

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)



2020

INTERIM REPORT

CONTENTS

	2
Corporate Information	
	3
Management Discussion and Analysis	
	13
Other Information	
	18
Report on Review of Interim Financial Information	
	20
Consolidated Income Statement	
	21
Consolidated Statement of Comprehensive Income	
	22
Consolidated Statement of Financial Position	
	24
Consolidated Statement of Changes In Equity	
	25
Condensed Consolidated Statement of Cash Flows	
	26
Notes to the Interim Financial Information	

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

Suntera (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
CMB 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

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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

China is facing unprecedented economic challenges under the impact of Coronavirus Disease 2019 pandemic (“COVID-19 pandemic”) during the first half of 2020. Despite the expectation of a gloomy economy ahead with weak domestic consumption, the Group continuously implemented its Five-Year Business Development Plan and offset against the above negative and uncertain macro factors by enhancing brand influence, diversifying products, optimising sales channels and promoting the high-end wholesale distributors and direct retails channels. In response to the dynamic industrial changes in edible oil market in China, the Group will continue to integrate and improve the sales network, so as to expand and optimise the sales network in line with the regional business development.

The Group has been continuing to prioritise 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) as well as new series of condiment products including vinegar, soy sauce, oyster sauce and soybean paste. According to the Five-Year Business Development Plan, the Group is committed to the product diversification and the transformation of a single-product company to a retail brand corporation, and will focus on the development of the brand business of healthy kitchen series in line with the development approach favourable to the Group’s long-term prospect.

The Group’s long-term and enduring development depends on its mature and stable marketing and distribution network. As at 30 June 2020, the Group had a distribution network of 1,437 (31 December 2019: 1,410) wholesale distributors and 150 (31 December 2019: 150) retailers, covering all provincial-level administrative regions of Mainland China (except Tibet).

Financial Review

For the six months ended 30 June 2020, the revenue of the Group’s products was solely derived from local sales in China. Due to the impact of uncertain factors of the COVID-19 pandemic and the ongoing conflict between China and the United States, revenue decreased by approximately 10.6% to approximately RMB1,287.4 million (2019: approximately RMB1,440.2 million). Of which, the sales of (i) own brand edible oil/food products under the kitchen series; (ii) non-branded edible oil; and (iii) corn meal contributed approximately RMB997.3 million, RMB97.9 million and RMB192.2 million (2019: approximately RMB842.2 million, RMB357.6 million and RMB240.4 million), respectively, which accounted for approximately 77.5%, 7.6% and 14.9% (2019: approximately 58.5%, 24.8% and 16.7%) of the Group’s total revenue, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

	For the six months ended 30 June 2020		For the six months ended 30 June 2019	
	RMB'000	Proportion	RMB'000	Proportion
Own brand edible oil/food products under the kitchen series	997,346	77.5%	842,236	58.5%
Non-branded edible oil	97,890	7.6%	357,587	24.8%
Corn meal	192,192	14.9%	240,380	16.7%
	1,287,428	100%	1,440,203	100%

Sales of own brand products increased by approximately 18.4% to approximately RMB997.3 million. However, sales of non-branded (bulk) edible oil dropped drastically by approximately 72.6% to approximately RMB97.9 million due to the declining economy and business environment in China.

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

	For the six months ended 30 June 2020		For the six months ended 30 June 2019	
	Quantities (tonnes)	Overall proportion	Quantities (tonnes)	Overall proportion
“長壽花” (Longevity Flower) brand				
Corn oil	60,119	69.6%	59,480	45.8%
Other edible oil	11,563	13.4%	11,804	9.0%
	71,682	83.0%	71,284	54.8%
Non-branded				
Corn oil	14,250	16.5%	58,449	45.0%
Other edible oil	424	0.5%	231	0.2%
	14,674	17.0%	58,680	45.2%
Overall edible oil	86,356	100%	129,964	100%
Corn meal	131,640		180,338	

Overall sales of edible oil decreased by 33.6% to 86,356 tonnes, mainly attributable to the weak performance of non-branded (bulk) edible oil.

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 2020		For the six months ended 30 June 2019	
	<i>RMB'000</i>	<i>Proportion of gross profit/(loss)</i>	<i>RMB'000</i>	<i>Proportion of gross profit/(loss)</i>
"長壽花" (Longevity Flower) brand				
Corn oil	307,932	85.9%	256,483	79.3%
Other edible oil/food products under the kitchen series	48,599	13.6%	64,690	20.0%
	356,531	99.5%	321,173	99.3%
Non-branded				
Corn oil	1,489	0.4%	19,928	6.2%
Other edible oil	(11)	(0.1)%	382	0.1%
	1,478	0.3%	20,310	6.3%
Corn meal	576	0.2%	(18,172)	(5.6)%
Overall gross profit	358,585	100%	323,311	100%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

	For the six months ended 30 June 2020 Gross profit/ (loss) margin	For the six months ended 30 June 2019 Gross profit/ (loss) margin
“長壽花” (Longevity Flower) brand		
Corn oil	37.2%	38.6%
Other edible oil	29.1%	38.7%
	35.9%	38.6%
Non-branded		
Corn oil	1.6%	5.6%
Other edible oil	(0.4)%	23.2%
	1.5%	5.7%
Corn meal	0.3%	(7.6)%
Overall	27.9%	22.4%

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

	For the six months ended 30 June 2020		For the six months ended 30 June 2019	
	Average selling price (RMB/tonne)	Average unit cost of sales (RMB/tonne)	Average selling price (RMB/tonne)	Average unit cost of sales (RMB/tonne)
“長壽花” (Longevity Flower) brand				
Corn oil	13,754	8,632	11,179	6,867
Other edible oil	13,607	9,645	13,233	8,118
Non-branded				
Corn oil	6,659	6,555	6,090	5,749
Other edible oil	7,061	7,087	7,112	5,463

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Own brand edible oil

Although the first half of the year is the traditional low season for food consumption, for the six months ended 30 June 2020, the sales performance of the overall own brand edible oil was stable. Due to the rising average price, the gross profit of the overall own brand edible oil increased by 11.0% to approximately RMB356.5 million. However, affected by the rising cost of raw materials, the gross profit margin decreased to approximately 35.9% (for the six months ended 30 June 2019: 38.6%).

Non-branded edible oil

Bulk edible oil market reflects the market condition. The sales of non-branded (bulk) edible oil dropped significantly by approximately 72.6% to approximately RMB97.9 million due to the declining economy and business environment in China under the impact of the COVID-19 pandemic.

By-product – corn meal

For the six months ended 30 June 2020, the corn meal market was more stable than the past. The gross profit of corn meal showed a turn from loss to profit due to higher average selling price driven by the poultry farming industry.

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 87.3% of total cost of sales for the six months ended 30 June 2020 (for the six months ended 30 June 2019: 84.7%).

Other income

For the six months ended 30 June 2020, other income decreased by approximately 51.5% to approximately RMB27.3 million (for the six months ended 30 June 2019: RMB56.2 million). Other income mainly comprised sales of scrap materials of approximately RMB15.7 million (for the six months ended 30 June 2019: approximately RMB16.5 million), bank interest income of approximately RMB10.0 million (for the six months ended 30 June 2019: approximately RMB29.2 million).

Selling and distribution costs

For the six months ended 30 June 2020, selling and distribution costs increased by approximately 13.7% to RMB181.3 million (for the six months ended 30 June 2019: approximately RMB159.5 million). Selling and distribution costs mainly comprised transportation fees of approximately RMB41.9 million (for the six months ended 30 June 2019: approximately RMB25.1 million), advertising and promotion expenses of approximately RMB41.8 million (for the six months ended 30 June 2019: approximately RMB43.7 million), expenses of representative offices of approximately RMB51.2 million (for the six months ended 30 June 2019: approximately RMB43.4 million) and sales staff costs of approximately RMB43.9 million (for the six months ended 30 June 2019: approximately RMB44.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Administrative expenses

For the six months ended 30 June 2020, administrative expenses increased by approximately 15.6% to approximately RMB44.4 million (for the six months ended 30 June 2019: approximately RMB38.4 million). Other administrative expenses mainly comprised: (i) administrative staff costs of approximately RMB12.8 million (for the six months ended 30 June 2019: approximately RMB14.4 million); (ii) depreciation and amortisation expenses of approximately RMB13.4 million (for the six months ended 30 June 2019: approximately RMB8.9 million); (iii) other taxes of approximately RMB4.3 million (for the six months ended 30 June 2019: approximately RMB4.8 million); and (iv) legal and professional fees of approximately RMB2.0 million (for the six months ended 30 June 2019: approximately RMB2.0 million).

Income tax expense

For the six months ended 30 June 2020, the income tax expense of the Group decreased by approximately 3.6% to approximately RMB27.2 million (for the six months ended 30 June 2019: RMB28.2 million).

Profit before income tax and profit attributable to owners of the Company

For the six months ended 30 June 2020, the Group recorded a decrease of approximately 11.8% in profit before income tax to approximately RMB160.1 million (for the six months ended 30 June 2019: approximately RMB181.6 million), and a decrease of approximately 13.3% in the Group's profit attributable to owners of the Company to approximately RMB132.9 million (for the six months ended 30 June 2019: approximately RMB153.4 million), respectively.

For the six months ended 30 June 2020, the Group's net profit margin decreased to approximately 10.3% (for the six months ended 30 June 2019: 10.7%) and the basic earnings per share attributable to owners of the Company decreased to approximately RMB23.2 cents (for the six months ended 30 June 2019: RMB26.7 cents).

Acquisition of property, plant and equipment

As at 30 June 2020, the Group's deposits paid for the acquisition of property, plant and equipment increased to approximately RMB62.0 million (31 December 2019: RMB61.4 million).

Trade receivables

As at 30 June 2020, trade receivables were approximately RMB395.9 million (31 December 2019: RMB565.5 million).

Prepayments, deposits and other receivables

As at 30 June 2020, prepayments, deposits and other receivables amounted to approximately RMB130.9 million (31 December 2019: RMB69.6 million) which mainly comprised: (i) deposits paid for purchase of raw materials of approximately RMB83.0 million (31 December 2019: RMB39.8 million); (ii) other receivables of approximately RMB47.6 million (31 December 2019: RMB28.7 million); and (iii) prepaid advertising expenses of approximately RMB0.3 million (31 December 2019: RMB1.1 million).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PROGRESS OF 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 “長壽花” (Longevity Flower).

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 “長壽花” (Longevity Flower) brand products, including new products of “長壽花” (Longevity Flower) 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:

“長壽花” (Longevity Flower) condiments

During the first half of 2020, the Group also launched its new products of rice, vinegar and oyster sauce to the market to provide consumers with more choices.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Food products under the “長壽花” (Longevity Flower) 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 “長壽花” (Longevity Flower) 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 2020, the Group had 1,437 wholesale distributors and 150 retailers for its distribution network, covering all provincial-level administrative regions in Mainland China (except Tibet) with approximately 390,000 domestic sales locations. The Group’s objective is to gradually expand its distribution network into all counties, townships and communities in the PRC.

Community partners

A new sales model, “community partners” has been in full swing to cater for the changing customer’s consumption habit. Community partners provide home-staying consumers with safe delivery services during the COVID-19 pandemic.

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 setup of the e-commerce department will be an important sales channel.

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.

CAPITAL STRUCTURE

The Company’s issued share capital as at 30 June 2020 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 2020, the gearing ratio (calculated as total borrowings divided by shareholders’ equity) was 0.5% (31 December 2019: 0.5%). As a result, the current ratio (calculated as current assets divided by current liabilities) was 7.5 times (31 December 2019: 5.2 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group had borrowing of approximately RMB15.8 million (31 December 2019: approximately RMB15.5 million) and cash and bank balances of approximately RMB1,862.1 million (31 December 2019: approximately RMB1,832.5 million).

MATERIAL ACQUISITION AND DISPOSAL

The Company did not have any material acquisition or disposal for the six months ended 30 June 2020.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE

Most transactions of the Group are settled in Renminbi (“RMB”) since the operations of the Group are mainly carried out in the PRC, and the major subsidiaries of the Group are operating under a 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 other borrowing is denominated in Hong Kong Dollars (“HKD”). The Company pays dividends in HKD 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 distribution of dividends (if any).

PLEDGE ON GROUP ASSETS

As at 30 June 2020, none of the assets of the Group was pledged (31 December 2019: Nil).

CAPITAL COMMITMENTS

The Group had capital commitments of approximately RMB160.3 million as at 30 June 2020 (31 December 2019: RMB170.4 million), which mainly represented the commitments made for purchase of fixed assets.

EMPLOYEE BENEFITS AND REMUNERATION POLICIES

As at 30 June 2020, the Group had a total of 3,919 employees (31 December 2019: 4,310). 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 2020, staff costs (including Directors’ remunerations) amounted to approximately RMB76.9 million (for the six months ended 30 June 2019: RMB79.3 million). For the six months ended 30 June 2020, staff costs accounted for approximately 6.0% of the Group’s turnover (for the six months ended 30 June 2019: 5.5%).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SIGNIFICANT INVESTMENTS HELD

As at 30 June 2020, there were no significant investments held by the Company.

CONTINGENT LIABILITIES

As at 30 June 2020, 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 2020 (for the six months ended 30 June 2019: 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 2020, 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 25.50% by Mr. Wang Mingxing, 29.49% by Mr. Wang Mingfeng, and 29.39% 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	25.50%
	Sanxing Grease	Interest of controlled corporations	Long position	25.50%
	SanXing Trade	Interest of controlled corporations	Long position	25.50%
Mr. Wang Mingfeng	Shandong Sanxing	Beneficial owner	Long position	29.49%
	Sanxing Grease	Interest of controlled corporations	Long position	29.49%
	SanXing Trade	Interest of controlled corporations	Long position	29.49%
Mr. Wang Mingliang	Shandong Sanxing	Beneficial owner	Long position	29.39%
	Sanxing Grease	Interest of controlled corporations	Long position	29.39%
	SanXing Trade	Interest of controlled corporations	Long position	29.39%

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 2020.

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 2020, the interests or short positions of substantial shareholders (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (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	57,340,000 (Note 2)	9.99%
Pandanus Partners L.P.	Interest of controlled corporations	Long position	57,340,000 (Note 2)	9.99%
FIL Limited	Interest of controlled corporations	Long position	57,340,000 (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 25.50% by Mr. Wang Mingxing, 29.49% by Mr. Wang Mingfeng and 29.39% 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.
- (2) These include:
- (i) 26,963,000 Shares held by FIL Investment Management (Hong Kong) Limited, and 18,877,000 Shares held by FIL Investment Management (Singapore) Limited, both of which are wholly-owned by FIL Asia Holdings Pte Limited which in turn is wholly-owned by FIL Limited. Therefore, each of FIL Limited and FIL Asia Holdings Pte Limited is deemed to be interested in these 26,963,000 Shares held by FIL Investment Management (Hong Kong) Limited, and 18,877,000 Shares held by FIL Investment Management (Singapore) Limited pursuant to the SFO; and

OTHER INFORMATION (CONTINUED)

- (ii) 10,850,000 Shares held through 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 10,850,000 Shares held by Fidelity Investments Canada ULC pursuant to the SFO.
- (iii) 650,000 Shares held through FIL Investments (Japan) Ltd. FIL Investments (Japan) Ltd is wholly-owned by FIL Japan Holdings KK, which in turn is wholly-owned by FIL Japan Holdings (Singapore) Pte Limited. FIL Japan Holdings (Singapore) Pte Limited is wholly-owned by FIL Asia Holding Pte Limited which in turn is wholly-owned by FIL Limited. Therefore, FIL Limited is deemed to be interested in these 650,000 Shares held by FIL Investments (Japan) Ltd pursuant to the SFO.

FIL Limited is owned as to 36.86% 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 57,340,000 Shares.

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 2020.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2020, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors had complied with the required standard set out in the Model Code during the six months ended 30 June 2020.

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 2020, the Company has been in compliance with the relevant code provisions set out in the CG Code except for the deviations explained below.

OTHER INFORMATION (CONTINUED)

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 2020.

AUDIT COMMITTEE

The Company established the audit committee of the Company (the "Audit Committee") on 23 November 2009 with written terms of reference in compliance with the code provisions under the CG Code.

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 relating to the resignation or dismissal of such auditor; reviewing the interim and annual reports and accounts of the Group; and reviewing the Company's financial reporting system and the risk management and internal control systems.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Wang Aiguo (chairman), Mr. Wang Ruiyuan and Mr. Liu Shusong. The Audit Committee has reviewed the unaudited consolidated interim results of the Group for the six months ended 30 June 2020.

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

Hong Kong, 24 August 2020

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 20 to 38 which comprises the consolidated statement of financial position of Changshouhua Food Company Limited as of 30 June 2020 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.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION (CONTINUED)

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, 24 August 2020

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 (unaudited) RMB'000	2019 (unaudited) RMB'000
Revenue	5	1,287,428	1,440,203
Cost of sales		(928,843)	(1,116,892)
Gross profit		358,585	323,311
Other income	5	27,298	56,248
Selling and distribution costs		(181,338)	(159,525)
Administrative expenses		(44,417)	(38,434)
Profit from operations	6	160,128	181,600
Finance costs	7	(43)	(18)
Profit before income tax		160,085	181,582
Income tax expense	8	(27,175)	(28,199)
Profit for the period attributable to owners of the Company		132,910	153,383
		RMB cents	RMB cents
Earnings per share attributable to owners of the Company	9		
— Basic and diluted		23.173	26.742

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (unaudited) RMB'000	2019 (unaudited) RMB'000
Profit for the period	132,910	153,383
Other comprehensive income that may be reclassified subsequently to profit or loss		
Exchange (loss)/gain on translation of financial statements of foreign operations	(486)	101
Other comprehensive income for the period, net of tax	(486)	101
Total comprehensive income for the period attributable to owners of the Company	132,424	153,484

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	30 June 2020 (unaudited) RMB'000	31 December 2019 (audited) RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	738,690	780,907
Right-of-use assets	12	167,372	169,345
Goodwill		62,762	62,762
Intangible asset		45,851	48,264
Deposits paid for acquisition of capital assets		62,004	61,367
		1,076,679	1,122,645
Current assets			
Inventories		245,000	153,766
Right of return assets		2,682	6,944
Trade receivables	13	395,869	565,481
Prepayments, deposits and other receivables		130,914	69,564
Amounts due from related companies		117,728	106,188
Cash and bank balances	14	1,862,055	1,832,463
		2,754,248	2,734,406
Current liabilities			
Trade payables	15	81,146	130,265
Accrued liabilities and other payables		169,781	188,055
Contract liabilities		37,573	125,084
Refund liabilities		3,345	8,662
Dividend payable		22,848	22,457
Lease liabilities		262	233
Amounts due to related companies		20,894	16,289
Current tax liabilities		33,359	36,967
		369,208	528,012
Net current assets		2,385,040	2,206,394
Total assets less current liabilities		3,461,719	3,329,039

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2020

	<i>Notes</i>	30 June 2020 (unaudited) RMB'000	31 December 2019 (audited) RMB'000
Non-current liabilities			
Borrowing	16	15,756	15,476
Lease liabilities		20	44
		15,776	15,520
Net assets		3,445,943	3,313,519
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	50,109	50,109
Reserves		3,395,834	3,263,410
Total equity		3,445,943	3,313,519

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	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
At 1 January 2019 (audited)	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
At 1 January 2020 (audited)	50,109	483,051	326,683	53,941	69,131	1,057	—	2,329,547	3,313,519
Profit for the period	—	—	—	—	—	—	—	132,910	132,910
Other comprehensive loss for the period	—	—	—	—	—	(486)	—	—	(486)
Total comprehensive (loss)/income for the period	—	—	—	—	—	(486)	—	132,910	132,424
At 30 June 2020 (unaudited)	50,109	483,051	326,683	53,941	69,131	571	—	2,462,457	3,445,943

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Net cash generated from operating activities	17,388	133,571
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,954)	(19,143)
Proceeds from disposal of property, plant and equipment	895	3,872
Increase in short-term bank deposits	(199,000)	(320,001)
Deposits paid for acquisition of capital assets	(637)	(87,006)
Interest received	10,005	28,230
Net cash used in investing activities	(190,691)	(394,048)
Cash flows from financing activities		
Proceeds from other borrowing	—	15,458
Increase/(decrease) in amounts due to related companies	4,605	(7,371)
Repayment of principal portion of lease liabilities	(181)	(196)
Dividend paid	—	(31,185)
Interest paid	(43)	(18)
Net cash generating from/(used in) financing activities	4,381	(23,312)
Net decrease in cash and cash equivalents	(168,922)	(283,789)
Cash and cash equivalents at beginning of the period	1,432,463	927,836
Effect of foreign exchange rate changes on cash and cash equivalents	(486)	101
Cash and cash equivalents at end of the period	1,263,055	644,148
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	1,862,055	1,844,149
Less: short-term bank deposits	(599,000)	(1,200,001)
Cash and cash equivalents	1,263,055	644,148

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

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 own brand edible oil, non-branded edible oil and corn meal.

The interim financial information for the six months ended 30 June 2020 was approved and authorised for issue by the board of directors on 24 August 2020.

2. BASIS OF PREPARATION

The interim financial information for the six months ended 30 June 2020 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 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 2019.

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 2019, except for the adoption of the standards, amendments and interpretations issued by the IASB mandatory for annual periods beginning on or after 1 January 2020. 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 (CONTINUED)

For the six months ended 30 June 2020

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.

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 2020			
	Own brand products RMB'000 (unaudited)	Non- branded products RMB'000 (unaudited)	Corn meal RMB'000 (unaudited)	Total RMB'000 (unaudited)
Revenue from external customers	997,346	97,890	192,192	1,287,428
Reportable segment revenue	997,346	97,890	192,192	1,287,428
Reportable segment profit	356,531	1,478	576	358,585
Depreciation	23,015	4,016	7,276	34,307

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2020

4. SEGMENT INFORMATION (Continued)

	Six months ended 30 June 2019			Total <i>RMB'000</i> (unaudited)
	Own brand products <i>RMB'000</i> (unaudited)	Non- branded products <i>RMB'000</i> (unaudited)	Corn meal <i>RMB'000</i> (unaudited)	
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

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	
	2020 (unaudited) <i>RMB'000</i>	2019 (unaudited) <i>RMB'000</i>
Reportable segment profit	358,585	323,311
Other income	27,298	56,248
Selling and distribution costs	(181,338)	(159,525)
Administrative expenses	(44,417)	(38,434)
Finance costs	(43)	(18)
Profit before income tax	160,085	181,582

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2020

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.

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	
	2020 (unaudited) RMB'000	2019 (unaudited) RMB'000
Revenue		
Sale of goods	1,287,428	1,440,203
Other income		
Bank interest income	10,005	29,218
Sale of scrap materials	15,673	16,465
Compensation income from insurance company	—	157
Compensation income from sundry creditors	137	200
Government grant <i>(Note (a))</i>	—	8,000
Net foreign exchange gain	18	—
Others	1,465	2,208
	27,298	56,248

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 2020

6. PROFIT FROM OPERATIONS

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	RMB'000	<i>RMB'000</i>
Profit from operations is arrived at after charging/(crediting):		
Cost of inventories recognised as expenses	928,843	1,116,892
Depreciation on property, plant and equipment	43,130	40,097
Depreciation on right-of-use assets	2,159	2,199
Amortisation of intangible asset	2,413	—
Loss on disposal of property, plant and equipment	145	1,864
Change in loss allowance on trade receivables	641	(1)
Short-term lease expenses	946	1,123
Research and development costs	2,833	3,656
Employee costs (including directors' remuneration)		
— Wages, salaries and bonus	71,698	72,706
— Contribution to defined contribution pension plan	5,248	6,545
Total employee costs	76,946	79,251

7. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	RMB'000	<i>RMB'000</i>
Interest on other borrowing	31	—
Interest on lease liabilities	12	18
	43	18

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2020

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Current tax		
— Provision for PRC corporate income tax	27,175	28,199

PRC corporate income tax ("CIT") 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.

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 the BVI during the periods.

Pursuant to the approvals issued by the State Administration of Taxation of the PRC during the reporting period, the Company and one of its subsidiaries incorporated in the BVI are regarded as Chinese Resident Enterprises ("CREs") and the relevant CIT Law of the PRC are applicable to the CREs with effect from 1 January 2019.

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 2019 and the six months ended 30 June 2020.

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2020

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	
	2020 (unaudited) RMB'000	2019 (unaudited) RMB'000
Earnings		
Earnings for the purpose of basic earnings per share	132,910	153,383
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	573,560,000	573,560,000

The diluted earnings per share is the same as the basic earnings per share, as the Group had no potential dilutive ordinary shares in issue during the six months ended 30 June 2019 and 30 June 2020.

10. INTERIM DIVIDEND

The board of directors of the Company resolved not to declare an interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group incurred capital expenditure of approximately RMB1,202,000 (six months ended 30 June 2019: RMB14,147,000) in construction in progress, approximately RMB35,000 (six months ended 30 June 2019: RMB314,000) in office equipment, approximately RMB717,000 (six months ended 30 June 2019: RMB5,028,000) in plant and machinery. During the six months ended 30 June 2019, the Group incurred capital expenditure of approximately RMB923,000 in buildings.

During the six months ended 30 June 2020, the Group disposed of plant and machinery with a net book value of approximately RMB28,000 (six months ended 30 June 2019: RMB5,736,000), buildings with a net book value of approximately RMB1,012,000 (six months ended 30 June 2019: Nil).

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2020

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 is as follows:

	Land use rights RMB'000	Properties RMB'000	Total RMB'000
Prepaid lease payments (reclassification)	173,036	—	173,036
Contract capitalisation	—	143	143
Net book value at 1 January 2019 (audited)	173,036	143	173,179
Additions	—	405	405
Depreciation charge for the year	(3,961)	(278)	(4,239)
Net book value at 31 December 2019 and 1 January 2020 (audited)	169,075	270	169,345
Additions	—	186	186
Depreciation charge for the period	(1,980)	(179)	(2,159)
Net book value at 30 June 2020 (unaudited)	167,095	277	167,372

13. TRADE RECEIVABLES

	30 June 2020 (unaudited) RMB'000	31 December 2019 (audited) RMB'000
Trade receivables	395,869	565,481

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.

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2020

13. TRADE RECEIVABLES (Continued)

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

	30 June 2020 (unaudited) RMB'000	31 December 2019 (audited) RMB'000
Within 60 days	225,176	300,870
61-90 days	80,256	140,004
91-180 days	52,182	90,071
181-365 days	25,956	17,676
Over 365 days	12,299	16,860
	395,869	565,481

14. CASH AND BANK BALANCES

	30 June 2020 (unaudited) RMB'000	31 December 2019 (audited) RMB'000
Cash at banks and in hand	1,263,055	1,432,463
Short-term bank deposits	599,000	400,000
Cash and bank balances as stated in the consolidated statement of financial position	1,862,055	1,832,463
Short-term bank deposits that are not classified as cash and cash equivalents	(599,000)	(400,000)
Cash and cash equivalents for the presentation of the condensed consolidated statement of cash flows	1,263,055	1,432,463

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2020

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 2020 (unaudited) RMB'000	31 December 2019 (audited) RMB'000
Within 30 days	39,188	69,593
31-60 days	11,951	21,334
61-90 days	9,685	7,891
91-180 days	9,332	16,135
181-365 days	8,703	9,357
Over 365 days	2,287	5,955
	81,146	130,265

16. BORROWING

	30 June 2020 (unaudited) RMB'000	31 December 2019 (audited) RMB'000
Non-current:		
Unsecured other borrowing	15,756	15,476
Interests borne at rates per annum in the range of:		
— fixed-rate other borrowing	0.36%	0.36%

The Group's other borrowing is repayable as follow:

	30 June 2020 (unaudited) RMB'000	31 December 2019 (audited) RMB'000
More than one year, but not exceeding two years	15,756	—
More than two years, but not exceeding five years	—	15,476
	15,756	15,476

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2020

17. SHARE CAPITAL

	Number of shares	Amount HK\$
Authorised:		
Ordinary shares of HK\$0.10 each		
At 1 January 2019, 31 December 2019 and 30 June 2020	9,000,000,000	900,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 1 January 2019, 31 December 2019 and 30 June 2020	573,560,000	57,356,000

The issued and fully paid share capital is equivalent to approximately RMB50,109,000 as at 1 January 2019, 31 December 2019 and 30 June 2020.

18. COMMITMENTS**Capital commitments**

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

	30 June 2020 (unaudited) RMB'000	31 December 2019 (audited) RMB'000
Contracted but not provided for property, plant and equipment	160,334	170,384

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2020

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.

	Notes	Six months ended 30 June	
		2020 (unaudited) RMB'000	2019 (unaudited) RMB'000
Sale of goods to related companies	(i)	1,930	2,016
Purchase of goods from related companies	(i)	130,697	86,538
Steam and electric power expense to a related company	(i)	22,230	23,312
Purchase of equipment from a related company	(i)	313	222

Notes:

- (i) The directors of the Company, namely Mr. Wang Mingxing, Mr. Wang Mingfeng, 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.

(b) Key management personnel compensation

	Six months ended 30 June	
	2020 (unaudited) RMB'000	2019 (unaudited) RMB'000
Short-term employee benefits of directors and other members of key management personnel	958	1,055

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

For the six months ended 30 June 2020

20. TRANSFER OF FINANCIAL ASSETS

At 30 June 2020, 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 RMB4,727,000 (31 December 2019: RMB41,558,000). 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.

21. SIGNIFICANT EVENT

The World Health Organisation declared coronavirus (“COVID-19”) a global health emergency on 30 January 2020. Since then, the Group has experienced disruption to its operations in the following respects:

- Interruptions to demand for the Group’s edible oil as a consequence of social distancing requirements and recommendations;
- Disruptions in the procurement of raw materials from suppliers; and
- Significant uncertainty concerning when government lockdowns will be lifted, social distancing requirements will be eased and the long-term effects of the pandemic on the demand for the Group’s primary products.

The significant event in relation to the effects of the global pandemic on the Group’s interim financial information for the six months ended 30 June 2020 are concluded above. Overall, COVID-19 has brought additional uncertainties to the economic outlook.