

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

## **CHINA CORN OIL COMPANY LIMITED**

### **中國玉米油股份有限公司**

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

**(Stock code: 1006)**

## **CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS**

### **BACKGROUND**

The Company announces that:

- (i) the Construction Agreement was entered into between Sanxing Iron Construction and Corn Industry in relation to the Refinery Plant Construction by Sanxing Iron Construction for a consideration of RMB14 million; and
- (ii) the Master Processing Agreement was entered into between Sanxing Mongolia and Corn Industry in relation to the provision of Squeezing Processing Services by Sanxing Mongolia to Corn Industry. The Directors estimate that the annual amount of Processing Fee under the Master Processing Agreement for the two years ending 31 December 2011 will not exceed the annual caps of RMB7 million and RMB8 million respectively. The processing fee paid by Corn Industry to Sanxing Mongolia for the Squeezing Processing Services for the seven months ended 31 July 2010 amounted to approximately RMB4 million.

### **GENERAL**

Sanxing Iron Construction is owned as to approximately 35% by Shangdong Sanxing, one of the controlling Shareholders which together with Mr. Wang Mingxing, Mr. Wang Mingliang, Mr. Wang Mingfeng and Ms. Huo Chunling (the spouse of Wang Mingliang) are beneficially interested in approximately 51.12% of the issued share capital of the Company as at the date of this announcement. Accordingly, Sanxing Iron Construction is a connected person of the Company under Chapter 14A of the Listing Rules. Sanxing Mongolia is owned as to approximately 86.7% by Mr. Wang Mingliang, an executive Director and accordingly, is a connected person of the Company under Chapter 14A of the Listing Rules.

The transaction contemplated under the Construction Agreement constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. As each of the Relevant Percentage Ratios in respect of the Construction Agreement is more than 0.1% but less than 2.5% and the total consideration is more than HK\$1,000,000, the transaction contemplated under the Construction Agreement should have been subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The transactions contemplated under the Master Processing Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the proposed annual caps in respect of the Processing Fee under the Master Processing Agreement for each of the two years ending 31 December 2011 is more than HK\$1,000,000 and the Relevant Percentage Ratios calculated thereof are more than 0.1% but less than 5%, the transactions contemplated under the Master Processing Agreement and the proposed annual caps for each of the two years ending 31 December 2011 should have been subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Refinery Plant Construction and the Squeezing Processing Services were revealed when the Company prepared the interim results of the Group for the six months ended 30 June 2010. The omission by the Company to comply with the Listing Rules requirements to make timely disclosure for the Refinery Plant Construction and the Squeezing Processing Services was due to an inadvertent mistake. The Company wishes to apologise in this regard and now publishes this announcement to provide details of the Refinery Plant Construction and the Squeezing Processing Services.

To avoid any similar delay in the future and to tighten the Group's internal control procedures, the Company will: (i) review and oversee the legal and regulatory compliance procedures and internal controls of the Group to ensure that all existing and further transactions of the Company fully comply with the Listing Rules; and (ii) provide further training to the senior management and the relevant personnel of the Company to help them better understand the requirements of the Listing Rules and identify any potential connected transactions of the Group on a timely basis.

## **1. THE CONSTRUCTION AGREEMENT**

### **Date**

15 January 2010

### **Parties**

- (A) Corn Industry, an indirect wholly-owned subsidiary of the Company
- (B) Sanxing Iron Construction, a company owned as to approximately 35% by Shangdong Sanxing, being one of the controlling Shareholders which together with Mr. Wang Mingxing, Mr. Wang Mingliang, Mr. Wang Mingfeng, all being executive Directors, and Ms. Huo Chunling (the spouse of Wang Mingliang) are beneficially interested in approximately 51.12% of the issued share capital of the Company as at the date of this announcement.

## **Construction service**

Pursuant to the Construction Agreement, Corn Industry agreed to engage and Sanxing Iron Construction agreed to be engaged to carry out the construction (“**Refinery Plant Construction**”) of a refinery production plant (“**Refinery Production Plant**”) for Corn Industry.

## **Term**

In accordance with the Construction Agreement, the construction of the Refinery Production Plant should be completed on 19 April 2010.

## **Consideration**

The consideration under the Construction Agreement of RMB14,000,000, which was arrived at after arm’s length negotiation between Corn Industry and Sanxing Iron Construction after taking into account the market price for similar service, shall be paid by Corn Industry to Sanxing Iron Construction in the following manner:

- (a) RMB9,800,000, which represents 70% of the total consideration, is payable within 10 days upon the commencement of the Refinery Plant Construction; and
- (b) the remaining RMB4,200,000, which represents 30% of the total consideration, shall be payable within 6 months after the completion of the Refinery Plant Construction.

The consideration of RMB9,800,000 had been paid by Corn Industry and the remaining RMB4,200,000 is expected to be paid in the second half of 2010.

## **2. MASTER PROCESSING AGREEMENT**

### **Date**

11 August 2010

### **Parties**

- (A) Corn Industry
- (B) Sanxing Mongolia, a company owned as to approximately 86.7% by Mr. Wang Mingliang, an executive Director as at the date of this announcement.

## **Processing service**

Pursuant to the Master Processing Agreement, Sanxing Mongolia agreed to provide processing services to Corn Industry by processing the corn embryo supplied by Corn Industry into crude corn oil and corn meal through Sanxing Mongolia's squeezing production process. Corn Industry shall provide Sanxing Mongolia with a monthly production proposal at least 10 working days before the end of each calendar month setting out the estimated processing quantities and the relevant product requirements. Sanxing Mongolia shall then, according to the monthly production proposal, arrange for the processing of the corn embryo provided by Corn Industry.

## **Term**

The term of the Master Processing Agreement shall commence from the date of signing of the agreement and will expire on 31 December 2011. The Master Processing Agreement has retrospective effect on the Squeezing Processing Services transactions previously entered into between Corn Industry and Sanxing Mongolia since 1 January 2010. Pursuant to the Master Processing Agreement, Corn Industry may at any time give at least three months' prior written notice of termination to Sanxing Mongolia. Corn Industry has the right to extend the term of the Master Processing Agreement by giving written notice to Sanxing Mongolia at least six months before the expiry of the agreement.

## **Processing Fee**

The Processing Fee charged by Sanxing Mongolia for providing squeezing processing services to Corn Industry shall be agreed between the parties. The Processing Fee must be fair and reasonable, on normal commercial terms and shall be no less favourable than those offered by Independent Third Parties to Corn Industry. The Processing Fee shall be settled on a monthly basis by Corn Industry through wire transfer.

## **Annual caps**

The Directors estimate that the annual amount of Processing Fee under the Master Processing Agreement for the two years ending 31 December 2011 will not exceed the annual caps of RMB7 million and RMB8 million respectively. In determining the annual caps, the Directors have considered, among others, (i) the estimated refinement production volume of the Group's edible corn oil products for the two years ending 31 December 2011; (ii) the estimated sales volume of the Group's crude corn oil products and corn meal in Mongolia for the two years ending 31 December 2011; and (iii) the Group's estimated refinement production capacity after the completion of the Refinery Plant Construction and the Group's squeezing production capacity as at the date of this announcement.

## **REASONS FOR ENTERING INTO THE CONSTRUCTION AGREEMENT AND THE MASTER PROCESSING AGREEMENT**

### **Construction Agreement**

Sanxing Iron Construction is principally engaged in the provision of construction and engineering services and sales of construction materials in the PRC.

The Group is principally engaged in the manufacture and sales of edible corn oil and other oil products in the PRC. For the Group's business development, the Group intended to construct a new Refinery Production Plant to be located next to its existing production plant that will house an additional refinement production line in order to add an additional annual refinement production capacity of 100,000 tonnes of corn and other oil in anticipation of the growing demand for its edible oil products.

Given the aforesaid and after taking into account the terms of the Construction Agreement, the Directors (including the independent non-executive Directors) consider that the entering into of the Construction Agreement was in the interests of the Company and the Shareholders as a whole, and the terms thereof are on normal commercial terms and fair and reasonable.

### **Master Processing Agreement**

Sanxing Mongolia is principally engaged in the manufacture and sales of corn starch and corn embryo in the PRC and also the manufacture and sales of crude corn oil and sunflower crude oil in the PRC.

The Group's current squeezing production capacity is 100,000 tonnes of corn and other oil per annum, which may not be sufficient to meet the Group's current refinement production capacity of 182,000 tonnes of corn and other oil per annum and the estimated refinement production capacity of 282,000 tonnes of corn and other oil after the completion of the Refinery Plant Construction. In order to: (i) partially cater for the demand of crude corn oil for the Group's refinement production process; and (ii) facilitate the Group's sales of crude corn oil and corn meal in Mongolia, Corn Industry has engaged Sanxing Mongolia to provide processing services ("**Squeezing Processing Services**") through its squeezing production process by processing the corn embryo supplied by Corn Industry into crude corn oil and corn meal. The processing fee paid by Corn Industry to Sanxing Mongolia for the Squeezing Processing Services for the seven months ended 31 July 2010 amounted to approximately RMB4 million. On 11 August 2010, the Master Processing Agreement was entered into between Sanxing Mongolia and Corn Industry in relation to the provision of Squeezing Processing Services by Sanxing Mongolia to Corn Industry.

Given the aforesaid and after taking into account the terms of the Master Processing Agreement, the Directors (including the independent non-executive Directors) consider that the entering into of the Master Processing Agreement is in the interests of the Company and the Shareholders as a whole, and the terms thereof are on normal commercial terms and fair and reasonable.

As Mr. Wang Mingxing, Mr. Wang Mingfeng, Mr. Wang Mingliang and Mr. Sun Guohui, the executive Directors, have material interests in the transactions contemplated under the Construction Agreement, they have abstained from voting on the Board resolution approving the Construction Agreement and the transaction contemplated thereunder. As Mr. Wang Mingxing, Mr. Wang Mingfeng and Mr. Wang Mingliang have material interests in the transactions contemplated under the Master Processing Agreement, they have abstained from voting on the Board resolution approving the Master Processing Agreement and the transactions contemplated thereunder.

## GENERAL

Sanxing Iron Construction is owned as to approximately 35% by Shangdong Sanxing, one of the controlling Shareholders which together with Mr. Wang Mingxing, Mr. Wang Mingliang, Mr. Wang Mingfeng and Ms. Huo Chunling (the spouse of Wang Mingliang) are beneficially interested in approximately 51.12% of the issued share capital of the Company as at the date of this announcement. Accordingly, Sanxing Iron Construction is a connected person of the Company under Chapter 14A of the Listing Rules. Sanxing Mongolia is owned as to approximately 86.7% by Mr. Wang Mingliang, an executive Director and accordingly, is a connected person of the Company under Chapter 14A of the Listing Rules.

The transaction contemplated under the Construction Agreement constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. As each of the relevant percentage ratios (“**Relevant Percentage Ratios**”) calculated pursuant to Rule 14.07 of the Listing Rules (other than the profits ratio) in respect of the Construction Agreement is more than 0.1% but less than 2.5% and the total consideration is more than HK\$1,000,000, the transaction contemplated under the Construction Agreement should have been subject to the reporting and announcement requirements but exempt from the independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

The transactions contemplated under the Master Processing Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the proposed annual caps in respect of the Processing Fee under the Master Processing Agreement for each of the two years ending 31 December 2011 is more than HK\$1,000,000 and the Relevant Percentage Ratios calculated thereof are more than 0.1% but less than 5%, the transaction contemplated under the Master Processing Agreement and the proposed annual caps for each of the two years ending 31 December 2011 should have been subject to the reporting and announcement requirements but exempt from the independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

The Refinery Plant Construction and the Squeezing Processing Services were revealed when the Company prepared the interim results of the Group for the six months ended 30 June 2010. The omission by the Company to comply with the Listing Rules requirements to make timely disclosure for the Refinery Plant Construction and the Squeezing Processing Services was due to an inadvertent mistake. The Company wishes to apologise in this regard and now publishes this announcement to provide details of the Refinery Plant Construction and the Squeezing Processing Services.

To avoid any similar delay in the future and to tighten the Group’s internal control procedures, the Company will: (i) review and oversee the legal and regulatory compliance procedures and internal controls of the Group to ensure that all existing and further transactions of the Company fully comply with the Listing Rules; and (ii) provide further training to the senior

management and the relevant personnel of the Company to help them better understand the requirements of the Listing Rules and identify any potential connected transactions of the Group on a timely basis.

## DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Board”	board of the Directors
“Company”	China Corn Oil Company Limited (中國玉米油股份有限公司) (Stock Code: 1006), an exempted company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Construction Agreement”	the agreement dated 15 January 2010 entered into between Sanxing Iron Construction and Corn Industry in relation to the Refinery Plant Construction
“Corn Industry”	山東三星玉米產業科技有限公司 (Shandong Sanxing Corn Industry Technology Company Limited), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	Person(s) or company(ies) who/which is(are) independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Processing Agreement”	the framework agreement dated 11 August 2010 entered into between Sanxing Mongolia and Corn Industry in relation to the provision of Squeezing Processing Services by Sanxing Mongolia to Corn Industry
“PRC”	the People’s Republic of China
“Processing Fee”	the fee payable by Corn Industry for the processing services provided by Sanxing Mongolia pursuant to the Master Processing Agreement

“Sanxing Iron Construction”	鄒平三星鋼結構有限公司 (Zouping Sanxing Iron Construction Company Limited <sup>#</sup> ), a company established in the PRC with limited liability, and is owned as to approximately 35% by Shangdong Sanxing and as to approximately 65% by Independent Third Parties as at the date of this announcement
“Sanxing Mongolia”	內蒙古三星糧油工業有限公司 (Inner Mongolia Sanxing Food & Oil Industry Company Limited <sup>#</sup> ), a company established in the PRC with limited liability, and is owned as to approximately 86.7% by Mr. Wang Mingliang (an executive Director) and as to approximately 13.3% by Independent Third Parties as at the date of this announcement
“Shandong Sanxing”	山東三星集團有限公司 (Shandong Sanxing Group Company Limited <sup>#</sup> ), a company established in the PRC with limited liability and is owned as to 60.4% by Mr. Wang Mingxing, Mr. Wang Mingliang and Mr. Wang Mingfeng, 4.4% by Mr. Sun Guohui, all being executive Directors, and 35.2% by Independent Third Parties as at the date of this announcement
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By order of the Board  
**China Corn Oil Company Limited**  
**Wang Mingxing**  
*Chairman*

Hong Kong, 11 August 2010

*As at the date of this announcement, the executive directors of the Company are Mr. Wang Mingxing, Mr. Wang Mingfeng, Mr. Wang Mingliang, Mr. Wang Fuchang, Mr. Sun Guohui and Mr. Huang Da; the non-executive director of the Company is Mr. Ke Shifeng; and the independent non-executive directors of the Company are Mr. Liu Shusong, Mr. Wang Ruiyuan and Mr. Wang Aiguo.*

<sup>#</sup> For identification purposes only