OVERVIEW

We are principally engaged in the manufacture of edible corn oil products for: (1) domestic or export bulk sales mainly to other companies engaging in the sale of edible corn oil under their own brands; and (2) domestic sales under our brand of 長壽花 (Longevity Flower) in the PRC consumer market. Edible corn oil under our brands are sold in the PRC through our wholesale distributors and retailers. As at 30 June 2009, we had a distribution network of approximately 55 wholesale distributors and approximately 33 retailers covering 20 provinces and/or administrative municipalities in the PRC.

CRITICAL ACCOUNTING POLICIES

Our Group's financial information has been prepared in accordance with the International Financial Reporting Standards ("**IFRSs**"). The preparation of the financial information in conformity with IFRSs requires our Group's management to adopt accounting policies and make estimates and assumptions that affect amounts reported to our Group's financial information. In applying these accounting policies, our Group's management makes subjective judgements that frequently require estimates about matters that are inherently uncertain. Accordingly, actual results could differ from those estimates. Basically the estimates and assumptions involve judgements based on the latest available information, reliable information and experience. The estimates and assumptions adopted by our Group are reliable and there have been no change in the estimates and assumptions over the Track Record Period. There is no evidence that the estimates and assumptions will be changed in the foreseeable future.

The following paragraphs discuss the critical accounting policies applied in preparing our Group's financial information:

Merger accounting

The assets and liabilities of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination. The combined income statement includes the results of each of the combining entities or businesses from the date of incorporation/establishment or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination. All significant intra-group transactions, balances and unrealised gains on transactions have been eliminated on combination. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred.

Revenue recognition

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

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

(ii) Interest income is recognised as interest accrues (using the effective interest method).

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

Cost of sales

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

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Expenditures incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in future economic benefits expected to be obtained from the use of property, plant and equipment, and the expenditure of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of property, plant and equipment, less any estimated residual values, over the following estimated useful lives:

Leasehold buildings	The shorter of the lease terms and 20 years
Plant and machinery	10 years
Office equipment	5 years

An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits from its use. Any gain or loss arising on derecognising of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the income statement.

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

The assets' residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at the end of each of the Track Record Period.

Impairment of non-financial assets

Property, plant and equipment is subject to impairment testing and are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

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

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

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

Financial assets

Our Group's accounting policies for financial assets other than investments in subsidiaries and cash and bank balances are set out below. Financial assets are classified into loans and receivables and financial assets at fair value through profit or loss.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, our Group becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognised on trade date. Regular way purchase or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the receivables/investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At the end of each of the Track Record Period, financial assets are reviewed to assess whether there is objective evidence of impairment. If any of such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in income statement. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets.

Impairment of financial assets

At the end of each of the Track Record Period, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of our Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

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

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

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in the profit or loss of the period in which the impairment occurs. In relation to trade and notes receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that our Group will not be able to collect all of the amounts due under the original terms of the invoice. Except for trade and notes receivables, the carrying amount of loans and receivables is directly reduced by any identified amount of impairment. Impaired debts are derecognised when they are assessed as uncollectible. Impairment losses in respect of trade and notes receivables are recorded using an allowance account unless our Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average basis, comprise direct materials, direct labour and an appropriate portion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

Income taxes

Income tax comprises current and deferred tax.

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

Deferred tax is calculated using the liability method on temporary differences at the end of each of the Track Record Period between the carrying amounts of assets and liabilities and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the end of each of the Track Record Period.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

Financial liabilities

Our Group's financial liabilities include trade payables, accrued liabilities, other payables, interest-bearing bank and other borrowings and amounts due to related parties.

Financial liabilities are recognised when our Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

Bank borrowings

Bank borrowings are recognised initially at fair value, net of transaction costs incurred. Bank borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Bank borrowings are classified as current liabilities unless our Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Trade and other payables

Trade payables, accrued liabilities, other payables and amounts due to related parties are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with the combined financial information of our Group included in the Accountants' Report and notes thereto set out in Appendix I to this prospectus. The combined financial information had been prepared in accordance with International Financial Reporting Standards.

Combined Income Statements

Set out below is a summary of the audited combined results of our Group for each of the three years ended 31 December 2008 and the six months ended 30 June 2009 and the unaudited combined results of our Group for the six months ended 30 June 2008.

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 *(unaudited)*	RMB'000
Revenue	481,142	694,337	934,004	513,106	512,901
Cost of sales	(419,374)	(624,948)	(834,167)	(443,854)	(448,313)
Gross profit	**61,768**	**69,389**	**99,837**	**69,252**	**64,588**
Other income	13,632	13,818	15,642	8,391	6,076
Selling and distribution expenses	(15,266)	(11,792)	(12,448)	(6,228)	(4,751)
Administrative expenses	(6,918)	(6,621)	(9,918)	(4,414)	(3,583)
Other operating expenses	(409)	(327)	(193)	(157)	(100)
Profit from operations	**52,807**	**64,467**	**92,920**	**66,844**	**62,230**
Finance costs	(5,390)	(2,596)	(1,550)	(163)	(928)
Profit before income tax	**47,417**	**61,871**	**91,370**	**66,681**	**61,302**
Income tax expense	(16,393)	(876)	–	–	(7,663)
Profit for the year/period	**31,024**	**60,995**	**91,370**	**66,681**	**53,639**

Revenue and gross profit/(loss)

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

	Year ended 31 December						Six months ended 30 June			
	2006		2007		2008		2008		2009	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 *(unaudited)*	%	RMB'000	%
Revenue										
Corn oil										
– Non-branded corn oil	369,260	76.7%	426,753	61.5%	644,837	69.0%	359,691	70.1%	373,568	72.8%
– Corn oil under our brands	22,618	4.7%	62,971	9.0%	114,757	12.3%	57,486	11.2%	63,889	12.5%
Corn meal	63,788	13.3%	90,162	13.0%	138,493	14.8%	71,616	14.0%	59,360	11.6%
Other oil	25,476	5.3%	114,451	16.5%	35,917	3.9%	24,313	4.7%	16,084	3.1%
	481,142	100.0%	694,337	100.0%	934,004	100.0%	513,106	100.0%	512,901	100.0%
Gross profit/(loss)										
Corn oil										
– Non-branded corn oil	59,357	96.10%	59,545	85.8%	79,859	80.0%	59,811	86.4%	52,585	81.4%
– Corn oil under our brands	6,200	10.0%	10,315	14.9%	19,468	19.5%	9,351	13.5%	10,188	15.8%
Corn meal	(7,546)	(12.2%)	(14,594)	(21.0%)	(511)	(0.5%)	(2,486)	(3.6%)	62	0.1%
Other oil	3,757	6.1%	14,123	20.3%	1,021	1.0%	2,576	3.7%	1,753	2.7%
	61,768	100.0%	69,389	100.0%	99,837	100.0%	69,252	100.0%	64,588	100.0%
Gross profit/(loss) ratio										
Corn oil										
– Non-branded corn oil	16.1%		14.0%		12.4%		16.6%		14.1%	
– Corn oil under our brands *(Note)*	27.4%		16.4%		17.0%		16.3%		15.9%	
Corn meal	(11.8%)		(16.2%)		(0.4%)		(3.5%)		0.1%	
Other oil *(Note)*	14.7%		12.3%		2.8%		10.6%		10.9%	
Overall	12.8%		10.0%		10.7%		13.5%		12.6%	

Note: As mentioned in the paragraph headed "Sales arrangement with Sanxing Grease" under the "Business" section in this prospectus, some of our Group's sales of edible oil products under our brands for the two years ended 31 December 2008 and the six months ended 30 June 2009 were made via the sales arrangement (the "**Previous Sales Arrangement**") with Sanxing Grease, the predecessor of Corn Industry with amount of approximately RMB58.6 million, RMB131.7 million and RMB49.0 million respectively. Details of the Previous Sales Arrangement are set out in the paragraph headed "Sales arrangement with Sanxing Grease" under the "Business" section of this prospectus. Under the Previous Sales Arrangement, the prices charged by Corn Industry to Sanxing Grease were based on the on-sale prices charged by Sanxing Grease, as adjusted downward for the expenses ("**Sales Expenses**") paid by Sanxing Grease in relation to its performance of the Previous Sales Arrangement. As such, the gross profit margin of the Group as recorded during the Track Record Period was lower than the actual figures if the Sales Expenses were directly borne by Corn Industry and were not deducted in the prices charged by Corn Industry.

As mentioned in the paragraph headed "Non-exempt Continuing Connected Transactions" under the "Connected Transactions" section in this prospectus, Corn Industry and Sanxing Grease has enter into the sales agreement (the "**Sales Agreement**") dated 16 November 2009 to formalise the sales arrangement after Listing, pursuant to which the price payable by Sanxing Grease for the sales of edible oil products under our brands shall be the same as the on-sale price charged by Sanxing Grease, whereas the Sales Expenses would be reimbursed by Corn Industry on an actual incurred basis instead of being adjusted in the selling price charged by Corn Industry to Sanxing Grease. As such, the Directors consider that the aforesaid new arrangement after Listing is expected to result in a higher gross profit margin of edible oil products under our brands but a higher selling and marketing expenses of our Group after Listing as compared with the gross profit margin of edible oil products under our brands and the selling and marketing expenses of our Group under the Previous Sales Arrangement. After the expiration of the Sales Agreement on 30 June 2010, all of the Group's sales of edible oil products under our brands will be carried out directly by Corn Industry without the involvement of Sanxing Grease.

The following table sets forth the breakdown of our revenue by geographical location for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2006		2007		2008		2008		2009	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 *(unaudited)*	%	RMB'000	%
Local:										
– PRC	245,338	51.0	578,398	83.3	652,294	69.8	314,579	61.3	506,632	98.8
Export:										
– Middle East	205,790	42.8	79,307	11.4	221,083	23.7	143,244	27.9	1,325	0.2
– Korea	13,888	2.9	10,772	1.6	11,782	1.3	11,782	2.3	–	0.0
– Singapore, Malaysia and the Philippines	16,126	3.3	25,860	3.7	48,845	5.2	43,501	8.5	4,944	1.0
	235,804	49.0	115,939	16.7	281,710	30.2	198,527	38.7	6,269	1.2
	481,142	100.0	694,337	100.0	934,004	100.0	513,106	100.0	512,901	100.0

Cost of Sales

Our cost of sales includes costs of raw materials, labour and manufacturing overhead. Labour costs include wages and other compensation paid to production workers. Manufacturing overhead includes freight costs, depreciation and utilities expenses.

The following table sets forth the components of our cost of sales for the periods indicated:

	Year ended 31 December			Six months ended
	2006	2007	2008	30 June 2009
Cost of Sales	RMB'000	RMB'000	RMB'000	RMB'000
Corn embryo	162,286	264,752	343,497	172,327
Crude oil	198,911	297,058	391,096	240,685
Others	2,693	8,049	11,378	4,027
	363,890	569,859	745,971	417,039
Direct labour cost	3,857	4,288	5,407	2,780
Manufacturing overhead	51,627	50,801	82,789	28,494
Total	419,374	624,948	834,167	448,313

We experienced significant increase in cost of sales primarily as a result of increased sales and production volume during the Track Record Period. The costs of raw materials constituted the largest component of total cost of sales and accounted for approximately 86.8%, 91.2%, 89.4% and 93.0% of the total costs of sales for the three years ended 31 December 2008 and the six months ended 30 June 2009, respectively.

Fluctuation of the average purchase prices of our raw materials

The following table shows the fluctuations of the average purchase prices of our main raw materials during the Track Record Period:

	Percentage increase/(decrease)			
	Year ended 31 December			Six months ended 30 June 2009
	2006	2007	2008	*(Note)*
Corn embryo	4.3%	41.9%	16.9%	(27.5)%
Crude corn oil	(1.9)%	67.3%	30.8%	(42.4)%

Note: The percentage decrease for the six months ended 30 June 2009 is calculated using the average purchase prices of raw materials for the year ended 31 December 2008 and the six months ended 30 June 2009 respectively.

The fluctuation in our average purchase prices of corn embryo and crude corn oil mainly depends on the fluctuation in the market prices of edible corn oil products which are produced from corn embryo or crude corn oil. Save for the year ended 31 December 2006 for corn embryo, our Directors consider that the fluctuation of our average purchase prices of corn embryo and crude corn oil as shown above during the Track Record Period is generally in line with the price fluctuation of our average selling prices of our non-branded corn oil products and branded corn oil products. Our average purchase prices of corn embryo for the year ended 31 December 2006 increased by approximately 4.3% when compared to 2005, whereas our average selling prices of non-branded corn oil products decreased by approximately 4.7% for the same period. As advised by our Directors, this is mainly due to the fact that there was limited supply of edible corn oil products in PRC in 2005 which led to the higher market selling prices of edible corn oil products in 2005 when compared to 2006. In 2006, more market participants entered the corn oil production industry which resulted in increased industry competition. This increased industry competition in 2006 in turn resulted in (i) the lower average market selling prices of edible corn oil products when compared to 2005 due to more abundant supply of edible corn oil products in the market; and (ii) the increase in the average purchase prices of corn embryo due to the increase in demand for corn embryo, being the major raw materials for corn oil production.

Apart from the market prices of edible corn oil products, being the major factor affecting our average purchase prices of corn embryo and crude corn oil, other less significant factors include:

- the fluctuation in the price of corn;
- government policies regarding the usage of corn which have an impact on the supply of corn embryo; and
- the general economy in the PRC and in the world.

We do not engage in any hedging transactions to protect us against price fluctuations as our Directors consider that the fluctuations in the costs of our raw materials are generally in line with fluctuations in the selling prices of our corn oil products.

In recent years, we experienced price fluctuations for our raw materials of corn embryo and crude corn oil due to the above factors. Nevertheless, we were able to partially offset the impact of price increases of raw materials by correspondingly increasing the selling price of our corn oil products. The major raw materials we use are readily available in the market and as we were the largest edible corn oil manufacturer in the PRC during 2006 to 2008 in terms of production volume according to CCOA (Oil & Fats Division), and accordingly, we have bargaining power over our suppliers to obtain better purchase prices for our raw materials.

Fluctuations of the average selling prices of our corn oil products

The following table shows the fluctuations of the average selling prices of our corn oil products during the Track Record Period:

	Year ended 31 December			Six months ended 30 June 2009
	2006	2007	2008	
Quantities sold (tonnes)				
Non-branded corn oil. .	68,616	55,707	64,965	57,227
Branded corn oil.	2,625	6,101	9,803	8,565
Average selling price (RMB/tonne)				
Non-branded corn oil. .	5,382	7,661	9,926	6,528
Branded corn oil.	8,616	10,322	11,707	7,460
Percentage (decrease)/increase of average selling price				
Non-branded corn oil. .	(4.7)%	42.3%	29.6%	(34.2)% *(Note 2)*
Branded corn oil.	N/A *(Note 1)*	19.8%	13.4%	(36.3)% *(Note 2)*

Notes:

1. Our sales of branded corn oil products commenced during 2006.

2. The percentage decrease for the six months ended 30 June 2009 is calculated using the average selling prices of our corn oil products for the year ended 31 December 2008 and for the six months ended 30 June 2009 respectively.

The fluctuation in our corn oil products mainly depends on the fluctuation in the future price of soybean oil which as a general market practice, is used as reference for determining the selling prices of our non-branded corn oil products. The following tables show the fluctuations of the monthly average future price of soybean oil as quoted by Dalian Commodity Exchange and Chicago Board of Trade extracted from Bloomberg during the Track Record Period:

Monthly average future price of soybean oil as quoted by Dalian Commodity Exchange

	2006	2007	2008	Six months ended 30 June 2009
Monthly average future price of soybean oil (RMB/tonne)	5,539	8,366	9,848	6,653
Percentage increase/(decrease) in monthly average future price of soybean oil	N/A *(Note)*	51.0%	17.7%	(32.5)%

Source: Dalian Commodity Exchange

Note: Data for the future prices of soybean oil from Dalian Commodity Exchange is only available since 1 January 2006. As such, quotes from Chicago Board of Trade is also provided below for more information.

Monthly average future price of soybean oil as quoted by Chicago Board of Trade

	2006	2007	2008	Six months ended 30 June 2009
Monthly average future price of soybean oil (USD/tonne)	564.4	824.5	1,126.6	762.8
Percentage increase/(decrease) in monthly average future price of soybean oil	13.4%	46.1%	36.6%	(32.3)%

Source: Bloomberg

Save for the year ended 31 December 2006 for non-branded corn oil products, our Directors consider that the fluctuation of our average selling price of non-branded corn oil products as shown above during the Track Record Period is generally in line with the price fluctuation of the future price of soybean oil.

Our average selling price of non-branded corn oil products for the year ended 31 December 2006 decreased by approximately 4.7% when compared to 2005, whereas the future price of soybean oil as quoted by Chicago Board of Trade increased by approximately 13.4% for the same period mainly because of the lower average market selling prices of edible corn oil products in 2006 for the reason as set out in the paragraph headed "Fluctuation of the average purchase prices of our raw materials" above.

The price fluctuation of our branded corn oil products as compared to the price fluctuation of our non-branded corn oil products was less volatile during the Track Record Period. This is because the selling price of our branded corn oil products could not be adjusted as frequent as the selling price of our non-branded corn oil products that were determined for each sales order by referencing to the market price of soybean oil during the Track Record Period. Accordingly, the selling prices of our branded corn oil products were more stable. In 2009, we have adjusted the selling prices of our branded corn oil products significantly downwards mainly due to the weak economy and consumer demand as a result of the financial crisis in late 2008.

For the year ended 31 December 2006

For the year ended 31 December 2006, our Group recorded revenue of approximately RMB481.1 million, of which the sales of (1) non-branded corn oil in bulk, (2) corn oil under our brand, (3) corn meal and (4) other oil amounted to approximately RMB369.3 million, RMB22.6 million, RMB63.8 million and RMB25.4 million respectively and accounted for approximately 76.7%, 4.7%, 13.3% and 5.3% respectively of our Group's total revenue for that year. Sales of corn oil under our brand were all made in the PRC whilst the sales of our other products were made both in the PRC and overseas. Revenue generated from the PRC, Middle East and other overseas countries accounted for approximately 51.0%, 42.8% and 6.2% of our Group's total revenue for the year ended 31 December 2006.

The gross profit for the year was approximately RMB61.8 million with gross profit margin of approximately 12.8%, of which the gross profit/(loss) margin for the sales of (1) non-branded corn oil in bulk, (2) corn oil under our brand, (3) corn meal and (4) other oil were approximately 16.1%, 27.4%, (11.8%) and 14.7% respectively. Corn meal was a by-product of our production process and was generally sold to animal feed producers at cost. For the year ended 31 December 2006, some corn meals were sold by our Group at below cost to save storage space due to insufficient warehouse capacity which resulted in gross loss for the sale of corn meals. Our Group achieved profit before income tax of approximately RMB47.4 million and net profit of approximately RMB31.0 million for the year ended 31 December 2006, representing margins of approximately 9.9% and approximately 6.4% respectively.

Other income of approximately RMB13.6 million comprised mainly sales of scrap materials of approximately RMB9.5 million, interest income of approximately RMB0.9 million, gain on disposal of investments of approximately RMB1.4 million and compensation income from creditors of approximately RMB0.4 million which represented our Group's claims to suppliers as a result of late delivery of goods.

Selling and distribution expenses of approximately RMB15.3 million comprised mainly carriage and transportation charges of approximately RMB9.0 million, commissions and agency fees paid to overseas agents of approximately RMB2.7 million, marketing and promotion expenses of approximately RMB1.3 million and staff cost for sales staff of approximately RMB1.2 million.

Administrative expenses of approximately RMB6.9 million comprised mainly staff costs for administrative staff of approximately RMB1.2 million, exchange loss for export sales denominated in US dollars of approximately RMB1.7 million, other office expenses of approximately RMB2.1 million, travelling and entertainment expenses of approximately RMB1.1 million and utilities expenses of approximately RMB0.2 million. Finance costs of approximately RMB5.4 million arose from interest charged on bank and other borrowings repayable within five years.

As at 31 December 2006, our Group's gearing ratio (being total interest-bearing bank loans divided by total assets) was approximately 0.45.

For the year ended 31 December 2007

For the year ended 31 December 2007, our Group recorded revenue of approximately RMB694.3 million, representing a growth of approximately 44.3% over the revenue of approximately RMB481.1 million in 2006. For the year ended 31 December 2007, the sales of (1) non-branded corn oil in bulk, (2) corn oil under our brand, (3) corn meal and (4) other oil amounted to approximately RMB426.8 million, RMB63.0 million, RMB90.1 million and RMB114.4 million respectively and accounted for approximately 61.5%, 9.0%, 13.0% and 16.5% respectively of our Group's total revenue for that year. Sales of corn oil under our brand were all made in the PRC whilst the sales of our other products were made both in the PRC and overseas. Revenue generated from the PRC, Middle East and other overseas countries accounted for approximately 83.3%, 11.4% and 5.3% of our Group's total revenue for the year ended 31 December 2007. As mentioned under the paragraph headed "Export sales via Sanxing International" in the section headed "Business" in this prospectus, certain of our Group's export sales in 2007 was made via Sanxing International by selling goods to Sanxing International for it to on-sell to overseas customers at prices that were the same as its purchase prices from Corn Industry. Taking into account our Group's sales to Sanxing International of approximately RMB93.5 million in 2007 which was classified as local sales in our Group's financial statements, our Group's export sales to overseas customers amounted to approximately RMB209.5 million in 2007, representing a drop of approximately 11.2% over the export sales amount of approximately RMB235.8 million in 2006. The drop was mainly because certain overseas customers decreased their purchases from Corn Industry as they were still unfamiliar with Corn Industry by that time after Sanxing Grease transferred the business in relation to edible oil manufacturing and sales operation to Corn Industry. The overall increase in revenue in 2007 was contributed by:

- the increase in the bulk sales amount of non-branded corn oil by approximately RMB57.5 million that was mainly due to the increase in the average selling price for bulk sales of non-branded corn oil by approximately 42.3% from 2006 to 2007, which was partly offset by the drop in sales volume by approximately 18.8% in 2007 as compared to 2006;

- the increase in the sales amount of corn oil under our brand by approximately RMB40.4 million that was mainly due to the continuous growth of our Group's branded corn oil segment since our Group launched the brand 長壽花 (Longevity Flower) to the market in July 2006 with the average selling price and the sales volume in 2007 increased by approximately 19.8% and 132.4% respectively as compared to 2006;

- the increase in the sales of corn meal by approximately RMB26.3 million that was mainly due to the increase in the average selling price and sales volume by approximately 16.3% and 21.5% respectively in 2007 as compared to 2006; and

- the increase in the sales amount of other oil by approximately RMB89.0 million, mainly contributed by the sales of significant amounts of sunflower seed oil, soybean oil and cottonseed oil of approximately RMB100.8 million in 2007 (2006: RMB25.5 million) which were actively launched by our Group to the market during the year. The launch of these other oils by our Group in 2007 was mainly due to our Group's intention to explore new product markets other than corn oil and the surplus capacity for the processing of oil products other than corn oil in 2007.

The gross profit for the year was approximately RMB69.4 million with gross profit margin of approximately 10.0%, of which the gross profit/(loss) margin for the sales of (1) non-branded corn oil in bulk, (2) corn oil under our brand, (3) corn meal and (4) other oil were approximately 14.0%, 16.4%, (16.2%) and 12.3% respectively. The decrease in gross profit margin from approximately 12.8% in 2006 to approximately 10.0% in 2007 was mainly due to:

- the drop in gross profit margin for the bulk sales of non-branded corn oil from approximately 16.1% in 2006 to approximately 14.0% in 2007 mainly because (i) the increase in the average unit cost of sales of non-branded corn oil by approximately 46.0% from 2006 to 2007, compared to the increase in the average selling price for bulk sales of non-branded corn oil by approximately 42.3% from 2006 to 2007; and (ii) the drop in export sales (taking into account our Group's sales via Sanxing International) as export sales in general had a higher gross profit margin than sales to domestic customers before the cancellation of the export sales value-added-tax refund policy in June 2008;

- the drop in gross profit margin for the sale of corn oil under our brand from approximately 27.4% in 2006 to approximately 16.4% in 2007 mainly because the rise in raw materials cost in 2007 was not fully passed through to our customers by a corresponding increment in the selling price of corn oil under our brand. The raw materials cost had been rising in 2007 and the average unit cost of sales of corn oil under our brand increased by approximately 38.0% from 2006 to 2007 whereas the average selling price of corn oil under our brand only increased by approximately 19.8% for the same period. This was mainly because the market selling price of corn oil under our brand could not be adjusted to closely follow the rise in raw materials cost due to the market competition with other brands. In addition, the sales arrangement as mentioned in the paragraph headed "Sales arrangement with Sanxing Grease" under the "Business" section in this prospectus which started in 2007 had affected the gross profit margin of corn oil under our brand, details of which are set out in the note under the paragraph headed "Revenue and gross profit/(loss)" under the "Financial Information" section in this prospectus; and

- the increase in gross loss margin for the sale of corn meal from approximately 11.8% in 2006 to approximately 16.2% in 2007 mainly due to the fact that many corn meals were sold at deeper gross loss margin to animal feed producers during 2007 compared to 2006 by our Group to save storage space due to insufficient warehouse capacity. The average unit costs of sales of corn meal increased by approximately 20.8% from 2006 to 2007, whilst the average selling price of corn meal increased by approximately 16.3% for the same period.

Our Group achieved profit before tax of approximately RMB61.9 million for the year ended 31 December 2007, representing a growth of approximately 30.5% over the profit before tax of approximately RMB47.4 million for the year ended 31 December 2006 mainly due to the increase in revenue as well as the decrease in selling and distribution expenses and the decrease in finance costs. The profit before tax margin of our Group in 2007 was approximately 8.9% compared to approximately 9.9% in 2006. Our Group achieved net profit of approximately RMB61.0 million for the year ended 31 December 2007, representing a growth of approximately 96.6% over the net profit of approximately RMB31.0 million for the year ended 31 December 2006 due to the aforesaid increase in profit before tax and the reduction of income tax expense as Corn Industry was entitled to exemption of enterprise income tax for two years starting from the year ended 31 December 2007 after being approved as a foreign invested enterprise. The net profit margin of our Group in 2007 was increased to approximately 8.8% as compared to approximately 6.4% in 2006 mainly due to the tax reduction.

Other income of approximately RMB13.8 million comprised mainly sales of scrap materials of approximately RMB13.2 million, interest income of approximately RMB0.3 million and compensation income from creditors of approximately RMB0.1 million which represented our Group's claims to suppliers as a result of late delivery of goods.

Selling and distribution expenses of approximately RMB11.8 million comprised mainly carriage and transportation charges of approximately RMB8.9 million (2006: RMB9.0 million), commission and agency fees paid to overseas agents of approximately RMB1.0 million (2006: RMB2.7 million), marketing and promotion expenses of approximately RMB0.5 million (2006: RMB1.3 million) and staff cost to sales staff of approximately RMB1.0 million (2006: RMB1.2 million). The decrease in selling and distribution expenses from approximately RMB15.3 million in 2006 to approximately RMB11.8 million in 2007 was mainly due to the decrease of approximately RMB1.7 million for commission and agency fees paid to overseas agents. The decrease in marketing and promotion expenses of approximately RMB0.8 million was mainly because Sanxing Grease was responsible for paying certain marketing and promotion expenses ("**Sales Arrangement Expenses**") in relation to its performance of the sales arrangement between Corn Industry and Sanxing Grease and such expenses were reimbursed by Corn Industry by means of deducting the sales amount payable by Sanxing Grease to Corn Industry, details of which are set out in the paragraph headed "Sales arrangement with Sanxing Grease" under the section headed "Business" in this prospectus.

Administrative expenses of approximately RMB6.6 million comprised mainly staff costs for administrative staff of approximately RMB1.4 million and exchange loss for export sales denominated in US dollars of approximately RMB1.5 million, other office expenses of approximately RMB1.8 million, travelling and entertainment expenses of approximately RMB0.8 million and utilities expenses of approximately RMB0.3 million. Finance costs of approximately RMB2.6 million arose mainly from interest charged on bank and other borrowings repayable within five years.

As at 31 December 2007, our Group's gearing ratio (being total interest-bearing bank loans divided by total assets) was nil.

For the year ended 31 December 2008

For the year ended 31 December 2008, our Group recorded revenue of approximately RMB934.0 million, representing a growth of approximately 34.5% over the revenue of approximately RMB694.3 million in 2007. For the year ended 31 December 2008, the sales of (1) non-branded corn oil in bulk, (2) corn oil under our brand, (3) corn meal and (4) other oil amounted to approximately RMB644.8 million, RMB114.8 million, RMB138.5 million and RMB35.9 million respectively and accounted for approximately 69.0%, 12.3%, 14.8% and 3.9% respectively of our Group's total revenue for that year. Sales of corn oil under our brand were all made in the PRC whilst the sales of our other products were made both in the PRC and overseas. Revenue generated from the PRC, Middle East and other overseas countries accounted for approximately 69.8%, 23.7% and 6.5% of our Group's total revenue for the year ended 31 December 2008. Taking into account our Group's sales to Sanxing International of approximately RMB80.0 million in 2008, our Group's export sales to overseas customers amounted to approximately RMB361.7 million for the year ended 31 December 2008 (2007: RMB209.5 million). The increase was due to substantial amount of export sales made by our Group in the first half of 2008 to enjoy the export sales value-added-tax refund policy before its cancellation in June 2008. The overall increase in revenue in 2008 was the net result of:

- the increase in the bulk sales amount of non-branded corn oil by approximately RMB218.1 million mainly due to the increase in the average selling price and the sales volume for bulk sales of non-branded corn oil in 2008 by approximately 29.6% and 16.6% respectively due to the overall growth of the corn oil market as compared to 2007;

- the increase in the sales amount of corn oil under our brand by approximately RMB51.8 million mainly due to the continuous growth of our Group's branded corn oil segment as a result of our Group's marketing effort and the expansion of distribution and retailing network. The average selling price and the sales volume in 2008 increased by approximately 13.4% and 60.7% respectively as compared to 2007;

- the increase in the sales of corn meal by approximately RMB48.3 million which was mainly due to the increase in average selling price and sales volume of corn meal by approximately 29.6% and 18.6% respectively in 2008 as compared to 2007; and

- the decrease in the sales amount of other oil by approximately RMB78.5 million that was mainly due to the sales of soybean oil, refined sunflower seed oil and refined cottonseed oil decreased significantly from approximately RMB100.8 million in 2007 to approximately RMB28.7 million during 2008. In 2007, our Group actively launched these other oil products to the market with a view to exploring new product markets other than corn oil. However, as market response for these other oil products of our Group was not as good as expected and after considering the lower gross profit margin of these other oil products compared to corn oil in 2007, our Group decided to focus on the production and sales of corn oil in 2008.

The gross profit for the year was approximately RMB99.8 million with gross profit margin of approximately 10.7%, of which the gross profit/(loss) margin for the sales of (1) non-branded corn oil in bulk, (2) corn oil under our brand, (3) corn meal and (4) other oil were approximately 12.4%, 17.0%, (0.4%) and 2.8% respectively. The fluctuations in gross profit/(loss) margin of different product segments of our Group were due to:

- the drop in gross profit margin for the bulk sales of non-branded corn oil from approximately 14.0% in 2007 to approximately 12.4% in 2008 was mainly due to the significant drop in export sales in the second half of 2008 (taking into account our Group's sales via Sanxing International) after the cancellation of the export sales value-added-tax refund policy in June 2008. The increased proportion of domestic sales with generally lower profit margin and the lower selling price chargeable by our Group to overseas customers together caused the gross profit margin for bulk sales of non-branded corn oil to drop significantly in the second half of 2008 and drop slightly for the whole 2008 after netting off the effect of the higher profit margin in the first half of 2008;

- the slight increase in gross profit margin for the sale of corn oil under our brand from approximately 16.4% in 2007 to approximately 17.0% in 2008. The raw materials cost had been rising in line with the selling price of corn oil during 2008 and the average unit cost of sales of corn oil under our brand increased by approximately 12.6% from 2007 to 2008 whereas the average selling price of corn oil under our brand increased by approximately 13.4% for the same period;

- the decrease in gross loss margin for the sale of corn meal from approximately 16.2% in 2007 to approximately 0.4% in 2008 mainly due to the fact that only a small amount of corn meal were sold by our Group below cost due to the expansion of storage capacity of our Group in mid-2008 and the majority of corn meal were sold at cost in 2008; and

- the decrease in gross profit margin for the sale of other oil from approximately 12.3% in 2007 to approximately 2.8% in 2008 mainly due to the inclusion in the cost of sales of other oil a write-down of inventories of other oil of approximately RMB3.4 million due to the significant decrease in the market price of other oils.

Our Group achieved profit before tax of approximately RMB91.4 million for the year ended 31 December 2008, representing a growth of approximately 47.7% over the profit before tax of approximately RMB61.9 million for the year ended 31 December 2007 mainly due to the increase in gross profit which was in line with the sales growth. The profit before tax margin of our Group in 2008 was approximately 9.8% compared to approximately 8.9% in 2007. Our Group achieved net profit of approximately RMB91.4 million for the year ended 31 December 2008, representing growth of approximately 49.8% over the net profit of approximately RMB61.0 million for the year ended 31 December 2007 mainly due to the increase in revenue. The net profit margin of our Group in 2008 was approximately 9.8% compared to approximately 8.8% in 2007 which was also due to the increase in revenue.

Other income of approximately RMB15.6 million comprised mainly sales of scrap materials of approximately RMB15.0 million.

Selling and distribution expenses of approximately RMB12.4 million comprised mainly carriage and transportation charges of approximately RMB8.1 million (2007: RMB8.9 million), and commission and agency fees paid to overseas agents of approximately RMB2.8 million (2007: RMB1.0 million). The increase in commission and agency fees paid to overseas agents was due to more new customers introduced during the year. No marketing and promotion expense was recorded in 2008 as Sanxing Grease was responsible for paying the Sales Arrangement Expenses as mentioned above.

Administrative expenses of approximately RMB9.9 million comprised mainly staff costs for administrative staff of approximately RMB2.9 million, exchange loss for export sales denominated in US dollars of approximately RMB3.5 million, other office expenses of approximately RMB1.8 million, travelling and entertainment expenses of approximately RMB0.6 million and utilities expenses of approximately RMB0.6 million. The increase in administrative expenses from approximately RMB6.6 million in 2007 to approximately RMB9.9 million in 2008 was mainly due to the increase in exchange loss by approximately RMB2 million as a result of the appreciation of RMB against US dollars in 2008. Finance costs of approximately RMB1.6 million arose from interest charged on bank and other borrowing repayable within five years.

As at 31 December 2008, our Group's gearing ratio (being total interest-bearing bank loans divided by total assets) was nil.

For the six months ended 30 June 2009

For the six months ended 30 June 2009, our Group recorded revenue of approximately RMB512.9 million, representing a slight drop of approximately 0.04% over the revenue of approximately RMB513.1 million for the six months ended 30 June 2008. For the six months ended 30 June 2009, the sales of (1) non-brand corn oil in bulk, (2) corn oil under our brand, (3) corn meal and (4) other oil amounted to approximately RMB373.5 million, RMB63.9 million, RMB59.4 million and RMB16.1 million respectively and accounted for approximately 72.8%, 12.5%, 11.6% and 3.1% (30 June 2008: 70.1%, 11.2%, 14.0% and 4.7%) respectively of our Group's total turnover. Sales of corn oil under our brand were all made in the PRC whilst the sales of our other products were made both in the PRC and overseas. Revenue from the PRC, Middle East and other overseas countries accounted for approximately 98.8%, 0.2% and 1.0% (30 June 2008: 61.3%, 27.9% and 10.8%) of our Group's total sales for the six months ended 30 June 2009. The significant drop in export sales for the six months ended 30 June 2009 against the corresponding period in 2008 was mainly due to the PRC government cancelled the export sales value-added tax refund policy in June 2008. As the profitability of our Group's sales in the domestic PRC market was higher than that in the overseas export market after the cancellation of the export sales value-added tax refund, our Group shifted the majority of its sales to the domestic market in PRC. Our Group's sales strategy for the export or the domestic market of our bulk sales of non-branded oil products mainly depends on the profitability of each market. As the selling price of our Group's products in the export market becomes less appealing than that in the domestic market after cancellation of the export sales value-added tax refund policy in June 2008, our Group currently plans to focus on the domestic market in the PRC for our bulk sales, yet is still open to any profitable opportunity in the overseas export market should opportunities arise. The overall slight drop in revenue for the six months ended 30 June 2009 against the corresponding period in 2008 was the net result of:

- the significant increase in the sales volume of corn oil under our brand and non-branded corn oil in bulk for the six months ended 30 June 2009 by approximately 87.8% and 94.5% respectively compared to the corresponding period in 2008 as a result of the expansion of our Group's newly installed refining production line commenced production by end of 2008. The increased sales volume was off-set by the drop in the average selling price of corn oil under our brand and non-branded corn oil in bulk for the six months ended 30 June 2009 by approximately 40.8% and 46.6% respectively compared to the corresponding period in 2008. Such drop was mainly due to the drop in corn oil price in 2009 as a result of, among other factors, (i) the adverse impact on the economy in the PRC in 2009 due to the financial crisis in late 2008; (ii) the general drop in consumer demand as affected by the economic situation; (iii) the drop in the prices of the Group's raw materials, namely corn embryo and crude corn oil; and (iv) the general drop in the selling prices of other edible oil products. The net effect resulted in increase in total sales of corn oil for the six months ended 30 June 2009 of approximately RMB20.3 million or approximately 4.9%;

- the sales of other oil for the six months ended 30 June 2009 mainly comprised sunflower seed oil. The decrease in sales of other oils of approximately RMB8.2 million or 33.8% was mainly due to the decreased demand of soybean oil which resulted in the sales of soybean oil to drop from approximately RMB15.9 million for the six months ended 30 June 2008 to approximately RMB48,000 for the six months ended 30 June 2009; and

- the sales of corn meal decreased by approximately RMB12.3 million was mainly due to the decrease in the average selling price of corn meals which decreased in line with the drop in the selling price of corn oils during the year.

The gross profit for the six months ended 30 June 2009 was approximately RMB64.6 million with gross profit margin of approximately 12.6% (30 June 2008: 13.5%), of which the gross profit/(loss) margin for the sales of (1) non-branded corn oil in bulk, (2) corn oil under our brand, (3) corn meal and (4) other oil was approximately 14.1%, 15.9%, 0.1% and 10.9% (30 June 2008: 16.6%, 16.3%, (3.5%) and 10.6%) respectively. The drop in gross profit margin for the six months ended 30 June 2008 from approximately 13.5% to approximately 12.6% for the six months ended 30 June 2009 was mainly due to:

- the drop in gross profit margin for the bulk sales of non-branded corn oil from approximately 16.6% in for the six months ended 30 June 2008 to approximately 14.1% for the six months ended 30 June 2009 was mainly due to the significant amount of export sales with high gross profit margin made by our Group in the first half of 2008 before the cancellation of the export sales value-added-tax refund policy in June 2008 compared to the minimal export sales by our Group for the six months ended 30 June 2009; and

- the increase in gross profit margin for the sale of corn meal from gross loss margin of approximately 3.5% for six months ended 30 June 2008 to gross profit margin of approximately 0.1% for the six months ended 30 June 2009 mainly due to the fact that a small amount of corn meal were sold by our Group below cost due to the expansion of storage capacity of our Group during 2008 and the majority of corn meal sold in 2008 were at cost.

Our Group achieved profit before tax of approximately RMB61.3 million for the six months ended 30 June 2009, representing a decrease of approximately 8.1% over the profit before tax of approximately RMB66.7 million for the six months ended 30 June 2008 mainly due to the decrease in gross profit. The profit before tax margin of our Group for the six months ended 30 June 2009 was approximately 12.0% compared to approximately

13.0% for the six months ended 30 June 2008. Our Group achieved net profit of approximately RMB53.6 million for the six months ended 30 June 2009, representing a decrease of approximately 19.6% against the net profit of approximately RMB66.7 million for the six months ended 30 June 2008 as Corn Industry was subject to 50% enterprise income tax deduction in 2009 but was entitled for full exemption of enterprise income tax in 2008. The net profit margin of our Group for the six months ended 30 June 2009 was approximately 10.5% compared to approximately 13.0% for the corresponding period in 2008.

Other income of approximately RMB6.1 million (30 June 2008: RMB8.4 million) comprised mainly sales of scrap materials of approximately RMB4.8 million (30 June 2008: RMB8.1 million).

Selling and distribution expenses of approximately HK$4.8 million (30 June 2008: RMB6.2 million) comprised mainly carriage and transportation charges of approximately RMB3.2 million (30 June 2008: RMB3.7 million), commissions and agency fees paid to overseas agents of approximately RMB29,000 (30 June 2008: RMB1.8 million), advertising expenses of approximately RMB1.2 million (30 June 2008: Nil). The decrease in commission and agency fees paid to overseas agents was because our Group has shifted the majority of its sales from the overseas market to the PRC market and a limited number of overseas customers were introduced by our agents and accepted by our Group for the six months ended 30 June 2009. The increase in advertising expenses arose from our Group's expenditure for media advertising in 2009 to boost domestic sales after our Group's shift of focus from overseas market to the PRC market in 2009. No marketing and promotion expense was recorded in 2009 as Sanxing Grease was responsible for paying the Sales Arrangement Expenses as mentioned above.

Administrative expenses of approximately RMB3.6 million (30 June 2008: RMB4.4 million) comprised mainly staff costs for administrative staff of approximately RMB1.0 million (30 June 2008: RMB0.9 million) and office expenses of approximately RMB0.8 million (30 June 2008: RMB0.7 million). The decrease in administrative expenses was mainly due to the decrease in exchange loss by approximately RMB1.5 million as a result of the significant decrease in export sales. Finance costs of approximately RMB0.9 million arose mainly from interest charged on bank and other borrowings repayable within five years.

As at 30 June 2009, our Group's gearing ratio (being total interest-bearing bank loans divided by total assets) was 0.11.

MAJOR BALANCE SHEET ITEMS

Inventories

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	19,978	27,902	14,601	18,947
Work-in-progress	9,664	27,498	8,893	13,200
Finished goods	17,093	24,882	30,160	23,038
	46,735	80,282	53,654	55,185

As at 31 December 2006, 2007, 2008 and 30 June 2009, our Group recorded gross inventories before provision of approximately RMB46.7 million, RMB80.3 million, RMB58.2 million and RMB56.6 million respectively. The balances of provision were approximately nil, nil, RMB4.5 million and RMB1.4 million as at 31 December 2006, 2007, 2008 and 30 June 2009 respectively. The provision as at 31 December 2008 mainly represented write-down of other oils of approximately RMB3.4 million mainly because of the decrease in market value. Approximately RMB3.1 million provision was reversed in 2009 because those inventories were subsequently sold at above net realisable value in 2009.

Save for the higher level of stock balance as at 31 December 2007, the stock balance has remained stable during the Track Record Period despite the increasing sales and production level mainly due to our Group's inventory management policy of reducing the stock level. The higher level of stock balance as at 31 December 2007 was mainly because our Group had foreseen the potential upward trend in the market selling price of corn oil in the 4th quarter of 2007. Accordingly, our Group increased the purchase volume of raw materials and the production volume and storage level of finished goods at 2007 year end targeting for higher profitability in 2008.

Inventories turnover days

The following table sets forth the inventories turnover days of our Group during the Track Record Period:

	31 December			30 June
	2006	2007	2008	2009
Inventories turnover days *(Note)*	29.2	37.1	29.3	22.1

Note: The inventories turnover days for each of the three years ended 31 December 2008 were calculated as the average of the beginning and ending inventories balances for the year divided by cost of sales for the year and times 365 days. The inventories turnover days for the six months ended 30 June 2009 was calculated as the average of the beginning and ending inventories balances for the six months ended 30 June 2009 divided by cost of sales for the period and times 182 days.

The increase in inventories turnover days from 29.2 days in 2006 to 37.1 days in 2007 was mainly due to the higher level of stock balance as at 31 December 2007 arising from the increase in purchase volume of raw materials and the production volume and storage level of finished goods at 2007 year end for the reason as set out in the explanation of fluctuation of inventories balances above.

In addition to the above factor, the decrease in inventories turnover days from 37.1 days in 2007, to 29.3 days in 2008 and to 22.1 days for six months ended 30 June 2009 was primarily due to (i) better inventory management by our Group after becoming more familiar with the market demand of edible oil products under our brand since the launch of our 長壽花 (Longevity Flower) and 金銀花 (Gold & Silver Flower) edible oil products to the market during 2006; and (ii) the growing market demand of our edible oil products that lowered our average inventory levels.

Trade and notes receivables

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	35,559	5,893	9,507	12,401
Less: Allowance for impairment	(283)	(97)	(79)	(79)
	35,276	5,796	9,428	12,322
Notes receivables	–	151	–	66,748
Total trade and notes receivables	35,276	5,947	9,428	79,070

As at 31 December 2006, 2007, 2008 and 30 June 2009, our Group recorded trade and notes receivables of approximately RMB35.3 million, RMB5.9 million, RMB9.4 million and RMB79.1 million respectively. Domestic bulk sales to PRC customers are generally on the basis of settlement within seven days after product delivery except for a few well-established customers that were granted credit period of not more than 60 days, whereas overseas customers were ordinarily granted credit terms of around 60 days.

The decrease in trade and notes receivable from 2006 to 2007 was mainly due to better credit control by our Group during the year and the sales to certain customers with credit periods granted near the year end of 2006. The increase in trade and notes receivable from 2008 to 2009 was mainly because our Group started to accept bank's notes as settlement method for some new customers in 2009. These notes receivables usually have a maturity ranging from 3 to 6 months. Our customers presented to us bank's notes to settle their purchases before delivery of our products.

Debtor's turnover days

The following table sets forth the debtor's turnover days of our Group during the Track Record Period:

	31 December			30 June
	2006	**2007**	**2008**	**2009**
Debtor's turnover days *(Note)*	21.2	10.8	3.0	15.8

Note: The debtor's turnover days for each of the three years ended 31 December 2008 were calculated as the average of the beginning and ending trade and notes receivables balances for the year divided by revenue for the year and times 365 days. The debtor's turnover days for the six months ended 30 June 2009 was calculated as the average of the beginning and ending trade and notes receivables balances for the six month ended 30 June 2009 divided by revenue for the period and times 182 days.

The decrease in debtor's turnover days from 21.2 days in 2006 to 10.8 days in 2007 was mainly due to (i) better credit control by our Group; and (ii) the fact that approximately RMB12.7 million receivables as at 31 December 2006 arose from the sales to certain domestic customers with long-term and established relationship with our Group with credit periods granted near the end of 2006 which led to the high debtor balance at 2006 year end.

The improvement in debtor's turnover days from 10.8 days in 2007 to 3.0 days in 2008 is the result of strict credit control by our Group in 2008 after the financial crisis in late 2008.

The increase in debtor's turnover day from 3.0 days in 2008 to 15.8 days in the first half of 2009 was mainly because our Group started to accept bank's notes as settlement method from some new customers which had been fully settled subsequent to 30 June 2009.

Amounts due from/(to) related parties

Amounts due from related parties as at 31 December 2006, 2007, 2008 and 30 June 2009 were approximately RMB7.7 million, RMB3.3 million, RMB0.3 million and RMB7.2 million respectively which mainly represented funds advanced to related parties. The amounts due from related parties is unsecured, interest free and repayable on demand. The outstanding balance as at 30 June 2009 will be settled before Listing.

Amounts due to related parties as at 31 December 2006, 2007, 2008 and 30 June 2009 were nil, approximately RMB19.7 million, RMB9.0 million and RMB4.8 million respectively which mainly represented funds advanced from related parties. The amount due to related parties are unsecured, interest-free and repayable on demand. The outstanding balance as at 30 June 2009 will be settled before Listing.

Prepayments, deposits and other receivables

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Prepayments and deposits	28,064	11,116	8,435	16,963
Other receivables				
Other	464	17,754	1,038	10,182
Other tax recoverable	9,134	9,844	5,473	2,062
	37,662	38,714	14,946	29,207

As at 31 December 2006, 2007, 2008 and 30 June 2009, our Group recorded prepayment, deposits and other receivables of approximately RMB37.7 million, RMB38.7 million, RMB14.9 million and RMB29.2 million respectively. The balances mainly represented prepayment to suppliers for procurement of raw materials, other tax recoverable and advances to Independent Third Parties.

The decrease in the balance from 2007 to 2008 was mainly due to an advance of approximately RMB16.6 million that was made by our Group in 2007 to an Independent Third Party as short-term financing was fully settled during 2008. Another short-term advance of approximately RMB9.8 million was made to this Independent Third Party during the six months ended 30 June 2009 which led to the increase in the prepayment, deposits and other receivables balance. Such advance of approximately RMB9.8 million has been fully settled in July 2009. As advised by the PRC Legal Advisers, the aforesaid advances to Independent Third Party by the Group ("**Advances**") did not comply with the relevant PRC laws and regulations for loans and advances ("**PRC Loans Regulations**"), but given that no interests has been received by the Group from the Advances, our Group is not subject to any penalties under the PRC Loans Regulations and there is no legal consequences in relation to the Advances. Our Group has no intention to make advances of similar nature on or after Listing and our Group will not have any balance of advance to Independent Third Parties with similar nature on or after Listing.

Trade payables

As at 31 December 2006, 2007, 2008 and 30 June 2009, our Group recorded trade payables of approximately RMB10.5 million, RMB8.2 million, RMB14.8 million and RMB7.4 million respectively. The suppliers of our Group's raw materials such as corn embryos and crude corn oil generally require cash on delivery settlement, and hence the trade payable balance at 31 December 2006, 2007, 2008 and 30 June 2009 mainly represented balances payable to suppliers of packaging and other ancillary materials used by our Group in its production process.

The increase in trade payables from 2007 to 2008 was mainly because our Group slowed down its payment to suppliers after the financial crisis in the second half of 2008.

Creditor's turnover days

The following table sets forth the creditor's turnover days of our Group during the Track Record Period:

	31 December			30 June
	2006	**2007**	**2008**	**2009**
Creditor's turnover days *(Note)*	12.4	5.4	5.0	4.5

Note: The creditor's turnover days for each of the three years ended 31 December 2008 were calculated as the average of the beginning and ending trade payables balances for the year divided by cost of sales for the year and times 365 days. The creditor's turnover days for the six months ended 30 June 2009 was calculated as the average of the beginning and ending trade payables balances for the six months ended 30 June 2009 divided by cost of sales for the period and times 182 days.

The suppliers of our Group's raw materials such as corn embryos and crude corn oil generally require cash on delivery settlement, and hence our Group's trade payables balance at year end mainly represented balances payable to suppliers of packaging and other ancillary materials which only accounted for an insignificant part of our total cost of sales. Accordingly, the creditor's turnover days remained low during the Track Record Period. The decrease in the creditor's turnover days over the Track Record Period was primarily due to the comparatively significant increase of our Group's cost of sales (mainly comprised cost of corn embryos and crude oil) compared to the relatively stable balances of the average trade payables to suppliers of packaging and other ancillary materials during the Track Record Period.

Accrued liabilities, other payables and deposits received

As at 31 December 2006, 2007, 2008 and 30 June 2009, our Group recorded accrued liabilities, other payables and deposits received of approximately RMB12.5 million, RMB6.8 million, RMB16.8 million and RMB18.0 million respectively. During the Track Record Period, the balances mainly represented accrued staff salary and welfare costs, deposits received from customers and other miscellaneous accruals and payables for operating expenses. The balance decreased at 31 December 2007 was mainly because less deposits were received from customers as of 2007 year end as our Group decided to postpone accepting customer orders after foreseeing the upward trend of corn oil prices in 2008.

Net current assets

The tables below sets forth our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Current assets				
Inventories	46,735	80,282	53,654	55,185
Trade and notes receivables	35,276	5,947	9,428	79,070
Prepayments, deposits and other receivables	37,662	38,714	14,946	29,207
Financial assets at fair value through profit or loss	500	–	–	–
Amounts due from related parties	7,666	3,301	312	7,164
Cash and bank balances	23,606	12,858	34,216	49,649
	151,445	141,102	112,556	220,275

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities				
Trade payables	10,458	8,199	14,800	7,385
Accrued liabilities, other payables and deposits received .	12,517	6,799	16,768	18,008
Amounts due to related parties	–	19,727	9,004	4,783
Interest-bearing bank and other borrowings	55,200	–	–	50,000
Tax payables	19,146	–	–	6,423
	97,321	34,725	40,572	86,599
Net current assets . . .	54,124	106,377	71,984	133,676

For the Track Record Period, our Group had net current assets of approximately RMB54.1 million, RMB106.4 million, RMB72.0 million and RMB133.7 million as at 31 December 2006, 2007 and 2008 and as at 30 June 2009 respectively. Based on the unaudited combined management accounts of our Group as at 31 October 2009, our Group had net current assets of approximately RMB128.0 million.

Our Group's current assets mainly comprised inventories, trade and notes receivables, prepayments, deposits and other receivables, amounts due from related parties and cash and bank balances. Our Group's current liabilities mainly comprised trade payables, accrued liabilities, other payables and deposits received, amount due to related parties and unsecured interest-bearing bank and other borrowings which are repayable within one year and tax payables. Based on the unaudited combined management accounts of our Group as at 31 October 2009, our Group had current assets of approximately RMB228.8 million mainly comprised inventories of approximately RMB64.0 million, trade and notes receivables of approximately RMB39.5 million, prepayments, deposits and other receivables of approximately RMB39.8 million, amounts due from related parties of approximately RMB74.1 million and cash and bank balances of approximately RMB11.4 million; and current liabilities of approximately of RMB100.8 million which mainly comprised trade payables of approximately RMB13.3 million, accrued liabilities, other payables and deposits received of approximately RMB27.1 million, amount due to related parties of approximately RMB4.0 million and unsecured interest-bearing bank borrowings, which are repayable within one year, of approximately RMB50 million. As at the Latest Practicable Date, our Group has no unutilised banking facilities.

Property, plant and equipment

Our Group's property, plant and equipment has net book values of approximately RMB63.5 million, RMB57.6 million, RMB230.6 million and RMB222.6 million respectively for the three years ended 31 December 2008 and the six months ended 30 June 2009. As at 30 June 2009, the net book values of our buildings as well as plant and machinery amounted to approximately RMB60.5 million (2008: RMB63.4 million; 2007: RMB16.6 million; 2006: RMB17.7 million) and RMB161.9 million (2008: RMB167.1 million; 2007: RMB40.7 million; 2006: RMB45.5 million) respectively, which in aggregate accounted for approximately 99.9% (2008: 99.9%; 2007: 99.6%; 2006: 99.5%) of the total net book values of our Group's property, plant and equipment. The significant increase in the net book values of buildings and plant and machinery in 2008 mainly arose from Corn Industry's purchase of a refinement production line, a packaging production line and a research and development centre for considerations of RMB125,356,100, RMB54,176,500 and RMB6,050,000 respectively. The refinement production line and the packaging production line were constructed by Sanxing Grease on behalf of Corn Industry since the second half of 2007 as Corn Industry then did not have sufficient financial resources for construction by itself after the transfer of the edible corn oil business from Sanxing Grease to Corn Industry. After completion of the construction, the refinement production line and the packaging production line were subsequently acquired by Corn Industry in August 2008 and June 2008 respectively using the proceeds raised from the listing of Corn Oil Luxembourg on Alternext and positive cashflow from operations.

Savills Valuation and Professional Services Limited, an independent property valuer, has valued the property interests attributable to the Group as at 31 October 2009 at approximately RMB118.5 million. The text of its letter and a summary of valuation and valuation certificates are set out in Appendix IV to this prospectus.

A reconciliation of the net book value of the relevant property interests as at 30 June 2009, to their fair value as at 31 October 2009 as stated in Appendix IV to this prospectus is as follows:

	RMB'000
Net book value of the properties as at 30 June 2009 as per Appendix I to the prospectus:	
Buildings	60,470
Movements for the four months ended 31 October 2009:	
Acquisitions of lands and buildings	52,497
Depreciation on the buildings (unaudited)	(1,427)
Amortisation on prepaid land leases (unaudited)	(184)
Net book value of the properties as at 31 October 2009	111,356
Revaluation surplus	7,144
Valuation as at 31 October 2009 as per Appendix IV to this prospectus	118,500

TAXATION

Pursuant to the rules and regulations of the BVI, our Group is not subject to any taxation under the jurisdiction of BVI during the Track Record Period. PRC enterprise income tax ("EIT") is calculated at a rate of 33% on the profit of our business in the PRC for the year ended 31 December 2006 and the three months ended 31 March 2007. Corn Industry was approved as a foreign invested enterprise in 2007. Pursuant to an approval document on certain tax preferential policies titled "Guo Shui Han (2007) No. 41" issued by the Bureau of State Tax of Zouping County, Shandong Province (山東省鄒平縣國家稅務局鄒國稅函(2007)41號文), Corn Industry is entitled for exemption of EIT for two years starting from the first year of profitable operations after offsetting prior year tax losses, followed by a three-year 50% tax deduction. The year ended 31 December 2007 was Corn Industry's first profit-making year and was the first year of its tax holiday.

On 16 March 2007, the National People's Congress approved the Enterprise Income Tax Law of the PRC ("new EIT Law"), which became effective on 1 January 2008. According to the new EIT Law, the income tax rate applicable to Corn Industry is unified at 25%. Pursuant to the grandfathering arrangement under the new tax law, Corn Industry will continue to enjoy the existing preferential tax treatment until the end of the above mentioned tax holidays. Thereafter, the normal tax rate applicable to Corn Industry is unified at 25%. For the year ended 31 December 2008, Corn Industry enjoyed 100% exemptions as mentioned above. For the six months ended 30 June 2009, Corn Industry was subject to EIT tax rate of 12.5%.

SIGNIFICANT EVENTS SUBSEQUENT TO THE TRACK RECORD PERIOD

As mentioned in note 30 to the Accountants' Report as set out in Appendix I to this prospectus, our Group has the following significant subsequent events after 30 June 2009:

(i) In July 2009, Corn Industry entered into an acquisition agreement with Sanxing Grease for acquiring certain of leasehold buildings and prepaid lease payment at a consideration of approximately RMB16.9 million and RMB25.5 million respectively;

(ii) In September 2009, our Group acquired a parcel of land of 52,160 square metres from the relevant land authority in the PRC with a consideration of RMB10,170,000; and

(iii) In November 2009, our Group received a grant of RMB8,500,000 from the PRC local government in relation to our Group's contribution to the local development. Such government grant has been recorded as other income of our Group in November 2009 in deriving the forecast combined profit attributable to equity holders of our Company for the year ending 31 December 2009 as set out in the paragraph headed "Profit Forecast" under the "Financial Information" section in this prospectus.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The following table presents selected cashflow data from our Group's audited combined cashflow statements for each of the three years ended 31 December 2008 and the six months ended 30 June 2008 and 2009:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 *(unaudited)*	RMB'000
Net cash (used in)/generated from operating activities	(8,266)	35,842	121,834	(102,679)	(19,425)
Net cash generated from/(used in) investing activities	1,432	(438)	(138,490)	(952)	(3,141)
Net cash (used in)/generated from financing activities	(6,125)	(46,137)	38,010	128,959	37,999
Net (decrease)/increase in cash and cash equivalents	(12,959)	(10,733)	21,354	25,328	15,433
Cash and cash equivalents at beginning of the year/period	36,565	23,606	12,858	12,858	34,216
Effect of foreign exchange rates, net	–	(15)	4	4	–
Cash and cash equivalents at end of the year/period	23,606	12,858	34,216	38,190	49,649

Cash flows

Generally, our Group maintained high level of cash flows for the daily transactions and operations. During the Track Record Period, our Group's cash flows were financed by the internally generated cash flows from operating activities and short-term borrowings from financing activities. Our Group's cash and bank balances were approximately RMB23.6 million, RMB12.9 million, RMB34.2 million, RMB38.2 million (unaudited), and RMB49.6 million as at 31 December 2006, 2007, 2008 and 30 June 2008 and 2009 respectively.

Operating activities

Net cash (outflow)/inflow of approximately RMB(8.3 million), RMB35.8 million, RMB121.8 million, RMB(102.7 million) (unaudited) and RMB(19.4 million) were (used in)/generated from our Group's operations for each of the three years ended 31 December 2008 and the six months ended 30 June 2008 and 2009. The significant net cash used in our Group's operating activities for the six months ended 30 June 2008 of approximately RMB102.7 million mainly arose from cash inflow from operating profits before working capital changes of approximately RMB70.4 million, net-off with (i) the increase in inventories by approximately RMB8.5 million; and (ii) the substantial increase in trade and notes receivables by approximately RMB166.6 million as at 30 June 2008 compared to 2007 year end as substantial amount of export sales were made by our Group in the second quarter of 2008 to enjoy the export sales value-added-tax refund policy before its cancellation in June 2008. The net cash used in our Group's operating activities for the six months ended 30 June 2009 of approximately RMB19.4 million mainly arose from cash inflow from operating profits before working capital changes of approximately RMB70.3 million, net-off with (i) the increase in prepayments, deposits and other receivables by approximately RMB14.3 million; and (ii) the increase in trade and notes receivables by approximately RMB69.6 million as at 30 June 2009 compared to 2008 year end mainly because our Group started to accept bank's notes as settlement method for some new customers in 2009. In view of the above, the Directors consider that the Company's cash flow or debt collection is not subject to any seasonal factors.

Investing activities

Our Group had net cash inflow/(outflows) from investing activities of approximately RMB1.4 million, RMB(0.4 million), RMB(138.5 million), RMB(1.0 million) (unaudited) and RMB(3.1 million) for each of the three years ended 31 December 2006, 2007, 2008 and the six months ended 30 June 2008 and 2009. The increase of cash outflows for the year ended 31 December 2008 was mainly attributable to the acquisition of property, plant and equipment as a result of expansion in operations.

Financing activities

Our Group had net cash (outflow)/inflow from financing activities of approximately RMB(6.1 million), RMB(46.1 million), RMB38.0 million, RMB129.0 million (unaudited) and RMB38.0 million for each of the three years ended 31 December 2006, 2007, 2008 and the six months ended 30 June 2008 and 2009. The net cash outflow for the year 2006 mainly arose from the increase in amounts due from related parties and the decrease in amounts due to related parties during the year. The net cash outflow for the year 2007 arose mainly from the repayment of bank and other borrowings during the year. The net cash inflow for the year 2008 arose mainly from the capital contributions from owners. The net cash inflow for the six months ended 2008 arose mainly from the capital contributions from owners and the drawdown of bank and other borrowings by our Group during the period, whereas the net cash inflow for the six months ended 30 June 2009 arose mainly from the drawdown of bank and other borrowings during the period.

Capital expenditures

During the Track Record Period, our capital expenditures on property, plant and equipment consisted primarily of additions to buildings, plant and machinery and office equipment. The following table sets forth our capital expenditures on property, plant and equipment during the Track Record Period.

	At 31 December			At 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Additions for the year/period	2,436	1,214	186,654	23,568

As mentioned in the paragraph headed "Production facilities and capacities" under the "Business" section in this prospectus, we intend to construct a new production plant for the refinement process which is expected to start construction during 2010 to 2011 (the "**Production Plant Construction**"). As at the Latest Practicable Date, no contract had been entered into by the Group for the Production Plant Construction. The Directors currently estimate that the capital expenditures to be incurred by the Group in relation to the Production Plant Construction may amount to approximately RMB150 million which are subject to change and may vary based on business and financial condition and market opportunities.

Financial resources

Prior to completion of the Share Offer, the operations of our Group were financed principally by shareholders' equity and internally generated funds and bank borrowings. Upon completion of the Share Offer, our Group expects that its operations will be financed mainly by the net proceeds of the Share Offer, internally generated funds and/or bank borrowings.

Directors' opinion on sufficiency of working capital

Taking into account the financial resources available to our Group, including internally generated funds and the estimated net proceeds of the Share Offer, and in the absence of unforeseen circumstances, our Directors are of the opinion that our Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this prospectus.

DIVIDENDS

No dividends have been paid or declared by the Company since the date of its incorporation. No dividends have been paid or declared by any member of our Group during the Track Record Period.

Our Directors consider that, in general, the amount of future dividends to be declared by our Company will depend on our Group's results, working capital, cash position, capital requirements, the provisions of the relevant laws and other factors as may be considered relevant at such time by our Directors. The dividends to be paid (if any) will be by way of interim and/or final dividends. Our Directors consider that our Company's dividend policy mentioned above will not materially affect our Group's working capital position in the coming years.

DISTRIBUTABLE RESERVE

The Company was incorporated on 9 September 2009. As at 31 October 2009, there was no reserve available for distribution to the Shareholders.

INDEBTEDNESS

Borrowing

As at the close of business on 31 October 2009, being the latest practicable date for the purpose of this indebtedness section prior to the printing of this prospectus, our Group had outstanding indebtedness of approximately RMB54.0 million comprising short-term bank borrowings of RMB50.0 million and amount due to related companies of RMB4.0 million.

The following table sets forth a breakdown of our borrowings as of the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2006	2007	2008	2009	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings					
– Within one year	55,200	–	–	50,000	50,000
– In the second year	24,100	–	–	–	–
	79,300	–	–	50,000	50,000
Borrowing from other financial institution					
– In the second year	18,000	–	–	–	–
Amount due to related companies					
– Within one year	–	19,727	9,004	4,783	3,970
	97,300	19,727	9,004	54,783	53,970

As at 31 December 2006, our Group's bank borrowings of RMB79,300,000 are guaranteed by 山東恩貝集團有限公司, 鄒平華光板材有限公司 and 鄒平長星集團有限公司, independent third parties, of which RMB40,700,000 were secured by certain property, plant and equipment of 鄒平星宇科技紡織有限公司 ("**Xingyu**", an independent party), Zouping Sanxing Iron Construction Company Limited and Shandong Sanxing Machinery Co., Ltd. as well as our Group's certain property, plant and equipment with net carrying amount of approximately RMB40,084,000.

As at 31 December 2006, our Group's borrowings from other financial institution of RMB18,000,000 are guaranteed by Xingyu.

As at 30 June 2009 and 31 October 2009, our Group's bank borrowings of RMB50,000,000 are guaranteed by Xingyu and 山東鐵雄能源集團有限公司, independent third parties.

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

Securities and guarantees

As at 31 October 2009, our Group did not have any charges, mortgages or any guarantees.

Contingent liabilities

As at 31 October 2009, our Group had no hire purchase commitments or other material outstanding contingent liabilities.

Commitments

As at 31 October 2009, our Group had no capital commitments.

As at 31 October 2009, our Group had operating lease commitments in respect of properties of approximately RMB165,000.

Disclaimers

Save as otherwise disclosed above, and apart from the intra-group liabilities, our Group did not have, at the close of business on 31 October 2009, any debt securities issued and outstanding, or authorised or otherwise created but unissued, or term loans or bank overdrafts, charges or debentures, mortgages, loans, or other similar indebtedness or any finance lease commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits or any guarantees or other material contingent liabilities.

Our Directors confirmed that there has not been any material change in the indebtedness and contingent liabilities of our Group since 31 October 2009.

RISK MANAGEMENT

Interest rate risk

Our Group's bank deposits were bearing floating interest rate. We also borrow both loans issued at fixed and floating interest rates. Exposure to floating interest rate exists when there are unexpected adverse interest rate movements. Our Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements and rates are approximately fixed when necessary.

Credit risk

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

We continuously monitor defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Our policy is to deal only with creditworthy counterparties.

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

None of our financial assets are secured by collateral or other credit enhancement.

In respect of trade and notes and other receivables, we are not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for cash at bank is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Foreign currency risk

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

We review our foreign currency exposures regularly and do not consider our foreign exchange risk to be significant.

Liquidity risk

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

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

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted net tangible assets of our Group prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Share Offer on the net tangible assets of our Group attributable to owners of the Company as if the Share Offer had taken place on 30 June 2009. This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of our Group had the Share Offer been completed as at 30 June 2009 or at any future date.

	Unadjusted audited combined net tangible assets of our Group attributable to owners of our Company as at 30 June 2009	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted net tangible assets of our Group attributable to owners of our Company	Unaudited pro forma adjusted net tangible assets per Share	Unaudited pro forma adjusted net tangible assets per Share
	RMB'000	RMB'000	RMB'000	RMB	Equivalent to HK$
	(Note 1)	*(Notes 2 and 5)*		*(Note 3)*	*(Notes 3 and 5)*
Based on Offer Price of HK$3.85 per Share	356,271	559,402	915,673	1.83	2.08
Based on Offer Price of HK$2.57 per Share	356,271	367,030	723,301	1.45	1.65

Notes:

(1) The unadjusted audited combined net tangible assets of our Group attributable to owners of our Company as at 30 June 2009 is extracted from the Accountants' Report set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Share Offer are based on the indicative Offer Prices of HK$3.85 and HK$2.57 per Share respectively, after deduction of the underwriting fees and other related expenses payable by our Company. No account has been taken of the Shares which may be issued upon the exercise of Over-Allotment Option or options that may be granted under the Share Option Scheme.

(3) The unaudited pro forma adjusted net tangible assets per Share is calculated based on 500,000,000 Shares in issue immediately following the completion of the Share Offer but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or options that may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in the paragraph headed "Further information about our Company" in Appendix VI to this prospectus.

(4) Our property interests were valued by Savills and the valuation in respect of which was set out in Appendix IV to this prospectus. Pursuant to the valuation performed by Savills, our property interest as at 31 October 2009 amounted to approximately RMB118,500,000. Comparing the valuation amount as at 31 October 2009 to the unaudited net carrying value of our property interests as at 31 October 2009 of RMB111,356,000, there was a surplus of approximately RMB7,144,000. If such revaluation surplus was incorporated in our Group's financial statements for the year ending 31 December 2009, additional amortisation and depreciation of RMB357,000 would be charged. The revaluation surplus will not be reflected in the financial statements in subsequent year as we have elected to state the property at cost model.

(5) The translation of Renminbi into Hong Kong dollars has been made at the rate of RMB1.00 to HK$1.1353. No representation is made that the Renminbi amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate, or at any other rate at all.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in their financial or trading position or prospects since 30 June 2009 (being the date to which our latest audited combined financial statements were made up).

PROFIT FORECAST

Barring unforeseen circumstance, and based on the bases and assumptions set out in Appendix III to this prospectus, our Directors forecast that the combined profit attributable to equity holder of our Company for the year ending 31 December 2009 is forecasted to be not less than RMB113 million.

On a pro forma basis, and on the assumption that the Share Offer had been completed as of 1 January 2009, and a total of 500,000,000 Shares were issued and outstanding (and not taking into account any Shares that may be issued upon the exercise of the Over-Allotment Option) during the entire year ending 31 December 2009, the forecast basic earnings per Share on a pro forma basis would be not less than RMB0.226 (equivalent to approximately HK$0.257).