CHANGSHOUHUA FOOD COMPANY LIMITED
長壽花食品股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1006)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2018, the Group's revenue increased by approximately 1.4% to approximately RMB3,428.2 million (2017: approximately RMB3,379.7 million). Although the China – US trade war affected the Chinese economy and domestic consumption, the gross profit for the year ended 31 December 2018 decreased slightly to approximately RMB797.9 million and gross profit margin was at approximately 23.3%, which were attributable to the enhancement in sale's quality and the revamp of the brand image.

For the year ended 31 December 2018, the Group recorded an increase of approximately 14.4% in profit before income tax to approximately RMB411.5 million (2017: approximately RMB359.8 million), and an increase of approximately 17.4% in profit attributable to owners of the Company to approximately RMB346.9 million (2017: approximately RMB295.5 million), respectively.

For the year ended 31 December 2018, the Group's net profit margin was approximately 10.1% (2017: approximately 8.7%). The basic earnings per share attributable to owners of the Company increased to approximately RMB60.5 cents (2017: approximately RMB51.5 cents).

FINAL DIVIDEND

The Directors recommended the payment of a final dividend of HK10 cents per share for the year ended 31 December 2018 to the Shareholders of the Company.

PROGRESS OF THE FIVE-YEAR BUSINESS DEVELOPMENT PLAN (2016–2020)

The Group is committed to the product diversification and had introduced several new condiments in 2018. Different types of soy sauce and soybean paste produced in traditional fermentation process were launched to the market under the brand of "長壽花" (Longevity Flower).

ANNUAL RESULTS

The board of directors (the "**Directors**") (the "**Board**") of Changshouhua Food Company Limited (the "**Company**") is pleased to present the audited consolidated income statement and the consolidated statement of comprehensive income of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018 and the Group's audited consolidated statement of financial position as at 31 December 2018, together with the relevant comparative figures.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Revenue	*4*	**3,428,155**	3,379,679
Cost of sales		**(2,630,290)**	(2,574,040)
Gross profit		**797,865**	805,639
Other income	*4*	**97,463**	86,999
Selling and distribution costs		**(380,936)**	(435,016)
Administrative expenses		**(98,709)**	(90,274)
Other operating expenses		**(986)**	(138)
Profit from operations	*5*	**414,697**	367,210
Finance costs	*6*	**(3,215)**	(7,455)
Profit before income tax		**411,482**	359,755
Income tax expense	*7*	**(64,577)**	(64,234)
Profit for the year attributable to owners of the Company		**346,905**	295,521
Earnings per share attributable to owners of the Company	*9*		
Basic (RMB cents)		**60.48**	51.52
Diluted (RMB cents)		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	RMB'000	*RMB'000*
Profit for the year	**346,905**	295,521
Other comprehensive income that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	**(933)**	124
Other comprehensive income for the year, net of tax	**(933)**	124
Total comprehensive income for the year attributable to owners of the Company	**345,972**	295,645

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment		**709,088**	765,816
Land use rights		**173,036**	176,175
Goodwill		**62,762**	62,762
Deposits paid for acquisition of capital assets and land use right		**5,663**	7,611
Total non-current assets		**950,549**	1,012,364
Current assets			
Inventories		**172,228**	208,822
Right of return assets		**6,131**	–
Trade and notes receivables	*10*	**508,827**	467,644
Prepayments, deposits and other receivables	*11*	**78,325**	93,711
Amounts due from related companies		**11,206**	71,470
Cash and bank balances		**1,807,836**	1,585,032
Total current assets		**2,584,553**	2,426,679
Current liabilities			
Trade payables		**118,583**	91,113
Accrued liabilities, other payables and deposits received		**222,480**	333,663
Contract liabilities		**85,828**	–
Refund liabilities		**7,423**	–
Dividend payable		**3,293**	37,568
Amounts due to related companies		**22,745**	6,155
Borrowing		–	166,560
Current tax liabilities		**31,479**	24,524
Total current liabilities		**491,831**	659,583
Net current assets		**2,092,722**	1,767,096
Total assets less current liabilities		**3,043,271**	2,779,460
Non-current liabilities			
Borrowing		–	33,477
Net assets		**3,043,271**	2,745,983
EQUITY			
Equity attributable to owners of the Company			
Share capital		**50,109**	50,109
Reserves		**2,993,162**	2,695,874
Total equity		**3,043,271**	2,745,983

NOTES:

1. CORPORATE INFORMATION

Changshouhua Food Company Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands on 9 September 2009.

The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company and its subsidiaries (the "Group") is located at Handian Industrial Park, Zouping County, Shandong Province, the People's Republic of China (the "PRC"). The Company's shares have been listed on the Mainboard of The Stock Exchange of Hong Kong Limited (the "HKEX") since 18 December 2009.

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

The consolidated financial statements for the year ended 31 December 2018 were approved by the board of directors on 27 March 2019.

2. ACCOUNTING POLICIES

The accounting policies used in the preparation of the consolidated financial statements for the year ended 31 December 2018 are consistent with those used in the consolidated financial statements for the year ended 31 December 2017, except for the adoption of the standards, amendments and interpretations issued by the International Accounting Standard Board mandatory for annual periods beginning on or after 1 January 2018. The impact of the adoption of International Financial Reporting Standards ("IFRSs") 9 Financial Instruments (see note 2(a) below) and IFRSs 15 Revenue from Contracts with Customers (see note 2(b) below) have been summarised below. The other new or amended IFRSs that are effective from 1 January 2018 did not have any material impact on the Group's accounting policies.

(a) IFRS 9-Financial Instruments

(i) Classification and measurement of financial instruments

IFRS 9 replaces International Accounting Standard ("IAS") 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of IFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

The following tables summarised the impact, net of tax, of transition to IFRS 9 on the opening balance of retained profits as of 1 January 2018 as follows (increase/(decrease)):

	RMB'000
Retained profits as at 31 December 2017	**1,782,091**
Additional loss allowance of expected credit losses ("ECLs") on trade receivables	**(918)**
Restated retained profits as at 1 January 2018	**1,781,173**

IFRS 9 basically retains the existing requirements in IAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of IFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under IFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with IFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised cost"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under IFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under IFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The accounting policies would be applied to the Group's financial assets as follows:

Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.

The following table summarises the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	**Original classification under IAS 39**	**New classification under IFRS 9**	**Carrying amount as at 1 January 2018 under IAS 39**	**Carrying amount as at 1 January 2018 under IFRS 9**
			RMB'000	*RMB'000*
Trade receivables	Loans and receivables	Amortised cost	464,594	463,676
Notes receivable	Loans and receivables	FVTPL	3,050	3,050
Deposit and other receivables	Loans and receivables	Amortised cost	36,851	36,851
Amounts due from related companies	Loans and receivables	Amortised cost	71,470	71,470
Cash and bank balances	Loans and receivables	Amortised cost	1,585,032	1,585,032

(ii) Impairment of financial assets

The adoption of IFRS 9 has changed the Group's impairment model by replacing the IAS 39 "incurred loss model" to the "ECLs model". IFRS 9 requires the Group to recognise ECLs for trade receivables, financial assets at amortised cost, contract assets and debt investment at FVOCI earlier than IAS 39. Cash and bank balances are subject to ECL model but the impairment is immaterial for the current year.

Under IFRS 9, the loss allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 365 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECL model

(a) Impairment of trade receivables

As mentioned above, the Group applies the IFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance as at 1 January 2018 was determined as follows for trade receivables as follows:

1 January 2018	Current	Not more than 30 days past due	3 to not more than 6 months past due	6 to 12 months past due	More than 1 year past due	Total
ECL rate (%)	0.1%	0.5%	1%	1%	10%	
Gross carrying amount (RMB'000)	391,927	40,790	24,945	6,911	21	464,594
Loss allowance (RMB'000)	392	205	250	69	2	918

The increase in loss allowance for trade receivables upon the transition to IFRS 9 as of 1 January 2018 were approximately RMB918,000. The loss allowance for trade receivables increased by RMB133,000 during the year ended 31 December 2018.

(b) Impairment of other receivables

Other financial assets at amortised cost of the Group includes amounts due from related companies and other receivables. Applying the ECL model results in immaterial impairment on 1 January 2018 and for the year ended 31 December 2018.

(ii) Transition

The Group has applied the transitional provision in IFRS 9 such that IFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained profits and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 but rather those of IAS 39.

The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application of IFRS 9 (the "DIA").

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

(b) ***IFRS 15 – Revenue from Contracts with Customers***

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. IFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted IFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained profits at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

The transition to IFRS 15 had no impact on the opening balances of retained profits.

The following table summarised the impact of adopting IFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and the consolidated statement of cash flows for the year ended 31 December 2018. There was no material impact on the Groups' consolidated income statement or consolidated statement of comprehensive income for the year ended 31 December 2018.

Impact on the consolidated statement of financial position as of 31 December 2018:

	Amount presented under		
	IFRS 15	**Previous IFRS**	**Increase/ (decrease)**
	RMB'000	*RMB'000*	*RMB'000*
Assets			
Current assets			
Inventories	172,228	178,359	(6,131)
Right of return assets	6,131	–	6,131
Total current assets	2,584,553	2,584,553	–
Total assets	3,535,102	3,535,102	–
Liabilities			
Current liabilities			
Contract liabilities	85,828	–	85,828
Accrued liabilities, other payables and deposits received	222,480	315,731	(93,251)
Refund liabilities	7,423	–	7,423
Total current liabilities	491,831	491,831	–
Total liabilities	491,831	491,831	–

Impact on the consolidated statement of cash flows for the year ended 31 December 2018:

	Amount presented under		
	IFRS 15	**Previous IFRS**	**Increase/ (decrease)**
	RMB'000	*RMB'000*	*RMB'000*
Operating activities			
Decrease in inventories	32,249	30,463	(1,786)
Decrease in prepayments, deposits and other receivables and right of return assets	13,600	15,386	1,786

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's goods are set out below:

Nature of the goods, satisfaction of performance obligations and payment terms

Customers obtain control of goods when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the products.

There is generally only one performance obligation. Invoices are usually payable within 45-180 days.

Right of return

Some of the Group's contracts with customers from the sale of goods provides customers a right of return (a right to be refunded in cash).

Nature of changes in accounting policies and impact on 1 January 2018

Right of return

When a contract provides a customer with a right to return the goods within a specified period, the Group previously estimated expected returns using a probability-weighted average amount approach similar to the expected value method under IFRS 15. Prior to adoption of IFRS 15, the amount of revenue related to the expected returns was deferred and recognised in the consolidated statement of financial position within accrued liabilities with a corresponding adjustment to cost of sales. The initial carrying amount of goods expected to be returned was included within inventories.

Under IFRS 15, the consideration received from the customer is variable because the contract allows the customer to return the products. The Group uses the expected value method to estimate the goods that will be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The Group applies the requirements in IFRS 15 on constraining estimates of variable consideration to determine the amount of variable consideration that can be included in the transaction price. The Group presents a refund liability and a right of return asset to recover goods from a customer separately in the consolidated statement of financial position.

Upon adoption of IFRS 15, the Group reclassified the provision for the right of return from accrued liabilities to refund liabilities and the related return asset from inventories to right of return assets.

Nature of the goods, satisfaction of performance obligations and payment terms	Nature of changes in accounting policies and impact on 1 January 2018
	Impact: As of 1 January 2018, an increase in refund liabilities of approximately RMB4,924,000, an increase in right of return assets of approximately RMB4,345,000, a decrease in accrued liabilities of approximately RMB4,924,000 and a decrease in inventories of approximately RMB4,345,000 was recognised.
Advances received from customers Generally, the Group receives short-term advances from its customers.	**Advances received from customers** Prior to the adoption of IFRS 15, the Group presented these advances as deposits received in the consolidated statement of financial position. Upon the adoption of IFRS 15, reclassifications have been made from deposits received to contract liabilities for the outstanding balance of advances from customers. Impact: As of 1 January 2018, an increase in contract liabilities of approximately RMB40,978,000, and a decrease in deposits received of approximately RMB40,978,000 was recognised.

3. SEGMENT INFORMATION

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

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

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

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

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

	Year ended 31 December 2018			
	Own brand Products	**Non-branded products**	**Corn meal**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Revenue from external customers	**1,985,294**	**827,037**	**615,824**	**3,428,155**
Reportable segment revenue	**1,985,294**	**827,037**	**615,824**	**3,428,155**
Reportable segment profit/(loss)	**788,843**	**17,068**	**(8,046)**	**797,865**
Depreciation	**36,344**	**24,604**	**18,951**	**79,899**

	Year ended 31 December 2017			
	Own brand Products	Non-branded products	Corn meal	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	2,201,880	729,329	448,470	3,379,679
Reportable segment revenue	2,201,880	729,329	448,470	3,379,679
Reportable segment profit/(loss)	798,304	20,616	(13,281)	805,639
Depreciation	41,651	21,031	13,703	76,385

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

	2018	2017
	RMB'000	*RMB'000*
Reportable segment profit	**797,865**	805,639
Other income	**97,463**	86,999
Selling and distribution costs	**(380,936)**	(435,016)
Administrative expenses	**(98,709)**	(90,274)
Other operating expenses	**(986)**	(138)
Finance costs	**(3,215)**	(7,455)
Profit before income tax	**411,482**	359,755

All of the Group's revenue from external customers and the Group's non-current assets are located in the PRC (i.e. the country of domicile of the Company).

4. REVENUE AND OTHER INCOME

Revenue from the Group's principal activities represented the net invoiced value of goods sold, net of allowances for returns, trade discounts and value-added tax. The Group has assessed that the disaggregation of revenue by operating segments in note 3 is appropriate in meeting the disclosure requirement as this is the information regularly reviewed by the Group's executive directors in order to evaluate the segment performance of the Group.

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

	2018	2017
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**3,428,155**	3,379,679
Other income		
Bank interest income	**28,230**	16,868
Sale of scrap materials	**51,413**	47,428
Compensation income from insurance company	**1,063**	1,069
Compensation income from sundry creditors	**4,805**	1,127
Net foreign exchange gain	**3,480**	16,686
Others	**8,472**	3,821
	97,463	86,999

The following table provides information about trade receivables and contract liabilities from contracts with customers.

	31 December 2018	1 January 2018
	RMB'000	*RMB'000*
Receivables	**508,827**	463,676
Contract liabilities	**85,828**	40,978

The Group has applied the practical expedient and decided not to disclose the amount of revenue the Group will be entitled to when it satisfies the remaining performance obligations for contracts that had an original expected duration of one year or less.

5. PROFIT FROM OPERATIONS

	2018	2017
	RMB'000	*RMB'000*
Profit from operations is arrived at after charging/(crediting):		
Cost of inventories recognised as an expense	**2,630,290**	2,574,040
Depreciation on property, plant and equipment *	**97,082**	91,626
Amortisation of land use rights **	**3,949**	3,897
Loss on disposal of property, plant and equipment	**36**	48
Change in loss allowance on trade receivables	**133**	–
Net foreign exchange gain	**(3,480)**	(16,686)
Operating lease charges on rented premises	**2,956**	2,723
Research and development costs	**4,109**	830
Employee costs (including directors' remuneration)		
– Wages, salaries and bonus	**173,965**	167,310
– Contribution to defined contribution pension plan ^	**13,971**	7,804
Total employee costs	**187,936**	175,114

* Depreciation expenses have been included in:

- cost of sales of approximately RMB79,899,000 (2017: RMB76,385,000);
- administrative expenses of approximately RMB15,990,000 (2017: RMB14,065,000); and
- selling and distribution costs of approximately RMB1,193,000 (2017: RMB1,176,000).

** Amortisation of land use rights has been included in administrative expenses.

^ At the reporting date, the Group had no forfeited contributions available to reduce its contributions to the pension scheme.

6. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**3,215**	7,455

7. INCOME TAX EXPENSE

	2018	2017
	RMB'000	*RMB'000*
Current tax		
– Provision for PRC corporate income tax	**64,577**	64,234

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), neither the Company nor its subsidiaries are subject to any taxation under the jurisdictions of the Cayman Islands and the BVI during the years.

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

Shandong Sanxing Corn Industry Technology Company Limited ("Corn Industry") has been accredited as a High-tech Enterprise by the Accrediting Bodies under the Administrative Measures for Determination of High and New Technology Enterprises on 30 November 2012 and is subject to preferential tax rate of 15% for two years commencing from 1 January 2013. In 2015, Corn Industry has been re-qualified as a High-tech Enterprise for three years and is accordingly entitled to the tax rate of 15% for the years ended 31 December 2017 and 2018.

No deferred tax asset has been recognised in respect of the unused tax losses of RMB76,877,000 (2017: RMB108,196,000), that are available, within a maximum period of five years in the PRC, for offsetting against future taxable profits of the relevant entities in the Group in which the losses arose, due to the unpredictability of future profit streams.

Deferred tax liabilities have not been established for the withholding tax that would be payable on the undistributed earnings of subsidiaries of RMB2,033,908,000 (2017: RMB1,712,373,000) as the Group is in a position to control the dividend policies of the subsidiaries and it is probable that such amount will be reinvested in the foreseeable future.

The Group did not have any other significant temporary differences which gave rise to a deferred tax asset or liability as at 31 December 2017 and 2018.

A reconciliation of income tax expense and accounting profit at the applicable tax rates is as follows:

	2018	2017
	RMB'000	*RMB'000*
Profit before income tax	**411,482**	359,755
Tax calculated at the rates applicable to profits in the tax jurisdictions concerned	**62,268**	59,355
Tax effect of tax losses not recognised	**1,910**	4,185
Tax effect of non-taxable and non-deductible items, net	**1,210**	694
Utilisation of tax losses previously not recognised	**(811)**	–
Income tax expense	**64,577**	64,234

8. DIVIDENDS

The directors recommend the payment of a final dividend to the shareholders of Hong Kong 10 cents per share for the year ended 31 December 2018 (2017: Hong Kong 10 cents per share), subject to shareholders' approval at the forthcoming annual general meeting. The proposed final dividend declared after the reporting date has not been recognised as liability at the reporting date, but reflected as an appropriation of retained profits for the year.

9. EARNINGS PER SHARE

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

	2018	2017
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share	**346,905**	295,521
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**573,560,000**	573,560,000

The Group had no potential dilutive ordinary shares in issue during the year ended 31 December 2018.

10. TRADE AND NOTES RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**508,827**	464,594
Notes receivable	**–**	3,050
	508,827	467,644

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period is generally 45 to 180 days. Trade and notes receivables are non-interest bearing.

The ageing analysis of trade and notes receivables at the reporting date, based on invoice date and net of impairment provision, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 60 days	**327,632**	313,686
61-90 days	**66,095**	59,050
91-180 days	**98,913**	68,529
181-365 days	**10,175**	17,945
Over 365 days	**6,012**	8,434
	508,827	467,644

At each of the reporting dates, the Group reviews receivables for evidence of impairment on both an individual and collective basis.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Prepayments	**40,198**	56,860
Other receivables	**38,127**	36,851
Deposits paid for acquisition of capital assets and land use right	**5,663**	7,611
	83,988	101,322
Less: Portion due within one year included under current assets	**(78,325)**	(93,711)
Non-current portion included under non-current assets	**5,663**	7,611

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Although the Chinese economy and the domestic consumption were under a gloomy atmosphere due to the China-US trade war, the Group continued to optimize its sales and the high-end wholesale of distributors and direct retails channels. As a result of the decline in the cost of edible oil and the brand premium of the Group through the promotion of the Five-Year Business Development Plan, the gross profit margin of our own-brand products maintained a steady growth. In response to the dynamic industrial changes in edible oils market in the PRC, the Group continued to carry out development plan for revamp of the brand, product diversification and expansion in and optimization of sales network. The Group will continue to integrate and optimise the sales network in line with the regional business development.

The Group has been continuing to prioritize own brand development and gradually introducing other different types of edible oil products and the series of Changshouhua Kitchen food products under the brand of "長壽花" (Longevity Flower). According to the Five-Year Business Development Plan, the Company is committed to the product diversification and the transformation of single-product company to a retail brand corporation and started to sell several new condiments in series of soy sauce and soybean paste in 2018. In the future, the Company will still focus on the development of the own-brand business to fulfill the Company's long-term development and strategies.

The Group's long-term and enduring development depends on its mature and stable marketing and distribution network. As at 31 December 2018, the Group had a distribution network of 1,479 (31 December 2017: 1,517) wholesale distributors and 153 (31 December 2017: 153) retailers, covering all provincial-level administrative regions (except Tibet) of the PRC.

Financial Review

For the year ended 31 December 2018, the revenue of the Group's products was only recognised by the sales in the PRC. Although domestic consumption in the gloomy atmosphere affected the sale of branded products, the total revenue of the Group increased by approximately 1.4% to approximately RMB3,428.2 million (2017: approximately RMB3,379.7 million) attributable to the growing revenue of the non-branded corn oil and corn meal. The sales of (i) own-brand edible oil/food products under the kitchen series; (ii) non-branded edible oil; and (iii) corn meal contributed to approximately RMB1,985.3 million, RMB827.0 million and RMB615.8 million (2017: approximately RMB2,201.9 million, RMB729.3 million and RMB448.5 million) respectively and accounted for approximately 57.9%, 24.1% and 18.0% (2017: approximately 65.1%, 21.6% and 13.3%) respectively of the Group's total revenue.

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

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	RMB'000	***Proportion***	*RMB'000*	*Proportion*
Own-brand edible oil/food products under the Kitchen series	**1,985,294**	**57.9%**	2,201,880	65.1%
Non-branded edible oil	**827,037**	**24.1%**	729,329	21.6%
Corn meal	**615,824**	**18.0%**	448,470	13.3%
	3,428,155	**100%**	3,379,679	100%

Sales of products under the brand of "長壽花" (Longevity Flower) decreased by approximately 9.8% (i.e. approximately RMB216.6 million) and sales of non-branded edible oil increased by approximately 13.4% (i.e. approximately RMB97.7 million).

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

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	Quantities (tonnes)	**Overall proportion**	Quantities (tonnes)	Overall proportion
"長壽花" (Longevity Flower) brand				
Corn oil	**140,205**	**44.7%**	159,694	51.7%
Other edible oil	**30,075**	**9.6%**	31,119	10.1%
	170,280	**54.3%**	190,813	61.8%
Non-branded				
Corn oil	**142,392**	**45.5%**	114,396	37.1%
Other edible oil	**636**	**0.2%**	3,522	0.9%
	143,028	**45.7%**	117,917	38.2%
Overall edible oil	**313,308**	**100%**	308,730	100%
Corn meal	**432,816**		357,372	

Overall sales volume of edible oil increased by 1.5% to 313,308 tonnes.

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

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	RMB'000	***proportion of gross profit (loss)***	*RMB'000*	*proportion of gross profit (loss)*
"長壽花" (Longevity Flower) brand				
Corn oil	**635,520**	**79.7%**	669,190	83.1%
Other edible oil/food products under the Changshouhua Kitchen series	**153,323**	**19.2%**	129,114	15.9%
	788,843	**98.9%**	798,304	99.0%
Non-branded				
Corn oil	**17,281**	**2.2%**	21,497	2.7%
Other edible oil	**(213)**	**(0.1)%**	(881)	(0.1)%
	17,068	**2.1%**	20,616	2.6%
Corn meal	**(8,046)**	**(1.0)%**	(13,281)	(1.6)%
Overall gross profit	**797,865**	**100%**	805,639	100%

	For the year ended 31 December 2018 ***gross profit (loss) margin***	For the year ended 31 December 2017 *gross profit (loss) margin*
"長壽花" (Longevity Flower) brand		
Corn oil	**40.9%**	37.4%
Other edible oil	**37.8%**	32.1%
	40.3%	36.5%
Non-branded		
Corn oil	**2.1%**	3.0%
Other edible oil	**(5.2)%**	(3.8)%
	2.1%	2.8%
Corn meal	**(1.3)%**	(3.0)%
Overall	**23.3%**	23.8%

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

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	Average selling price *(RMB/ton)*	**Average unit cost of sales *(RMB/ton)***	Average selling price *(RMB/ton)*	Average unit cost of sales *(RMB/ton)*
"長壽花" (Longevity Flower) brand				
Corn oil	**11,082**	**6,549**	11,190	6,999
Other edible oil	**13,253**	**8,241**	12,827	8,704
Non-branded				
Corn oil	**5,780**	**5,658**	6,171	5,983
Other products	**6,388**	**6,632**	6,633	6,883

Own-brand products

For the year ended 31 December 2018, the China-US trade tensions resulted in a weak consumption market, so that there was a sigificant decrease in the sales volume of own-brand edible oil products. However, the strategy of the Company focused on the enhancement in the sales' quality and enjoyed the high profit margin by the brand premium and therefore the overall gross profit of own-brand products decreased slightly by 1.2% to approximately RMB788.8 million (for the year ended 31 December 2017: approximately RMB798.3 million). However, due to the decrease in sales costs and the revamp of the brand, the gross profit margin of own-brand products increased to 40.3% (for the year ended 31 December 2017: 36.5%).

Non-brand edible oil

The performance of non-brand (bulk) edible oil was sensitive to this market atmosphere under the China-US trade war and the average sales price was unstable as compared with the same period of last year, resulting in a decrease in gross profit by 17.2% to approximately RMB17.1 million.

By-product – corn meal

For the year ended 31 December 2018, the performance of the poultry farming industry was improved which resulted in the increase in the price of corn meal as compared with the corresponding period of last year and therefore the gross loss of corn meal decreased to 1.3% from 3.0% as compared with that of last year.

Cost of Sales

The cost of sales mainly included costs of raw materials, direct labour and manufacturing overhead. Direct labour costs include wages and other compensation paid to production workers. Manufacturing overhead includes depreciation, freight costs, electricity and steam, indirect labour and packing expenses. The costs of raw materials constituted the largest component of total cost of sales and accounted for approximately 88.2% of the total cost of sales for the year ended 31 December 2018 (2017: approximately 90.2%).

Other Income

For the year ended 31 December 2018, other income increased by approximately 12.0% to approximately RMB97.5 million (2017: approximately RMB87.0 million). Other income mainly comprised sales of scrap materials of approximately RMB51.4 million (2017: approximately RMB47.4 million), bank interest income of approximately RMB28.2 million (2017: approximately RMB16.9 million), compensation income from sundry creditor of approximately RMB4.8 million (2017: approximately RMB1.1 million).

Selling and Distribution Costs

Selling and distribution costs decreased by approximately 12.4% to approximately RMB380.9 million for the year ended 31 December 2018 (2017: approximately RMB435.0 million). Selling and distribution costs mainly comprised transportation fees of approximately RMB63.7 million (2017: approximately RMB94.9 million), advertising and promotion expenses of approximately RMB45.9 million (2017: approximately RMB61.1 million), expenses of representative offices of approximately RMB137.8 million (2017: approximately RMB152.3 million) and sales staff costs of approximately RMB106.1 million (2017: approximately RMB100.9 million).

Administrative Expenses

For the year ended 31 December 2018, administrative expenses increased by approximately 9.3% to approximately RMB98.7 million (2017: approximately RMB90.3 million). Other administrative expenses mainly comprised: (i) administrative staff costs of approximately RMB37.3 million (2017: approximately RMB35.2 million); (ii) depreciation and amortisation expenses of approximately RMB19.9 million (2017: approximately RMB18.0 million); (iii) other taxes of approximately RMB17.7 million (2017: approximately RMB19.5 million); and (iv) legal and professional fees of approximately RMB5.4 million (2017: approximately RMB3.7 million).

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

For the year ended 31 December 2018, the Group's profit before income tax and profit attributable to owners of the Company increased by approximately 14.4% to approximately RMB411.5 million (2017: approximately RMB359.8 million) and approximately 17.4% to approximately RMB346.9 million (2017: approximately RMB295.5 million), respectively.

The Group's net profit margin for the year ended 31 December 2018 was approximately 10.1% (2017: approximately 8.7%). The basic earnings per share attributable to owners of the Company amounted to approximately RMB60.5 cents (2017: approximately RMB51.5 cents).

Acquisition of Property, Plant and Equipment

As at 31 December 2018, the Group's deposits paid for the acquisition of property, plant and equipment decreased to approximately RMB5.7 million (31 December 2017: approximately RMB7.6 million).

Trade and Notes Receivables

As at 31 December 2018, trade and notes receivables amounted to approximately RMB508.8 million (31 December 2017: approximately RMB467.6 million).

Prepayments, Deposits and Other Receivables

As at 31 December 2018, prepayments, deposits and other receivables amounted to approximately RMB78.3 million (31 December 2017: approximately RMB93.7 million), which mainly comprised (i) deposits paid for purchase of raw materials of approximately RMB23.3 million (31 December 2017: approximately RMB30.8 million); (ii) other receivables of approximately RMB38.1 million (31 December 2017: approximately RMB36.9 million); and (iii) prepaid advertising expenses of approximately RMB1.4 million (31 December 2017: approximately RMB11.9 million).

FIVE-YEAR BUSINESS DEVELOPMENT PLAN (2016–2020) PROGRESS

In response to the China's ever changing edible oils industry, the Group announced that it had formulated a five-year business development plan in the 2015 interim results announcement in order to better cope with future challenges under our business model.

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

Brand cooperation

The brand of "長壽花" (Longevity Flower) has become a partner of China's aerospace industry.

Reviewing and changing packaging on a regular basis

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

Promotion campaigns

The Group expand in the wholesale distribution network. In the first half of the year, the wholesale distribution conference was held in Chengdu for promoting the own-brand products. In the second half of the year, we had participated in the Shandong Grain and Oil Industry Expo and the Ninth IEOE China International Edible Oil Industry Expo to continue the promotion of the own-brand products.

Advertising campaigns

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

2. ***Product diversification***

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

Changshouhua condiments

In Chinese proverbs, "Firewood, Rice, Oil, Salt, Sauce, Vinegar & Tea" are the essential cooking ingredients in Chinese family. Soy sauce and soybean paste are another basic cooking ingredients in Chinese family and it is commonly used in cooking. The Company started the designation for the production in high-end condiment products, which were launched to the market officially under the brand of "長壽花" (Longevity Flower) since 2018. New condiments are produced through traditional Taiwanese fermentation process, which include Aromatic Soy Sauce, Premium Soy Sauce, Superior Soy Sauce, Original Soy Sauce, Deluxe Dark Soy Sauce and soybean paste. The soy sauce series offers different capacity specifications for consumers: 160 ml, 500 ml, 855 ml, 1 liter, 1.3 liters, 1.6 liters, 1.9 liters and 4.3 liters, while soybean paste is sold in 680 grams.

Food products under the Changshouhua Kitchen series

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

3. *Expanding and optimising sales network*

As at 31 December 2018, the Group continued to expand and optimise its sales network, which had 1,479 wholesale distributors and 153 retailers for its distribution network, covering all provincial-level administrative regions in the mainland China (except Tibet) and there was approximately 300,000 domestic sales locations. The Group's future objective is to gradually expand its distribution network into all counties, townships and communities in the PRC.

Expansion in sales channel cooperation

In addition to the continuous close cooperation with retailers and the promotion of a cooperative alliance model, the Group also reviews and optimises the layout of traditional sales channels on a regular basis, such as developing cooperation with small and medium-sized supermarkets, reviewing the list of partner dealers regularly, introducing new cooperative dealers and improving the market coverage of sales terminals. To keep up with the trend of combining e-commerce with the Internet, the e-commerce department will be an important sales channel in the future.

In addition, the Group has successively opened Changshouhua Kitchen experience stores in order to complement the future series of "Changshouhua Kitchen" products and offer consumers the one-stop shopping experience of healthy kitchen supplies.

Sales network layout and expansion in specific regions

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

CAPITAL STRUCTURE

The Company's issued share capital as at 31 December 2018 was HK$57,356,000, divided into 573,560,000 shares of HK$0.1 each.

The Group adopts a prudent treasury policy. As at 31 December 2018, the gearing ratio was not applicable as the Group had no borrowings (calculated as total borrowings divided by the amount of shareholders' equity) (gearing ratio as at 31 December 2017: 7.3%). As a result, the current ratio (calculated as current assets divided by current liabilities) was 5.3 times (31 December 2017: 3.7 times). The Group continues to monitor stringent debt collection policy so as to minimise the risks of sales on credit and to ensure that funds are timely collected.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group has no borrowings (31 December 2017: approximately RMB200.0 million) and cash and bank balances amounted to approximately RMB1,807.8 million (31 December 2017: approximately RMB1,585.0 million).

MATERIAL ACQUISITION AND DISPOSAL

There was no material acquisition and disposal by the Company during the year ended 31 December 2018.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE

Most transactions of the Group are settled in Renminbi ("**RMB**") since the operations of the Group are mainly carried out in the PRC, and the major subsidiaries of the Group are operating under an RMB environment and the functional currency of the major subsidiaries is RMB. The Company will pay dividends in Hong Kong Dollars if dividends are declared.

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

PLEDGE OF GROUP ASSETS

As at 31 December 2018, none of the assets of the Group was pledged (31 December 2017: Nil).

CAPITAL COMMITMENTS AND OPERATING LEASE COMMITMENTS

The Group had capital commitment of approximately RMB0.8 million as at 31 December 2018 (31 December 2017: approximately RMB0.9 million). The Group had operating lease commitments of approximately RMB0.7 million in respect of leased properties as at 31 December 2018 (31 December 2017: approximately RMB1.2 million).

EMPLOYEE BENEFITS AND REMUNERATION POLICIES

As at 31 December 2018, the Group had a total of 5,501 employees (31 December 2017: 4,568). The employees of the Group were remunerated based on their experience, qualifications, the Group's results and the market condition. For the year ended 31 December 2018, staff costs (including Directors' remunerations) amounted to approximately RMB187.9 million (for the year ended 31 December 2017: approximately RMB175.1 million). For the year ended 31 December 2018, staff costs accounted for approximately 5.5% of the Group's turnover (for the year ended 31 December 2017: approximately 5.2%).

SIGNIFICANT INVESTMENTS HELD

There were no significant investments held by the Company as at 31 December 2018.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group has no material contingent liabilities.

FINAL DIVIDEND

The Board resolved to recommend a final dividend of HK 10 cents (2017: HK 10 cents) per share for the year ended 31 December 2018 at the forthcoming annual general meeting of the Company to be held on Thursday, 30 May 2019 ("**2019 AGM**") to the shareholders whose names appear on the register of members of the Company on Thursday, 6 June 2019, and such dividend will be made on Monday, 24 June 2019.

CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the shareholders to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Friday, 24 May 2019 to Thursday, 30 May 2019, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2019 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 23 May 2019.

For determining the entitlement of the shareholders to the proposed final dividend, the register of members of the Company will be closed from Thursday, 6 June 2019 to Monday, 10 June 2019, both days inclusive, during which period no transfers of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited for registration not later than 4:30 p.m. on Wednesday, 5 June 2019.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code ("**CG Code**") in Appendix 14 to the Listing Rules as its own code of corporate governance. During the year ended 31 December 2018, the Company was in compliance with the code provisions set out in the CG Code except for the deviations explained below.

Code provision A.2.1 of the CG Code requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Wang Mingxing, the Chairman of the Company, was also acting as the chief executive officer of the Company. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by current Board which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive Directors.

Save as the aforesaid and in the opinion of the Directors, the Company had met the relevant code provisions set out in the CG Code during the year ended 31 December 2018.

AUDIT COMMITTEE

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

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor; reviewing the interim and annual reports and accounts of the Group; and review the Company's financial reporting system and the risk management and internal control systems.

The Audit Committee consists of three independent non-executive directors, namely, Mr. Wang Aiguo (Chairman), Mr. Wang Ruiyuan and Mr. Liu Shusong. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2018.

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

Hong Kong, 27 March 2019

As at the date of this announcement, the Board consists of five executive Directors, namely Mr. Wang Mingxing, Mr. Wang Mingfeng, Mr. Wang Mingliang, Mr. Huang Da and Mr. Cheng Wenming, and three independent non-executive Directors, namely Mr. Wang Aiguo, Mr. Liu Shusong and Mr. Wang Ruiyuan.