

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 Report 2018

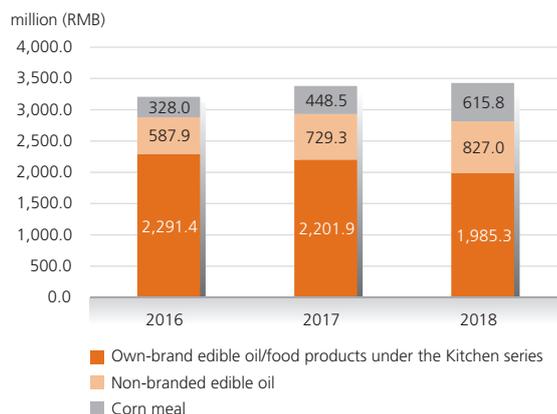


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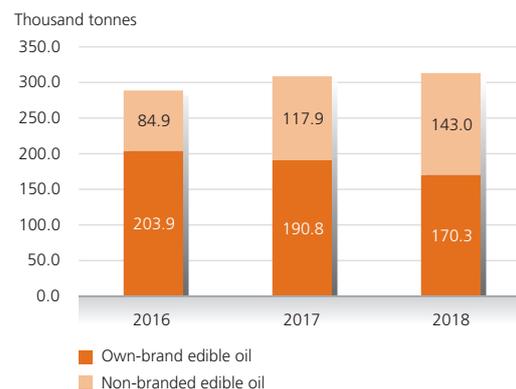
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FINANCIAL AND OPERATING HIGHLIGHTS

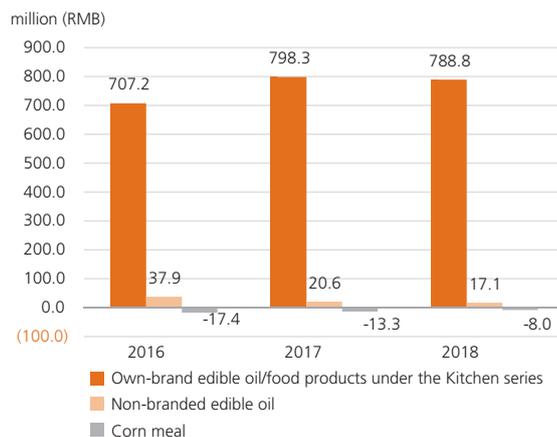
Revenue



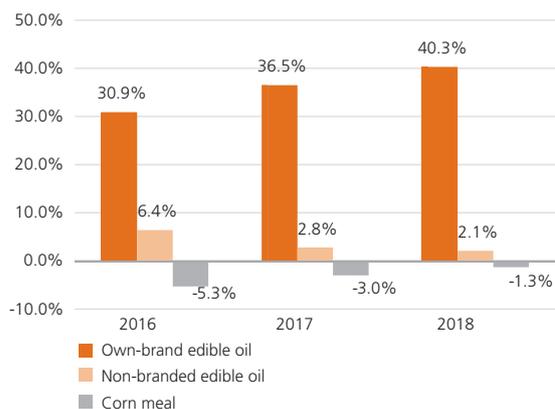
Sales of Edible Oil



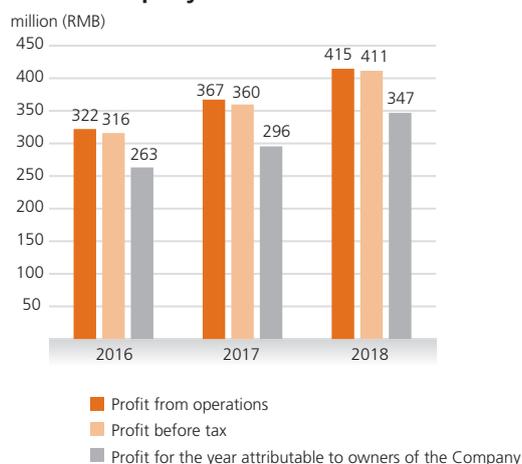
Gross Profit



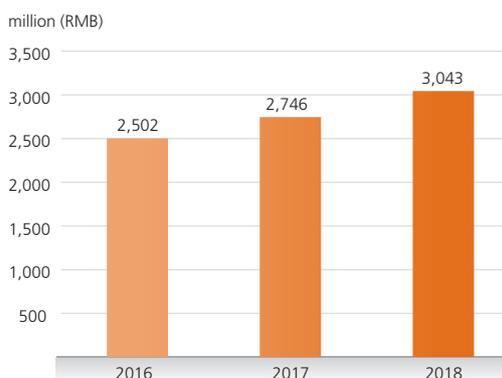
Gross Profit Margin



Profit from Operations, Profit before Tax and Profit for the Year Attributable to Owners of the Company



Net Asset



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

Wang Aiguo
Liu Shusong
Wang Ruiyuan

COMPANY SECRETARY

Chan Yuen Ying, Stella

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

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

AUDITOR

BDO Limited

PRINCIPAL REGISTRAR

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

BRANCH REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China, Zouping Sub-branch
Bank of China, Zouping Sub-branch
Industrial and Commercial Bank of China,
Zouping Sub-branch
Wing Lung Bank Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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The Chinese Bank Building
61-65 Des Voeux Road Central
Hong Kong

STOCK CODE

Hong Kong Stock Exchange: 1006

WEBSITE

<http://www.chinacornoil.com/>

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of Changshouhua Food Company Limited (the "Company" or "Changshouhua Food"), I would like to present to the shareholders of the Company ("Shareholders") the annual results and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018.

FINANCIAL PERFORMANCE

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.

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.

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.

CHAIRMAN'S STATEMENT

APPRECIATION

I would like to take this opportunity to express my sincere gratitude to the contributions by all of our Directors, the management team and all staff to the Group. Also thanks for the continuous support from our business partners, investors and Shareholders throughout all these years.

Wang Mingxing

Chairman

Hong Kong, 27 March 2019

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 retail 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%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The following table shows the gross profit/(loss) margin by product categories:

	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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 significant 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: 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).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Selling and Distribution Costs

Selling and distribution costs decreased by approximately 12.4% to 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).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Trade and Notes Receivables

As at 31 December 2018, trade and notes receivables amounted to approximately RMB508.8 million (31 December 2017: 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: RMB93.7 million), which mainly comprised (i) deposits paid for purchase of raw materials of approximately RMB23.3 million (31 December 2017: RMB30.8 million); (ii) other receivables of approximately RMB38.1 million (31 December 2017: RMB36.9 million); and (iii) prepaid advertising expenses of approximately RMB1.4 million (31 December 2017: 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wang Mingxing (“Mr. Wang MX”)

Mr. Wang MX, aged 55, is one of the co-founders of the Group. He was appointed as an executive Director of the Company on 9 September 2009. He is the Chairman of the Board and the chief executive officer of the Company. He is also the chairman of the nomination committee of the Company (“Nomination Committee”) and a member of the remuneration committee of the Company (“Remuneration Committee”). Mr. Wang MX is the sole director of SanXing Trade Co., Ltd. (“Sanxing Trade”) and an executive director of 鄒平三星油脂工業有限公司 (Zouping Sanxing Grease Industry Company Limited) (“Sanxing Grease”), both of which are the controlling shareholders of the Company. He is also a director of each of Shandong Sanxing Corn Industry Technology Company Limited (“Corn Industry”) and Corn Industry Investment Co., Ltd., both of which are the subsidiaries of the Company. He is responsible for the overall strategic planning and management of the Group. Mr. Wang MX has extensive experience in the corn products industry, and has been engaged in the edible corn oil products business for over eleven years. Mr. Wang MX obtained a bachelor degree in Mechanical Engineering from Shandong University of Technology (山東工業大學) in 1985 and was qualified as a Chinese Career Manager in 2005 by Chinese Career Manager Coalition. He received a number of awards during the recent years. Among others, he was awarded as The Fifth National Rural Entrepreneur (第五屆全國鄉鎮企業家) by the Ministry of Agriculture of the PRC in 2004. In 2006, He was also awarded as The Fourth Entrepreneur of Edible Oil in Shandong (第四屆“山東省糧油企業家”) by The Grain and Food Association of Shandong Province (山東省糧食行業協會). He was further elected by The China Food Safety Annual Conference (中國食品安全年會組委會) as the Outstanding Managing Entrepreneur of the China Food Safety Annual Conference in 2007 (2007年度中國食品安全年會優秀管理企業家) and admitted as a member of China Association for Quality Inspection in 2007.

Mr. Wang Mingfeng (“Mr. Wang”)

Mr. Wang MF, aged 60, is one of the co-founders of the Group. He was appointed as an executive Director of the Company on 23 November 2009. He is a member of the corporate governance committee of the Company (the “CG Committee”). He is also a director of Corn Industry. He is responsible for monitoring the internal control system of the Group and leads an internal audit team of the Group. He has been engaged in the edible corn oil product business for over ten years. Mr. Wang MF obtained a bachelor degree in Business Administration from Hebei Radio & TV University (河北廣播電視大學) in 1983. He was awarded as Vice President of The Eighth Industrial and Commercial Joint Association in Zouping (鄒平縣第八屆工商業聯合會副會長) by Chinese Communist Zouping County Committee (中共鄒平縣委員會) in 2006. He was also awarded as The Outstanding Business Management Expert of Binzhou City (濱州市“優秀企業經營管理人才”) by Chinese Communist Binzhou City Committee (中共濱州市委) and the People’s Government of Binzhou City (濱州市人民政府) in 2007. He became The First Vice President of Binzhou Municipal Association of Grain Sector (濱州市糧食行業協會第一屆理事會副會長) in June 2007.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Wang Mingliang (“Mr. Wang ML”)

Mr. Wang ML, aged 47, is one of the co-founders of the Group. He was appointed as an executive Director on 23 November 2009. He is also the chairman of the CG Committee. He is a director of Corn Industry. He is responsible for handling customer relationships. He has been engaged in the edible corn oil product business for over ten years. Mr. Wang ML obtained a bachelor degree in Mechanical Engineering from Harbin University of Science and Technology (哈爾濱科學技術大學) in 1994 and was qualified as an Internal Inspector of Quality System in 2001 by Beijing Oxford and Cambridge Senior Training Center (北京牛津—劍橋高級培訓中心). He further completed the Tsinghua University Chief Executives’ Leadership and Commercial Strategy Class (清華大學領導商略總裁高級研修班) in 2006. He was awarded as The Top 10 Factory Manager of Zouping (鄒平縣“十佳廠長”) by Chinese Communist Zouping County Committee (中共鄒平縣委員會) and the People’s Government of Zouping County (鄒平縣人民政府) in 2004.

Mr. Cheng Wenming (“Mr. Cheng”)

Mr. Cheng, aged 54, was appointed as an executive Director of the Company on 22 May 2013. He is also a member of the CG Committee. He majored in finance in Shandong TV University from September 1993 to July 1995, and studied in the Capital Strategy Training Class for Chairmen organized by the Vocational Training Centre for Managers at Tsinghua University in 2009 to 2010. Since August 2003, he has served as the Deputy General Manager of Shandong Sanxing Group Company Limited (“Shandong Sanxing”), one of the controlling shareholders of the Company, and he is mainly responsible for the capital financing affairs of Shandong Sanxing. He obtained the Assistant Accountant qualification awarded by the Ministry of Finance of the People’s Republic of China in October 1994.

Mr. Ren Zaishun (“Mr. Ren”)

Mr. Ren, aged 43, was appointed as an executive Director of the Company on 27 March 2019. He is a registered Engineer of Technical Service of Non-public Economic Organization in Binzhou City. He was graduated in the Luoyang Institute of Technology in 1996, since then, he had been working in a grease industry engaged in the processing and sales of edible oil, which is a subsidiary under the Zouping County Supply and Marketing Cooperative System. He joined 山東三星集團有限公司 (Shandong Sanxing Group Company Limited*), the controlling shareholder of the Company, in 2003 and was responsible for the marketing and sales of corn oil. Until now, he had acted as the manager of the marketing department and director of the sales department. Mr. Ren studied at Tsinghua University during the year of 2009 to 2010 and completed his Advanced Business Administration Graduate Program in the College of Education. He was honored as “Top Ten Outstanding Youths in Zouping County*” (鄒平縣十大傑出青年) in 2016.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Wang Aiguo (“Mr. Wang AG”)

Mr. Wang AG, aged 54, was appointed as an independent non-executive Director of the Company on 23 November 2009. He is also the chairman of each of the audit committee of the Company and the Remuneration Committee, and a member of the Nomination Committee. Mr. Wang AG is currently the Dean of the School of Accounting of Shandong University of Finance and Economics (山東財經大學) and a member of the council of the Accounting Society of China (中國會計學會). He obtained a doctoral degree in Management Science and Engineering from Tianjin University (天津大學) in 2006. Mr. Wang AG engages in researches in the area of accounting and auditing. His publications include Accounting Theory Research – building up an accounting theory model with Chinese feature (會計理論研究—構建中國特色的會計理論體系) published by Nanhai Publishing Company (南海出版公司) in 1995, Cost Accounting Theory (成本會計理論) published by Inner Mongolia University Press (內蒙古大學出版社) in 1999, and Innovative Research on the Strategic Management Mode of HighTechnique Enterprise (高技術企業戰略管理模式的創新研究) published by Shandong People’s Publishing House (山東人民出版社) in 2009. His research papers were also published in various finance and accounting journals. He also served as an independent non-executive director of Hisense Kelon Electrical Holdings Co. Ltd. (stock code: 921) from 20 January 2011 to 9 January 2017 and Shandong Chenming Paper Holdings Limited (stock code: 1812) from 12 April 2010 to 18 May 2016 respectively, both companies are listed on the Stock Exchange.

Mr. Wang Ruiyuan (“Mr. Wang RY”)

Mr. Wang RY, aged 80, was appointed as an independent non-executive Director of the Company on 23 November 2009. He is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Wang RY is currently the vice president of Chinese Cereals and Oils Association. He obtained a bachelor degree in Food Engineering from Jiangnan University (江南大學) (formerly known as ‘Wuxi Light Industry Institute (無錫輕工業學院)’) in 1964. He is the chief editor of various publications in the area of oil and grease including Vegetable Oil Processing Industry (植物油料加工產業學) and The History of Development in the Oil and Grease Industry in China (中國油脂工業發展史), both of which were published by Chemical Industry Press (化學工業出版社), and Food and Medicine Confidence Project Science Popularisation Series-Food and Oil (食品藥品放心工程科普叢書—糧油食品) published by State Food and Drug Administration (國家食品藥品監督管理局) and China National Association of Grain Sector (中國糧食行業協會). Mr. Wang RY was awarded the Government special subsidy (政府特殊津貼) by the State Council of the PRC (中國國務院) in 1996 in respect of his contribution in the engineering technology for the PRC.

Mr. Liu Shu Song (“Mr. Liu”)

Mr. Liu, aged 53, was appointed as an independent non-executive Director of the Company on 23 November 2009. He is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Liu obtained a master degree in Laws from China University of Political Science and Law (中國政法大學) in 2001. He was jointly accredited as The Top 10 Lawyer in the City (“全市十佳律師”) by Binzhou Judiciary (濱州市司法局) and Binzhou Law Society (濱州市律師協會) in 2004. In the same year, Mr. Liu was recognised as Shandong Province Outstanding Member of China Democratic League (中國民主同盟山東省優秀盟員). Mr. Liu was also awarded as The Seventh “Top 10 Outstanding Youngsters in Binzhou” (第七屆“濱州十大傑出青年”) in August 2005. Mr. Liu was a committee member of The Ninth Binzhou City Chinese People’s Political Consultative Conference Committee (中國人民政治協商會議第九屆濱州市委員會) in 2008.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

SENIOR MANAGEMENT

Ms. An Xiuping (“Ms. An”), aged 44, is a director of Corn Industry. Ms. An joined the Group in 1999 as the finance manager of Sanxing Grease. She is now a senior finance manager of the Group. Ms. An graduated from 山東濱州職業專修學院 (Shandong Binzhou Vocational Technical School) majoring in Computer Information Management in 2006.

Mr. Tsang Chiu Ping (“Mr. Tsang”), aged 35, joined the Company in 2015 as the Head of Investor Relations responsible for corporate affairs in capital market and investor relations in Hong Kong. Mr. Tsang has over 10 years working experience in financial industry and worked in an international financial institution and local corporate finance house before joining the Company. He graduated from University College London (UCL), England and obtained a Bachelor (Honour) Degree of Science.

COMPANY SECRETARY

Ms. Chan Yuen Ying, Stella (“Ms. Chan”), aged 47, was appointed as the company secretary of the Company on 23 November 2009. Ms. Chan is a fellow member of the Institute of Chartered Secretaries and Administrators and a fellow member of the Hong Kong Institute of Chartered Secretaries. She is also a member of the Hong Kong Institute of Directors. Ms. Chan has over 20 years’ experience in handling listed company secretarial matters.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value.

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), (the "Listing Rules") as its own code of corporate governance.

During the year ended 31 December 2018, the Company was in compliance with the relevant code provisions set out in the CG Code except for the deviation 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. 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.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company, and is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall Group strategy, major acquisitions and disposals, annual budgets, annual and interim results, recommendations on Directors' appointment or re-appointment, approval of major capital transactions and other significant operational and financial matters. The management was delegated the authority and responsibility by the Board for the daily management of the Group. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this report.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Board currently consists of eight Directors, including five executive Directors and three independent non-executive Directors:

Executive Directors

Mr. Wang Mingxing (*Chairman and Chief Executive Officer*)
Mr. Wang Mingfeng
Mr. Wang Mingliang
Mr. Cheng Wenming
Mr. Huang Da (resigned on 27 March 2019)
Mr. Ren Zaishun (appointed on 27 March 2019)

Independent non-executive Directors

Mr. Wang Aiguo
Mr. Liu Shusong
Mr. Wang Ruiyuan

Mr. Wang Mingxing is the younger brother of Mr. Wang Mingfeng and the elder brother of Mr. Wang Mingliang, and all three of them are shareholders of Shandong Sanxing Group Company Limited ("Shandong Sanxing") which wholly and beneficially owns Zouping Sanxing Grease Industry Company Limited ("Sanxing Grease"), both being controlling Shareholders.

Save as aforesaid, the Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board. The composition of the Board reflects the balanced skills and experience for effective leadership. The biographical information of the Directors are set out on pages 16 to 19 under the section headed "Biographical Details of Directors and Senior Management".

The Board decides on corporate strategies, approves overall business plans and evaluates the Group's financial performance and management. Specific tasks that the Board delegates to the Group's management include the implementation of strategies approved by the Board, the monitoring of operating budgets, the implementation of risk management and internal control systems, and the ensuring of compliance with relevant statutory requirements and other rules and regulations.

Board Meetings

The Board has four scheduled meetings a year at approximately quarterly interval and additional meetings will be held as and when required. The four scheduled Board meetings for a year are planned in advance. During the regular meetings of the Board for the year, the Board reviewed the operation and financial performance of the Group, and also reviewed and approved the annual and interim results of the Company.

CORPORATE GOVERNANCE REPORT (CONTINUED)

During the year ended 31 December 2018, the Board held four meetings. All Directors were given an opportunity to include any matters in the agenda for regular Board meetings, and were also given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance.

Name of Director	Number of attendance
Mr. Wang Mingxing	4/4
Mr. Wang Mingfeng	4/4
Mr. Wang Mingliang	4/4
Mr. Cheng Wenming	4/4
Mr. Huang Da	4/4
Mr. Wang Aiguo	4/4
Mr. Liu Shusong	4/4
Mr. Wang Ruiyuan	4/4
Mr. Ren Zaishun (<i>Note</i>)	N/A

Note: Mr. Ren Zaishun was appointed as an executive Director on 27 March 2019.

Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials, and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

General Meetings

During the year ended 31 December 2018, three general meetings were held, being an extraordinary general meeting of the Company held on 9 March 2018 and the 2018 annual general meeting ("2018 AGM") and an extraordinary general meeting of the Company both held on 25 May 2018.

Name of Director	Number of attendance
Mr. Wang Mingxing	2/3
Mr. Wang Mingfeng	2/3
Mr. Wang Mingliang	3/3
Mr. Cheng Wenming	3/3
Mr. Huang Da	2/3
Mr. Ren Zaishun (<i>Note</i>)	N/A
Mr. Wang Aiguo	1/3
Mr. Liu Shusong	1/3
Mr. Wang Ruiyuan	1/3

Note: Mr. Ren Zaishun was appointed as an executive Director on 27 March 2019.

The Board is responsible for maintaining an on-going dialogue with Shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Directors' Training

According to the code provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant.

All Directors have participated in continuous professional development by way of receiving in-house briefing, taking part in business-related training/activities and attending seminars relating to their role as a Director of the Company. Each of the Directors has provided a record of training they received for the year ended 31 December 2018 to the Company.

The following table sets forth the summary of particular training that each Director received for the year ended 31 December 2018:

Name of Director	Attending or participating in seminars/in-house briefing or reading materials relevant to the Group's business/director's duties
Mr. Wang Mingxing	✓
Mr. Wang Mingfeng	✓
Mr. Wang Mingliang	✓
Mr. Cheng Wenming	✓
Mr. Huang Da	✓
Mr. Wang Aiguo	✓
Mr. Liu Shusong	✓
Mr. Wang Ruiyuan	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Wang Mingxing, the Chairman of the Company, was also taken the role 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

INDEPENDENT NON-EXECUTIVE DIRECTORS

The three independent non-executive Directors are persons of high calibre, with academic and professional qualifications in the fields of accounting, laws or oil industry. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director gives an annual confirmation of his independence to the Company, and the Company considers each of them to be independent under Rule 3.13 of the Listing Rules.

The independent non-executive Directors are currently appointed for a term of three years and are subject to retirement by rotation in accordance with the Articles of Association of the Company (the "Articles").

NOMINATION COMMITTEE

The Company established the Nomination Committee on 23 November 2009 with written terms of reference, which was revised on 21 December 2011, 22 August 2013 and 27 March 2019 respectively to comply with the code provisions under the CG Code. The revised terms of reference of the Nomination Committee is currently made available on the Stock Exchange's website and the Company's website.

The Nomination Committee consists of one executive Director, namely Mr. Wang Mingxing (as chairman) and three independent non-executive Directors, namely Mr. Wang Aiguo, Mr. Liu Shusong and Mr. Wang Ruiyuan.

The functions of the Nomination Committee are to review and monitor the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Group's strategy; to identifying qualified individuals to become members of the Board; to assess the independence of independent non-executive Directors; and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executive officer.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Board adopted a board diversity policy (the “Board Diversity Policy”) on 22 August 2013 and delegated certain duties under the Policy to the Nomination Committee. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimum composition of the Board. The Nomination Committee and the Board had reviewed on 24 March 2014 the structure of the Board and is of the opinion the Board met the requirements under the terms of the Board Diversity Policy.

To ensure changes to the Board composition can be managed without undue disruption, there should be a formal, considered and transparent procedure for selection, appointment and re-appointment of Directors, as well as plans in place for orderly succession (if considered necessary), including periodical review of such plans. The appointment of a new Director (to be an additional Director or fill a casual vacancy as and when it arises) or any re-appointment of Directors is a matter for decision by the Board upon the recommendation of the proposed candidate by the Committee.

The criteria to be applied in considering whether a candidate is qualified shall be his or her ability to devote sufficient time and attention to the affairs of the Company and contribute to the diversity of the Board as well as the effective carrying out by the Board of the responsibilities which, in particular, are set out as follows:

- (a) participating in Board meetings to bring an independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts;
- (b) taking the lead where potential conflicts of interests arise;

CORPORATE GOVERNANCE REPORT (CONTINUED)

- (c) serving on the audit committee, and the remuneration committee and the Committee (in the case of candidate for non-executive Director) and other relevant Board committees, if invited;
- (d) bringing a range of business and financial experience to the Board, giving the Board and any Committees on which he or she serves the benefit of his or her skills, expertise, and varied backgrounds and qualifications and diversity through attendance and participation in the Board/Committee meetings;
- (e) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance;
- (f) ensuring the Committees on which he or she serves to perform their powers and functions conferred on them by the Board; and
- (g) conforming to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitutional documents of the Company or imposed by legislation or the Listing Rules, where appropriate.

If the candidate is proposed to be appointed as an independent non-executive Director ("INED"), his or her independence shall be assessed in accordance with, among other things, the factors as set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time. Where applicable, the totality of the candidate's education, qualifications and experience shall also be evaluated to consider whether he or she has the appropriate professional qualifications or accounting or related financial management expertise for filling the office of an INED with such qualifications or expertise as required under Rule 3.10(2) of the Listing Rules.

The Nomination Committee will discuss and review the necessity to set the measurable objectives for implementing the Board Diversity Policy from time to time.

During the year ended 31 December 2018, the Nomination Committee held one meeting and reviewed the structure, size and diversity of the Board, assessed the independence of the independent non-executive Directors and considered the re-election of Directors.

Name of Director	Number of attendance
Mr. Wang Mingxing (<i>Chairman</i>)	1/1
Mr. Wang Aiguo	1/1
Mr. Liu Shusong	1/1
Mr. Wang Ruiyuan	1/1

CORPORATE GOVERNANCE REPORT (CONTINUED)

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 23 November 2009 with written terms of reference, which was revised on 21 December 2011 and further revised on 30 March 2012 to comply with the code provisions under the CG Code. The revised terms of reference of the Remuneration Committee is currently made available on the Stock Exchange's website and the Company's website.

The Remuneration Committee consists of one executive Director, namely Mr. Wang Mingxing, and three independent non-executive Directors, namely Mr. Wang Aiguo (as chairman), Mr. Liu Shusong and Mr. Wang Ruiyuan.

The functions of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure on the remuneration packages for all Directors' and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The model of Remuneration Committee described in code provision B.1.2(c)(ii) of the CG Code has been adopted by the Remuneration Committee.

During the year ended 31 December 2018, the Remuneration Committee held one meeting and reviewed the remuneration policy and structure for the Directors and senior management.

Name of Director	Number of attendance
Mr. Wang Aiguo (<i>Chairman</i>)	1/1
Mr. Wang Mingxing	1/1
Mr. Liu Shusong	1/1
Mr. Wang Ruiyuan	1/1

The Company has adopted a share option scheme on 23 November 2009. The purpose of the share option scheme is to enable the Board to grant options to selected eligible participants to motivate them and to optimize their performance and efficiency for the benefit of the Group. Details of the share option scheme are set out in the Directors' Report.

The emolument payable to Directors will depend on their respective contractual terms under employment contracts or service contracts, if any, and will be fixed by the Board with recommendation of the Remuneration Committee, the performance of the Group and the prevailing marketing conditions. Details of the Directors' remuneration and senior management for the year ended 31 December 2018 are set out in notes 13(a) and 13(b), respectively, to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Senior Management's Remuneration

Senior Management's remuneration payment of the Group for the year ended 31 December 2018 falls within the following bands:

	Number of individuals
Nil to RMB100,000	–
RMB100,001 to RMB200,000	–
RMB200,001 to RMB300,000	–
RMB300,001 to RMB400,000	–
RMB400,001 to RMB500,000	–
RMB500,001 to RMB600,000	1
RMB600,001 to RMB700,000	–
RMB700,001 to RMB800,000	1
RMB800,001 to RMB900,000	–
RMB900,001 to RMB1,000,000	–
RMB1,000,001 to RMB1,100,000	1

AUDIT COMMITTEE

The Company established the Audit Committee on 23 November 2009 with written terms of reference, which was revised on 21 December 2011 and further revised on 16 December 2015 and 27 March 2019 to comply with the code provisions under the CG Code. The terms of reference of the Audit Committee is currently made available on the Stock Exchange's website and the Company's website.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Wang Aiguo (as chairman), Mr. Liu Shusong and Mr. Wang Ruiyuan.

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

The Audit Committee meets the external auditor regularly to discuss any area of concern during the audit. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual report.

CORPORATE GOVERNANCE REPORT (CONTINUED)

During the year ended 31 December 2018, the Audit Committee held two meetings.

Name of Director	Number of attendance
Mr. Wang Aiguo (<i>chairman</i>)	2/2
Mr. Liu Shusong	2/2
Mr. Wang Ruiyuan	2/2

During the year ended 31 December 2018, the Audit Committee reviewed the annual and interim results of the Group, which were in the opinion of the Audit Committee that the preparation of such results complied with the applicable accounting standards and the Listing Rules.

CORPORATE GOVERNANCE COMMITTEE

The Company established the CG Committee on 27 March 2012 with written terms of reference, which is aligned with the code provisions set out in the CG Code. The CG Committee comprises three executive Directors, namely Mr. Wang Mingliang (as chairman), Mr. Wang Mingfeng and Mr. Cheng Wenming.

The functions of the CG Committee are to develop and review the Company's policies and practices on corporate governance to comply with the CG Code and other legal or regulatory requirements and make recommendations to the Board; to oversee the Company's orientation program for new Director; to review and monitor the training and continuous professional development of Directors and senior management; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and to review the Company's disclosure in the Corporate Governance Report.

During the year ended 31 December 2018, the CG Committee held one meeting and reviewed the training and continuous professional development of Directors and senior management; and reviewed the Company's compliance with the CG Code for the year ended 31 December 2017.

AUDITOR'S REMUNERATION

For the year ended 31 December 2018, the remuneration paid/payable to the Company's auditor, BDO Limited ("BDO"), is as follows:

	HK\$'000
Services rendered	
Audit services (<i>Note 1</i>)	1,800
Non-audit services (<i>Note 2</i>)	370
	2,170

CORPORATE GOVERNANCE REPORT (CONTINUED)

Notes:

1. Services were rendered by BDO in respect of the audit of the consolidated financial statements of the Group for the year ended 31 December 2018.
2. Services were rendered by BDO in respect of the review of the interim financial information of the Group for the six months ended 30 June 2018 and the report on the continuing connected transactions of the Group for the year ended 31 December 2018.

COMPANY SECRETARY

The Company engaged an external professional company secretarial services provider, Uni-1 Corporate Services Limited ("Uni-1"), to provide compliance and full range of company secretarial services to the Group in order to assist the Group to cope with the changing regulatory environment and to suit different commercial needs. Ms. Chan Yuen Ying, Stella ("Ms. Chan"), the representative of Uni-1, was appointed as the named Company Secretary of the Company. Mr. Wang Baogang, the director of Investor Relations of the Company, is the primary corporate contact person at the Company for the Company Secretary. According to the requirements of Rule 3.29 of the Listing Rules, Ms. Chan had taken no less than 15 hours of relevant professional training for the year ended 31 December 2018.

DIVIDEND POLICY

The amount of any dividends that the Company may declare and pay in the future will be subject to the discretion of the Board and will be based upon the Group's earnings, cash flow, financial condition, capital requirements, distributable reserves and any other conditions that the Directors consider relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that the Company may enter into from time to time. The amounts of distributions that any company within the Group has declared and made in the past are not indicative of the dividends that the Company may pay in the future.

In any event and from 2019 onwards, the Directors may recommend a payment of dividends in the future after taking into account operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to the Company's constitutional documents and the Companies Law, including the approval of the Shareholders. Any future declarations of dividends may or may not reflect the Company's historical declarations of dividends and will be at the absolute discretion of our Directors.

The Company will review the Dividend Policy on a regular basis and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy from time to time. The Dividend Policy shall in no way constitute a legally binding commitment by the Company.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Shareholders to convene an extraordinary general meeting

Shareholders may convene an extraordinary general meeting of the Company according to the provisions as set out in the Articles and the Companies Law (2011 Revision) of the Cayman Islands. The procedures Shareholders can use to convene an extraordinary general meeting are set out in the document entitled "Procedures for a Shareholder to Propose a Person for Election as a Director", which is currently available on the Company's website.

Putting enquiries by shareholders to the Board

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong.

Procedures for putting forward proposals by shareholders at shareholders' meetings

Shareholders should follow the procedures set out in the sub-section headed "Shareholders to convene an extraordinary general meeting" above for putting forward proposals for discussion at general meetings.

Voting by Poll

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions to be set out in the notice of 2019 AGM will be voted by poll.

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders.

Information of the Company is disseminated to the Shareholders in the following manner:

- Delivery of annual and interim results and reports to all shareholders;
- Publication of announcements on the annual and interim results on the Stock Exchange website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- The general meeting of the Company is also an effective communication channel between the Board and shareholders.

Mr. Wang Mingxing, being the Chairman of the Board, the chairman of the Nomination Committee, attended the 2018 AGM to answer questions and collect views of Shareholders. Mr. Wang Aiguo, being the chairman of the Audit Committee and the Remuneration Committee, did not attend the 2018 AGM due to his engagement in his own official business

CORPORATE GOVERNANCE REPORT (CONTINUED)

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 December 2018, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

Risk Management and Internal Control

During the year, the Group has complied with Principle C.2 of the CG Code by establishing appropriate and effective risk management and internal control systems. Management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below:

Risk Management System

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- Identification: identify ownership of risks, business objectives and risks that could affect the achievement of objectives;
- Evaluation: analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.
- Management: consider the risk responses, ensure effective communication to the Board and ongoing monitor the residual risks.

Based on the risk assessments conducted in 2018, no significant risk was identified.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Internal Control System

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follow:

- Control Environment: a set of standards, processes and structures that provide the basis for carrying out internal control across the Group.
- Risk Assessment: a dynamic and iterative process for identifying and analyzing risks to achieve the Group’s objectives, forming a basis for determining how risks should be managed.
- Control Activities: action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.
- Information and Communication: internal and external communication to provide the Group with the information needed to carry out day-to-day controls.
- Monitoring: ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

In order to enhance the Group’s system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.
- The Executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Based on the internal control reviews conducted in 2018, no significant control deficiency was identified.

Internal Auditors

The Group has an Internal Audit (“IA”) function, which is consisted of professional staff with relevant expertise (such as Certified Public Accountant). The IA function is independent of the Group’s daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

An IA plan has been approved by the Board. According to the established plan, review of the risk management and internal control systems is conducted annually and the results are reported to the Board via Audit Committee afterwards.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Effectiveness of the Risk Management and Internal Control Systems

The Board is responsible for the risk management and internal control systems of the Group and ensuring review of the effectiveness of these systems has been conducted annually. Several areas have been considered during the Board's review, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

The Board, through its review and the review made by IA function and Audit Committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

REPORT OF THE DIRECTORS

The Directors of the Company are pleased to submit their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 34(a) to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 31 December 2018 and the state of affairs of the Company and of the Group as at that date are set out in the consolidated financial statements on pages 51 to 126.

The Board resolved to recommend to the Shareholders at the forthcoming annual general meeting of the Company to be held on Thursday, 30 May 2019 ("2019 AGM") a final dividend of HK10 cents (2017: HK10 cents) per Share for the year ended 31 December 2018 to be paid on Monday, 24 June 2019 to the Shareholders whose names appear on the register of members of the Company on Thursday, 6 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.

BUSINESS REVIEW

Company's Business

The business review of the Group for the year ended 31 December 2018 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 15 of this report.

Principal Risks and Uncertainties Facing the Company

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

REPORT OF THE DIRECTORS (CONTINUED)

Market Risk

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market prices. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign exchange risk

The Group's principal business is located in the PRC and its major transactions are conducted in Renminbi.

The Renminbi is not freely convertible. There is a risk that the Chinese government may take actions affecting exchange rates which may have a material adverse effect on the Group's net assets, earnings and any dividends it declares if such dividend is to be exchanged or converted into foreign exchange. The Group has not entered into any hedging transactions to manage the potential fluctuation in foreign currencies.

Liquidity Risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, the Group monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels.

Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting framework. The management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.

Important Events Since the End of the Financial Year

Details of important events carried out by the Company since the end of the financial year are set out in the section headed "Connected Transactions" in this report.

Future Development in the Company's Business

The future development in the Company's business is set out in the "Five-Year Business Development Plan (2016-2020) Progress" under section headed "Management Discussion and Analysis" of this report.

Analysis Using Financial Key Performance Indicators

For the analysis using financial key performance indicators, please refer to the sections headed "Financial and Operating Highlights" and "Management Discussion and Analysis" of this report.

REPORT OF THE DIRECTORS (CONTINUED)

Environmental Policies and Performance

With increasing concerns of environmental issues, both in governmental and civilian sectors become hypersensitive, despite certain expensive environment-friendly measures have been planned and will be implemented, we still concern that some more strict requirements could be put into practice.

Compliance with the Relevant Laws and Regulations

The Company was incorporated in the Cayman Islands and therefore the Company is subject to The Companies Law (2013 Revision) of the Cayman Islands. In addition, the Company is registered as a non-Hong Kong Company under Part 16 of the Companies Ordinance (Chapter 622, Laws of Hong Kong) (the "Companies Ordinance") and therefore is subject to the relevant provisions under the Companies Ordinance.

The Company is listed on the Stock Exchange and therefore the Company is subject to the governance of the Listing Rules including the disclosure requirements and corporate governance provisions therein. Under the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "SFO"), the Company is required to maintain a register of interests in shares and short positions and a register of directors' and chief executives' interests and short positions and is obliged to disclose price sensitive or inside information.

The principal activities of the Company's subsidiaries are production and sale of (i) corn oil, including non-branded corn oil and own-brand corn oil; (ii) other oil, mainly refined edible sunflower seed oil, olive oil, peanut oil and rice germ oil; and (iii) corn meal in the PRC. Therefore, the Group is subject to the relevant laws and regulations in the PRC.

Key Relationships with Employees, Customers and Suppliers

The Company recognizes that employees are our valuable assets. Thus the Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

The Group also understands that it is important to maintain good relationship with business partners, including customers and suppliers, and bank enterprises to achieve its long-term goals. Accordingly, the management have kept good communication, promptly exchanged ideas and shared business update with them when appropriate. During the year under review, there was no material and significant dispute between the Group and its business partners or bank enterprises.

SHARE CAPITAL

Details of movements in the Company's share capital for the year ended 31 December 2018 are set out in note 26 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

REPORT OF THE DIRECTORS (CONTINUED)

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.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company's reserves available for distribution to the Shareholders amounted to approximately RMB669,515,000 (2017: RMB634,096,000).

CHARITABLE DONATIONS

During the year, the Group did not have charitable donation (2017: Nil).

DIRECTORS

The Directors of the Company during the year and up to the date of this report are as follows:

Executive Directors

Mr. Wang Mingxing
Mr. Wang Mingfeng
Mr. Wang Mingliang
Mr. Cheng Wenming
Mr. Huang Da (resigned on 27 March 2019)
Mr. Ren Zaishun (appointed on 27 March 2019)

Independent Non-executive Directors

Mr. Wang Aiguo
Mr. Liu Shusong
Mr. Wang Ruiyuan

In accordance with Article 84(1) of the Articles, Mr. Wang Mingxing, Mr. Cheng Wenming and Mr. Wang Ruiyuan shall retire by rotation as Directors at the 2019 AGM and, being eligible, offer themselves for re-election.

In accordance with Article 83(3) of the Articles, Mr. Ren Zaishun being Director appointed by the Board to fill a casual vacancy, shall be subject to re-election at the 2019 AGM and, being eligible, offers himself for re-election.

INDEPENDENCE CONFIRMATION

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

REPORT OF THE DIRECTORS (CONTINUED)

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") which was approved by a resolution of the then sole shareholder of the Company passed on 23 November 2009 and adopted by a resolution of the Board on 23 November 2009. The purpose of the Scheme is to provide incentives to Participants (as defined in the prospectus of the Company dated 8 December 2009 (the "Prospectus")) to contribute to the Group by providing the Participants the opportunity to acquire the proprietary interest in the Company and to encourage the Participants to work towards enhancing the value of the Company as well as to enable the Group to recruit high-calibre employees and/or attract human resources that are valuable to the Group.

The principal terms of the Scheme are summarised as follows:

1. The limit on the total number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other scheme(s) of any member of the Group must not exceed 10% of the nominal amount of all the issued share capital of the Company as at the date of commencement of the listing of the shares on the Stock Exchange, i.e. 18 December 2009 (the "Listing Date") (which is 50,000,000 shares) unless Shareholders' approval has been obtained, and which must not in aggregate exceed 30% of the shares in issue from time to time.
2. The total number of shares issued and which may be issued upon exercise of all options (whether exercised, cancelled or outstanding) granted to any Participant in any 12-month period shall not exceed 1% of the issued shares as of the proposed grant date.
3. The subscription price for the shares under the options to be granted under the Scheme will be a price determined by the Board at the time of grant of the options, and will be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant (subject to acceptance) of the options, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares.
4. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the Board to each Participant who accepts the grant of any options, which must not be more than 10 years from the date of the grant (subject to acceptance) of the option.
5. HK\$1.00 is payable by the participant who accepts the grant of an option in accordance with the terms of the Scheme on acceptance of the grant of an option.
6. The Scheme shall be valid and effective for a period of ten years commencing on the Listing Date, i.e. 18 December 2009.

Other details of the Scheme are set out in the Prospectus.

No option was granted, cancelled or lapsed during the year ended 31 December 2018.

REPORT OF THE DIRECTORS (CONTINUED)

EQUITY-LINKED AGREEMENTS

Save for the share option schemes of the Group as set out above, no equity-linked agreements were entered into by the Group, during the year or subsisting at the end of the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Wang Mingxing, Mr. Wang Mingfeng and Mr. Wang Mingliang executive Directors, has entered into a service agreement with the Company for a term of three years commencing from 18 December 2018 and until terminated by not less than three months' notice in writing served by either party on the other or in accordance with the provisions set out in the respective service agreement. Each of them may receive a discretionary bonus, the amount of which will be determined by reference to the recommendations of the Remuneration Committee.

Mr. Ren Zaishun, an executive Director, entered into a service agreement with the Company for a term of three years commencing from 27 March 2019 and until terminated by not less than three months' notice in writing served by either party on the other or in accordance with the provisions set out in the service agreement. He may receive a discretionary bonus, the amount of which will be determined by reference to the recommendation of the Remuneration Committee.

Mr. Cheng Wenming entered into a service agreement with the Company on 29 March 2017 for a term of three years commencing from 23 May 2016 unless terminated by not less than three months' notice in writing served by either party to the other.

Each of Mr. Wang Aiguo, Mr. Liu Shusong and Mr. Wang Ruiyuan, independent non-executive Directors, has signed a letter of appointment issued by the Company for a term of three years commencing on 18 December 2018 unless terminated by not less than three months' notice in writing served by either party to the other.

None of the Directors who are proposed for re-election at the 2019 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as those disclosed in the section headed "Connected Transactions", none of the Directors had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

REPORT OF THE DIRECTORS (CONTINUED)

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance when the Report of the Board of the Directors prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance.

The Company has taken out and maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover the certain legal actions brought against its directors and officers.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2018, the interest or short positions of the directors or chief executives in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance, Chapter 571 of Laws of Hong Kong ("SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, are set out below:

1. Interests in shares, underlying shares of the Company

Name of Director	Nature of Interest	Long Position/ Short Position	Number of ordinary shares/ underlying shares	Approximate percentage of shareholding in the Company
Mr. Wang Mingxing	Interest of controlled corporations	Long position	299,037,249 (Note)	52.14%
	Beneficial owner	Long position	5,996,000	1.05%
Mr. Wang Mingfeng	Interest of controlled corporations	Long position	299,037,249 (Note)	52.14%
Mr. Wang Mingliang	Interest of controlled corporations	Long position	299,037,249 (Note)	52.14%

Notes: Mr. Wang Mingxing, Mr. Wang Mingfeng and Mr. Wang Mingliang are deemed to be interested in 299,037,249 Shares held by SanXing Trade Co., Ltd. ("SanXing Trade"), whereby SanXing Trade is wholly-owned by Sanxing Grease, which is wholly-owned by Shandong Sanxing, which in turn is owned as to 24.4% by Mr. Wang Mingxing, 24.8% by Mr. Wang Mingfeng, and 24.4% by Mr. Wang Mingliang.

REPORT OF THE DIRECTORS (CONTINUED)**2. Interests in associated corporations**

Name of Director	Name of associated corporations	Nature of interest	Long position/ Short position	Approximate percentage of shareholding in the Company
Mr. Wang Mingxing	Shandong Sanxing Grease	Beneficial owner	Long position	24.4%
		Interest of controlled corporations	Long position	24.4%
	Sanxing Trade	Interest of controlled corporations	Long position	24.4%
Mr. Wang Mingfeng	Shandong Sanxing Grease	Beneficial owner	Long position	24.8%
		Interest of controlled corporations	Long position	24.8%
	Sanxing Trade	Interest of controlled corporations	Long position	24.8%
Mr. Wang Mingliang	Shandong Sanxing Grease	Beneficial owner	Long position	24.4%
		Interest of controlled corporations	Long position	24.4%
	Sanxing Trade	Interest of controlled corporations	Long position	24.4%

Save as disclosed above, none of the Directors or chief executive of the Company or their respective associates, had any interest in short position in the shares, underlying shares or debentures of the Company or its associated corporations which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2018.

REPORT OF THE DIRECTORS (CONTINUED)**SUBSTANTIAL SHAREHOLDERS**

As at 31 December 2018, the interests or short positions of every person, other than Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out as follows:

Name of Shareholder	Nature of Interest	Long position/ Short position	Number of ordinary shares/ underlying shares	Approximate percentage of shareholding in the Company
SanXing Trade	Beneficial owner	Long position	299,037,249 (Note 1)	52.14%
Sanxing Grease	Interest of controlled corporations	Long position	299,037,249 (Note 1)	52.14%
Shandong Sanxing	Interest of controlled corporations	Long position	299,037,249 (Note 1)	52.14%
Koo Yuen Kim	Beneficial owner	Long position	64,168,881	11.19%
Pandanus Associates Inc.	Beneficial owner	Long position	58,150,000 (Note 2)	10.14%
Pandanus Partners L.P.	Interest of controlled corporations	Long position	58,150,000 (Note 2)	10.14%
FIL Limited	Interest of controlled corporations	Long position	58,150,000 (Note 2)	10.14%

Notes:

1. The 299,037,249 Shares are held through SanXing Trade. SanXing Trade is wholly-owned by Sanxing Grease, which is wholly-owned by Shandong Sanxing, which in turn is owned as to 24.4% by Mr. Wang Mingxing, 24.8% by Mr. Wang Mingfeng and 24.4% by Mr. Wang Mingliang. Therefore, each of Sanxing Grease and Shandong Sanxing is deemed to be interested in these 299,037,249 Shares pursuant to the SFO.
2. These include:
 - (i) 28,717,000 Shares held by FIL Investment Management (Hong Kong) Limited, and 20,510,000 Shares held by FIL Investment Management (Singapore) Limited, both of which are wholly-owned by FIL Asia Holding Pte Limited which in turn is wholly-owned by FIL Limited. Therefore, each of FIL Limited and FIL Asia Holding Pte Limited is deemed to be interested in these 28,717,000 Shares held by FIL Investment Management (Hong Kong) Limited, and 20,510,000 Shares held by FIL Investment Management (Singapore) Limited pursuant to the SFO; and
 - (ii) 8,923,000 Shares held by Fidelity Investments Canada ULC. Fidelity Investments Canada ULC is wholly-owned by FIC Holdings ULC, which in turn is wholly-owned by BlueJay Lux 1 S.a.r.l. BlueJay Lux 1 S.a.r.l. is wholly-owned by 483A Bay Street Holdings LP which in turn is owned as to 51% by FIL Limited. Therefore FIL Limited is deemed to be interested in these 8,923,000 Shares held by Fidelity Investments Canada ULC pursuant to the SFO.
 - (iii) FIL Limited is owned as to 37.51% by Pandanus Partners, L.P., which in turn is wholly-owned by Pandanus Associates, Inc. Therefore, Pandanus Partners, L.P. and Pandanus Associates, Inc. are deemed to be interested in these 58,150,000 Shares held by FIL Limited pursuant to the SFO.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2018.

REPORT OF THE DIRECTORS (CONTINUED)

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.

CONNECTED TRANSACTIONS

The Group has entered into a number of transactions with entities which are connected persons (as defined in Chapter 14A of the Listing Rules) of the Company, and such transactions constitute connected transactions and continuing connected transactions of the Company under Chapter 14A of the Listing Rules. These relevant entities include:

- (1) Shandong Sanxing, a company owned as to 24.4% by Mr. Wang Mingxing, 24.8% by Mr. Wang Mingfeng and 24.4% by Mr. Wang Mingliang, all being executive Directors of the Company, which is therefore a connected person of the Company;
- (2) Sanxing Grease, the sole shareholder of SanXing Trade, the controlling Shareholder holding approximately 52.14% of the issued share capital of the Company, which is therefore a connected person of the Company;
- (3) 山東明達熱電有限公司 (Shandong Mingda Heat and Electricity Company Limited*) (“Shandong Mingda”), a company wholly-owned by Shandong Sanxing, which is therefore an associate of Shandong Sanxing and a connected person of the Company; and
- (4) 煙台萬科食品有限公司 (Yantai Wanke Food Company Limited*) (“Yantai Wanke”), a company wholly-owned by Shandong Sanxing, which is therefore an associate of Shandong Sanxing and a connected person of the Company.

Exempt Continuing Connected Transactions

The following continuing connected transactions (as defined in the Listing Rules) constitute fully exempted continuing connected transactions for the Company under Rule 14A.76(1) of the Listing Rules which are fully exempted from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules:

Trademark Licence Agreements

Sanxing Grease and 山東三星玉米產業科技有限公司 (Shandong Sanxing Corn Industry Technology Company Limited) (“Corn Industry”), an indirectly wholly-owned subsidiary of the Company, entered into two trademark licence agreements (“Trademark Licence Agreements”) dated 16 November 2009, pursuant to which Sanxing Grease agreed to grant a licence to Corn Industry to use the registered trademarks 長壽花 (Longevity Flower) and 金銀花 (Gold & Silver Flower) on an exclusive, sole and royalty-free basis for a term of 10 years commencing from 16 November 2009, which is automatically renewable on a 10-year term upon expiry of the then current term, unless Corn Industry terminates the agreements by written notice prior to the expiry of the term of the agreements. According to the Trademark License Agreements, Corn Industry has options to acquire the registered trademarks 長壽花 (Longevity Flower) and 金銀花 (Gold & Silver Flower) at any time during the term of the agreements for a nominal consideration of RMB10 for each registered trademark.

REPORT OF THE DIRECTORS (CONTINUED)

Non-exempt Continuing Connected Transactions

During the year ended 31 December 2018, the Group has the following continuing connected transactions that are subject to the annual review requirements under Chapter 14A of the Listing Rules:

1. Corn Industry and Shandong Mingda entered into a master supply agreement (the "2018 Master Supply Agreement") dated 9 February 2018, pursuant to which Shandong Mingda agreed to supply steam and/or electricity to Corn Industry for a term commencing from 1 January 2018 and up to 31 December 2020.

The cap for the annual transaction amount for the procurement of steam and/or electricity under the 2018 Master Supply Agreement for the year ended 31 December 2018 is RMB90.0 million.

The actual transaction amount for the procurement of steam and/or electricity pursuant to the 2018 Master Supply Agreement for the year ended 31 December 2018 amounted to approximately RMB61.4 million.

2. Corn Industry entered into a sale and purchase agreement (the "2018 Sale and Purchase Agreement") dated 9 February 2018 with Sanxing Grease for a term of three years commencing from 1 January 2018 and expiring on 31 December 2020, pursuant to which the Corn Industry and its subsidiaries agreed to procure crude oil from Sanxing Grease and its subsidiaries.

The cap for the annual purchase fee under the 2018 Sale and Purchase Agreement for the year ended 31 December 2018 is RMB350.0 million.

The actual purchase fee for the procurement of crude oil under the 2018 Sale and Purchase Agreement for the year ended 31 December 2018 amounted to approximately RMB170.1 million.

3. Corn Industry entered into a sale and purchase agreement (the "Crude Sunflower Seed Oil SP Agreement") dated 8 December 2017, with Sanxing Grease for a term of three years commencing from 1 January 2018 and expiring on 31 December 2020, pursuant to which Sanxing Grease and its subsidiaries together shall provide crude sunflower seed oil to Corn Industry.

The cap for the annual purchase fee under the Crude Sunflower Seed Oil SP Agreement for the year ended 31 December 2018 is RMB400.0 million.

The actual purchase fee for providing crude sunflower seed oil to Corn Industry under the Crude Sunflower Seed Oil SP Agreement for the year ended 31 December 2018 amounted to approximately RMB37.9 million.

4. Corn Industry entered into a processing agreement (the "2018 Processing Agreement") dated 8 December 2017 with Yantai Wanke for a term of three years commencing from 1 January 2018 and expiring on 31 December 2020, pursuant to which Yantai Wanke shall be commissioned by Corn Industry to process and produce packaged soy sauce and soybean paste.

The cap for processing fee under the 2018 Processing Agreement for the year ended 31 December 2018 is RMB68.0 million.

REPORT OF THE DIRECTORS (CONTINUED)

The actual processing fee for processing and produce packaged soy sauce and soybean paste under the 2018 Processing Agreement for the year ended 31 December 2018 amounted to approximately RMB10.2 million.

The independent non-executive Directors have reviewed the above non-exempt continuing connected transactions and confirmed that the transactions have been entered into:

1. in the ordinary and usual course of the Group's business;
2. on normal commercial terms which are no less favourable to the Company than terms available to independent third parties; and
3. in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company has provided a letter to the Directors of the Company confirming the matters stated in Rule 14A.38 of the Listing Rules in respect of the continuing connected transactions as set out above which took place during the year.

Save as disclosed above, other related party transactions entered into by the Group which also constitute connected transactions (including continuing connected transactions), but are exempted from disclosure requirement under Chapter 14A of the Listing Rules, are set out in note 29 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2018, approximately 8.4% of the Group's turnover and approximately 14.5% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers, respectively. Approximately 4.9% of the Group's purchases were attributable to the Group's largest supplier. To the best knowledge of the Directors, none of the Directors or chief executive of the Company or any shareholder owning more than 5% of the Company's share capital or their respective associates, had any interest in the Group's five largest suppliers.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the year ended 31 December 2018 and up to the date of this report.

REPORT OF THE DIRECTORS (CONTINUED)

AUDIT COMMITTEE

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

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

During the year ended 31 December 2018, the Audit Committee reviewed the annual and interim results of the Group, which were in the opinion of the Audit Committee that the preparation of such results complied with the applicable accounting standards and the Listing Rules.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 20 to 33 of the 2018 Annual Report.

AUDITOR

The Company has not changed its external auditor during the past three years.

A resolution will be submitted to the 2019 AGM to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board

Changshouhua Food Company Limited

Wang Mingxing

Chairman

Hong Kong, 27 March 2019

INDEPENDENT AUDITOR'S REPORT



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TO THE SHAREHOLDERS OF CHANGSHOUHUA FOOD COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Changshouhua Food Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 51 to 126, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with International Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Impairment of trade receivables

As at 31 December 2018, the Group had gross trade receivables of approximately RMB510 million and provision for impairment of approximately RMB1 million. Trade receivables were significant to the Group and represented approximately 17% of net assets as at 31 December 2018.

Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for impairment based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment.

We focused on this area due to the impairment assessment of trade receivables under the expected credit losses model involved the use of significant management judgements and estimates.

Refer to notes 4.6, 5(i) and 18 to the consolidated financial statements.

Our responses:

Our audit procedures in relation to the management's impairment assessment included:

- Reviewing and testing subsequent settlements from customers;
- Reviewing and testing the ageing of trade receivables; and
- Challenging the reasonableness of management's estimation in expected timing of collection and ultimate realisation of these receivables, including credit worthiness and collection history of the customer.

Other Information in the Annual Report

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Directors' Responsibilities for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited

Certified Public Accountants

Wong Kwok Wai

Practising Certificate Number P06047

Hong Kong, 27 March 2019

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue	7	3,428,155	3,379,679
Cost of sales		(2,630,290)	(2,574,040)
Gross profit		797,865	805,639
Other income	7	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	8	414,697	367,210
Finance costs	9	(3,215)	(7,455)
Profit before income tax		411,482	359,755
Income tax expense	10	(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	12		
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 STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	14	709,088	765,816
Land use rights	15	173,036	176,175
Goodwill	16	62,762	62,762
Deposits paid for acquisition of capital assets and land use right	19	5,663	7,611
Total non-current assets		950,549	1,012,364
Current assets			
Inventories	17	172,228	208,822
Right of return assets		6,131	—
Trade and notes receivables	18	508,827	467,644
Prepayments, deposits and other receivables	19	78,325	93,711
Amounts due from related companies	20	11,206	71,470
Cash and bank balances	21	1,807,836	1,585,032
Total current assets		2,584,553	2,426,679
Current liabilities			
Trade payables	22	118,583	91,113
Accrued liabilities, other payables and deposits received	23	222,480	333,663
Contract liabilities	24	85,828	—
Refund liabilities		7,423	—
Dividend payable		3,293	37,568
Amounts due to related companies	20	22,745	6,155
Borrowing	25	—	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	25	—	33,477
Net assets		3,043,271	2,745,983

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	26	50,109	50,109
Reserves	27	2,993,162	2,695,874
Total equity		3,043,271	2,745,983

On behalf of the Board

Wang Mingxing
Director

Cheng Wenming
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital RMB'000	Share premium* RMB'000	Other reserves* RMB'000 (note 27(i))	Capital reserve* RMB'000 (note 27(ii))	Merger reserve* RMB'000 (note 27(iii))	Translation reserve* RMB'000	Proposed final dividend* RMB'000	Retained profits* RMB'000	Total RMB'000
At 1 January 2017	50,109	530,817	221,258	53,941	69,131	1,780	51,347	1,523,302	2,501,685
2016 final dividend declared	—	—	—	—	—	—	(51,347)	—	(51,347)
2017 final dividend proposed	—	(47,766)	—	—	—	—	47,766	—	—
Transactions with owners	—	(47,766)	—	—	—	—	(3,581)	—	(51,347)
Profit for the year	—	—	—	—	—	—	—	295,521	295,521
Other comprehensive income	—	—	—	—	—	124	—	—	124
Total comprehensive income for the year	—	—	—	—	—	124	—	295,521	295,645
Transfer to statutory reserves	—	—	36,732	—	—	—	—	(36,732)	—
At 31 December 2017 and 1 January 2018	50,109	483,051	257,990	53,941	69,131	1,904	47,766	1,782,091	2,745,983
Initial application of IFRS 9	—	—	—	—	—	—	—	(918)	(918)
Restated balances at 31 December 2017 and 1 January 2018	50,109	483,051	257,990	53,941	69,131	1,904	47,766	1,781,173	2,745,065
2017 final dividend declared	—	—	—	—	—	—	(47,766)	—	(47,766)
2018 final dividend proposed	—	—	—	—	—	—	50,382	(50,382)	—
Transactions with owners	—	—	—	—	—	—	2,616	(50,382)	(47,766)
Profit for the year	—	—	—	—	—	—	—	346,905	346,905
Other comprehensive income	—	—	—	—	—	(933)	—	—	(933)
Total comprehensive income for the year	—	—	—	—	—	(933)	—	346,905	345,972
Transfer to statutory reserves	—	—	35,666	—	—	—	—	(35,666)	—
At 31 December 2018	50,109	483,051	293,656	53,941	69,131	971	50,382	2,042,030	3,043,271

* The consolidated reserves of the Group of approximately RMB2,993,162,000 (2017: RMB2,695,874,000) as at 31 December 2018 as presented in the consolidated statement of financial position comprised these reserve accounts.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Profit before income tax		411,482	359,755
Adjustments for:			
Interest income	7	(28,230)	(16,868)
Interest expenses	9	3,215	7,455
Depreciation of property, plant and equipment	8	97,082	91,626
Amortisation of land use rights	8	3,949	3,897
Loss on disposal of property, plant and equipment	8	36	48
Unrealised foreign exchange gain		(628)	(14,899)
Change in loss allowance on trade receivables		133	—
Operating profit before working capital changes		487,039	431,014
Decrease in inventories		32,249	91,920
(Increase)/decrease in trade and notes receivables		(42,234)	62,706
Decrease in prepayments, deposits and other receivables and right of return assets		13,600	16,311
Decrease/(increase) in amounts due from related companies		59,565	(37,457)
Increase in trade payables		27,470	38,481
(Decrease)/increase in accrued liabilities, other payables and deposits received, contract liabilities and refund liabilities		(17,932)	92,497
Cash generated from operations		559,757	695,472
Income taxes paid		(57,622)	(57,431)
<i>Net cash generated from operating activities</i>		502,135	638,041
Cash flows from investing activities			
Interest received		28,230	8,718
Purchases of property, plant and equipment	33	(35,730)	(68,969)
Decrease/(increase) in short-term bank deposits		220,000	(900,000)
Additions to land use rights	15	—	(531)
Decrease/(increase) in amounts due from related companies		699	(190)
Deposits paid for acquisition of capital assets and land use right	33	(3,534)	(4,934)
Proceeds from disposal of property, plant and equipment		12	460
<i>Net cash generated from/(used in) investing activities</i>		209,677	(965,446)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2018

	<i>Note</i>	2018 RMB'000	2017 RMB'000
Cash flows from financing activities			
Interest paid		(3,215)	(8,533)
Increase in amounts due to related companies		16,557	617
Proceeds from borrowings		—	33,647
Repayment of borrowings		(202,350)	(34,566)
Dividend paid		(79,067)	(34,855)
<i>Net cash used in financing activities</i>		(268,075)	(43,690)
Net increase/(decrease) in cash and cash equivalents		443,737	(371,095)
Cash and cash equivalents at 1 January		485,032	856,003
Effect of foreign exchange rates, net		(933)	124
Cash and cash equivalents at 31 December	21	927,836	485,032

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 set out in note 34(a) to the consolidated financial statements.

In the opinion of the directors, the ultimate parent of the Company is 山東三星集團有限公司 (“Shandong Sanxing”), which is established in the PRC.

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

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 New and revised standards adopted by the Group

In the current year, the Group has applied for the first time the following new and revised International Financial Reporting Standards (“IFRSs”) and International Accounting Standards (“IASs”) issued by the International Accounting Standards Board (“IASB”), which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2018.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IFRS 15	Revenue from Contracts with Customers (Clarifications to IFRS 15)
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 40	Transfers of Investment Property
IFRIC-Int 22	Foreign Currency Transactions and Advance Consideration

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. ADOPTION OF NEW AND REVISED STANDARDS (Continued)**2.1 New and revised standards adopted by the Group (Continued)***IFRS 9 – Financial Instruments***(i) Classification and measurement of financial instruments**

IFRS 9 replaces 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, measure 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. ADOPTION OF NEW AND REVISED STANDARDS (Continued)

2.1 New and revised standards adopted by the Group (Continued)

IFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. ADOPTION OF NEW AND REVISED STANDARDS (Continued)**2.1 New and revised standards adopted by the Group (Continued)***IFRS 9 – Financial Instruments (Continued)***(i) Classification and measurement of financial instruments (Continued)**

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	Carrying amount
			as at 1 January 2018 under IAS 39 RMB'000	as at 1 January 2018 under IFRS 9 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. ADOPTION OF NEW AND REVISED STANDARDS (Continued)

2.1 New and revised standards adopted by the Group (Continued)

IFRS 9 – Financial Instruments (Continued)

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. ADOPTION OF NEW AND REVISED STANDARDS (Continued)**2.1 New and revised standards adopted by the Group (Continued)***IFRS 9 – Financial Instruments (Continued)***(ii) Impairment of financial assets (Continued)***Measurement of ECLs – Continued*

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. ADOPTION OF NEW AND REVISED STANDARDS (Continued)

2.1 New and revised standards adopted by the Group (Continued)

IFRS 9 – Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

(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.

(iii) 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 means 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. ADOPTION OF NEW AND REVISED STANDARDS (Continued)**2.1 New and revised standards adopted by the Group (Continued)***IFRS 15 – Revenue from Contracts with Customers (Continued)*

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		Increase/ (decrease) RMB'000
	IFRS 15 RMB'000	Previous IFRS 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	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. ADOPTION OF NEW AND REVISED STANDARDS (Continued)

2.1 New and revised standards adopted by the Group (Continued)

IFRS 15 – Revenue from Contracts with Customers (Continued)

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

	Amount presented under		
	IFRS 15 RMB'000	Previous IFRS RMB'000	Increase/ (decrease) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. ADOPTION OF NEW AND REVISED STANDARDS (Continued)**2.1 New and revised standards adopted by the Group (Continued)***IFRS 15 – Revenue from Contracts with Customers (Continued)*

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: (Continued)

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

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

Right of return (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. ADOPTION OF NEW AND REVISED STANDARDS (Continued)

2.1 New and revised standards adopted by the Group (Continued)

IFRS 15 – Revenue from Contracts with Customers (Continued)

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: (Continued)

Nature of the goods, satisfaction of performance obligations and payment terms	Nature of changes in accounting policies and impact on 1 January 2018
<p>Advances received from customers</p> <p>Generally, the Group receives short-term advances from its customers.</p>	<p>Advances received from customers</p> <p>Prior to the adoption of IFRS 15, the Group presented these advances as deposits received in the consolidated statement of financial position.</p> <p>Upon the adoption of IFRS 15, reclassifications have been made from deposits received to contract liabilities for the outstanding balance of advances from customers.</p> <p>Impact:</p> <p>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.</p>

IFRS 15 – Revenue from Contracts with Customers (Clarifications to IFRS 15)

The amendments to IFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted IFRS 15 and took up the clarifications in this, its first, year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. ADOPTION OF NEW AND REVISED STANDARDS (Continued)

2.1 New and revised standards adopted by the Group (Continued)

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of these amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

Amendments to HKAS 40, Investment Property – Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

The adoption of these amendments has no impact on these financial statements as the Group has no investment property.

IFRIC-Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretation specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. ADOPTION OF NEW AND REVISED STANDARDS (Continued)**2.2 New and revised IFRSs in issue but not yet effective**

At the date of authorisation of these financial statements, the following new/revised IFRSs, potentially relevant to the Group's financial statements, have been issued but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to: IFRS 3 Business Combinations; IFRS 11 Joint Arrangements; IAS 12 Income Taxes; and IAS 23 Borrowing Costs ¹
Amendments to IFRS 3	Definition of a Business ³
Amendments to IFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IAS 1 and IAS 8	Definition of Material ³
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures ²
IFRS 16	Leases ¹
IFRIC-Int 23	Uncertainty over Income Tax Treatments ¹

1 Effective for annual periods beginning on or after 1 January 2019

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

3 Effective for annual periods beginning on or after 1 January 2020

Annual Improvements to IFRSs 2015-2017 Cycle-Amendments to: IFRS 3 Business Combinations; IFRS 11 Joint Arrangements; IAS 12 Income Taxes; and IAS 23 Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear.

- (i) IFRS 3 Business Combinations: Clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.
- (ii) IFRS 11 Joint Arrangements: Clarifies that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.
- (iii) IAS 12 Income Taxes: Clarifies that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. ADOPTION OF NEW AND REVISED STANDARDS (Continued)

2.2 New and revised IFRSs in issue but not yet effective (Continued)

Annual Improvements to IFRSs 2015-2017 Cycle-Amendments to: IFRS 3 Business Combinations; IFRS 11 Joint Arrangements; IAS 12 Income Taxes; and IAS 23 Borrowing Costs (Continued)

- (iv) IAS 23 Borrowing Costs: Clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

Amendments to IFRS 3 – Definition of a Business

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to IFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at FVOCI if specified conditions are met – instead of at FVTPL.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. ADOPTION OF NEW AND REVISED STANDARDS (Continued)

2.2 New and revised IFRSs in issue but not yet effective (Continued)

Amendments to IAS 1 and IAS 8 – Definition of Material

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures

The amendment clarifies that IFRS 9 applies to long-term interests (“LTI”) in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that IFRS 9 is applied to these LTI before the impairment losses guidance within IAS 28.

IFRS 16 – Leases

IFRS 16, which upon the effective date will supersede IAS 17 “Leases” and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17. In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in note 28 to the consolidated financial statements, total operating lease commitment of the Group in respect of land and buildings as at 31 December 2018 amounted to RMB732,000. The directors of the Company do not expect the adoption of IFRS 16 as compared with the current accounting policy would result in a significant impact on the Group’s results but it is expected that certain portion of these lease commitments will be required to be recognised in the form of an asset (for the right-of-use) and a financial liability (for the payment obligation) in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. ADOPTION OF NEW AND REVISED STANDARDS (Continued)

2.2 New and revised IFRSs in issue but not yet effective (Continued)

IFRIC-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of IAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Save as disclosed in the foregoing paragraph about the impact of IFRS 16 to the Group's consolidated financial statements, the directors of the Company have also performed an assessment on other new standards and amendments, and have concluded on a preliminary basis that other new standards and amendments would not have a significant impact on the Group's consolidated financial statements in subsequent years.

3. BASIS OF PREPARATION

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs which collective term includes all applicable individual IFRSs and Interpretations approved by the IASB, and all applicable individual IASs and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB. The consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

3.2 Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis.

3.3 Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries made up to 31 December each year.

Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit and loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, interest in subsidiaries is stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4.3 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree over the fair value of identifiable assets and liabilities acquired.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Goodwill (Continued)

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A CGU to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 4.17), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

4.4 Property, plant and equipment

Property, plant and equipment, other than construction in progress ("CIP"), are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Buildings	The shorter of the lease terms and 20 years
Plant and machinery	10 years
Office equipment	3 to 5 years
Motor vehicles	4 to 5 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Property, plant and equipment (Continued)

CIP, which 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 CIP 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 gain or loss arising on retirement or disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on retirement or disposal.

4.5 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Financial instruments (accounting policies applied from 1 January 2018)

(a) *Financial assets*

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases 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 market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt Instrument

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at 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.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Financial instruments (accounting policies applied from 1 January 2018) (Continued)

(a) *Financial assets (Continued)*

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity Instruments

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. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(b) *Impairment loss on financial assets*

The Group recognises loss allowances for ECL on trade receivables and financial assets measured at amortised cost. The ECLs 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. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Financial instruments (accounting policies applied from 1 January 2018) (Continued)

(b) Impairment loss on financial assets (Continued)

For other debt financial assets, the ECLs are based on the 12-months ECLs. 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 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.

The Group considers a financial asset to be 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 Group considers a financial asset to be credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
or
- the disappearance of an active market for a security because of financial difficulties.

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Financial instruments (accounting policies applied from 1 January 2018) (Continued)

(b) *Impairment loss on financial assets (Continued)*

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(c) *Financial liabilities*

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, accrued liabilities, other payables, dividend payables, amounts due to related companies and borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(d) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(e) *Equity Instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Financial instruments (accounting policies applied from 1 January 2018) (Continued)

(f) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4.7 Financial instruments (accounting policies applied until 31 December 2017)

(a) *Financial assets*

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

The Group's financial assets are classified as loans and receivables, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market principally through the provision of goods and services to customers (trade debtors) and also other types of contractual monetary assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Financial instruments (accounting policies applied until 31 December 2017) (Continued)

(b) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial assets are impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss on loans and receivables is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate.

In relation to trade 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 the Group will not be able to collect all of the amounts due under the original terms of the invoice. Except for trade 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 receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Financial instruments (accounting policies applied until 31 December 2017) (Continued)

(c) *Financial liabilities*

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost including trade payables, accrued liabilities, other payables, dividend payable, amounts due to related companies and borrowings are subsequently measured at amortised cost using the effective interest method. The related interest expense is recognised in accordance with the Group's accounting policy for borrowing costs. Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(d) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(e) *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(f) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, 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 profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.8 Land use rights

The operating or finance lease determination is stated in note 4.5 and also applied to leases of land. Land use rights in the PRC are accordingly determined to be operating leases.

Land use rights represent up-front payments to acquire long term interests in the usage of land in the PRC. They are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line basis over the period of the leases.

4.9 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

4.10 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits with banks and short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and form an integral part of the Group's cash management.

4.11 Revenue Recognition (accounting policies applied from 1 January 2018)

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Revenue Recognition (accounting policies applied from 1 January 2018) (Continued)

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Revenue recognition

Customers obtain control of goods when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers have accepted the delivered 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). The right of return gives rise to variable consideration. 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.

Contract liabilities

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Certain contracts entered by the Group with customers requires the customers to pay considerations 30 to 60 days in advance of the delivery of the products. Upon the receipt of a prepayment from a customer, the Group recognises a contract liability in the amount of the prepayment for its performance obligation to transfer, which means the dispatch of products.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Revenue Recognition (accounting policies applied from 1 January 2018) (Continued)

Other income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Dividend income is recognised when the right to receive the dividend is established.

4.12 Revenue Recognition (accounting policies applied until 31 December 2017)

Revenue is recognised to the extent when it is probable that the economic benefits will flow to the 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 is recognised when the significant risks and rewards of ownership have been transferred to the customers, provided that the 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 on a time-proportion basis using the effective interest method.
- (iii) Dividend is recognised when the right to receive payment is established.

4.13 Cost of sales

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

4.14 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.14 Income taxes (Continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised for to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the 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.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4.15 Foreign currency translation

Transactions entered into by the consolidated entities in currencies other than the functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 Employee benefits

(a) *Defined contribution retirement plan*

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

(b) *Short-term employee benefits*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

4.17 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment, land use rights, deposits paid and other non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

An impairment loss is recognised as an expense immediately for the amount by which the asset's recoverable amount is estimated to be less than its carrying amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, 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 CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or CGU (see note 4.3), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.18 Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.19 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present obligation (legal or constructive) as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

4.20 Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purpose unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type of class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.21 Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if:
- (i) The entity and the Group are members of the same group meaning that each parent, subsidiary and fellow subsidiary is related to the others;
 - (ii) One entity is an associate or joint venture of the other entity or an associate or joint venture of a member of a group of which other entity is a member;
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third party and other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity or of a parent of the entity; or
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In the process of applying the Group's accounting policies, which are described in note 4, management has made various estimates and judgments which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates and judgments are continually evaluated. The key sources of estimation uncertainty and accounting judgments that result in significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year or significantly affect the amounts recognised in the consolidated financial statements are discussed below:

(i) Impairment of receivables

The Group's management assesses and determines the provision for impairment of receivables. This estimate is based on assumptions about risk of default and expected loss rates. A considerable amount of judgment is required in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates. Management will reassess the provision at the reporting date. Where the expectation is different from the original estimate, such differences will affect the carrying value of receivables and thus the impairment loss in the period in which such estimate is changed.

(ii) Useful lives and residual values of items of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. Management will revise the depreciation charge where useful lives are different to those previously estimated, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(iii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitors' actions in response to severe industry cycles. Management reassesses the estimations at the reporting date.

(iv) Provision for taxes

The Group is mainly subject to various taxes in the PRC including corporate income tax, value-added tax and other surtaxes. Significant judgment is required in determining the amount of the provision for taxes and the timing of related taxes. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax provisions in the period in which such determination is made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)**(v) Impairment of goodwill**

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculations require the directors to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present values.

6. 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 RMB'000	Non-branded products RMB'000	Corn meal RMB'000	Total 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

6. SEGMENT INFORMATION (Continued)

	Year ended 31 December 2017			Total RMB'000
	Own brand products RMB'000	Non-branded products RMB'000	Corn meal 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 RMB'000	2017 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 of the Group are located in the PRC (i.e. the country of domicile of the Company).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

7. 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 6 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	1 January
	2018	2018
	RMB'000	RMB'000
Receivables	508,827	463,676
Contract liabilities (note 24)	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. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

8. PROFIT FROM OPERATIONS

	2018 RMB'000	2017 RMB'000
Profit from operations is arrived at after charging/(crediting):		
Auditor's remuneration	1,553	1,475
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.

9. FINANCE COSTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

10. INCOME TAX EXPENSE

	2018 RMB'000	2017 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

10. INCOME TAX EXPENSE (Continued)

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

	2018 RMB'000	2017 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

11. 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.

12. EARNINGS PER SHARE

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

	2018 RMB'000	2017 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 purposes 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

13. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Directors' emoluments for the year are set out below:

	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Contribution to pension plans RMB'000	Total RMB'000
Year ended 31 December 2018					
<i>Executive directors</i>					
Mr. Wang Mingxing	—	1,009	—	—	1,009
Mr. Wang Mingfeng	—	1,009	—	—	1,009
Mr. Wang Mingliang	—	1,009	—	—	1,009
Mr. Huang Da	—	120	—	—	120
Mr. Cheng Wenming	—	503	—	10	513
	—	3,650	—	10	3,660
<i>Independent non-executive directors</i>					
Mr. Liu Shusong	53	—	—	—	53
Mr. Wang Ruiyuan	173	—	—	—	173
Mr. Wang Aiguo	53	—	—	—	53
	279	—	—	—	279
	279	3,650	—	10	3,939

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

13. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' emoluments (Continued)

	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Contribution to pension plans RMB'000	Total RMB'000
Year ended 31 December 2017					
<i>Executive directors</i>					
Mr. Wang Mingxing	—	1,509	—	—	1,509
Mr. Wang Mingfeng	—	1,509	—	—	1,509
Mr. Wang Mingliang	—	1,509	—	—	1,509
Mr. Huang Da	—	500	—	—	500
Mr. Cheng Wenming	—	553	—	—	553
	—	5,580	—	—	5,580
<i>Independent non-executive directors</i>					
Mr. Liu Shusong	50	—	—	—	50
Mr. Wang Ruiyuan	170	—	—	—	170
Mr. Wang Aiguo	50	—	—	—	50
	270	—	—	—	270
	270	5,580	—	—	5,850

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2017: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**13. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS
(Continued)****(b) Five highest paid individuals**

The five highest paid individuals of the Group included three directors (2017: three) for the year ended 31 December 2018 whose emoluments are reflected in the analysis presented above.

The analysis of the emoluments of the remaining two (2017: two) individual are set out below:

	2018	2017
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	1,678	1,680
Contribution to defined contribution pension plan	53	47
	1,731	1,727

Their emoluments were within the following bands:

	2018	2017
	RMB'000	RMB'000
Nil to Hong Kong Dollar ("HK\$")1,000,000	1	1
HK\$1,000,001 to HK\$1,500,000	1	1

During the years ended 31 December 2017 and 2018, no emolument was paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2017						
Cost	594,839	612,496	19,235	2,155	719	1,229,444
Accumulated depreciation	(116,917)	(309,617)	(15,830)	(1,635)	–	(443,999)
Net carrying amount	477,922	302,879	3,405	520	719	785,445
Year ended 31 December 2017						
Opening net carrying amount	477,922	302,879	3,405	520	719	785,445
Additions	12,967	33,396	4,112	284	21,746	72,505
Transfers	12,302	4,014	–	–	(16,316)	–
Disposal	–	(42)	(6)	–	(460)	(508)
Depreciation	(21,737)	(67,922)	(1,711)	(256)	–	(91,626)
Closing net carrying amount	481,454	272,325	5,800	548	5,689	765,816
At 31 December 2017 and 1 January 2018						
Cost	620,108	649,685	23,332	2,439	5,689	1,301,253
Accumulated depreciation	(138,654)	(377,360)	(17,532)	(1,891)	–	(535,437)
Net carrying amount	481,454	272,325	5,800	548	5,689	765,816
Year ended 31 December 2018						
Opening net carrying amount	481,454	272,325	5,800	548	5,689	765,816
Additions	15,916	19,041	1,553	1,877	2,015	40,402
Transfers	644	–	–	–	(644)	–
Disposal	–	(47)	(1)	–	–	(48)
Depreciation	(32,980)	(61,975)	(1,863)	(264)	–	(97,082)
Closing net carrying amount	465,034	229,344	5,489	2,161	7,060	709,088
At 31 December 2018						
Cost	636,668	668,680	24,884	4,316	7,060	1,341,608
Accumulated depreciation	(171,634)	(439,336)	(19,395)	(2,155)	–	(632,520)
Net carrying amount	465,034	229,344	5,489	2,161	7,060	709,088

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2018, certificates of ownership in respect of certain buildings of the Group in the PRC with an aggregate net carrying amount of approximately RMB83,821,000 (2017: RMB175,918,000) had not been issued by the relevant PRC authorities. The directors anticipate that these certificates will be issued in the near future and are of the opinion that the Group is entitled to lawfully and validly occupy and use the properties, and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2018.

15. LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net carrying amounts are analysed as follows:

	RMB'000
At 1 January 2017	
Cost	181,106
Accumulated amortisation	(14,842)
Net carrying amount	166,264
Year ended 31 December 2017	
Opening net carrying amount	166,264
Additions	13,808
Amortisation	(3,897)
Closing net carrying amount	176,175
At 31 December 2017 and 1 January 2018	
Cost	194,914
Accumulated amortisation	(18,739)
Net carrying amount	176,175
Year ended 31 December 2018	
Opening net carrying amount	176,175
Additions	810
Amortisation	(3,949)
Closing net carrying amount	173,036
At 31 December 2018	
Cost	195,724
Accumulated amortisation	(22,688)
Net carrying amount	173,036

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

16. GOODWILL

The amount of goodwill capitalised as an asset, arising from business combination, is as follows:

	2018 RMB'000	2017 RMB'000
Cost:		
At beginning and end of the year	62,762	62,762

Goodwill acquired through business combination has been allocated to the CGUs of own brand corn oil for impairment testing.

The recoverable amounts for the own brand corn oil CGUs were determined based on value in use calculations, covering a detailed five-year budget plan, followed by an extrapolation of expected cash flows at the average growth rates of 3% (2017: 3%), which does not exceed the long-term growth rate for the corn oil industry in the PRC, and discount rate of 12.6% (2017: 13.5%) estimated by the management. The directors concluded that the CGUs demonstrates sufficient cashflows that justify the carrying value of the goodwill and hence no impairment of goodwill is necessary as at 31 December 2018 and 2017.

Assumptions were used in the value in use calculations of the CGUs for 31 December 2018 and 31 December 2017. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant units.

Raw materials price inflation – The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year for the country from where the raw materials are sourced, i.e. the PRC.

Apart from the considerations described in determining the value in use of the CGUs above, the Group's management is not currently aware of any other probable changes that would necessitate changes in the key estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

17. INVENTORIES

	2018	2017
	RMB'000	RMB'000
Raw materials	86,872	117,163
Work-in-progress	8,415	6,463
Finished goods	76,941	85,196
	172,228	208,822

18. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

18. TRADE AND NOTES RECEIVABLES (Continued)

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 RMB'000	2017 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 date, the Group reviews receivables for evidence of impairment on both an individual and collective basis. Further details on the group's credit policy and credit risk arising from trade receivables are set out in note 31.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 RMB'000	2017 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)
	5,663	7,611

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

20. AMOUNTS DUE FROM/TO RELATED COMPANIES

Particulars of amounts due from related companies are as follows:

	Notes	As at 31 December 2018 RMB'000	Maximum amount outstanding during the year RMB'000	As at 31 December 2017 and 1 January 2018 RMB'000	Maximum amount outstanding during the prior year RMB'000	As at 1 January 2017 RMB'000
Shandong Sanxing	(i)	—	357	357	357	42
山東惠民明達油棉有限公司	(ii)	—	510	510	890	—
鄒平三星鋼結構有限公司	(ii)	—	—	—	1,900	1,900
山東明達熱電有限公司	(ii)	—	—	—	694	694
內蒙古三星糧油工業有限公司	(ii)	350	350	332	960	960
鄒平三星油脂工業有限公司 ("Sanxing Grease")	(ii)	10,856	70,271	70,271	70,271	30,220
山東三星置業有限公司	(ii)	—	—	—	6	6
鄒平三星集團有限公司招待所	(ii)	—	—	—	1	1
		11,206		71,470		33,823

Notes:

- (i) The Company is controlled by Shandong Sanxing. The directors of the Company, namely Mr. Wang Mingfeng, Mr. Wang Mingxing, Mr. Wang Mingliang and Mr. Cheng Wenming (collectively the "Beneficial Equity Holders"), each have beneficial interests in Shandong Sanxing.
- (ii) These entities are wholly owned by Shandong Sanxing.

As at 31 December 2018 and 2017, amounts due to related companies comprise balances due to entities which are wholly owned by Shandong Sanxing.

The balances with related companies are unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

21. CASH AND BANK BALANCES

	2018 RMB'000	2017 RMB'000
Current assets		
Cash at banks and in hand	927,836	485,032
Short-term bank deposits	880,000	1,100,000
Cash and bank balances as stated in the consolidated statement of financial position	1,807,836	1,585,032
Short-term bank deposits that are not classified as cash and cash equivalents	(880,000)	(1,100,000)
Cash and cash equivalents for the presentation of the consolidated statement of cash flows	927,836	485,032

The short-term bank deposits earn 3.8% (2017: 3.8%) interest per annum. They have a maturity of within 1 year. The other bank deposits earn interest at floating rates based on daily bank deposit rates.

The Group's cash and bank balances denominated in RMB were amounted to RMB1,795,552,000 (2017: RMB1,576,093,000) and were deposited with banks in the PRC. The RMB is not freely convertible into other currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

22. TRADE PAYABLES

Trade payables are non-interest bearing and are normally settled on 30 days terms.

The ageing analysis of trade payables at the reporting date, based on invoice date, is as follows:

	2018 RMB'000	2017 RMB'000
Within 30 days	60,994	48,539
31-60 days	15,900	18,540
61-90 days	17,215	10,715
91-180 days	17,029	10,507
181-365 days	4,906	1,766
Over 365 days	2,539	1,046
	118,583	91,113

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

23. ACCRUED LIABILITIES, OTHER PAYABLES AND DEPOSITS RECEIVED

	2018	2017
	RMB'000	RMB'000
Accrued liabilities	82,258	143,036
Other payables	140,222	149,649
Deposits received	—	40,978
	222,480	333,663

24. CONTRACT LIABILITIES

	31 December	1 January	31 December
	2018	2018	2017
	RMB'000	RMB'000	RMB'000
Contract liabilities arising from			
— Sale of crude oil, edible oil and corn meals	85,828	40,978	—

The contract liabilities mainly relate to the advance considerations received from customers. Contract liabilities as at 1 January 2018 of RMB40,978,000 was recognised as revenue during the year and the contract liabilities as at 31 December 2018 was arising from the advance considerations received from customers.

The Group has initially applied IFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018. Upon the adoption of IFRS 15, amounts previously included as "Deposits received" (note 23) have been reclassified to "Contract liabilities" (note 24).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

25. BORROWINGS

	2017 RMB'000
<hr/>	
Non-current:	
Unsecured other borrowing	33,477
Current:	
Unsecured bank borrowing	166,560
	<hr/> 200,037
Interests borne at rates per annum in the range of:	
— floating-rate bank borrowing	HIBOR +2.50%
— fixed-rate other borrowing	3.60%

The Group's bank and other borrowings are repayable as follow:

	2017 RMB'000
<hr/>	
On demand or within one year	166,560
More than two years, but not exceeding five years	33,477
	<hr/> 200,037

As at 31 December 2017, the bank borrowing was guaranteed by certain subsidiaries of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

26. SHARE CAPITAL

	Number of shares	Amount HK\$'000	
Authorised:			
Ordinary shares of HK\$0.10 each			
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018			
	9,000,000,000	900,000	
	Number of shares	Amount HK\$'000	Equivalent RMB'000
Issued and fully paid:			
Ordinary shares of HK\$0.10 each			
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018			
	573,560,000	57,356	50,109

27. RESERVES

Details of the movements on the Group's reserves are as set out in the consolidated statement of changes in equity on page 55.

(i) Other reserves

The subsidiaries of the Group established in the PRC are required to transfer 10% of its profits after income tax as determined in accordance with the accounting regulations in the PRC to the surplus reserve until the reserve balance reaches 50% of the respective registered capital of the PRC subsidiaries. Such reserve may be used to reduce any losses incurred or for capitalisation as paid-up capital of the PRC subsidiaries.

(ii) Capital reserve

Capital reserve of the Group represents the difference between the registered capital of Corn Industry and the net assets value transferred from Sanxing Grease to Corn Industry pursuant to a group restructuring ("Restructuring Exercise") carried out by the Group to rationalise the structure of the Group in preparation of the initial public offering of the Company's shares on the HKEX.

(iii) Merger reserve

The merger reserve of the Group represented the difference between (a) the sum of nominal value of the combined capital and share premium of the subsidiaries acquired in pursuant to the Restructuring Exercise; and (b) the nominal value of the share capital of the Company issued in exchange thereof pursuant to the Restructuring Exercise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

28. COMMITMENTS

Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases are falling due as follows:

	2018 RMB'000	2017 RMB'000
Within one year	683	824
In the second to fifth years	49	332
	732	1,156

The Group leases a number of properties under operating lease and leasehold land. The leases run for initial period of 3 months to 10 years (2017: 3 months to 10 years), with an option to renew the lease at the expiry date or at dates as mutually agreed between the Group and respective lessor. None of the leases include contingent rental.

Capital commitments

	2018 RMB'000	2017 RMB'000
Contracted but not provided for property, plant and equipment	807	903

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

29. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances detailed elsewhere in this consolidated financial statements, the Group had the following transactions with related parties at agreed terms.

	Notes	2018 RMB'000	2017 RMB'000
Sales of goods			
Related companies	(i)	3,322	3,606
Purchases of goods			
Intermediate holding company		208,062	347,412
Related companies	(i)	10,517	3,198
Steam and electric power expenses			
A related company	(i)	61,401	52,257
Construction costs and purchases of property, plant and equipment			
Related companies	(i)	5,542	14,603

Notes:

- (i) Each of the Beneficial Equity Holders have beneficial interests in these related companies.
- (ii) The above related party transactions were conducted in the ordinary course of business with reference to the terms mutually agreed between the parties.

(b) Key management personnel compensation

	2018 RMB'000	2017 RMB'000
Short-term employee benefits of directors and other members of key management personnel	6,179	8,135

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

30. TRANSFER OF FINANCIAL ASSETS

At 31 December 2018, the Group endorsed certain notes receivable accepted by banks in the PRC (the “Endorsed Notes”) to certain of its suppliers in order to settle the trade and other payables due to these suppliers with an aggregate carrying amount of RMB59,864,000 (FY2017: RMB40,702,000). The Endorsed Notes had a maturity from three to twelve months at the end of the reporting period. In accordance with the relevant laws and regulations in the PRC, the holders of the Endorsed Notes have a right of recourse against the Group if the accepting banks default (the “Continuing Involvement”). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Endorsed Notes. Accordingly, it has derecognised the full carrying amounts of the Endorsed Notes and the associated trade and other payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Endorsed Notes and the undiscounted cash flows to repurchase these Endorsed Notes is equal to their carrying amounts. In the opinion of the directors of the Company, the fair values of the Group’s Continuing Involvement in the Endorsed Notes are not significant.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations. The financial risks included market risk (including currency risk and interest risk), credit risk and liquidity risk. The Group does not have written risk management policies and guidelines. However, the board of directors of the Company meets periodically to analyse and formulate measures to manage the Group's exposure to the financial risk, including principally changes in interest rates and currency exchange rates. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

(a) Categories of financial instruments

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2018	2017
	RMB'000	RMB'000
Financial assets		
Loans and receivables		
— Trade and notes receivables	—	467,644
— Other receivables	—	36,851
— Amounts due from related companies	—	71,470
— Cash and bank balances	—	1,585,032
At amortised cost		
— Trade receivables	508,827	—
— Other receivables	38,127	—
— Amounts due from related companies	11,206	—
— Cash and bank balances	1,807,836	—
	2,365,996	2,160,997
Financial liabilities		
At amortised cost		
— Trade payables	118,583	91,113
— Accrued liabilities and other payables	222,480	192,670
— Dividend payable	3,293	37,568
— Amounts due to related companies	22,745	6,155
— Borrowings	—	200,037
	367,101	527,543

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

(b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The Group's interest rate risk arises primarily from floating-rate bank borrowing, fixed-rate other borrowing (note 25) and bank balances which were bearing fixed or floating interest rate (note 21). The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no undue exposures to significant interest rate movements and rates are approximately fixed when necessary.

(i) Interest rate profile

The following tables detail the interest rate profile of the Group's financial instruments at the reporting date:

	Weighted average effective interest rate		Carrying amount	
	2018 %	2017 %	2018 RMB'000	2017 RMB'000
Variable rate instruments				
Financial assets				
Cash at banks	0.34%	0.34%	927,836	485,032
Financial liabilities				
Interest-bearing bank borrowing	—	3.29%	—	166,560
Fixed rate instruments				
Financial assets				
Short-term bank deposits	3.80%	3.80%	880,000	1,100,000
Financial liabilities				
Other borrowings	—	3.60%	—	33,477

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

(b) Interest rate risk (Continued)

(ii) Interest rate sensitivity analysis (Continued)

The following tables illustrate the sensitivity of the profit for the year and retained profits to a reasonably possible change in interest rates of +25 basis points and –25 basis points (2017: +/-25 basis points), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's financial instruments held at each reporting date. All other variables are held constant. There is no impact on other components of consolidated equity in response to the possible change in interest rates.

	2018		2017	
	+25 basis points RMB'000	-25 basis points RMB'000	+25 basis points RMB'000	-25 basis points RMB'000
Effect on profit for the year and retained profits	1,944	(1,944)	1,204	(1,204)

(c) 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 the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its business.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

(c) Credit risk (Continued)

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the debtor's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the debtors operate. Ongoing credit evaluation is performed on the financial condition of trade customers. Trade receivables are due within 45 to 180 days from the date of billing. Debtors with balances that are more than 12 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from debtors.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.1%	400,299	400
Not more than 3 months past due	0.5%	88,886	444
Not more than 6 months past due	1%	14,216	142
6 to 12 months past due	1%	6,477	65
		509,878	1,051

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The Group measures loss allowances for other receivables, amounts due from related companies and bank balances at an amount equal to lifetime 12 months ECLs. The credit risk on other receivables and related companies is limited because the counterparties have no historical default record and the directors expect that the general economic conditions will not significantly change for the 12 months after the reporting date. The credit risk on bank balances is limited because the counterparties are banks with high credit ratings. Based on the Group's internal credit rating, no material impairment loss allowance is recognised for other receivables, amounts due from related companies and bank balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS
(Continued)****(c) Credit risk (Continued)**

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 4.7(b)). At 31 December 2017, no impairment provision was made according to the Group's assessment. The ageing analysis of trade debtors that were not considered to be impaired was as follows:

	2017 RMB'000
Neither past due nor impaired	391,927
Not more than 3 months past due	40,790
3 to not more than 6 months past due	24,945
6 to 12 months past due	6,911
More than 1 year past due	21
	464,594

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of customers that have a good track record of repayment with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2018 RMB'000
Balance at 31 December under IAS 39	—
Impact of initial application of IFRS 9 (note 2.1)	918
Adjusted balance at 1 January	918
Loss allowance recognised during the year determined under IFRS 9	133
Balance at 31 December	1,051

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

(c) Credit risk (Continued)

Increase in the overall trade receivables resulted in an increase in loss allowance. The Group does not have any significant credit risk exposure to any single counterparty of any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 1% of gross monetary assets at any time during the year. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(d) 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. The currencies give rise to this risk are mainly HK\$, Euro ("EUR") and United States Dollar ("US\$").

(i) Foreign currency risk exposure

	2018			2017		
	HK\$ RMB'000	EUR RMB'000	US\$ RMB'000	HK\$ RMB'000	EUR RMB'000	US\$ RMB'000
Assets:						
Other receivables	592	7	233	571	—	—
Cash and bank balances	4,771	1	1	7,588	7	230
	5,363	8	234	8,159	7	230
Liabilities:						
Accrued liabilities and other payables	1,148	—	—	2,888	—	—
Dividend payable	3,293	—	—	37,568	—	—
Borrowings	—	—	—	200,037	—	—
	4,441	—	—	240,493	—	—

Apart from the above, all the Group's financial instruments are denominated in RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

(d) Foreign currency risk (Continued)

(ii) Foreign currency sensitivity analysis

The following table illustrates the sensitivity of the Group's profit for the year and retained profits in regards to a 1% (2017: 1%) appreciation in the Group entities' functional currencies against HK\$, EUR and US\$. All other variables are held constant. The rate is used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates. There is no impact on other components of consolidated equity in response to the general fluctuation in the following foreign currency rates.

The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year and held constant throughout the year.

	2018			2017		
	HK\$ RMB'000	EUR RMB'000	US\$ RMB'000	HK\$ RMB'000	EUR RMB'000	US\$ RMB'000
Effect on profit for the year and retained profits	(9)	—	(2)	2,323	—	(2)

A weakening of the Group's entities' functional currencies against the respective foreign currencies at the respective reporting date would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

These are the same method and assumption used in preparing the sensitivity analysis included in the consolidated financial statements of the year ended 31 December 2017.

(e) Liquidity risk

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

(e) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities based on the remaining contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and the earliest date the Group can be required to pay.

Specifically, for interest-bearing bank borrowing which contains a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lender was to invoke its unconditional rights to call the loan with immediate effect. The maturity analysis for other borrowing is prepared based on the scheduled repayment dates.

The Group	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 2 years but less than 5 years RMB'000
2018				
— Trade payables	118,583	118,583	118,583	—
— Accrued liabilities and other payables	222,480	222,480	222,480	—
— Dividend payable	3,293	3,293	3,293	—
— Amounts due to related companies	22,745	22,745	22,745	—
	367,101	367,101	367,101	—
2017				
— Trade payables	91,113	91,113	91,113	—
— Accrued liabilities and other payables	192,670	192,670	192,670	—
— Dividend payable	37,568	37,568	37,568	—
— Amounts due to related companies	6,155	6,155	6,155	—
— Unsecured bank borrowing	166,560	166,560	166,560	—
— Unsecured other borrowing	33,477	36,442	—	36,442
	527,543	530,508	494,066	36,442

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

**31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS
(Continued)****(e) Liquidity risk (Continued)**

The table that follows summarises the maturity analysis of interest-bearing bank borrowing with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreement. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the “within one year or on demand” time band in the maturity analysis above. Taking into account the Group’s financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank borrowing will be repaid in accordance with the scheduled repayment dates set out in the loan agreement.

	2018 RMB'000	2017 RMB'000
Within one year		
Total contractual undiscounted cash flows	—	168,681

(f) Fair value

The fair values of the Group’s financial instruments as at 31 December 2017 and 2018 were not materially different from their carrying amounts. Fair value estimates are made at a specific point in time and are based on relevant market information about the financial instruments.

32. CAPITAL MANAGEMENT

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group’s stability and growth. The Group actively and regularly reviews and manages its capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholder returns.

The Group monitors capital using a gearing ratio calculated on the basis of interest-bearing bank and other borrowings over total equity. The Group aims to maintain the gearing ratio at a reasonable level.

The gearing ratio is regularly reviewed by senior management. As at 31 December 2018, the capital structure of the Group consists of equity attributable to owners of the Company only, comprising share capital and reserves. The gearing ratio as at 31 December 2017 is as follows:

	2018 RMB'000	2017 RMB'000
Borrowings	—	200,037
Total equity	3,043,271	2,745,983
Gearing ratio	N/A	7.3%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

	Bank loan (note 25) RMB'000	Other loans (note 25) RMB'000	Dividend payables RMB'000	Amounts due to related companies (note 20) RMB'000
At 1 January 2017	179,046	36,653	21,883	5,043
Changes included in financing cash flows:				
Proceeds from borrowings	—	33,647	—	—
Repayment of borrowings	—	(34,566)	—	—
Increase in amount due to related companies	—	—	—	617
Dividend paid	—	—	(34,855)	—
Interest paid	(5,479)	(3,054)	—	—
Other changes:				
Interest expenses	5,479	1,976	—	—
2016 final dividend declared	—	—	51,347	—
Other non-cash movements	—	1,263	—	—
Exchange difference	(12,486)	(2,442)	(807)	495
At 31 December 2017 and 1 January 2018	166,560	33,477	37,568	6,155
Changes included in financing cash flows:				
Repayment of borrowings	(168,758)	(33,592)	—	—
Increase in amount due to related companies	—	—	—	16,557
Dividend paid	—	—	(79,067)	—
Interest paid	(1,883)	(1,332)	—	—
Other changes:				
Interest expenses	1,883	1,332	—	—
2017 final dividend declared	—	—	47,766	—
Exchange difference	2,198	115	(2,974)	33
At 31 December 2018	—	—	3,293	22,745

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)**(b) Major non-cash transactions**

During the year ended 31 December 2018, deposits paid for acquisition of capital assets and land use right of approximately RMB4,672,000 (2017: RMB3,536,000) and RMB810,000 (2017: RMB13,277,000) were transferred to property, plant and equipment and land use rights respectively.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 RMB'000	2017 RMB'000
Non-current assets		
Interest in subsidiaries (<i>note (a)</i>)	1,017,126	976,436
Total non-current assets	1,017,126	976,436
Current assets		
Other receivables	592	571
Cash and bank balances	12,277	7,589
Total current assets	12,869	8,160
Current liabilities		
Accrued liabilities and other payables	1,148	2,185
Dividend payable	3,293	37,568
Amount due to a related party	455	—
Amount due to a subsidiary	305,475	94,078
Borrowings	—	166,560
Total current liabilities	310,371	300,391
Net current liabilities	(297,502)	(292,231)
Net assets	719,624	684,205
Equity		
Share capital	50,109	50,109
Reserves (<i>note (b)</i>)	669,515	634,096
Total equity	719,624	684,205

On behalf of the Board

Wang Mingxing
Director

Cheng Wenming
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

(a) Subsidiaries

Particulars of the subsidiaries as at 31 December 2018 are as follows:

Name	Country/Place and date of incorporation/ establishment and kind of legal entity	Particulars of issued and fully paid share capital/ registered capital	Effective interest held by the Company	Principal activities
Interests held directly				
Corn Industry Investment Co., Ltd.	Incorporated on 28 December 2006 in the BVI, limited liability company	59,701 shares at US\$1 per share	100%	Investment holding
China Edible Oil Company Limited	Incorporated on 21 January 2011 in the BVI, limited liability company	1 share at US\$1 per share	100%	Investment holding
Interests held indirectly				
Corn Industry	Established on 14 November 2006 in the PRC, wholly-foreign-owned enterprise	US\$127,000,000	100%	Production and sale of edible oil and corn meal
內蒙三星玉米產業科技有限公司	Established on 21 May 2010 in the PRC, limited liability company	RMB10,000,000	100%	Production and sale of crude oil and corn meal
遼寧三星玉米產業科技有限公司	Established on 24 May 2010 in the PRC, limited liability company	RMB10,000,000	100%	Production and sale of crude oil and corn meal
桐廬三星玉米產業科技有限公司	Established on 22 October 2012 in the PRC, limited liability company	RMB40,876,430	100%	Production and sale of edible oil
廣州久久福食品有限公司	Established on 31 May 2011 in the PRC, limited liability company	US\$12,000,000	100%	Trading of edible oil

The financial statements of the subsidiaries for the year ended 31 December 2018 have been audited by BDO Limited for the purpose of incorporation into the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes: (Continued)

(b) Reserves

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Contributed surplus RMB'000	Proposed final dividend RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2017	530,817	95,267	51,347	17,855	695,286
2016 final dividend declared	—	—	(51,347)	—	(51,347)
2017 final dividend proposed	(47,766)	—	47,766	—	—
Transactions with owners	(47,766)	—	(3,581)	—	(51,437)
Loss for the year	—	—	—	(9,843)	(9,843)
Loss and total comprehensive income for the year	—	—	—	(9,843)	(9,843)
At 31 December 2017 and 1 January 2018	483,051	95,267	47,766	8,012	634,096
2017 final dividend declared	—	—	(47,766)	—	(47,766)
2018 final dividend proposed	—	—	50,382	(50,382)	—
Transactions with owners	—	—	2,616	(50,382)	(47,766)
Profit for the year	—	—	—	83,185	83,185
Profit and total comprehensive income for the year	—	—	—	83,185	83,185
At 31 December 2018	483,051	95,267	50,382	40,815	669,515

The contributed surplus of the Company represented the difference between the net asset value of the subsidiary acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to the Restructuring Exercise.

FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
RESULTS					
Revenue	3,428,155	3,379,679	3,207,224	2,782,426	2,778,948
Cost of sales	(2,630,290)	(2,574,040)	(2,479,550)	(2,236,487)	(2,222,516)
Gross profit	797,865	805,639	727,674	545,939	556,432
Other income	97,463	86,999	66,818	79,893	85,180
Selling and distribution costs	(380,936)	(435,016)	(374,193)	(249,158)	(251,204)
Administrative expenses	(98,709)	(90,274)	(97,935)	(87,689)	(65,789)
Other operating expenses	(986)	(138)	(157)	(367)	(387)
Finance costs	(3,215)	(7,455)	(6,125)	(17,095)	(14,897)
Profit before income tax	411,482	359,755	316,082	271,253	309,335
Income tax expense	(64,577)	(64,234)	(52,839)	(60,752)	(43,056)
Profit for the year attributable to owners of the Company	346,905	295,521	263,243	210,771	266,279
ASSETS AND LIABILITIES					
Total assets	3,535,102	3,439,043	3,056,751	2,796,479	2,989,505
Total liabilities	(491,831)	(693,060)	(555,066)	(511,594)	(823,015)
Total equity	3,043,271	2,745,983	2,501,685	2,284,885	2,166,490