) RMB'000
Within 60 days	153,909	327,632
61-90 days	74,434	66,095
91-180 days	59,630	98,913
181-365 days	41,405	10,175
Over 365 days	10,566	6,012
	339,944	508,827

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2019

14. CASH AND BANK BALANCES

	30 June 2019 (unaudited) RMB'000	31 December 2018 (audited) RMB'000
Cash at banks and in hand	644,148	927,836
Short-term bank deposits	1,200,001	880,000
Cash and bank balances as stated in the consolidated statement of financial position	1,844,149	1,807,836
Short-term bank deposits that are not classified as cash and cash equivalents	(1,200,001)	(880,000)
Cash and cash equivalents for the presentation of the condensed consolidated statement of cash flows	644,148	927,836

15. 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, based on invoice date, is as follows:

	30 June 2019 (unaudited) RMB'000	31 December 2018 (audited) RMB'000
Within 30 days	67,869	60,994
31-60 days	14,409	15,900
61-90 days	13,750	17,215
91-180 days	15,677	17,029
181-365 days	4,396	4,906
Over 365 days	5,515	2,539
	121,616	118,583

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2019

16. BORROWING

	30 June 2019 (unaudited) RMB'000	31 December 2018 (audited) RMB'000
Non-current:		
Unsecured other borrowing	15,771	–
Interests borne at rates per annum in the range of:		
– fixed-rate other borrowing	0.36%	–

The Group's other borrowing was repayable as follow:

	30 June 2019 (unaudited) RMB'000	31 December 2018 (audited) RMB'000
More than two years, but not exceeding five years	15,771	–

17. SHARE CAPITAL

	Number of shares	Amount HK$
Authorised:		
Ordinary shares of HK$0.10 each		
At 1 January 2018, 31 December 2018 and 30 June 2019	9,000,000,000	900,000,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each		
At 1 January 2018, 31 December 2018 and 30 June 2019	573,560,000	57,356,000

The issued and fully paid share capital is equivalent to approximately RMB50,109,000 as at 1 January 2018, 31 December 2018 and 30 June 2019.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2019

18. COMMITMENTS

Capital commitments

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

	30 June 2019 (unaudited) RMB'000	31 December 2018 (audited) RMB'000
Contracted but not provided for property, plant and equipment	170,406	807

19. RELATED PARTY TRANSACTIONS

(a) 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.

		Six months ended 30 June	
	Notes	2019 (unaudited) RMB'000	2018 (unaudited) RMB'000
Sale of goods to related companies	*(i)*	2,016	1,739
Purchase of goods from related companies	*(i)*	86,538	79,584
Steam and electric power expense to a related company	*(i)*	31,241	29,674
Purchase of equipment from a related company	*(i)*	222	3,753

Notes:

(i) The directors of the Company, namely Mr. Wang Mingfeng, Mr. Wang Mingxing, Mr. Wang Mingliang and Mr. Cheng Wenming, each have beneficial interests in these related companies.

(ii) The above related party transactions were conducted in the ordinary course of business with reference to the terms mutually agreed between the parties.

Notes to the Interim Financial Information (Continued)

For the six months ended 30 June 2019

19. RELATED PARTY TRANSACTIONS (Continued)

(b) Key management personnel compensation

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Short-term employee benefits of directors and other members of key management personnel	**1,055**	862

20. TRANSFER OF FINANCIAL ASSETS

At 30 June 2019, the Group endorsed certain notes receivable accepted by banks in the PRC (the "Endorsed Notes") to certain of its suppliers in order to settle the trade and other payables due to these suppliers with an aggregate carrying amount of approximately RMB53,738,000 (31 December 2018: RMB59,864,000). The Endorsed Notes had a maturity from three to twelve months at the end of the reporting period. In accordance with the relevant laws and regulations in the PRC, the holders of the Endorsed Notes have a right of recourse against the Group if the accepting banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Endorsed Notes. Accordingly, it has derecognised the full carrying amounts of the Endorsed Notes and the associated trade and other payables. The maximum exposure to loss from the Group's Continuing Involvement in the Endorsed Notes and the undiscounted cash flows to repurchase these Endorsed Notes is equal to their carrying amounts. In the opinion of the directors of the Company, the fair values of the Group's Continuing Involvement in the Endorsed Notes are not significant.

During the period, the Group has not recognised any gain or loss on the date of transfer of the Endorsed Notes. No gains or losses were recognised from the Continuing Involvement, both during the period or cumulatively. The endorsement has been made evenly throughout the period.