親親食品集團(開曼)股份有限公司

QINQIN FOODSTUFFS GROUP (CAYMAN) COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1583

2018 ANNUAL REPORT

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Hui Ching Lau *(Chairman)*
Zhu Hong Bo *(Chief Executive Officer)*
Wong Wai Leung *(Chief Financial Officer)*

NON-EXECUTIVE DIRECTORS

Hui Lin Chit
Sze Man Bok
Wu Huolu
Wu Sichuan
Wu Yinhang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cai Meng
Chan Yiu Fai Youdey
Ng Swee Leng
Paul Marin Theil

COMPANY SECRETARY

Wong Wai Leung FCCA CPA

AUTHORISED REPRESENTATIVES

Sze Man Bok
Wong Wai Leung

REGISTERED OFFICE

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Grand Cayman
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Cayman Islands

PLACE OF LISTING AND STOCK CODE

The Stock Exchange of Hong Kong Limited
Stock Code: 1583

HEAD OFFICE IN THE PRC

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Fujian Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Admiralty Centre, Tower 1
18 Harcourt Road
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COMPANY'S WEBSITE

www.fjqinqin.com

LEGAL ADVISERS

Hong Kong

Reed Smith Richards Butler

PRC

Global Law Office

Cayman Islands

Maples and Calder

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

SHARE REGISTRAR

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

FINANCIAL HIGHLIGHTS

KEY FINANCIAL PERFORMANCE

Consolidated Income Statement

	For the year ended 31 December		
	2018 RMB'000	2017 RMB'000 Restated	**% of change**
Revenue	**761,819**	727,257	4.8%
Operating profit	**3,435**	5,361	-35.9%
Profit/(loss) attributable to shareholders	**32,760**	(6,536)	601.2%
Earnings/(loss) per share			
— Basic and diluted	**RMB0.058**	RMB(0.014)	

Consolidated Balance Sheet

	As at 31 December		
	2018 RMB'000	2017 RMB'000	**% of change**
Cash and cash equivalents	**566,085**	294,447	92.3%
Bank borrowing	**NIL**	NIL	N/A
Net current assets	**520,946**	308,403	68.9%
Net assets	**868,297**	671,383	29.3%

KEY FINANCIAL RATIOS

	31 December 2018	31 December 2017 Restated	**Change (% points)**
Gross profit margin	**30.5%**	25.2%	5.3
Return on equity	**3.8%**	-1.0%	4.8
Current ratio (times)	**3.9**	3.5	
Finished goods turnover days	**11 days**	18 days	
Trade receivables turnover days	**4 days**	5 days	

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "**Board**"), I am pleased to present the results of Qinqin Foodstuffs Group (Cayman) Company Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2018 ("**FY18**").

PERFORMANCE

During the year, the Group continued to focus on the manufacturing, distribution and sale of food and snack products in the People's Republic of China (the "**PRC**").

The Group's revenue increased by RMB34.5 million or 4.8% from RMB727.3 million for the year ended 31 December 2017 ("**FY17**") to RMB761.8 million in FY18 and the gross profit increased by RMB49.5 million or 27.1% from RMB183.0 million in FY17 to RMB232.5 million in FY18. The overall increase in revenue and gross profit was mainly attributable to the higher selling prices and gross profit of new products compared with those of previous products and the reduction in the intensity of product promotion activities and expenses during the year.

The Group recorded profit attributable to shareholders of the Company of RMB32.8 million and basic earnings per share of RMB0.058 in FY18, as compared to a loss attributable to shareholders of the Company of RMB6.5 million and basic loss per share of RMB0.014 in FY17. Such increase in the consolidated net profit was mainly attributable to the increase in revenue and gross profit which was partly offset by the increase in selling and administrative expenses and other expenses incurred to improve the core competitiveness of the Group, and the foreign exchange gain recorded by the Group in FY18 of RMB24.5 million (FY17: foreign exchange loss of RMB12.6 million) in relation to the Group's cash and cash equivalent in Hong Kong Dollars ("**HKD**") and United States Dollars ("**USD**") as Chinese Renminbi, in which the Group's financial results are presented, devalued against HKD and USD in FY18.

PROSPECTS AND VISION

The Group will continue its focus on the established food and snack products business. The Group will strive to expand its existing product portfolio and promote product innovation and upgrades to meet changing consumer preferences. The Group will also strengthen its distribution network in the PRC by enhancing existing cooperation relationships with distributors and expand online sales platform. The Group will upgrade its production facilities and equipment to improve production efficiency and capability and will continue to uphold stringent food safety and quality control standards.

In 2018, the Group established a new corporate vision namely "To become the most innovative food corporation in China through self-enhancement and to create a better life for all", a new business philosophy of "Better Food, Better Life" and a new corporate mission of "To be a people oriented company that creates happiness and moments of optimism". The Group will strive to create a new generation corporate culture with focus on "Integrity, Trustworthiness, Passion and Philanthropy".

APPRECIATION

I would like to take this opportunity to express my heartfelt gratitude to all our shareholders, customers and other business partners for their long-term attention and support to the Group over the years. I would also like to thank the senior management team and all staff of the Group for their dedication and hard work to the Group during the past year.

Hui Ching Lau
Chairman
Hong Kong, 15 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

Qinqin Foodstuffs Group (Cayman) Company Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") is a renowned food and snacks company with strong brand recognition in the People's Republic of China (the "**PRC**"). The Group is principally engaged in the manufacturing, distribution and sale of jelly products, crackers and chips, confectionery and other food and snacks products under the "Qinqin (親親)" brand and seasoning products under the "Shangerry (香格里)" brand. The Group is committed to providing consumers with healthy and safe products. The Group continues to optimise its product portfolio and improve its product competitiveness in order to satisfy new consumer preferences and increase market share, and to further consolidate the leading position of the Group in food and snacks industry.

INDUSTRY ENVIRONMENT

While the food and snacks industry of the PRC faced challenges from economic environment in 2018, the Group believes that the food and snacks industry of the PRC is still an industry with great appeal and development potential. With the increase in consumers' health awareness and income level, new market opportunities are developing. The Group believes that the industry is also under continuing structural adjustment. As consumers pursue healthier and personalised products and favour high quality and innovative products, product development in this industry is becoming more diversified. Under such changes, enterprises have to focus on product innovation and product quality improvement and introduce new products to adapt to changes in consumers' demand and preferences. In addition, sales and distribution channels are also undergoing structural adjustments, resulting in the need for improvement in corporate sales and marketing strategies.

BUSINESS OVERVIEW

The Group's total revenue for 2018 was approximately RMB761.8 million (2017: RMB727.3 million), representing an increase of 4.8% as compared with last year. The gross profit was approximately RMB232.5 million (2017: RMB183.0 million), representing an increase of 27.1% as compared with last year; gross profit margin was 30.5% (2017: 25.2%), representing an increase of approximately 5.3 percentage points as compared with last year. The profit attributable to the Company's shareholders was approximately RMB32.8 million (2017: loss attributable to the Company's shareholders of RMB6.5 million).

With consumers' changing preferences and needs, in order to maintain the appeal of the major products of the Group to mainstream consumers, the Group launched a series of new products in 2018, which had significant refinement and improvement in packaging and flavors, with new packing incorporating younger and more stylish elements.

The increase in revenue and gross profit was mainly due to higher selling prices and gross profit of the new products than those of previous products, and the fact that the Group reduced the intensity of product promotional activities and expenses during the year. The increase in gross profit margin was also mainly attributable to the adjustments on product mix with the increase in the proportion of new products, as well as the reduction in product promotional activities and expenses during the year. The increase in the consolidated net profit was mainly attributable to the increase in revenue and gross profit which was partly offset by the increase in selling and administrative expenses and other expenses incurred to improve the core competitiveness of the Group, and the foreign exchange gain recorded by the Group in 2018 of RMB24.5 million (2017: foreign exchange loss of RMB12.6 million) in relation to the Group's cash and cash equivalent in Hong Kong Dollars ("**HKD**") and United States Dollars ("**USD**") as Chinese Renminbi, in which the Group's financial results are presented, devalued against HKD and USD in 2018.

Jelly products

Sales of jelly products for 2018 were approximately RMB435.2 million (2017: RMB407.9 million), representing an increase of 6.7% as compared with last year and accounting for 57.1% (2017: 56.1%) of total revenue of the Group. The Group continued to conduct product upgrade for its major jelly products. In 2018, the Group readjusted the branding strategies and repositioned the product line on jelly products, changed its sale strategies and reduced the intensity of product promotional activities, through which the average selling price, gross profit and gross profit margin of jelly products increased. In 2018, the gross profit of jelly products business increased by approximately 22.7%, and the gross profit margin increased from approximately 24.2% in 2017 to approximately 27.8% in 2018. On top of the traditional-flavor jelly products, the Group added a pudding jelly product line and a functional jelly product line. The Group also developed and launched two fruit-and-vegetable flavor products, namely「奇蔬妙果」and「果然珍蔬」, a fruit-tea flavor product「茶清果輕」and a soda-flavor product「下課爽」; and developed「小Q仔」, a pudding jelly product line for the children market;「輕美力」, a body management jelly product for the female market; and「禾備」pueraria lobata (葛根) jelly products for the catering market. In addition, in view of the growing sports population, the Group was the first to work with the Institute of Sports Medicine of the General Administration of Sport of China to develop sports functional jelly products, and it has currently developed two product series, namely「蘊能+」and「蘊能PLUS」. Moreover, the Group also completed the refinement on packaging for its old products, so as to extend the life-cycle and increase the competitiveness of the Group's old jelly products in the traditional market and to facilitate the future adjustment and improvement in its product structure.

Crackers and Chips

Sales of crackers and chips for 2018 were approximately RMB210.3 million (2017: RMB208.3 million), representing an increase of 0.9% as compared with last year and accounting for 27.6% (2017: 28.6%) of total revenue of the Group. In 2018, the Group continued to conduct product upgrade for its major crackers and chips products, fully enhanced its prawn cracker products and packaging, launched new flavors to satisfy different demands of consumers, developed and applied new technologies on the production of prawn cracker products, as well as conceived brand-new designs for the product packaging. The Group also launched trendy and innovative crackers and chips products including classic prawn crackers, crayfish flavor series and「倒着吃」prawn meatball series, and these upgraded prawn cracker products completely replaced the old products. Besides launching new products, the Group also changed its sales strategies and reduced the intensity of product promotional activities, and thereby the average selling price, gross profit and gross profit margin of crackers and chips products increased. In 2018, the gross profit of crackers and chips business increased by approximately 20.2%, and the gross profit margin increased from approximately 30.3% in 2017 to approximately 36.1% in 2018, and the Group believes that the continuous introduction and distribution of new products in the market will enable the continuous growth of its crackers and chips business.

Seasoning Products

Sales of seasoning products for 2018 were approximately RMB87.3 million (2017: RMB76.8 million), representing an increase of approximately 13.7% as compared with last year and accounting for 11.5% (2017: 10.6%) of total revenue of the Group. Since late 2017, the Group has established an independent seasoning division, developed specific sales strategies for seasoning products, fully upgraded product packaging, optimised product mix and increased the proportion of products with higher gross profit. As a result, the sales revenue, gross profit and gross profit margin of seasoning products increased.

During the year, the Group continued to step up promotion of its seasoning products in two channels — namely the catering market and the agricultural trade and wholesale market, and also continued to launch products which met the demands of the catering market. Meanwhile, the seasoning division started exploring opportunities to provide customised products and services to catering chain customers and catering supply chain customers, with the aim of seeking market opportunities and new growth drivers in the process of industrialisation of the catering industry.

Confectionery and Other Products

Sales of confectionery and other products for 2018 were approximately RMB29.0 million (2017: RMB34.2 million), representing a decrease of 15.3% as compared with last year and accounting for 3.8% (2017: 4.7%) of total revenue of the Group. Sales of confectionery and other products contributed relatively small proportion to the overall sales of the Group.

Development of Sesame Candy and Rice Wine Business

The Group entered into the Strategic Cooperation Agreement with Xiaogan City People's Government in the PRC in November 2018 to jointly promote the revitalisation and development of the traditional manufacturing industries of sesame candy (麻糖) and rice wine (米酒) (being local specialities of the Xiaogan City). The Group successfully won the bid for a parcel of land of 98,000 square meter located at Xiaonan District of Xiaogan City, on which it planned to construct sesame candy and rice wine research and development and production facilities, aiming to expand the Group's product lines, facilitating the Group's diversified development in its food and snack products business, and further advancing the Group's long-term development and growth.

FUTURE PROSPECTS AND STRATEGIES

Looking forward to 2019, the Group will continue to pursue its corporate development strategy of capturing the opportunities of consumer upgrades through continuous product innovations. The Group remains customer-centric and will continue to enhance its product portfolio and promote product innovation and upgrades. The products of the Group will be developed towards more natural, healthy, secure and high-end to meet different consumer demands and enhance their competitiveness.

The Group is also committed to upgrading its enterprise transformation and innovation management system. During the year, the Group engaged IBM (China) Company Limited to cooperate in undertaking a management consultancy project. Through evaluation of the enterprise management system, the project aims to redesign and adjust the core management elements (including the enterprise management structure), to establish an operational management system with a focus on sales-products-supply chain, and to comprehensively enhance the operational efficiency and core competitiveness of the Group.

Research and Development and Promotion

The Group is committed to developing secure and convenient ready-to-eat new products, as well as establishing a high-quality brand image among consumers. Looking back to 2018, the Group introduced numerous high-end technical talents, restructured the product management center, created an innovative product research and development mechanism and engaged in strategic cooperation with the Institute of Sports Medicine of the General Administration of Sport of China. The new products already launched or to be launched by the Group include but not limited to: functional jelly product series, pudding product series, new fruit cup shape products and more crackers and chips featuring seafood.

The Group also placed emphasis on the development of innovative social media marketing, with an effort to approach and attract young consumers through content marketing, and to make full use of social media including WeChat, Weibo and Douyin for effective interaction with consumers. During the year, the Group engaged Tan Songyun, a popular actress, as its brand ambassador. Tan Songyun had outstanding performance in TV shows including "Empresses in the Palace" (甄嬛傳) and "With You" (最好的我們), and her youthful and energetic image is a perfect match for the Qinqin brand. The Group and Tan Songyun produced three brand TV commercials, taking advantage of the World Cup topic, which were widely broadcasted through Weibo, WeChat and major video websites to focus on young consumers and convey the brand's youthful vitality.

Product Upgrade

The Group believes that health-consciousness and food safety are still the major themes during the upgrade and transformation process of the PRC food industry. Any product upgrade must follow the trend of low sugar, low salt, and with no preservatives.

For jelly products, the Group has set the product development objective in the direction of functional and nutritional products with zero preservatives, zero artificial pigments, zero sweeteners and low calories. The Group developed different products to adapt to the needs of different people, its product line expanded from jelly products with only single fruit flavor to pudding and functional jelly products, offering a variety of options for consumers. While strengthening research and development and being committed to improving the contents of its products, the Group continued to work with different kinds of domestic and overseas enterprises to produce innovative jelly products.

For crackers and chips, the Group targets to become a leading seafood crackers and chips brand in the PRC. Through a series of upgrades in terms of packaging, product and flavor to improve its brand influence and market share, the Group upgraded its product quality by improving tastes and expanding flavors to cater to the preferences of young consumers and regional features, and on refining its classic prawn crackers product line, the Group launched new product lines such as high prawn-content canned prawn crackers and low-salt calcium children's prawn crackers, and expanded the crayfish flavor prawn crackers as well. The Group also worked with professional fast-moving consumer goods design firms to upgrade the packaging of its products and make its product image younger and more stylish.

For seasoning products, the Group has set a clear objective of becoming a "small- and medium-sized restaurant solution provider". It increased the proportion of products with mid-to-high gross profit in the product structure, and strived to strengthen its brand influence and market share through a series of upgrading such as package upgrading and continued to enhance the investment in and establishment of food and beverage channels. While consolidating its business with small restaurants, it also actively expanded its market share among chain restaurant brands.

Channel Expansion

Along with product upgrades, the Group will strive to maintain its existing market share and distributors network. The Group will further expand and upgrade its distribution network through sales to snack food branded stores, convenience stores, campus snack stores and other channels. The Group will also increase promotion of its e-commerce and export sales channels to increase sales. The Group will actively work with new retailers including Alibaba and JD and gradually increase the percentage of new retail channel in the Company's channels.

With the online purchase penetration rate further increased, the Group also continued to strengthen its expansion of internet marketing. In 2018, the Group's e-commerce division continued to develop products catering to the characteristics of the e-commerce channel to differentiate from its offline products and increase unit price per customer. The Group will continue to focus on developing its business in e-commerce platforms on Tmall and JD in the year.

Production Facilities Improvement

The Group aimed to reduce the impact of increasing labor costs by increasing the level of our production facilities automation. In 2018, the Group continued to conduct "equipment transformation, production process enhancement, quality improvement" for its production facilities. The Group also upgraded the existing production lines, and established "high-speed, high-yield, low-loss rates and high automation" benchmarking production line in each production base, and during the year, it cooperated with various foreign equipment enterprises for bringing in jelly and crackers and chips products production line with world advanced standards. The Group believes that a highly automated production process with technologically-more-advanced equipment will allow the Group to reduce its reliance on labor, improve production efficiency and accelerate the time-to-market for our products. In addition, the Group continued to adopt measures to save energy and lower consumption and products defective rate.

The Group strives to provide consumers with healthy and safe products, and it has always strictly complied with the stringent international production standards. Hence, the Group has been awarded the HALAL, QS, KOSHER and ISO9001 certifications in respect of its production facilities, quality control and management system.

Although the market is full of challenges, the Group will continue to adhere to its diversified product strategies. The Group will focus on the enhancement of product quality, optimisation of product portfolio and strengthen the market position of its key products. The Group will also further develop its distribution channels, strengthen its traditional distribution network and develop other new market access such as e-commerce and restaurants channel in order to increase market penetration. The Group will also improve its production facilities, production process and product quality and enhance production capacity and efficiency. The Group will refine its internal management team and process and recruit senior personnel in the industry to raise its standard in corporate management and technology improvement, provide consumers with safe and assured products, and capture opportunities brought by consumer upgrade in the PRC, thereby creating greater value for its shareholders.

LIQUIDITY AND CAPITAL RESOURCES

The Group maintained a solid financial position and was in a net cash position as at 31 December 2018. As at 31 December 2018, the Group had cash and bank balances of RMB566.1 million (2017: RMB294.4 million). Cash and bank balances were mainly denominated in Hong Kong dollars ("**HKD**"), United States dollars ("**USD**") and Chinese Renminbi ("**RMB**"). The Group's working capital or net current assets were RMB520.9 million (2017: RMB308.4 million). The current ratio, represented by current assets divided by current liabilities, was 3.9 (2017: 3.5).

As at 31 December 2018, the Group's total equity was RMB868.3 million (2017: RMB671.4 million), representing an increase of 29.3%.

The Group did not have any borrowings as at 31 December 2018 (2017: Nil).

COMMITMENTS AND CONTINGENCIES

As at 31 December 2018, the Group had total capital commitments (contracted but not provided for) of RMB5.3 million (2017: RMB4.6 million).

As at 31 December 2018, the Group had future aggregate minimum lease payments under non-cancellable operating leases of RMB3.8 million (2017: RMB2.5 million). As at 31 December 2018, the lessors of our leased properties in Taian city, Shandong province were still in the process of obtaining the relevant title documents to the properties.

The Group had no material contingent liabilities as at 31 December 2018 and 31 December 2017.

SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save for those disclosed in this report, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the year.

CHARGE ON ASSETS

There was no charge on the Group's assets during the year.

HUMAN RESOURCES AND MANAGEMENT

As at 31 December 2018, the Group had approximately 2,500 (2017: 2,700) employees. For the year ended 31 December 2018, total employee benefit expenses, including directors' emoluments, was approximately RMB170.6 million (2017: RMB135.1 million). The increase in total employee benefit expenses was mainly attributable to overall pay raise for our employees, the increase in related costs on social welfare and adjustments on performance related bonus for our employee system during the year.

The Group aims to create a strong sense of community and a motivating environment for its employees to excel. The Group recruit employees based on a number of factors, including their educational background, work experience and vacancies within the Group. The Group determines employees' compensation based on their qualifications, work experience, position and performance. In addition to salaries, the Group provides a comprehensive range of staff benefits to its employees, including performance or contribution-based bonuses and allowances for meals and free dormitories. Besides, share options may be granted to eligible employees of the Group in accordance with the terms of the share option scheme adopted by the Company.

The Group also committed to continuing education and development of its employees, and the Group provides various education and training programs both internally and externally to cultivate its employees in improving their skills and developing their potential.

FOREIGN EXCHANGE RISK

The Group operates its businesses primarily in the PRC and its functional currency is RMB. Foreign exchange risk arises mainly from future commercial transactions of sales and purchases with overseas customers and suppliers by the Group and recognised assets or liabilities, such as cash and cash equivalent, and trade and other receivables and payables of its subsidiaries, which are denominated in HKD, USD and other currencies.

During the year, RMB devalued against HKD and USD. The Group recorded foreign exchange gain in relation to its cash and cash equivalent in HKD and USD totaling RMB24.5 million (2017: net foreign exchange loss totaling RMB12.6 million). Save as disclosed above, the Group is exposed to minimal foreign exchange risk exposure as the Group focused on its sales and purchase within the PRC market.

FINAL DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2018 (2017: Nil).

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Non-Executive Directors

Mr. Hui Lin Chit, aged 65, is a non-executive director of the Company. He was Chairman of the Company until 12 April 2017. He is responsible for providing leadership, guidance and strategic advice to the Group. He has accumulated over 10 years of experience in the food and snacks business since he became a director of some of the subsidiaries of the Group in November 2008. Mr. Hui is also an executive director, deputy chairman, chief executive officer and authorised representative of Hengan International Group Company Limited (a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), stock code: 1044) ("**Hengan**" and, together with its subsidiaries, "**Hengan Group**"), as well as founding shareholder of Hengan Group and a director of a number of its subsidiaries. Mr. Hui was appointed as executive director of Wang Zeng Berhad on 15 June 2017, a company listed on the Main Market of Bursa Malaysia Securities Berhad with a stock code of 7203. He was redesignated as non-independent non-executive chairman of Wang Zeng Berhad on 25 September 2017.

Mr. Hui is a deputy chairman of the All-China General Chamber of Industry and Commerce. He is also the chairman of Fujian Province Industry and Trade Association, United Nations Maritime-Continental Silk Road Cities Alliance, and the Jinjiang City Charity Federation.

During the period from 1998 to 2012, Mr. Hui was a member of the Ninth, Tenth and Eleventh National Committee of the Chinese People's Political Consultative Conference ("**CPPCC**"). During the period from 1997 to 2011, he was also a member of the Executive Committee (at the Eighth CPPCC) and Standing Committee (at the Ninth CPPCC), and deputy chairman (at the Tenth CPPCC) of the All-China Federation of Industry and Commerce. Mr. Hui was also the deputy chairman of the Ninth, Tenth and Eleventh Political Consultative Conference in Quanzhou City and the chairman of the Tenth, Eleventh, Twelfth and Thirteenth Quanzhou Federation of Industry and Commerce. Mr. Hui was accredited with the title of Senior Economist in the People's Republic of China by the Department of Human Resources of Fujian Province in May 1996.

Mr. Hui is the father of Mr. Hui Ching Lau, the Chairman and an executive director of the Company.

Mr. Sze Man Bok, aged 69, is a non-executive director of the Company and a director of certain subsidiaries of the Group. He is responsible for providing leadership, guidance and strategic advice to the Group. He has accumulated over 10 years of experience in the food and snacks business since he became a director of some of the subsidiaries of the Group in November 2008. Mr. Sze is an executive director, chairman and founding shareholder of Hengan Group. Mr. Sze was appointed as executive director of Wang Zeng Berhad on 15 June 2017, a company listed on the Main Market of Bursa Malaysia Securities Berhad with a stock code of 7203. He was redesignated as non-independent non-executive director of Wang Zeng Berhad on 25 September 2017.

Mr. Wu Huolu, aged 55, is a non-executive director of the Company. He is responsible for providing leadership and guidance in relation to the general development of the Group. He is one of the founding members of the Group and has accumulated over 28 years of experience in food and snacks production, operation and management. He has also acted as a director of Luyan (Fujian) Pharma Co., Ltd, a company which engages in distribution of medicine and listed on the Shenzhen Stock Exchange (Stock code: 2788) since January 2011. Mr. Wu Huolu is also a director of Fujian Shuncheng Flour Industry Development Co., Ltd. ("**Shuncheng Flour**"). Please refer to the section headed "Continuing Connected Transactions" in the Report of the Directors for further details of the transactions between our Group and Shuncheng Flour.

Mr. Wu is the brother-in-law of Mr. Wu Yinhang's brother. Mr. Wu Yinhang is a non-executive director of the Company. Mr. Wu Huolu is a director of Easy Success International Investment Limited, a substantial shareholder within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Wu Sichuan, aged 54, is a non-executive director of the Company. He is responsible for providing leadership and guidance in relation to the general development of the Group. He is one of the founding members of the Group and has accumulated over 28 years of experience in food and snacks production, operation and management.

Mr. Wu Yinhang, aged 51, is a non-executive director of the Company. He is responsible for providing leadership and guidance in relation to the general development of the Group. He is one of the founding members of the Group and has accumulated over 28 years of experience in food and snacks production, operation and management. He is also an executive director of Shuncheng Flour. Please refer to the section headed "Continuing Connected Transactions" in the Report of the Directors for further details of the transactions between our Group and Shuncheng Flour.

Mr. Wu is the brother of Mr. Wu Huolu's brother-in-law. Mr. Wu Huolu is a non-executive director of the Company.

Executive Directors

Mr. Hui Ching Lau, aged 39, was a non-executive director of the Company since 22 March 2016 until his re-designation as an executive director on 16 May 2017. He is the Chairman of the board of directors of the Company and the chairman and member of nomination committee of the Company since 12 April 2017. He is also a director of most of the subsidiaries of the Group. He is responsible for providing leadership, guidance and strategic advice on corporate development and investment of the Group. He has accumulated over 14 years of experience in the food and snacks business since he became a director of some of the subsidiaries of the Group in April 2003. He is also the managing director of Lianjie Investments Group Limited. He has about 18 years of experience in investment management and is responsible for the daily operation and management of Lianjie Investments Group Limited. Mr. Hui is also a director of AGORA Hospitality Group Co., Ltd. (a company whose shares are listed on the Tokyo Stock Exchange, stock code: 9704) since 29 March 2018.

Mr. Hui was a former non-executive director of China Huiyuan Juice Group Limited (a company whose shares are listed on the Main Board of the Stock Exchange, stock code: 1886). Mr. Hui was appointed as the non-executive director on 29 January 2018 and resigned with effect from 10 January 2019.

Mr. Hui graduated with a Degree of Bachelor of Arts in Accounting & Finance and Economics from the University of Kent at Canterbury in July 2001, and a Degree of Master of Science in Finance from the University of London (Imperial College of Science, Technology and Medicine) in the UK in November 2002. He also received a Degree of Executive Master of Business Administration from Cheung Kong Graduate School of Business in September 2010.

Mr. Hui is the son of Mr. Hui Lin Chit, the ex-Chairman of the board of directors and a non-executive director of the Company. He is a director of Sure Wonder Limited, a substantial shareholder within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Zhu Hong Bo, aged 56, has been an executive director of the Company since 16 May 2017 and the Chief Executive Officer of the Group since 1 January 2017. He is also a director of most of the subsidiaries of the Group. Mr. Zhu worked in the Strategic Development Department of Hengan since October 2010. He was the director of the Strategic Development Department of Hengan and was responsible for overseeing the corporate development and investment functions of Hengan Group, which included the Group before the Group ceased to be subsidiaries of Hengan by virtue of the listing of the Shares on the Main Board of the Stock Exchange on 8 July 2016. He resigned from his position with Hengan with effect from 31 December 2016. Prior to 2010, he worked as senior management in listed companies and has extensive experience in marketing promotion and corporate management. Mr. Zhu graduated from Tianjin Normal University in 1984.

Mr. Wong Wai Leung, aged 41, is an executive director, the chief financial officer and company secretary of the Company. He is also a director of most of the subsidiaries of the Group. He is responsible for the corporate development, investment, accounting and financial, and corporate governance matters of the Group. Mr. Wong worked at Ernst & Young in audit assurance from September 2000 to July 2009. He is an independent non-executive director of MediNet Group Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (Stock code: 8161), since 19 May 2016 and an independent non-executive director of Vertical International Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (Stock code: 8375), since 24 October 2017. He is also a director in a private group ultimately owned by Mr. Hui Ching Lau, which manages investments and trusts for Mr. Hui Ching Lau's family.

Mr. Wong received a Degree of Bachelor of Business Administration in Accounting from the Hong Kong University of Science and Technology in November 2000. He has also been a member of the Hong Kong Institute of Certified Public Accountants since July 2004, and a fellow of the Association of Chartered Certified Accountants since September 2010.

Independent Non-executive Directors

Mr. Cai Meng, aged 51, was appointed as an independent non-executive director of the Company on 17 June 2016. He is a member of audit, remuneration and nomination committees of the Company. Mr. Cai has more than 15 years of experience in business management consulting services, and has been the chairman of Beijing Hejun Hengcheng Business Management Consultant Corp., Ltd. (previously known as Hejun Consulting Company Limited) since January 2015. The company was listed on the New Third Board of the China Stock Markets (Stock number: 839279) since September 2016. Mr. Cai was a research assistant (lecturer) at Beijing University of Aeronautics and Astronautics (now known as Beihang University) from July 1990 to September 1994. He acted as a deputy general manager of various departments of China Asset Management Co., Limited during the period from May 1998 to June 2002. Mr. Cai was a partner of Beijing Hezhong Huifu Consulting Co. Ltd., a securities investment consulting firm, from November 2002 to March 2008. From March 2008 to March 2014, he was the general manager and project manager of H&J Consulting Co., Ltd (now known as Beijing Hejun Digital Learning Company Limited, a company providing management training services), and was chairman of the supervisory board of the same from August 2014 to December 2015.

Mr. Cai obtained a Degree of Bachelor of Laws in July 1990 from Beijing University of Aeronautics and Astronautics, and then a Certificate of Graduation for a post-graduate degree in education from the same university in July 1997. He was then awarded the Certified Management Consultant certification by the International Council of Management Consulting Institutes in June 2006.

Mr. Chan Yiu Fai Youdey, aged 49, was appointed as an independent non-executive director of the Company on 17 June 2016. He is a member of audit, remuneration and nomination committees of the Company. Mr. Chan has 25 years of experience in the legal industry. Mr. Chan has been a partner of David Y.Y. Fung & Co., solicitors since December 2004. He is also an independent non-executive director of Nan Nan Resources Enterprises Limited, a company listed on the main board of the Stock Exchange (Stock code: 1229) since March 2008.

Mr. Chan graduated from the University of Hong Kong with a Degree of Bachelor of Laws in June 1992 and a Postgraduate Certificate in Laws in June 1994. Mr. Chan received a Degree of Master of Laws from the City University of Hong Kong in November 1997 and a Degree of Master of Laws from the People's University of China in June 2001. Mr. Chan was admitted as a solicitor in Hong Kong in February 1997, and in England and Wales in July 1997. He was accredited as a general mediator by the Hong Kong International Arbitration Centre in February 2013.

Mr. Ng Swee Leng, aged 54, was appointed as an independent non-executive director of the Company on 17 June 2016. He is the chairman of audit committee and a member of remuneration and nomination committees of the Company. Mr. Ng has 29 years of financial and managerial experience. Mr. Ng was the Associate Finance Director of Procter & Gamble International Operations Pte. Limited in Singapore from August 2007 to August 2008. He then joined Kraft Foods China and acted as its Chief Financial Officer from November 2008 to June 2013 before he acted as the Chief Financial Officer of GroupM China from June 2013 until February 2016. He was responsible for, amongst others, overseeing the finance functions and corporate governance matters of the aforesaid companies before his appointment as an independent non-executive director of the Company.

Mr. Ng completed the examination of The Chartered Institute of Management Accountants ("**CIMA**") in the UK in November 1989. He has been a fellow of CIMA since September 2000. Mr. Ng was certified as a Chartered Accountant by and became a member of the Malaysian Institute of Accountants in June 2001, and has been a member of the Chartered Global Management Accountants in the UK and USA since May 2011.

Mr. Paul Marin Theil, aged 65, was appointed as an independent non-executive director of the Company on 17 June 2016. He is the chairman of remuneration committee and a member of audit and nomination committees of the Company. Mr. Theil has extensive experience in the finance and investment industry. Mr. Theil is the founder of Shenzhen Zhong An Credit Investment Co., Ltd and was appointed as its chairman in January 2008. Mr. Theil has been an independent director of China Industrial Bank Co. Ltd., a company listed on the Shanghai Stock Exchange (Stock code: 601166) since October 2013. Mr. Theil was also formerly a director of Hengan during the period from July 2000 to September 2001.

Mr. Theil graduated from Yale University with a Degree of Bachelor of Arts in June 1975 and a Degree of Master of Arts in East Asian Studies in June 1975. He also graduated with a Degree of Juris Doctor and a Degree of Master of Business Administration from Harvard Law School and Harvard Business School in November 1981 and June 1980 respectively.

SENIOR MANAGEMENT

Mr. Wu Wen Xu, aged 47, is the director of the Group's supply chain center. He is responsible for the management of the Group's supply chain planning, procurement, production, equipment and warehousing. He joined the Group in June 1993 and he has rich experience in production and manufacturing, technological innovation and quality control.

Mr. Chen Xin Yi, aged 41, is the deputy director of the Group's supply chain center and is responsible for procurement and supply chain management. He joined the Group in July 2013. Prior to that, he worked as director of operation in Yashili International Group Limited from October 2007 to December 2008, and Xiamen Huierkang Food Co., Ltd from January 2009 to July 2013. He has over 18 years of experience in production operation and supply chain management.

Mr. Chen graduated from Jimei University with a Degree of Bachelor of Foreign Economics and Financial Accounting in July 2000, and later obtained a Degree of Bachelor of Logistics Management (online education) from Tongji University in December 2008. He further obtained a Degree of MBA from Wuhan University of Technology in June 2013. Mr. Chen was certified as second level Enterprise Training Specialist (Technician) by the Ministry of Human Resources and Social Security of the People's Republic of China in October 2007, and then as a first level Logistics Specialist (Senior Technician) in November 2013.

Mr. Xin Ya Dong, aged 46, is the general manager of the quality management department of the Group. He is responsible for the quality management of the production process and operation activities of the Group. Mr. Xin joined the Group in December 2006. During his term of office, Mr. Xin has worked on precision management, safety management and improving customers' satisfaction of the Group.

Mr. Xin graduated from Hubei Institute of Engineering (now known as Hubei University of Technology) with a Diploma in Industrial Design in January 2007.

Mr. Wang Yong, aged 43, is the director of the Group's product management department. He is responsible for product planning, development and brand promotion of the Group. He joined the Group in May 2017. Prior to that, he worked at the Strategic Development Department of Hengan Group from March 2001 to February 2017. He has over 18 years of experience in corporate strategic management, investment management and administration. Mr. Wang graduated from Huaqiao University, majoring in Chinese Language and Literature, with a Degree of Bachelor of Arts in 2000.

Mr. Huang Huangshan, aged 34, is an assistant to the director of the marketing department of the Group and a deputy general manager of the human resource department of the Group. He is responsible for human resource management and marketing of the Group. He joined the Group in June 2017. Prior to that, he worked at Hengan Group as human resource manager. He has over 10 years of experience in human resource management. He graduated from Fujian Normal University, majoring in public service management and minoring in law, with a Degree of Bachelor of Management and a Degree of Bachelor of Law.

Mr. Zhang Xilin, aged 51, is the general manager of the Group's seasoning products division. He is responsible for the management of production and operation, marketing and administration of the seasoning products division. He joined the Group in March 2009 and has extensive experience in market planning and sales management.

Mr. Zheng Junlong, aged 42, is the general manager of the Group's risk management department and general management department. He is responsible for the legal affairs, administrative, public relations, internal audit and risk management of the Group. He joined the Group in June 2017. Prior to that, he worked at the legal compliance department of Hengan Group as a senior legal officer from March 1999 to March 2007, at SKSHU Paint Co., Ltd. as the legal affairs manager from March 2007 to December 2007, at Lianjie Investments Group Limited as a vice president from December 2007 to May 2017, where he was responsible for legal affairs and assisting in handling investment affairs. He has over 19 years of experience in corporate legal affairs, investment management and administration. Mr. Zheng obtained a Diploma in Law (online education) from Beijing Normal University in 2009, and obtained the Enterprise Legal Consultant Qualification Certificate of the People's Republic of China jointly issued by the Ministry of Human Resources of the People's Republic of China, the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Justice of the People's Republic of China in December 2003.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CODE

Qinqin Foodstuffs Group (Cayman) Company Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") recognise the importance of achieving the highest standard of corporate governance consistent with the needs and requirements of its businesses and the best interest of all of its stakeholders, and the board of directors (the "**Board**") is fully committed to doing so. The Board believes that high standards of corporate governance provide a framework and solid foundation for the Group to manage business risks, enhance transparency, achieve high standard of accountability and protect stakeholders' interests.

The Group has adopted a corporate governance statement of policy which provides guidance on the application of the corporate governance principles on the Group, with reference to the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

In the opinion of the directors of the Company (the "**Director(s)**"), the Company has complied with all code provisions as set out in the CG Code throughout the year ended 31 December 2018 and, where appropriate, the applicable recommended best practices of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. All Directors have confirmed, upon specific enquiries made by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2018. To ensure Directors' dealings in the securities of the Company (the "**Securities**") are conducted in accordance with the Model Code and securities code of the Company, a Director is required to notify the chairman of the Board (the "**Chairman**") in writing and obtain a written acknowledgement from the Chairman prior to any dealings in the Securities.

BOARD OF DIRECTORS

The Board is responsible for the overall management of the Group, which includes leadership and control of the Company and oversees the Group's businesses, strategic decisions, internal control, risk management and performances. The management team is delegated with the authority and responsibility by the Board for the day-to-day management of the Group. The delegated functions and work tasks are periodically reviewed. Major corporate matters that are specifically delegated by the Board to the management include (1) the preparation of interim and annual reports and announcements for the Board's approval before publishing; (2) implementation of adequate internal controls and risk management procedures; and (3) compliance with relevant statutory and regulatory requirements and rules and regulations. It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

The Board has maintained the necessary balance of skills and experience appropriate for the business requirements and objectives of the Group and for the exercise of independent judgement. Directors with various professional qualifications, experience and related financial management expertise have contributed to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the shareholders. Hence, the Board believes that the current Board composition satisfy the balance of expertise, skills and experience to the corporate governance requirements of the Group as well as the ongoing development and management of its business activities.

The Board comprises twelve directors, of which three are executive Directors, namely Mr. Hui Ching Lau (Chairman), Mr. Zhu Hong Bo (Chief Executive Officer) and Mr. Wong Wai Leung (Chief Financial Officer and Company Secretary); five are non-executive Directors, namely Mr. Hui Lin Chit, Mr. Sze Man Bok, Mr. Wu Huolu, Mr. Wu Sichuan and Mr. Wu Yinhang; and four are independent non-executive Directors, namely Mr. Cai Meng, Mr. Chan Yiu Fai Youdey, Mr. Ng Swee Leng and Mr. Paul Marin Theil. The biographies of the Directors are set out in "Profile of Directors and Senior Management" on pages 12 to 17 of this annual report.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Company, and to review and approve the Company's interim and annual results. During the year, five Board meetings were held and the attendance of each Director at the Board meetings is set out in the section headed "Board and Committees Meetings" of this report.

Regular Board meetings for each year are scheduled in advance to facilitate maximum attendance of Directors. All Directors are given an opportunity to include matters for discussion in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings to comply with all applicable rules and regulations. The agenda and the accompanying Board papers are normally sent to Directors at least three days before the intended date of a Board meeting. Draft minutes of each Board meeting are circulated to Directors for their comment before being tabled at the next Board meeting for approval. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

Pursuant to the articles of association of the Company, all Directors appointed to fill a causal vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at the meeting. At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years.

Save for the family relationships disclosed in the Profile of Directors and Senior Management set out on pages 12 to 17 of this annual report, the Directors do not have material financial, business or other relationships with one another.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman is Mr. Hui Ching Lau and the chief executive officer (the "**CEO**") is Mr. Zhu Hong Bo. The roles of the Chairman and the CEO of the Group are clearly defined and segregated to ensure independence and proper checks and balances. The Chairman focuses on the business strategy and direction of the Company and has executive responsibilities, provides leadership for the Board and ensures proper and effective functioning of the Board in discharging of its responsibilities. The CEO is accountable to the Board for the overall implementation of the Company's strategies and the coordination of overall business operations.

EXECUTIVE AND NON-EXECUTIVE DIRECTORS

All Directors, including Non-Executive Directors, who are appointed to fill a casual vacancy or as an addition to the existing Board, shall hold office only until the next following general meeting after his or her appointment and shall then be eligible for re-election.

Moreover, all Directors (including Independent Non-Executive Directors) of the Company are appointed for a term of three years expiring on the earlier of either (i) the conclusion of the annual general meeting of the Company in the year of the third anniversary of the appointment or re-election of that Director, or (ii) the expiration of the period within which the annual general meeting of the Company is required to be held in the year of the third anniversary of the appointment or re-election of that Director and in any event, subject to earlier determination in accordance with the articles of association of the Company and/or any applicable laws and regulations. All Directors, being eligible, offer for re-election at the annual general meeting.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has complied with the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. The Company has received confirmation of independence from all four Independent Non-Executive Directors in accordance with Rule 3.13 of the Listing Rules.

The Board, through the Nomination Committee, has reviewed the independence of all Independent Non-Executive Directors and concluded that all of them are independent within the definition of the Listing Rules. Furthermore, the Board is not aware of the occurrence of any events which would cause it to believe that the independence of any of the Independent Non-Executive Directors has been impaired up to the date of this report.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Upon appointing a new Director, each new Director receives an induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors, on an ongoing basis, will receive amendments to or updates on the relevant laws, rules and regulations. In addition, the Company encourages the Directors to enrol in a wide range of professional development courses and seminars relating to the Listing Rules, Hong Kong Companies Ordinance and corporate governance practices so that they can continuously acquire relevant knowledge and skills. All Directors had provided to the Company records of training received during the year, including attended seminars, briefing or workshop and reading materials in respect of regulatory updates about the directors' duties, the Group's business and relevant industry, etc.

BOARD DIVERSITY POLICY

The Board adopted a board diversity policy (the "**Policy**") which sets out the approach to achieve diversity on the Board.

The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in supporting the attainment of the Company's strategic objectives and sustainable development.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to talents, skills, experience, independence and knowledge. The Company will also take into consideration its own business model and specific needs from time to time. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

As at the date of this report, the Board comprises twelve Directors, amongst them, four are Independent Non-Executive Directors, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of age, professional experience, skills and knowledge.

Having reviewed the Policy and the Board's composition, the Nomination Committee considered that the requirements of the Policy had been met and no measurable objective had been set to implement the Policy.

AUDIT COMMITTEE

An Audit Committee has been established by the Board with specific written terms of reference and all members of the Audit Committee are Independent Non-Executive Directors. Pursuant to the Audit Committee's terms of reference, the Audit Committee is authorised to commit Company funds in order to obtain advice from outside legal counsel, accountants, investigatory services or other expert advice. Details of the authority and responsibilities of the Audit Committee are set out in the terms of reference which are available on the websites of the Company and the Stock Exchange.

The Audit Committee comprises four Independent Non-Executive Directors, namely Mr. Ng Swee Leng, Mr. Cai Meng, Mr. Chan Yiu Fai Youdey and Mr. Paul Marin Theil. Mr. Ng Swee Leng is the chairman of the Audit Committee.

During the year ended 31 December 2018, the Audit Committee held two meetings to review the interim and the annual results before their submission to the Board and monitored the integrity of such financial statements; and review the internal control and risk management systems with auditor. The attendance of each member of the Audit Committee is set out in the section headed "Board and Committees Meetings" of this report.

The Audit Committee has also discussed and reviewed the key audit matters determined by the external auditor under the new and revised auditor reporting standards under Hong Kong Standards on Auditing for the year ended 31 December 2018.

REMUNERATION COMMITTEE

A Remuneration Committee has been established by the Board with specific written terms of reference and all members of the Remuneration Committee are Independent Non-Executive Directors. Details of the authority and responsibilities of the Remuneration Committee are set out in the terms of reference which are available on the websites of the Company and the Stock Exchange. The remuneration committee has adopted model set out in code provision B.1.2(c)(ii) of the CG Code.

The Remuneration Committee comprises four Independent Non-Executive Directors, namely Mr. Paul Marin Theil, Mr. Cai Meng, Mr. Chan Yiu Fai Youdey and Mr. Ng Swee Leng. Mr. Paul Marin Theil is the chairman of the Remuneration Committee.

During the year ended 31 December 2018, the Remuneration Committee held two meetings to make recommendation of the remuneration packages and performance bonuses for the Directors and senior management of the Company and related options granting matters under the Share Option Scheme to the Board for approval. The attendance of each member of the Remuneration Committee is set out in the section headed "Board and Committees Meetings" of this report.

Details of the amount of Directors' emoluments for the year ended 31 December 2018 are set out in note 33 to the financial statements.

For the year ended 31 December 2018, the remuneration of the members of the senior management who are not directors are within the following bands:

Remuneration band	**Number of persons**
Within HKD1,000,000	7

NOMINATION COMMITTEE

A Nomination Committee has been established by the Board with specific terms of reference. The Nomination Committee is responsible for, amongst other things, identifying individuals suitably qualified to become Board members, considering the reappointment of the Directors and succession planning for Directors and making recommendations to the Board in respect of the aforesaid matters. Details of the authority and responsibilities of the Nomination Committee are set out in the terms of reference which are available on the websites of the Company and the Stock Exchange.

The Nomination Committee comprises four Independent Non-Executive Directors, namely Mr. Cai Meng, Mr. Chan Yiu Fai Youdey, Mr. Ng Swee Leng and Mr. Paul Marin Theil, and one Executive Director, namely Mr. Hui Ching Lau. Mr. Hui Ching Lau is the chairman of the Nomination Committee.

During the year, the Nomination Committee has proposed a new nomination policy, which included the selection criteria and nomination procedures, for nomination of new Directors and the nomination policy was fully adopted by the Board with effect from 1 January 2019. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence, time commitment and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board. The Nomination Committee has also reviewed the structure, size and composition of the Board and concluded that members of the Board has possessed the expertise and independence to carry out the Board's functions and responsibilities during the year ended 31 December 2018.

BOARD AND COMMITTEES MEETINGS

The individual attendance records of each Director at the meetings of the Board, Audit Committee, Remuneration Committee and Nomination Committee as well as annual general meeting during the year ended 31 December 2018 are set out below:

	Attendance/Number of Meetings Held				
Name of Directors	Annual General Meeting	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting
Non-Executive Directors					
Mr. Hui Lin Chit	0/1	5/5	—	—	—
Mr. Sze Man Bok	0/1	5/5	—	—	—
Mr. Wu Huolu	0/1	5/5	—	—	—
Mr. Wu Sichuan	0/1	4/5	—	—	—
Mr. Wu Yinhang	0/1	5/5	—	—	—
Executive Directors					
Mr. Hui Ching Lau	1/1	5/5	—	—	1/1
Mr. Zhu Hong Bo	1/1	5/5	—	—	—
Mr. Wong Wai Leung	1/1	5/5	2/2*	2/2*	1/1*
Independent Non-Executive Directors					
Mr. Cai Meng	0/1	5/5	2/2	2/2	1/1
Mr. Chan Yiu Fai Youdey	0/1	5/5	2/2	2/2	1/1
Mr. Ng Swee Leng	0/1	5/5	2/2	2/2	1/1
Mr. Paul Marin Theil	1/1	4/5	2/2	1/2	0/1

* Being the secretary of the meetings

ACCOUNTABILITY AND AUDIT

The Board is responsible for overseeing the preparation of financial statements for the year ended 31 December 2018 which gives a true and fair view of the state of affairs of the Group as at 31 December 2018, and of the results and cash flows for year then ended. In preparing the financial statements for the year ended 31 December 2018, the Board has selected appropriate accounting policies, applied them consistently in accordance with the Hong Kong Financial Reporting Standards which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and ensured the preparation of the financial statements on the going concern basis.

The Group endeavours to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. The interim and annual results of the Company are announced in a timely manner within the limit of two months and three months, respectively, after the end of the relevant periods in accordance with the Listing Rules.

The Directors have acknowledged their responsibility for preparing all information and representation contained in the financial statements of the Company for the year ended 31 December 2018. The statement of reporting responsibilities of auditor is set out in the independent auditor's report.

AUDITOR'S REMUNERATION

During the year under review, the remuneration paid/payable to the Company's external auditor, PricewaterhouseCoopers, is set out as follows:

Services rendered	**Fee paid/payable** RMB'000
Audit of financial statements	1,700
Other non-audit services	278
Total	1,978

The Company considers that the provision of non-audit services will not impair the objectivity of the auditor.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it has overall responsibility for the design and implementation of the systems of internal controls which covers financial reporting, operations, compliance and risk management of the Company, as well as continuous monitoring the effectiveness of such systems. The Board has delegated such responsibility to the management of the Company. The management, under the supervision of the Board, has established an on-going process for identifying, evaluating and managing significant risks faced by the Group.

The Audit Committee reviews the risk management and internal control systems that are significant to the Group on an on-going basis. The Audit Committee also considers the adequacy of resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting function, as well as their training programmes and budgets.

During the year, the Company has engaged an external adviser to provide guidance and assist the Company's internal audit department to review its internal control procedures and make recommendations to the Board any improvements that can be made to the existing internal control procedures. The Board considered that this review was part of internal audit function and covered the effectiveness of material controls on financial and operational controls as well as risk management functions across the Group. The internal control and accounting system of the Group have been in place and functioning effectively for the year under review.

The Board is satisfied that the risk management and internal control systems in place covering all material controls including financial, operational and compliance controls for the year under review and up to the date of issuance of the annual report is reasonably effective and adequate.

Risk Management Framework

1. Each business unit is responsible for identifying, assessing and managing risks within its business, ensuring that appropriate internal controls for effective risk management are implemented — principal risks are identified and assessed in the yearly business planning process with action plans to manage those risks;

2. The management is responsible for overseeing the risk management and internal control activities of the Group — regular meetings with each business unit to ensure principals risk are properly managed, and new or changing risks are identified;

3. The Board is responsible for reviewing and approving the effectiveness and adequacy of the Group's risk management and internal control — review of the annual internal audit report and consideration of the Audit Committee's recommendation.

The risk management framework, coupled with our internal control, ensures that the risks associated with our different business units are effectively controlled in line with the Group's risk appetite.

DISSEMINATION OF INSIDE INFORMATION

The Company is committed to a consistent practice of timely, accurate and sufficiently detailed disclosure of material information about the Group. The Company has adopted a Policy on Disclosure of Inside Information which sets out the obligations, guidelines and procedures for handling and dissemination of inside information. With these guidelines and procedures, the Group has management controls in place to ensure that potential inside information can be promptly identified, assessed and escalated for the attention of the Board to decide about the need for disclosure.

COMPANY SECRETARY

Mr. Wong Wai Leung has been the Company Secretary of the Company since March 2016. He is a full time employee of the Company and has adequate working knowledge on the Company to discharge his duty as the Company Secretary. Mr. Wong reports to the Chairman of the Company and is responsible for advising the Board on corporate governance matters. For the year under review, Mr. Wong has confirmed that he has taken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an Extraordinary General Meeting ("EGM")

Pursuant to the Company's articles of association and the Companies Law Cap. 22 (Laws 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**"), registered shareholders of the Company (the "**Shareholders**") holding not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company (the "**EGM Requisitionists**") can deposit a written request to convene an EGM at the registered office of the Company (the "**Registered Office**"), which is presently situated at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The EGM Requisitionists must state in their request(s) the objects of the EGM and such request(s) must be signed by all the EGM Requisitionists and may consist of several documents in like form, each signed by one or more of the EGM Requisitionists.

The Share Registrars will verify the EGM Requisitionists' particulars in the EGM Requisitionists' request. Promptly after confirmation from the Share Registrars that the EGM Requisitionists' request is in order, the Company Secretary will arrange with the Board to convene an EGM by serving sufficient notice to all the registered Shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the EGM Requisitionists' request is verified not in order, the EGM Requisitionists will be advised of the outcome and a EGM will not be convened as requested.

The EGM Requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM if within twenty-one (21) days of the deposit of the EGM Requisitionists' request, the Board does not proceed duly to convene an EGM provided that any EGM so convened is held within a further twenty-one (21) days from the date of the original EGM Requisitionists' request. An EGM so convened by the EGM Requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Company.

Procedures for Shareholders to Put Forward Proposals at a General Meeting

There are no provisions in the Company's articles of association or the Companies Law for shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceeding paragraph. Shareholders can also send enquiries and proposals putting forward for shareholders' consideration at shareholders' meetings to the Board in writing to the Hong Kong office of the Company whose contact details are as follows or directly by raising questions at the general meeting of the Company:-

Suite 2601, 26th Floor, Admiralty Centre, Tower 1, 18 Harcourt Road, Hong Kong

Shareholders' enquires

Shareholders should direct their enquiries about their shareholdings to the Company's share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, or call its customer service hotline at (852) 2980 1333.

Shareholders may also make enquiries to the Board at the general meetings of the Company.

Dividend Policy

The Company has adopted a policy on payment of dividends pursuant to code provision of the CG Code that has become effective from 1 January 2019, which sets out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of dividends to Shareholders.

Declaration, recommendation and payment of dividends of the Company is subject to the approval of the Board, depending on the results of operation, working capital, financial position, future prospects, and capital requirements, as well as any other factors which the Directors may consider relevant from time to time. Any future declaration, recommendation and payment of dividends of the Company may or may not reflect the historical declarations and payments of dividends and will be at the absolute discretion of the Board. The Company does not have any predetermined dividend payout ratio.

INVESTOR RELATIONS

The public are welcomed to give their comments and make enquiries through the Company's website and by means of emails to the investor relations department (email address: ir@fjqinqin.com.hk). The management always provides prompt responses to any such enquiries. During the year ended 31 December 2018, there were no changes in the Company's Memorandum and Articles of Association. An up-to-date consolidated version of the Company's Memorandum and Articles of Association is available on the Company's website.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Adhering to the corporate mission of "To be a people oriented company that creates happiness and moments of optimism" and the corporate vision of "To become the most innovative food corporation in China through self-enhancement and to create a better life for all", Qinqin Foodstuffs Group (Cayman) Company Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") strive to build a harmonious enterprise. The Group has created a business model for sustainable development with its vigorous promotion on energy-saving and emission-reduction. To satisfy customers' needs, the Group strives to produce high-quality products and service. The Group also shoulders its social responsibility by taking on practical actions, with a vision to pursue a joint development with its staffs, customers and investors, as well as the society.

The Company has prepared its 2018 Environmental, Social and Governance Report in accordance with the requirements of Appendix 27 of the "Environmental, Social and Governance Reporting Guide" issued by The Stock Exchange of Hong Kong Limited, which covers the period from 1 January 2018 to 31 December 2018. As over 90% revenue and business of the Group have been derived from and conducted in Mainland China, all of the data and information set out in this report are presenting the Group's activities in Mainland China. This report, elaborating on the environment and society aspects, describes the Company's concept and practice of sustainable development and social responsibility.

ENVIRONMENT

The Group insists on a green and low-carbon emission development concept. With regard to its due responsibility on environmental protection, the Group's environmental protection policies are integrated into its corporate development. The Group enforces the national laws and regulations in the field of environmental protection with rigor, takes further efforts to control pollutants and reduce the total emission volume of pollutants, so as to minimise the environmental impacts of its production and operation, and to achieve growths in both economic benefits and social benefits. The Group also allocates resources for environmental protection, aiming to ensure that all of its environmental protection and energy consumption indicators comply with national standards. The Group is working forwards improving the efficiency on use of resources and the goal of a pollution-free society.

Emissions

The Group advocates energy-saving and emission-reduction at every link of the business. By strictly complying with the requirements of laws and regulations under the "Environmental Protection Law of the PRC" and adopting effective measures at both stages of pollutant generation and emission, the Group continues to minimise the environmental impacts of wastewater, waste gas, greenhouse gas and hazardous or harmless solid waste which are generated in its production and operation.

The major emissions discharged by the Group is the waste gas generated from the energy consumption during its production, wastewater generated from various production processes during its production and the dust particles generated from transport.

For waste gas, the Group has been in strict compliance with the requirements under the "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution", and has ensured that the generated gas emissions from boilers used at its production facilities meet the "Emission Standard of Air Pollutants for Boilers of the PRC" and has reduced its impacts on the surrounding environment by discharging emissions in an orderly manner through a funnel. The Group used electrostatic fume pacifier to purify waste fume generated in its production up to emission standard before emission in order to minimise the emission of waste gas to the greatest degree.

The major wastewater discharged by the Group is the production wastewater and domestic wastewater generated during production. The Group has been in strict compliance with the requirements under the "Law of the People's Republic of China on the Prevention and Control of Water Pollution" and has formulated the "Sewage Treatment System Management Measures", and all production facilities have their built-in sewage treatment systems, and the wastewater complies with the emission standards after treatment.

The major greenhouse gas emitted by the Group is generated from the energy consumption, which includes natural gas, electricity and steam, during its production. By strictly complying with the relevant requirements under the "Work Plan for Controlling Greenhouse Gas Emissions for the 13th Five-Year Period", the Group is committed to improving equipment energy efficiency, reducing energy consumption, using clean energy and conducting refined product management, in order to reduce the emissions of greenhouse gas.

The Group's major emissions in 2018 were as follows:

Emissions	Details of emissions	Emission volume 2018	2017	Unit
Waste gas	Nitrous oxides (NOx)	**0.26**	0.39	Tonne
	Sulphur dioxide (SO2)	**0.0017**	0.0024	Tonne
	Dust particles	**0.0008**	0.0014	Tonne
Wastewater	Chemical oxygen demand (COD)	**73.38**	74.78	Tonne
	Ammonia nitrogen (NH3-N)	**7.34**	7.48	Tonne
	Wastewater volume	**489,203.1**	498,558.1	Cubic metre

The Group's calculation for greenhouse gas mainly covers carbon dioxide, methane and nitrous oxide. Greenhouse gas emissions information are calculated in accordance with the "Reporting Guidance on Environmental KPIs" issued by the Stock Exchange. Direct greenhouse gas emissions include the greenhouse gas generated directly from the Group's operation; the energy indirect greenhouse gas generated from the Group's internal consumption of electricity, heat and steam which led to the "indirect energy" greenhouse gas emission. The Group's major greenhouse gas emission volume and emission density in 2018 were as follows:

Greenhouse gas emissions	Emission volume 2018	2017	Unit
Direct greenhouse gas emissions	**3,883.80**	5,692.64	Tonne of carbon dioxide equivalent (tCO2e)
Energy indirect greenhouse gas emissions	**20,543.74**	20,787.58	Tonne of carbon dioxide equivalent (tCO2e)
Total greenhouse gas emission volume	**24,427.54**	26,480.22	Tonne of carbon dioxide equivalent (tCO2e)

Total greenhouse gas emission volume 2018	2017	Unit	Greenhouse gas emission density 2018	2017	Density unit
24,427.54	26,480.22	Tonne of carbon dioxide equivalent (tCO2e)	**0.30**	0.33	Tonne of carbon dioxide equivalent (tCO2e)/ tonne of products

The Group has always been very concerned about the environmental impact of hazardous waste. The Group has been in strict compliance with the requirements under the "Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste". After the Group classifies, collects and centrally stores hazardous waste in accordance with the "Administrative Measures for Hazardous Waste Management", hazardous waste is treated and thus rendered harmless by qualified third-party companies before disposal. The Group adopted various measures to reduce the amount and volume of waste, continually improved the production process in order to minimise the production volume of waste. The hazardous waste is treated and thus rendered harmless, such measure meets the standard of causing no harm to human health and reduces secondary pollution in environment at source.

The Group's hazardous wastes are mainly generated from the consumption of materials by the Group's packaging lines in the packaging process. The volume and density of major hazardous wastes generated by the Group in 2018 were as follows:

Hazardous wastes	**Volume of waste**		**Unit**
	2018	2017	
Ink	**45.0**	243.8	Litre
Detergents	**261.5**	338.8	Litre

Total volume of hazardous wastes		**Unit**	**Density of hazardous wastes**		**Density unit**
2018	2017		**2018**	2017	
306.5	582.6	Litre	**0.004**	0.007	Litre/tonne of products

For harmless wastes, the Group has been in strict compliance with the requirements under the "Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste". Harmless wastes are treated and thus rendered harmless, separated before disposing and finally recycled and reused by the companies with relevant qualifications. The Group continually introduced waste recycling treatments at its production facilities, recycled useful constituent and energy from solid wastes to cut down consumption of resources and speed up the recycling and utilisation of resources.

The volume of major harmless wastes generated by the Group in 2018 was as follows:

Harmless wastes	**Volume of wastes generated**		**Unit**
	2018	2017	
Plastic	**648.53**	491.04	Tonne
Sludge	**37.50**	158.42	Tonne
Waste paper	**439.99**	352.78	Tonne
Production wastes	**343.88**	321.45	Tonne

The Group actively adopts various initiatives to treat and reduce the generation of waste, including the adoption of lean production and management at the packaging process of its major products, centrally collects the leftover materials of plastic cups from utilisation stage of production materials and return it back to the production process for reuse in order to increase the rate of utilisation of packaging materials and reduce the consumption of plastic and membrane materials, so as to maximise the use of resources.

The Group actively introduced various measures to reduce the emissions, which included:

1. The Group propelled the use of clean energy natural gas in gas-fired boilers at its production facilities, which significantly lowered the emission of pollutants such as sulfide and dust into the atmosphere due to coal combustion as well as reduced the emission of particles and sulfide. Some of the production facilities even purchased steam and hence adopted the centralised heating method in production to eradicate the emission of waste gas at source.

2. The production facility producing crackers and chips upgraded the fume purification facilities and utilised electrostatic fume purifiers with removal efficiency reaching ≥75%, meeting the requirement of the environmental department and the emission requirements of "Emission Standard of Cooking Fume" of the PRC.

3. The production facilities were equipped with wastewater treatment facilities which were examined and approved by the local competent department of environmental protection. The wastewater generated from the production process can efficiently reduce the content of pollutants, such as COD and NH3, in wastewater through the biochemical production processes, and the treated wastewater meets the emission standards of the "Integrated Wastewater Discharge Standards" of the PRC or proceed with the deep processing through discharging from the municipal wastewater piping network to the town wastewater treatment plants piping network.

4. The production facilities actively adopted odor prevention and control measures by upgrading the production tanks which easily generate odor at the sewage treatment stations of some production facilities, adding a sealed odor-collecting casing on the top to prevent the gas drifting to surrounding areas. The sewage treatment stations centrally collect the generated gas to odor removing degassing tower through gas gathering pipelines, then the gas will be treated using activated carbon and discharged through a funnel, in order to significantly reduce the impacts posed on the environment including the surrounding residential areas.

In 2018, all production facilities strived to carry out measures to improve and upgrade production equipment in the production process as well as integrate and optimise the existing production lines. With the adoption of effective measures at the stages of pollutant generation and discharge to continually reduce the volume of pollutants during the production and operation processes, the achievement of the objectives was as follows:

— In terms of the reduction of emission of pollutants

    - The total emission volume of waste gas (including NOx, SO2 and dust particles) reduced by 33.3% when compared to the same period last year

    - The total emission volume of wastewater reduced by 1.9% when compared to the same period last year, while COD pollutants reduced by 1.4 tonne/year when compared to the same period last year, and NH3-N reduced by 0.14 tonne/year when compared to the same period last year

    - The total emission volume of greenhouse gas reduced by 7.8% when compared to the same period last year

— In terms of the reduction of emission of wastes

- The volume of hazardous wastes generated per packaging unit reduced by 47.4% when compared to the same period last year

- The total volume of non-hazardous waste increased by 11.0% when compared to the same period last year. Among non-hazardous wastes, plastic, waste paper, waste metal and production wastes are all resources which can be reused. In order to reduce the direct emission of wastes into the environment, the Group disposed of the waste resources to other demanding companies by way of open tender, thus maximising the utilisation of resources and achieving its greatest recyclable value

Use of Resources

The Group is committed to maximising the recycling of resources in the entire lifecycle of products (research and development, production and elimination), and continues to work forwards energy-saving and emission-reduction.

The major energy consumption of the Group are natural gas, electricity and steam consumed during its production. By strictly complying with the "Energy Conservation Law of the People's Republic of China", the Group always strives to increase its energy efficiency and continuously strive to improve its energy performance.

In accordance with the "Continuous Production Improvement and Management Measures of Qinqin", the Group's continuous production improvement committee assesses the improvement proposals submitted by each production facilities every year and announces the awarded improvement proposal accordingly. The Group also encourages all staff to actively participate in the improvement activities, successively and continually improves and optimises the production processes and equipment, effectively reduces energy waste and production cost, enhances product quality and production effectiveness and efficiency, as well as facilitates its operational management and improvement in effectiveness.

The Group's major energy consumption in 2018 were as follows:

Energy	**Type of energy**	**Volume** **2018**	2017	**Unit**
Direct energy	Natural gas	**1,340,311.0**	2,017,883.0	Nm^3
Indirect energy	Purchased electricity	**24,055,667.6**	25,447,094.2	Kilowatt-hour (kWh)
	Purchased steam	**58,866.0**	50,412.0	Tonne

Total energy consumption **2018**	2017	**Unit**	**Energy consumption density** **2018**	2017	**Density unit**
51,782.92	60,302.98	Megawatt hour (MWh)	**0.63**	0.75	Megawatt hour (MWh)/ tonne of products

The Group's total water consumption and density in 2018 were as follows:

Water consumption 2018	Water consumption 2017	Unit	Water consumption density 2018	Water consumption density 2017	Density unit
694,450	728,555	Tonne	**8.50**	9.09	Tonne/tonne of products

The major water consumption of the Group are derived from its production and living water usage. By strictly complying with the "Water Law of the People's Republic of China", and other laws and regulations, the Group continues to carry out water-saving technology assessment and application in order to reduce water consumption. The Group obtained its water supply from tap water supplied by water supply companies controlled by relevant local governments. As water supply is a public utility regulated by the PRC government, we have not experienced a material shortage during the year. The Group processed the water supplied to the Group according to industry standards before it is used for production in its products. To monitor water quality, water used by the Group undergoes quality checks in each location of its production facilities.

The Group actively adopts a number of measures to increase energy efficiency and improve water use efficiency, including:

1. Energy-saving upgrading: the steam waste heat generated from the Group's production facilities is recycled for use and part of the stream waste heat is used as a heating source and for the heating of wastewater of sewage treatment stations to reduce the consumption of steam in the facilities; Ordinary lighting at certain of its production facilities were replaced with LED lights, which ensured the effectiveness of lighting. The Group intends to apply the program at other production facilities.

2. Water-saving upgrading: the filling section of the jelly products production processes in some production facilities were optimised and upgraded. For the cleaning of production plants, intermittent washing is used, for cleaning and disinfection, a foot on/off switch is used, which significantly reduce the waste of water resource and enhance the efficiency of utilization of tap water, and the treated wastewater which meets the standard can be used for measures including greening and as toilet flushing water.

3. Enhancing the production process and equipment: enhanced the filling equipment of certain of the jelly products production facilities, which include low-level alarm, spill funnel and fixed volume filling equipment improvement, and such significantly increased the production volume, jelly liquid yield as well as reduced the waste of jelly liquid.

4. Reducing the office energy consumption: the offices use energy-saving lighting, automatic lighting power on/off for corridor in the office areas at fixed intervals every night, and the reduced use of electricity for its office equipment.

The achievement of the objectives of increasing energy efficiency and enhancing water resources in 2018 was as follows:

- Water consumption volume per product unit decreased by 6.5% when compared to the same period last year;
- Energy consumption volume per product unit decreased by 16.0% when compared to the same period last year, among which the use of natural gas and purchased electricity reduced, and the steam consumption volume increased by 16.8% when compared to the same period in 2017. Steam is environmental-friendly green energy that does not generate any waste gas pollutants, which reduces the generation of waste gas pollutants by the Group to the greatest degree. The Group will actively propel other facilities to replace natural gas boilers with steam energy for heating during production.

In terms of raw material consumption, in order to reduce waste, the Group has adhered to the consumption standards on the consumption of packaging materials and raw materials for various production units and individual products. The Group advocates energy and raw materials conservation, and carried out assessment on the relevant key performance indicators monthly and annually. There are reward and punishment systems based on the result of the assessment, which are directly linked with the bonus. This initiative has greatly activated the enthusiasm of all employee on energy-saving and emission reduction, and has achieved good results. The Group's total consumption of packaging materials for finished products and the consumption per unit of production in 2018 were as follows:

Type of packaging materials	**Volume of packaging materials**		**Unit of material consumption volume**	**Density of packaging materials**		**Density Unit**
	2018	2017		**2018**	2017	
Plastic	**5,662.69**	5,570.18	Tonne	**0.07**	0.07	Tonne/tonne of finished products
Paper	**7,945.79**	8,091.80	Tonne	**0.10**	0.10	Tonne/tonne of finished products

Environment and Natural Resources

The Group's business activities have had minimal impacts on the environment and natural resources, while the impacts on the surrounding environment has gone through the vetting process by the environmental monitoring authorities of the People's Republic of China.

SOCIAL

The Group is convinced that the establishment of good labour relations is one of the keys to business success. In order to enhance the well-being of employees, the Group is committed to providing competitive compensation and benefits and a sound training program to motivate the staff to be more enthusiastic, proactive and innovative, creating a fair and extensive room for staff development, achieving the mutual growth of both employees and the company. In addition, the Group has adopted a number of programs to improve the physical and mental health of employees and organised a variety of activities to increase the sense of belonging of employees and to create a harmonious working environment.

Employment

In accordance with the requirements under the laws and regulations as stated in the "Labour Law of the People's Republic of China" and the "Labour Contract Law of the People's Republic of China", the Group complies with and optimises the personnel management system, establishing an effective employee protection mechanism to protect the legitimate rights and interests of employees and proactively striving for harmonious labour relations. The Group has formulated the "Personnel Management System of Qinqin". The Group hires employees with different nationalities, genders, ages and religious beliefs, and is always upholding the principles of fairness, impartiality and openness in service appointment. Thus, all of the Group's employees are entitled to equal opportunities and equivalent treatment. In accordance with the "Remuneration Management System of Qinqin", through establishing a remuneration management system integrating position, performance and competence, the employees are encouraged to learn on their own initiative and to work hard, enabling them to enhance their skills and overall quality.

Fair employment

The remuneration of the Group's employees shall not be lower than the local minimum wage standard. Their salary levels are determined based on their position levels and the corresponding bands in the standard salary table, with reference to their responsibility, ability, knowledge and experience and taking into account the internal salary balance and performance.

In compliance with the requirements under the "Labour Contract Law of the People's Republic of China", the Group will not dismiss employees without reasonable causes. The labour contracts contain provisions setting out the rights and obligations of the parties to protect the lawful rights and interests of workers and to build and develop harmonious and stable labour relations.

The Group upholds the principles of openness and fairness in accordance with the relevant regulations. Various types of discrimination are prohibited. The recruitment process is solely based on the assessment of individual capability of candidates, regardless of race, colour, gender, age and religious beliefs. All employees and job applicants are entitled to equal opportunities and fair treatment. Such diversification in service appointment helps to enhance the strengths of the Group. It also attracts different talents with various skills. The Group treats every employee's contribution fairly.

Employee development

For the Group's staff promotions, the Group mainly consider the employees' performance at the existing positions, while also taking into account the knowledge and skill requirements for the positions to be promoted to, the relevant qualifications and experiences, the suitability and potential for future development of the positions. Staff promotions can either be proposed by the supervisors of the corresponding departments, or processed by selecting the most suitable candidates during open competition.

Working hours and leaves

The Group's working hour policies for its employees have been in strict compliance with the requirements under the "Labour Law of the People's Republic of China" and the "Labour Contract Law of the People's Republic of China", which ensure sufficient rest time and appropriate work-life balance for employees. On the New Year's Day, Spring Festival, Ching Ming Festival, International Labour Day, Dragon Boat Festival, Mid-Autumn Festival, National Day and other statutory holidays provided under the relevant laws and regulations, workers are allowed to take leave, aiming to increase their sense of well-being.

Health and Safety

The Group is committed to providing employees with a healthy, safe and comfortable working environment. In addition to the national policies and regulations, the Group has formulated systems and regulations including the "Safety Work Management Measures for the Production and Operation Department", which ensures the health and safety of employees. The Group has also established a production safety team, further provided the basic management work and secured production safety. The Group regularly trains employees on safety production practices, purchases suitable protective devices and tools for employees, and posts safety warnings and signs at workplaces, with the aim to constantly reminding employees to be cautious of hidden dangers. Every year, the Group arranges medical examinations for employees in order to protect the health of each and every employee.

The Group enhances all employees' awareness of safety and self-protection through safety trainings. In line with the requirements of various positions, the Group timely provides its employees with various occupational safety facilities, as well as supervisory and education for their proper wearing and usage of such facilities. The Group keeps the person in charge of occupational safety under close monitor, for their implementation of safety educations, trainings and promotional events and regular organisation of relevant groups to conduct safety checks regarding workplaces so that safety loopholes can be discovered and risks can be eliminated in a timely manner; installation of dust removal and gas emission devices for equipment generating dust and waste gas. For the equipment generating excessive noise, priority is first given to eliminating or reducing noise sources, then to control over the spread of noise, and last to wearing protective equipment.

Physical examinations

The Group offers annual body check-ups for its staff to protect their physical and psychological health, which enables them to pay attention to personal health during their work. The Group has been in strict compliance with the regulations of the "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases" and the "Measures for the Administration of Occupational Health Examination", and regularly carries out pre-employment, on-job and pre-departure physical examination annually. The Group cares about physical conditions and working environment of each employee and their daily activities in the Group.

Hazard identification and control measures

The Group identifies and evaluates the risk factors present in the existing workplaces, and determines the necessary control measures to eliminate and reduce risks and achieve system security. For potential emergencies (such as fires, flammable leaks, typhoons, accidental injuries), each of the production facilities has formulated the "Environmental Emergency Response Plan of Qinqin", such plan details the possible and unpredictable environmental events and existing risks within the Group and the corresponding emergency plans and response control procedures in place and manages them according to emergency procedures.

Development and Training

The Group implements a "people-oriented" management philosophy and is committed to building a "everlearning enterprise". The overall quality of its staff service is continuously enhanced. The Group has a consistent focus on employees' professional and personal developments. Apart from expanding its business, the Group also provides training and promotion opportunities for employees who are passionate about their work. Under the "Training Management System of Qinqin", the Group has established a unique talent training system, which has been implemented by the Group through coordination between various departments, leveraging internal teaching resources and using a variety of training methods.

Labour Standards

In compliance with laws and regulations as stated in the "Labour Contract Law of the People's Republic of China", child labour or forced labour is prohibited by the Group. Pursuant to the "Personnel Management System of Qinqin", in the recruitment and selection of talents, those under 16 years of age must not be recruited. In addition, a restriction is set out in the human resource information system of the Group that the information on person under 16 years of age cannot be entered. As such, there has been no forced labour for the Group. The Group adheres to the equal and voluntary principle, fully understands employees' decisions and support their development, and coordinates necessary procedures, e.g. personnel files and social security transfer for employees who voluntarily terminate labour contracts. For employees who fail to fulfil their labour contractual obligations or fail to pass qualification assessment upon expiry of contract, the Group will terminate such labour contracts in accordance with relevant laws and regulations.

Supply Chain Management

For the production of food and snack products, the Group implements strict procedures for selecting suppliers, in order to ensure the quality of raw materials. The Group has developed the "Procurement Management System of Qinqin" to conduct assessment, selection, review and appraisal of its suppliers. Qualified suppliers, which have been confirmed by the review and appraisal result, shall have the proven ability to meet the Company's requirements for the quality of materials to be procured. In addition, management and control is conducted over the procurement process to ensure that the materials procured meet the requirements for production technologies and product quality. Apart from the financial status, the Group shall consider the suppliers' environmental, social and ethical morals while selecting suppliers or evaluating supplier relationships. Such investigations and assessments shall cover the basic situation, qualification certificate, technical competitiveness, production capacity, quality assurance system, after-sales service capacity and food safety control of the suppliers. The Group requires suppliers to possess business licenses and related food production licenses, to comply with laws and regulations, and to sign the letter of undertakings in favour of the Group in accordance with the supply contracts.

Product Responsibility

Product policy

The Group has been in strict compliance with laws and regulations as stated in the "Food Safety Law of the People's Republic of China", and is committed to providing products with highest safety and quality. The quality control department is responsible for the development, management and supervision of quality monitoring system and food safety management policy of the Group. The quality control teams continuously monitor the raw materials, ensuring that the quality and safety meet the specifications and quality requirements of the Group. The Group also adopts strict quality control measures for the production process to ensure consistent product quality and carries out inspection and tests in the whole production process. All products must be inspected at all stages of the production process, including later production inspection and final quality control before it is delivered for sale. The Group also works with certified third-party inspection companies to carry out product quality and food safety testing for the products of the Group. Furthermore, the Group continues to improve its internal management procedures by abiding to the latest developments in the relevant food safety laws and regulations.

The Group adopts an internal policy which promotes real-time response to product complaints. The Group has a dedicated customer service team and a customer service hotline to ensure prompt response to customers and consumers. Customer complaints are handled by the customer service staff of the sales management team, and the relevant departments of the Group will be notified of in real time to take remedial measures. Rectification measures include payment of compensation and appropriate precautionary measures to prevent future recurrence. The Group has also established product recall procedures and set up a product recall team, in order to investigate and perform quality and safety checks for potential recall products. Once the Group is informed of any recalled product, the Group shall establish a recall-product investigation committee, aiming to identify the batches of products to be recalled and promptly notify the relevant parties.

System Certification

All of the Group's production facilities and production lines are designed in compliance with the PRC's food safety standard "the National Food Safety Standard General Hygienic Regulation for Food Production". Moreover, International Organisation for Standardisation (ISO9001 and ISO22000), HALAL, QS, KOSHER and Hazard Analysis and Critical Control Point (HACCP) certification have also been obtained for certain production facilities.

Advertising and labels

The Group has formulated the "Management Procedures for Design and Modification of Packaging and Samples Printing and the Label Review Management Rules" for standardising the product label review, which strengthens the label management and enhances the label compliance. The Group has established a cross-department label checking team, with members from the product management department, risk management department and quality management department, to review contents of labels, including product brand, advertising slogan, trademark, product ingredients and related food safety information, in accordance with the "Advertising Law of the People's Republic of China", the "Food Safety Law of the People's Republic of China", the "National Standard for Food Safety — General Code for Pre-packaged Food Labelling", the "National Standard for Food Safety — General Principles for Nutrition Labelling of Pre-packaged Food", as well as the relevant laws and regulations and food safety standards.

Privacy protection

The Group attaches great importance to consumer information and privacy and keeps strict confidentiality of personal information of consumers collected in compliance with the relevant laws and regulations, including the "Law of the People's Republic of China on the Protection of Consumers' Rights and Interests". The "Personnel Management System of Qinqin" specifies that no employee shall disclose business information, production formula, technical data, documents and other trade secrets of the Company. For any employees whose deliberate disclosure of technical and business secrets of the Group has caused significant economic losses to the Group, their labour contracts with the Group will be terminated.

Anti-corruption

The Group prohibits any corruption and bribery. Directors and employees must comply with the "Whistleblowing System of Qinqin", and shall not seek personal gain in insider information or rights in any circumstance. All persons involved in the selection of suppliers and contractors and procurement matters must avoid abuse of power or avoid any circumstances that prevent them from making independent decisions when purchasing goods and services.

The Group has established a whistleblowing system, internal audit department and market surveillance team, which assisted the Group in identifying financial management loopholes, strengthening the financial management system, enhancing the financial management quality, enhancing self-discipline, self-improvement and disciplinary concepts of the leaders and promote honesty and integrity. The market surveillance team is responsible for the effective monitoring and management of the Group's nationwide sales team, ensuring that all its sales employees will act in good faith and with an objective attitude to help maintaining the integrity at the workplace.

Community Investment

The Group bears in mind its corporate social responsibility and mission. By proactively participating in social welfare undertakings and positively serving the community, the Group keeps paying back to society. In the meantime of pursuing corporate growth, the Group promotes social development and progress and fulfils its social responsibility as a corporate citizen through charitable donations, support for cultural undertakings, volunteer activities, and care for the elderly and children.

The Group has established more than 20 production companies and trading branches across Mainland China, solving the local unemployment problem. The Group also actively participates in public welfare and charity cause. Some of the events organised or participated in by the Group during the year are as follows:

1. Festival greetings to children with new products: In May 2018, before the Children's Day on 1 June, the Group brought along new products and presented them as gifts to children during its visit to kindergartens and primary schools and brought them festival greetings.

2. "Heart-warming" event on Double Ninth Festival: As the once-a-year Double Ninth Festival was approaching in October 2018, some of the fellow employees of the Group delivered Qinqin products and gift money to the elderly in the community, carrying out the annual "heart-warming" event, and further promoting "respecting, helping and loving the elderly".

3. University teachers and students from the food engineering major visiting the Group as a study tour: In October 2018, over 70 Year-3 food science and engineering major students from School of Food Science of Fujian Normal University visited the Group's production facilities for a study tour. The Group gave an enthusiastic reception to the University's teachers and students, introduced its product production process and procedures and had a sharing session with them.

REPORT OF THE DIRECTORS

The directors (the "**Director(s)**") of Qinqin Foodstuffs Group (Cayman) Company Limited (the "**Company**") herein present their report together with the audited financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. During the year, the Group is principally engaged in the manufacturing, distribution and sale of food and snack products in the People's Republic of China (the "**PRC**").

The principal activities of the Company's subsidiaries are set out in note 31 to the consolidated financial statements in the annual report.

Further discussion and analysis of the Group's principal activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a fair review of the Company's business, a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the Management Discussion and Analysis set out on page 5 and 11 of this annual report. An analysis using financial key performance indicators can be found in "Financial Highlights" on page 3 of this annual report. This above discussion and highlight form part of this Directors' report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated income statement on page 58 of this annual report.

The Board did not recommend the payment of final dividend for the year ended 31 December 2018.

The register of members of the Company (the "**Shareholders**") will be closed from Friday, 24 May 2019 to Wednesday, 29 May 2019 (both days inclusive), for the purpose of determining Shareholders' entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on Wednesday, 29 May 2019 (the "**2019 AGM**"), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2019 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 23 May 2019.

RESERVES

Details of the movement in reserves of the Company and of the Group during the year are set out in note 32 to the consolidated financial statements and in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

The Company's net reserves available for distribution, calculated in accordance with the Companies Law Cap. 22 (Law 3 of 1961) of the Cayman Islands, as consolidated and revised from time to time, as at 31 December 2018 amounted to RMB258,303,000 (2017: RMB88,399,000), which represented the retained earnings/accumulated losses and share premium.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 22 to the consolidated financial statements in the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A five-year financial summary of the Group is set out on page 120.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Hui Ching Lau *(Chairman)*
Mr. Zhu Hong Bo
Mr. Wong Wai Leung

Non-Executive Directors

Mr. Hui Lin Chit
Mr. Sze Man Bok
Mr. Wu Huolu
Mr. Wu Sichuan
Mr. Wu Yinhang

Independent Non-Executive Directors

Mr. Cai Meng
Mr. Chan Yiu Fai Youdey
Mr. Ng Swee Leng
Mr. Paul Marin Theil

Pursuant to the articles of association of the Company, all Directors appointed to fill a causal vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. In addition, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Accordingly, Mr. Hui Ching Lau, Mr. Wong Wai Leung, Mr. Wu Yinhang and Mr. Ng Swee Leng shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' SERVICE AGREEMENT

Each of the executive Directors and non-executive Directors has respectively entered into a service contract with the Company for a term of three years. The service contract may be terminated in accordance with the respective terms of the service contract.

Independent non-executive Directors were appointed pursuant to the respective letters of appointment for an initial term of three years commencing from 8 July 2016.

None of the Directors of the Company has entered or has proposed to enter into any service contract with the Company or any member of the Group other than contracts expiring or terminable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' EMOLUMENTS

Details of the remuneration of the Directors are set out in note 33 to the consolidated financial statements. There has been no arrangement under which any Director has waived or agreed to waive any emoluments.

HUMAN RESOURCES AND MANAGEMENT

As at 31 December 2018, the Group had approximately 2,500 (2017: 2,700) employees. The Group aims to create a strong sense of community and a motivating environment for its employees to excel. The Group recruit employees based on a number of factors, including their educational background, work experience and vacancies within the Group. The Group determines employees' compensation based on their qualifications, work experience, position and performance. In addition to salaries, the Group provides a comprehensive range of staff benefits to its employees, including performance or contribution-based bonuses and allowances for meals and free dormitories. Besides, share options may be granted to eligible employees of the Group in accordance with the terms of the share option scheme adopted by the Company.

The Group also committed to continuing education and development of its employees, and the Group provides various education and training programs both internally and externally to cultivate its employees in improving their skills and developing their potential.

Remuneration of Directors and senior management of the Group is reviewed by the Company's remuneration committee against the Company's goals and objectives.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management are set out on pages 12 to 17.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 30 to the consolidated financial statements and under the Continuing Connected Transactions below, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company or his connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

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

COMPETING BUSINESSES

As at 31 December 2018, none of the Directors had any interest in a business which competes or is likely to compete, either directly or indirectly, with the Group's businesses.

CONTINUING CONNECTED TRANSACTIONS

The following transactions are regarded as continuing connected transactions under The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") ("**Listing Rules**"), and are disclosed in accordance with Chapter 14A of the Listing Rules.

	2018 **RMB'000**	2017 RMB'000
Purchases of flour from Fujian Shuncheng Flour Industry Development Co., Ltd ("**Shuncheng Flour**")	**5,331**	3,878

Shuncheng Flour is a company owned as to over 50% by Mr. Wu Huolu and Mr. Wu Yinhang, each of whom is a Director of the Company, and their family members. Shuncheng Flour has been supplying flour to the Group in the ordinary course of our business during the year ended 31 December 2018.

The supply of flour from Shuncheng Flour to the Group has been governed by a framework agreement entered into between a wholly owned subsidiary of the Company and Shuncheng Flour, which set out the principle terms governing the supply of flour to members of the Group for a period of not more than three years commencing from 8 July 2016 to 31 December 2018 (both days inclusive) (the "**Existing Framework Agreement**").

The Existing Framework Agreement expired on 31 December 2018. As the Group intended to continue carrying out the transactions under the Existing Framework Agreement, a wholly owned subsidiary of the Company entered into the New Framework Agreement on 12 December 2018 with Shuncheng Flour for the supply of flour from Shuncheng Flour to members of the Group for a term of three years commencing from 1 January 2019 and expiring on 31 December 2021 (both days inclusive).

The aforesaid continuing connected transactions have been reviewed by independent non-executive Directors of the Company. The independent non-executive Directors confirmed that the aforesaid continuing connected transaction were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or better; and (c) in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group above in accordance with paragraph 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Related Party Transactions

Details of the significant related party transactions undertaken in the normal course of business are provided under Note 30 to the consolidated financial statements. None of them constitutes a disclosable transaction as defined under the Listing Rules.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2018, the interest and short positions of the Directors in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which (a) were required to be notified to the Company and the Stock Exchange pursuant to provisions of Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which the Directors have taken or deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange were set out below:

Long positions in the shares of the Company (the "Shares")

Name of Director	Note	Capacity/Nature of interest	Number of Shares interested	Number of underlying Shares interested (Note 1)	Approximate percentage of interest in the Company (Note 2)
Mr. Hui Ching Lau	3	Interest of controlled corporation/ corporate interest	235,489,905	—	41.26%
Mr. Sze Man Bok	4	Beneficial owner and founder of discretionary trust/ personal and other interests	45,760,919	—	8.02%
Mr. Wu Huolu	5	Beneficial owner and interest of controlled corporation/ personal and corporate interests	45,842,895	—	8.03%
Mr. Zhu Hong Bo		Beneficial owner/personal interest	—	400,000	0.07%
Mr. Wong Wai Leung		Beneficial owner/personal interest	—	240,000	0.04%

Notes:

1. Underlying Shares represent share options granted to the directors pursuant to share option scheme of the Company and details of which are set out on page 46.

2. The percentages expressed are based on the total number of issued Shares of 570,696,557 as at 31 December 2018.

3. These 235,489,905 Shares comprises 233,820,805 Shares held and owned by Sure Wonder Limited, 1,497,500 Shares held and owned by Event Star Limited and 171,600 Shares held and owned by King Terrace Limited, all of which are wholly owned by Mr. Hui Ching Lau and accordingly, Mr. Hui Ching Lau is deemed to be interested in the said 235,489,905 Shares.

4. These 45,760,919 Shares comprise 45,645,799 Shares held and owned by Tin Lee Investments Limited ("**Tin Lee**") and 115,120 Shares held and owned by Mr. Sze Man Bok. Tin Lee is a wholly owned subsidiary of Tin Wing Holdings Limited, which is owned by Seletar Limited and Serangoon Limited as nominee on trust for Credit Suisse Trust Limited, the trustee of the Sze's Family Trust. Mr. Sze Man Bok is settlor and beneficiary of the Sze's Family Trust and accordingly, is deemed to be interested in the said 45,645,799 Shares.

5. These 45,842,895 Shares comprise (i) 45,214,895 Shares held and owned by Easy Success International Investment Limited ("**Easy Success**"), which is wholly owned as to 50% by Mr. Wu Huolu and 50% Mr. Wu Yongde ("**Mr. Wu YD**", brother of Mr. Wu Huolu); and (ii) 628,000 Shares held and owned by Mr. Wu Huolu. Mr. Wu Huolu is deemed to be interested in the said 45,214,895 Shares held by Easy Success accordingly.

Save as disclosed above, none of the Directors or chief executive had, as at 31 December 2018, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which, (a) were required to be notified to the Company and the Stock Exchange pursuant to provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or chief executive have taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share Option Scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN THE SHARES OF THE COMPANY

As at 31 December 2018, so far as the Directors are aware, the following persons (other than the Directors or chief executive of the Company), were directly or indirectly, interested in 5% or more of the shares or short positions in the Shares and the underlying Shares, which are required to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO, or which will be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, or to be notified to the Company, were as follows:

Long Positions in the Shares of the Company

Name of Substantial Shareholder	Note	Capacity/Nature of interest	Number of Shares interested	Approximate percentage of interest in the Company (Note 1)
Sure Wonder Limited	2	Beneficial owner/beneficial interest	233,820,805	40.97%
Tin Lee Investments Limited	3	Beneficial owner/beneficial interest	45,645,799	8.00%
Tin Wing Holdings Limited	3	Interests of controlled corporation/ corporate interest	45,645,799	8.00%
Serangoon Limited	3,4	Interests of controlled corporation/ corporate interest	57,885,099	10.14%
Seletar Limited	3,4	Interests of controlled corporation/ corporate interest	57,885,099	10.14%
Credit Suisse Trust Limited	3,4	Trustee/other interest	57,885,099	10.14%
Easy Success International Investment Limited	5	Beneficial owner/beneficial interest	45,214,895	7.92%
Mr. Wu Yongde	6	Interest in controlled corporation and interest of spouse/ corporate and family interests	64,359,359	11.28%
Ms. Cai Liqiong	6	Beneficial owner and interest of spouse/ beneficial interest and family interest	64,359,359	11.28%

Notes:

1. The percentages expressed are based on the total number of issued Shares of 570,696,557 as at 31 December 2018.

2. Mr. Hui Ching Lau, the Chairman and executive Director of the Company, is the sole director and sole shareholder of Sure Wonder Limited.

3. Tin Lee Investments Limited is a wholly owned subsidiary of Tin Wing Holdings Limited which is owned by Seletar Limited and Serangoon Limited as nominee on trust for Credit Suisse Trust Limited, the trustee of the Sze's Family Trust. Each of Tin Wing Holdings Limited, Seletar Limited, Serangoon Limited and Credit Suisse Trust Limited is deemed to be interested in 45,645,799 Shares held and owned by Tin Lee Investments Limited under the SFO.

4. These 57,885,099 Shares comprise 45,645,799 Shares held and owned by Tin Lee Investments Limited (under the Sze's Family Trust) and 12,239,300 held by other trusts. As stated in note 3 above, Seletar Limited and Serangoon Limited have deemed interests in these Shares on trust for Credit Suisse Trust Limited, being trustee of the said trusts, and accordingly, each of them are deemed to be interested in these Shares under the SFO.

5. These 45,214,895 Shares held and owned by Easy Success, which is owned as to 50% by Mr. Wu Huolu, a non-executive Director of the Company, and 50% by Mr. Wu YD. Each of Mr. Wu Huolu, Mr. Wu YD and Ms. Cai Liqiong ("**Ms. Cai**", the spouse of Mr. Wu YD) is deemed to be interested in the said 45,214,895 Shares held by Easy Success accordingly.

6. These 64,359,359 Shares comprise deemed interests of Mr. Wu YD and Ms. Cai as described in note 5 above in the 45,214,895 Shares held and owned by Easy Success and 19,144,464 Shares directly held and owned by Ms. Cai. Both Mr. Wu YD and Ms. Cai are deemed to be interested in these 64,359,359 shares of the Company under the SFO.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "**Scheme**") on 16 May 2017 which is valid and effective for a period of 10 years commencing on the date of adoption of the Scheme. Further details of the Scheme are disclosed in note 23 to the consolidated financial statements.

(1) The terms of the Scheme are summarised as follows:

(i) Purpose of the Scheme
The purpose of the Scheme is to provide the participants with the opportunity to acquire proprietary interests in the Company, to encourage participants to work towards achieving performance targets in order to enhance the value of the Company and the Shares for the benefit of the Company and the Shareholders as a whole and at the same time allow participants to enjoy the results of the Company attained through their efforts and contribution, to retain participants who achieve such performance targets and attract human resources that are valuable to the Group. The Scheme will provide the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to participants.

(ii) Eligible Persons
Participants of the Scheme comprise of directors (including executive Director(s), non-executive Directors and independent non-executive Directors), officers and employees of any member of the Group as determined by the Board from time to time. The Directors may, at their discretion, invite participants to participate in the Scheme. In determining the basis of eligibility of each participant, the Board would take into account such factors as the Board may at its discretion consider appropriate.

(iii) Maximum Number of Shares Available for Issue
The maximum number of shares available for issue after considering the options already granted under the Scheme as at the date of the annual report are 31,589,655, representing 5.5% of total issued shares of the Company as at the date of this annual report, which are not more than 10% of the issued share capital of the Company (i.e. 47,569,655 shares) as at the date of the approval of the Scheme.

(iv) Maximum Entitlement of Each Participant

Unless approved by Shareholders in the manner set out in this paragraph below, the total number of Shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding Options, if any) in any 12-month period shall not exceed 1% of the Shares in issue. Any further grant of options to a participant which would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding Options, if any) in the 12-month period up to and including the date of such further grant exceeding the said 1% limit shall be subject to Shareholders' approval in advance with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting. A circular containing the information required under the Listing Rules must be sent to the Shareholders disclosing the identity of such participant and the number and terms of the options granted and to be granted.

Where any grant of Options to a substantial Shareholder or an independent non-Executive Director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding, if any) to such person in the 12 month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% (or such other percentage as may from time to time be specified by the Stock Exchange) of the shares then in issue; and

(b) having an aggregate value, based on the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of such grant, in excess of HK$5 million (or such other amount as may from time to time be specified by the Stock Exchange),

such further grant of options shall be subject to prior approval by the Shareholders. The proposed grantee, his associates and all core connected persons (as such terms are defined in the Listing Rules) of the Company shall abstain from voting at such general meeting, except that such grantee, his associates or all core connected persons may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.

(v) Time on Exercise of Options

An option may be exercised in accordance with the terms of the Scheme and the offer of the grant of an option at any time commencing on the date of grant and expiring on such date as determined by the Board provided that the option may not be exercised after the expiration of 10 years from the date of grant.

(vi) Acceptance of Offer

An offer for the grant of options must be accepted not less than 10 business days after the offer date and must be accompanied by payment of HK$1.00.

(vii) Subscription Prices

The subscription price for the shares shall be such price determined by the Board at its absolute discretion and notified to the Participant in the offer of option and shall be no less than the higher of:

(a) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;

(b) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(c) the nominal value of a share on the date of grant.

(viii) Remaining Life of the Scheme
The Scheme will remain in force before 16 May 2027.

(2) The table below sets out movements in the share options granted under the Scheme during the year ended 31 December 2018:

Eligible person	Number of share options: Balance as at 1/1/2018	Granted during the year	Exercised during the year	Cancelled or lapsed during the year	Balance as at 31/12/2018	Exercise price per share HK$	Date of grant (DD/MM/YYYY)	Exercisable period (DD/MM/YYYY)
Directors								
Mr. Zhu Hong Bo	—	200,000	—	—	200,000	2.31	16/08/2018	17/08/2020-16/08/2023
	—	200,000	—	—	200,000	2.31	16/08/2018	17/08/2021-16/08/2023
Mr. Wong Wai Leung	60,000	—	—	—	60,000	2.56	06/06/2017	07/06/2019-06/06/2022
	60,000	—	—	—	60,000	2.56	06/06/2017	07/06/2020-06/06/2022
	—	60,000	—	—	60,000	2.31	16/08/2018	17/08/2020-16/08/2023
	—	60,000	—	—	60,000	2.31	16/08/2018	17/08/2021-16/08/2023
Other employees	4,345,000	—	—	(905,000)	3,440,000	2.56	06/06/2017	07/06/2019-06/06/2022
	4,345,000	—	—	(905,000)	3,440,000	2.56	06/06/2017	07/06/2020-06/06/2022
	—	5,240,000	—	(340,000)	4,900,000	2.31	16/08/2018	17/08/2020-16/08/2023
	—	5,240,000	—	(340,000)	4,900,000	2.31	16/08/2018	17/08/2021-16/08/2023
	8,810,000	11,000,000	—	(2,490,000)	17,320,000			

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of exercise period.

2. The closing price of the Shares immediately before the date on which the share options being granted on 6 June 2017 and 16 August 2018 was HK$2.56 and HK$2.29 respectively.

The Company used the Binomial Model for assessing the fair value of the share option granted. The following assumptions were used to calculate the fair values of the share options:

	Date of Grant	
	6 June 2017	**16 August 2018**
Grant date share price	HK$2.56	HK$2.29
Exercise price	HK$2.56	HK$2.31
Expected life	5 years	5 years
Expected volatility (note a)	33%	34%
Risk-free rate (note b)	0.94%	2.057%
Dividend yield (note c)	1.49%	1.91%

Notes:

(a) Expected volatility is estimated with reference to the historical share price of the Company and a set of comparable companies.

(b) Risk-free rate is determined with reference to the yield of Hong Kong Exchange Fund Notes.

(c) Dividend yield is estimated by reference to the historical share price and dividend paid of the Company and a set of comparable companies.

According to the Binomial Model, the fair value of the option granted, which had been charged to the consolidated income statement for the year ended 31 December 2018, amounted to approximately RMB3,115,000 and the remaining unamortised fair value of approximately RMB6,782,000 will be charged to the consolidated income statement in future.

It should be noted that the value of an option varies with different variables of certain subjective assumptions, any change in variables so adopted may materially affect the fair value estimate.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for securities transactions by the Directors. Having made specific enquiries with all the Directors, they have confirmed compliance with the required standard as set out in the Model Code throughout the year ended 31 December 2018.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board has assessed the independence of all the Independent Non-executive Directors and is satisfied of their independence.

AUDIT COMMITTEE

The audit committee, which comprises four Independent Non-executive Directors of the Company, has reviewed with the management in conjunction with the auditor, the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of audited consolidated financial statements of the Group for the year ended 31 December 2018.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's customers primarily comprise of distributors, direct key accounts and other retailers and the Group mainly sell its products to a broad network of distributors. The Group has maintained well-established relationships with its distributors and leverages the strength of their distribution channels to efficiently distribute products and reach consumers in different regions of China.

The Group selects its suppliers based on price, product quality, safety and market reputation and typically collaborate with reliable and reputable suppliers of raw materials. The Group has had stable relationships with many of its suppliers of raw materials, and the Group generally has various sources of supply for each type of raw material to reduce the reliance on a single supplier and to make reference to prevailing market prices for the same raw material.

The percentages of purchases and sales for the year ended 31 December 2018 contributed by the Group's major suppliers and customers are as follows:

Purchases	
— the largest supplier	5.1%
— five largest suppliers combined	17.0%
Sales	
— the largest customer	0.9%
— five largest customers combined	4.1%

None of Directors, their close associates or substantial shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) were interested, at any time during the year, in the Group's five largest customers or suppliers.

CHANGES IN DIRECTORS' AND CHIEF EXECUTIVES' INFORMATION

Save for information disclosed elsewhere in this report, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

PERMITTED INDEMNITY PROVISIONS

According to the articles of association of the Company, every director of the Company shall be entitled to be indemnified out of assets of the Company against all losses or liabilities incurred or sustained by him as a director in defending and proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted.

Save as disclosed herein, at no time during the financial year and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's articles of association, or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who shall retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

RAISING OF FUNDS AND USE OF PROCEEDS

Pursuant to the subscription agreements dated 20 January 2018 entered into between the Company and the subscribers, an aggregate of 95,000,000 ordinary shares of the Company of HKD0.01 each in the share capital of the Company (the "**Shares**") were issued at HKD2.11 per Share (the "**Subscription Price**") to the subscribers on 6 February 2018 (the "**Subscription**"). The aggregate nominal value of the Shares under the Subscription is HK$950,000. The Subscription Price represents (i) a discount of approximately 4.52% to the closing price of HK$2.21 per Share as quoted on the Stock Exchange on 19 January 2018, the date on which the terms of the subscription agreement were fixed; and (ii) a discount of approximately 2.59% to the average closing price of approximately HK$2.166 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days prior to and including 19 January 2018. The subscribers are independent professional, institutional and/or individual investors. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Subscribers (and their respective ultimate beneficial owners, if applicable) are third parties independent of the Company and its connected persons. Details of the Subscription were disclosed in the Company's announcements dated 21 January 2018 and 6 February 2018.

The gross and net proceeds of the Subscription were approximately HKD200.45 million (equivalent to approximately RMB161.2 million) and approximately HKD200.25 million (equivalent to approximately RMB161.0 million), respectively. The net subscription price, after deducting such fees, costs and expenses, is therefore approximately HK$2.11 per Share under the Subscription.

Sets out below is a summary of the intended and actual use of proceeds from the Subscription:

Net proceeds (Approximate)	**Intended use of proceeds as announced**	**Actual use of proceeds for the year ended 31 December 2018**	**Amount of proceeds used for the year ended 31 December 2018** (Approximate)
RMB161.0 million	Development, introduction and promotion of new products, expansion and upgrade of production facilities, enhancing our presence in the sales channels and promoting our brands and for potential future acquisition and business cooperation	Promotion of brands and products and enhancing the presence of sales channels of the Group	RMB141.4 million
		Expansion and upgrade of production facilities	RMB14.3 million
		Research and development for new products	RMB5.3 million

The Company considers that the actual uses of the proceeds from the Subscription mainly focuses on the development, introduction and promotion of new products, expansion and upgrade of production facilities, enhancing our presence in the sales channels and promoting our brands, which are substantially in line with the intended use of proceeds as previously announced.

Save as disclosed herein, the Company did not have any other fund raising activity during the year ended 31 December 2018 and up to the date of this report.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

There was no significant event of the Group occurred after the reporting period.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Details of the Company's environmental, social and governance practices are set out in the Environmental, Social and Governance Report of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year, the Group was not aware of material non-compliance with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

On behalf of the Board
Qinqin Foodstuffs Group (Cayman) Company Limited

Hui Ching Lau
Chairman

Hong Kong, 15 March 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Qinqin Foodstuffs Group (Cayman) Company Limited
(incorporated in Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Qinqin Foodstuffs Group (Cayman) Company Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 58 to 119, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view 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 Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") 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 Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition — sales of goods
- Recognition of deferred income tax assets

Key Audit Matters	How our audit addressed the Key Audit Matters
Revenue recognition — sales of goods	
Refer to Note 2(20) (Summary of significant accounting policies) and Note 5 (Segment information) of the consolidated financial statements The Group's revenue from sales of goods for the year ended 31 December 2018 amounted to approximately RMB761.8 million. Revenue from the sales of goods is recognised when the amount of revenue and the related cost are reliably measured and control of the products have been transferred to the customer, which is usually at the date when the Group has delivered the products to the customer and the customer has accepted the products. We focused on this area due to the large volume of revenue transactions generated from sales of various kinds of products in many different locations and mainly through numerous distributors. In addition, the return of the goods receipt notes from customers may encounter certain time lag which may cause the revenue to be recorded in the incorrect reporting period.	We understood, evaluated and tested management's key controls, on a sample basis, in respect of the Group's sales transactions from customer order's approval, goods delivery, return of goods receipt notes, issue of sales invoices, record of sales, through to cash receipts and settlement of trade receivables. In addition, we tested the general control environment of the Group's information technology systems and the specific automatic controls that were related to revenue recording to assess the completeness and accuracy of the revenue entries being recorded in the general ledger accounting system. We conducted testing of revenue recorded covering different locations and customers by examining the relevant supporting documents including customer's orders, goods delivery notes and goods receipt notes by customers, and sales invoices. In addition, we confirmed selected trade receivable balances as at the balance sheet date. The items tested were selected on a sample basis considering the amount, nature and characteristics of the customers. Furthermore, our audit work also included testing sales transactions that took place before and after the balance sheet date to assess whether or not the revenue was recognised in the correct reporting period. Based on the work performed, we found the Group's revenue from sales of goods being tested were recognised in a manner consistent with the Group's revenue recognition accounting policy.

Key Audit Matters	How our audit addressed the Key Audit Matters
Recognition of deferred income tax assets	
Refer to Note 2(17) (Summary of significant accounting policies), Note 4 (Critical accounting estimates and judgments) and Note 25 (Deferred income tax) of the consolidated financial statements. As at 31 December 2018, deferred income tax assets of approximately RMB15.3 million were recognised for tax losses that can be carried forward in respect of certain subsidiaries in Mainland China, to the extent that realisation of the related tax benefits through the availability of future taxable profits is probable. Significant judgements are involved in determining the recognition of deferred income tax assets and considering whether future taxable profit will be available against which the unutilised tax losses can be utilised. Management prepared a 5-year profit forecast to assess the probability of generating sufficient taxable profits in the foreseeable future involving assumptions of revenue growth rate and gross margin. We focused on this area due to its significance to the consolidated financial statements and the inherent complexity and judgements involved in recognition of deferred income tax assets.	As part of our risk assessment in this area, we compared the current year's actual results with the prior year forecast to consider, with hindsight, whether key assumptions included in that forecast had been subject to management bias. We checked the mathematical accuracy of the forecast model, and evaluated and challenged management's profit forecasts for the next five years of the individual subsidiaries that have unutilised tax losses. Our assessment focused on the key assumptions, such as revenue growth rates and gross margin, by comparing them to these subsidiaries' historical operating results and future operating plans, together with external economic and industry forecasts. We also performed a sensitivity analysis over the key assumptions used in the profit forecast such as the revenue growth rate to assess the potential impact of a range of possible outcomes. The existence and amounts of unutilised tax losses, together with their expiry dates, and the income tax rates applicable to the subsidiaries have been verified by examining the tax returns submitted by the relevant entities and reviewing the correspondences with the tax authorities. Based on our work performed, we found that management's judgement and estimation for the recognition of deferred income tax assets were supported by the evidences that we gathered.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than 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.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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 Audit Committee is responsible for overseeing the Group's financial reporting process.

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. We report our opinion solely to you, as a body, 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 HKSAs 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 HKSAs, we exercise professional judgment and maintain professional scepticism 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.

- 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.

The engagement partner on the audit resulting in this independent auditor's report is Dou Wang, Angel.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 March 2019

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000 Restated (Note 2(2))
Revenue	5	**761,819**	727,257
Cost of goods sold	7	**(529,318)**	(544,279)
Gross profit		**232,501**	182,978
Distribution and selling expenses	7	**(131,175)**	(116,719)
Administrative expenses	7	**(97,567)**	(71,758)
Net reversal of impairment losses on financial assets	3(1)(ii)	**166**	357
Other income and other gains — net	6	**(490)**	10,503
Operating profit		**3,435**	5,361
Finance income	8	**35,802**	5,194
Finance costs	8	**(206)**	(12,811)
Finance income/(costs) — net		**35,596**	(7,617)
Profit/(loss) before income tax		**39,031**	(2,256)
Income tax expense	9	**(6,271)**	(4,280)
Profit/(loss) for the year, all attributable to shareholders of the Company		**32,760**	(6,536)
Earnings/(loss) per share for profit/(loss) attributable to shareholders of the Company			
Basic and diluted earnings/(loss) per share (expressed in RMB per share)	10	**RMB0.058**	RMB(0.014)

The notes on pages 64 to 119 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
		Restated
		(Note 2(2))
Profit/(loss) for the year	**32,760**	(6,536)
Other comprehensive income for the year	**—**	—
Total comprehensive income/(loss) for the year, all attributable to shareholders of the Company	**32,760**	(6,536)

The notes on pages 64 to 119 are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2018

	Note	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000 Restated (Note 2(2))	As at 1 January 2017 RMB'000 Restated (Note 2(2))
Assets				
Non-current assets				
Property, plant and equipment	13	**264,726**	292,512	327,779
Construction-in-progress	14	**3,995**	2,628	1,110
Land use rights	15	**43,980**	39,419	40,373
Intangible assets	16	**3,758**	4,321	4,993
Prepayments for non-current assets	17	**6,542**	4,565	6,740
Deferred income tax assets	25	**24,592**	19,535	15,916
		347,593	362,980	396,911
Current assets				
Inventories	19	**101,757**	101,568	120,202
Trade receivables	20	**9,049**	5,940	12,393
Other receivables, prepayments and deposits	20	**26,234**	27,928	19,040
Cash and cash equivalents	21	**566,085**	294,447	346,308
		703,125	429,883	497,943
Total assets		**1,050,718**	792,863	894,854

	Note	As at 31 December 2018 RMB'000	2017 RMB'000 Restated (Note 2(2))	As at 1 January 2017 RMB'000 Restated (Note 2(2))
Equity				
Equity attributable to shareholders of the Company				
Share capital	22	**4,861**	4,097	4,097
Other reserves	24	**355,751**	187,771	186,238
Retained earnings		**507,685**	479,515	486,362
Total equity		**868,297**	671,383	676,697
Liabilities				
Non-current liabilities				
Deferred income tax liabilities	25	**242**	—	—
		242	—	—
Current liabilities				
Trade payables	26	**56,616**	43,674	60,773
Other payables and accrued charges	26	**101,063**	50,435	56,339
Contract liabilities	5(3)	**24,500**	27,371	98,828
Current income tax liabilities		**—**	—	2,217
		182,179	121,480	218,157
Total liabilities		**182,421**	121,480	218,157
Total equity and liabilities		**1,050,718**	792,863	894,854

The notes on pages 64 to 119 are an integral part of the consolidated financial statements.

The consolidated financial statements on pages 58 to 119 were approved by the Board of Directors on 15 March 2019 and were signed on its behalf.

Director
Hui Ching Lau

Director
Wong Wai Leung

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Note	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2017		4,097	186,238	486,362	676,697
Loss for the year		—	—	(6,536)	(6,536)
Total comprehensive loss		—	—	(6,536)	(6,536)
Equity-settled share option arrangement	23	—	1,222	—	1,222
Appropriation to statutory reserves	24	—	311	(311)	—
Balance at 31 December 2017		4,097	187,771	479,515	671,383
Balance at 1 January 2018		4,097	187,771	479,515	671,383
Profit for the year		—	—	32,760	32,760
Total comprehensive income		—	—	32,760	32,760
Issue of ordinary shares	22	764	160,275	—	161,039
Equity-settled share option arrangement	23	—	3,115	—	3,115
Appropriation to statutory reserves	24	—	4,590	(4,590)	—
Balance at 31 December 2018		4,861	355,751	507,685	868,297

The notes on pages 64 to 119 are an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	27(a)	**98,058**	(20,508)
Income tax paid		**(11,901)**	(13,283)
Net cash generated from/(used in) operating activities		**86,157**	(33,791)
Cash flows from investing activities			
Purchase of property, plant and equipment, including additions of construction-in-progress		**(15,890)**	(11,108)
Purchase of intangible assets	16	**(164)**	—
Proceeds from disposal of property, plant and equipment	27(b)	**4,694**	446
Interest received		**11,287**	5,194
Net cash used in investing activities		**(73)**	(5,468)
Cash flows from financing activities			
Proceeds from issues of shares		**161,039**	—
Net increase/(decrease) in cash and cash equivalents		**247,123**	(39,259)
Cash and cash equivalents at beginning of the year		**294,447**	346,308
Effect of foreign exchange rate changes in cash and cash equivalents		**24,515**	(12,602)
Cash and cash equivalents at end of the year		**566,085**	294,447

The notes on pages 64 to 119 are an integral part of the consolidated financial statements.

1 GENERAL INFORMATION

Qinqin Foodstuffs Group (Cayman) Company Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2013 revision) of the Cayman Islands. The address of its registered office is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The address of the Company's principal business place is Unit 2601, 26th Floor, Admiralty Centre, Tower 1, 18 Harcourt Road, Hong Kong.

The Company is an investment holding company and its subsidiaries (together, the "**Group**") are principally engaged in the manufacturing, distribution and sale of food and snack products in the People's Republic of China (the "**PRC**").

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 8 July 2016.

These consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors on 15 March 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(1) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except that financial assets and liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(1) Basis of preparation *(Continued)*

(i) New and amended standards adopted by the Group

The following amendments of HKAS and HKFRS are effective for the first time for the financial year beginning on or after 1 January 2018:

— HKFRS 9 Financial Instruments

— HKFRS 15 Revenue from Contracts with Customers

— Classification and Measurement of Share-based Payment Transactions — Amendments to HKFRS 2

— Annual Improvements 2014-2016 cycle

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of HKFRS 9 and HKFRS 15. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(ii) New standards and interpretations not yet adopted

A number of new standards and amendments to existing standards have been issued but are not yet effective for the financial year beginning on 1 January 2018, and have not been early adopted by the Group in preparing these consolidated financial statements. The Group intends to adopt them no later than the respective effective dates of these new standards and amendments. The Group has evaluated the impact of these new standards and amendments, except for the assessment of impact set out below, no other new standards or amendments have a significant impact on the consolidated financial statements of the Group.

Standards		**Effective for annual periods beginning on or after**
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HK(IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to HKFRS Standards 2015-2017 Cycle		1 January 2019
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(1) Basis of preparation *(Continued)*

(ii) New standards and interpretations not yet adopted *(Continued)*

HKFRS 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB3,826,000 (Note 29). Of these commitments, approximately RMB2,090,000 relate to short-term leases which will be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments the Group expects to recognise right-of-use assets of approximately RMB3,388,000 on 1 January 2019, lease liabilities of RMB3,388,000 and no deferred tax assets recognised. Overall net assets will not be changed, but net current assets will be RMB936,000 lower due to the presentation of a portion of the liability as a current liability.

The Group expects that profit before income tax will decrease by approximately RMB28,000 for 2019 as a result of adopting the new rules. Operating cash flows will increase and financing cash flows will decrease by approximately RMB980,000 as repayment of the principal and interests of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

Date of adoption by the Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(2) Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements.

(i) Impact on the consolidated financial statements

As a result of the changes in the entity's accounting policies, prior year financial statements had to be restated. The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more details below.

Consolidated balance sheet (extract)	**31 December 2017 As originally presented**	**HKFRS 15**	**31 December 2017 Restated**
	RMB'000	RMB'000	RMB'000
Current liabilities:			
Other payables and accrued charges	77,806	(27,371)	50,435
Contract liabilities	—	27,371	27,371
Total liabilities	**121,480**	**—**	**121,480**

Consolidated balance sheet (extract)	**31 December 2016 As originally presented**	**HKFRS 15**	**1 January 2017 Restated**
	RMB'000	RMB'000	RMB'000
Current liabilities:			
Other payables and accrued charges	155,167	(98,828)	56,339
Contract liabilities	—	98,828	98,828
Total liabilities	**218,157**	**—**	**218,157**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(2) Changes in accounting policies *(Continued)*

(i) Impact on the consolidated financial statements (Continued)

Consolidated income and other comprehensive income statement (extract)	Year ended 31 December 2017			
	As originally presented	HKFRS 9	HKFRS 15	Restated
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	882,379	—	(155,122)	727,257
Cost of sales	(544,279)	—	—	(544,279)
Gross profit	**338,100**	**—**	**(155,122)**	**182,978**
Distribution and selling expenses	(271,841)	—	155,122	(116,719)
Administrative expenses	(71,401)	(357)	—	(71,758)
Net reversal of impairment losses on financial assets	—	357	—	357
Operating profit	**5,361**	**—**	**—**	**5,361**
Loss before income tax	**(2,256)**	**—**	**—**	**(2,256)**
Loss and total comprehensive loss for the year, all attributable to shareholders of the Company	**(6,536)**	**—**	**—**	**(6,536)**
Loss per share for loss attributable to shareholders of the Company				
Basic and diluted	RMB(0.014)	—	—	RMB(0.014)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(2) Changes in accounting policies *(Continued)*

(ii) HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 Financial Instruments: Recognition and Measurement that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies. The new accounting policies are set out in Note 2(10) below. In accordance with the transitional provisions in HKFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated.

Reclassifications made to line items in the consolidated income statement and statement of comprehensive income for the 2017 reporting year is as follows:

	Note	Year ended 31 December 2017 RMB'000
Increase of administrative expenses	*	(357)
Decrease of net impairment losses on financial assets	*	357
Loss and total comprehensive loss for the year, all attributable to shareholders of the Company		—

* Reclassification of impairment losses on financial assets required as a result of consequential changes made to HKAS 1 Presentation of Financial Statements.

There was no impact to the Group's retained earnings as at 1 January 2018 and 1 January 2017.

(a) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), there was no significant impact on the classification and measurement of its financial assets as the Group does not have:

- Debt instrument that are classified as available-for-sale financial assets;
- Debt instrument classified as held-to-maturity and measured at amortised cost;
- Equity investment measured at fair value through profit or loss.

There was no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 and have not been changed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(2) Changes in accounting policies *(Continued)*

(ii) HKFRS 9 Financial Instruments *(Continued)*

(b) Derivatives and hedging activities

As the Group does not have any hedge instruments, the new hedge accounting rules does not exert any impact.

(c) Impairment of financial assets

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade receivables for sales of goods, and
- other financial assets at amortised cost.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets.

While cash and cash equivalents were also subject to the impairment requirements of HKFRS 9, no impairment loss was identified.

Trade receivables

The Group applied the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The loss allowance as at 1 January 2018 did not have material change after reassessment Note 3(1)(ii) provides for details about the calculation of the allowance.

Other financial assets at amortised cost

Other financial assets at amortised cost include amounts due from related parties and other receivables, which are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term, and therefore the impairment provision is determined as 12 months expected credit losses. The loss allowance as at 1 January 2018 did not have material change after reassessment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(2) Changes in accounting policies *(Continued)*

(iii) HKFRS 15 Revenue from Contracts with Customers

The Group adopted HKFRS 15 Revenue from Contracts with Customers from its effective date of 1 January 2018. The adoption of HKFRS 15 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements for the prior year. In accordance with the transition provisions in HKFRS 15, the Group has adopted the new rules retrospectively and has restated the comparatives figures for the 2017 financial year.

In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2018), the beginning of the earliest period presented (1 January 2017) and the income statement for the comparative year ended 31 December 2017:

		HKAS 18 carrying amount 31 December 2017 RMB'000	Reclassifications RMB'000	HKFRS 15 carrying amount 1 January 2018 RMB'000
Other payables and accrued charges	c	77,806	(27,371)	50,435
Contract liabilities	c	—	27,371	27,371

		HKAS 18 carrying amount 31 December 2016 RMB'000	Reclassifications RMB'000	HKFRS 15 carrying amount 1 January 2017 RMB'000
Other payables and accrued charges	c	155,167	(98,828)	56,339
Contract liabilities	c	—	98,828	98,828

		Year ended 31 December 2017		
		HKAS 18 amounts RMB'000	Reclassifications RMB'000	HKFRS 15 amounts RMB'000
Revenue	a, b	882,379	(155,122)	727,257
Distribution and selling expenses	a, b	(271,841)	155,122	(116,719)

There was no impact to the Group's retained earnings as at 1 January 2018 and 1 January 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(2) Changes in accounting policies *(Continued)*

(iii) HKFRS 15 Revenue from Contracts with Customers *(Continued)*

(a) Accounting for refunds

The Group's products are often sold with retrospective volume discounts based on aggregate sales over a period of time. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in other payables and accrued charges) is recognised for expected volume discounts payable to customers in relation to sales made. The accounting treatments are the same before and after adopting HKFRS 15.

(b) Payments to customers

The Group makes payments to customers for promotion expenses and related expenses and recorded such payments as distribution and selling expenses under HKAS 18. The application of HKFRS 15 resulted in the payment to a customer recorded as a reduction of the arrangement's transaction price, thereby reducing the amount of revenue recognised, unless the payment is for a distinct good or service received from the customer. As a consequence, revenue and distribution and selling expenses for the year ended 31 December 2017 decreased by RMB155,122,000. For the year ended 31 December 2018, revenue and distribution and selling expenses decreased by RMB114,203,000.

(c) Presentation of assets and liabilities related to contracts with customers

The Group has also voluntarily changed the presentation of certain amounts in the balance sheet to reflect the terminology of HKFRS 15.

- The Group receives advanced receipts from customers prior to goods sold and recorded such advance receipts in other payables. The adoption of HKFRS 15 resulted in the reclassification of the advance receipts from customers to contract liabilities. Reclassifications of other payable to contract liabilities as at 1 January 2018 and 1 January 2017 were RMB27,371,000 and RMB98,828,000 respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(3) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(3) Subsidiaries *(Continued)*

(ii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(4) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company who makes strategic decisions.

(5) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in RMB, which is the Company's and its subsidiaries' functional currency and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within "finance income" and "finance costs", where applicable. All other foreign exchange gains and losses are presented in the consolidated income statement within "other income and other gains — net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(6) Property, plant and equipment

Buildings comprise mainly factories, warehouses and offices. All property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is 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 charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Machinery	10 - 20 years
Office equipment, furniture and fixtures	5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(9)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "other income and other gains — net" in the consolidated income statement.

(7) Land use rights

Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses, if any (Note 2(9)). Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for periods of the lease. Amortisation of land use rights is calculated on a straight-line basis over the period of the leases.

(8) Intangible assets — Computer softwares

Computer softwares represent purchased softwares and are amortised over their estimated useful lives (10 years).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(9) Impairment of investments in subsidiaries and non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of an impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(10) Financial assets

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

As at 31 December 2018 and 1 January 2018, the Group only held trade receivables and other financial assets measured at amortised cost.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(10) Financial assets *(Continued)*

(iii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Subsequent measurement of financial assets depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

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. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

(iv) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3(1)(ii)(b) for further details.

(v) Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(a) Classification

Until 31 December 2017 the Group classifies its financial assets in one categories: loans and receivables. The classification determined on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period and are classified as non-current assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(10) Financial assets *(Continued)*

(v) Accounting policies applied until 31 December 2017(Continued)

(b) Recognition and measurement

The recognition and measurement at initial recognition did not change an adoption of HKFRS 9, see description above.

Subsequent to the initial, loans and receivables are subsequently carried at amortised cost using the effective interest method.

(c) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "**loss event**") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loan and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(11) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(13) Trade and other receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

(14) Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(15) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(16) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(17) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in other comprehensive income or equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

(a) Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(b) Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(17) Current and deferred income tax *(Continued)*

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(18) Employee benefits

(i) Pension obligations

The employees of the Group in Mainland China are covered by the government-sponsored defined contribution pension plan under which the retired employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to the pension plan. Under the pension plan, the Group has no obligation for post-retirement benefits beyond the contributions made. The contributions are recognised as employee benefit expense when they are due.

(ii) Housing funds, medical insurances and other social insurances

The employees of the Group in Mainland China are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period, and recognised as employee benefit expense when they are due.

(iii) Share-based compensation

The Group operates an equity-settled share-based payment plan (Note 23). The fair value of the employee services received in exchange for the grant of the options to purchase shares of the Company is recognised as an expenses. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (eg profitability and sales growth targets).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium account.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(19) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(20) Revenue recognition

(i) Sale of goods

The Group manufactures, distributes and sells food and snack products. Sales are recognised when control of the products has transferred, being when the products are delivered and the customers have inspected and accepted the products. Customers have full discretion over the channel and price to sell the products, and there is no more unfulfilled obligation that could affect the acceptance of the products. Delivery occurs when the products have been shipped to the specific location. The risks of obsolescence and loss have been transferred to the customers when either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group's products are often sold with retrospective volume discounts based on aggregate sales over a period of time. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in other payables and accrued charges) is recognised for expected volume discounts payable to customers in relation to sales made.

Most of the sales were made with advance payment, and no element of financing is deemed present as the remaining sales are made with credit terms of 60 to 90 days, which is consistent with market practice.

A receivable is recognised when the goods are delivered and the customers has inspected and accepted the products as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(20) Revenue recognition *(Continued)*

(ii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(iii) Interest income

Interest income on financial assets at amortised cost (2017 — loans and receivables) calculated using the effective interest method is recognised in the consolidated income statement as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(21) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are recognised in the consolidated income statement on a straight-line basis over the expected lives of the related assets.

(22) Leases — Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(23) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the year in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

(1) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Market risk

(a) Foreign exchange risk

The Group operates primarily in Mainland China and the functional currency of all of the companies in the Group is RMB. Foreign exchange risk arises mainly from future commercial transactions of sales and purchases with overseas customers and suppliers by the Group and recognised assets or liabilities, such as bank deposits, trade and other receivables and payables, and borrowings of its subsidiaries, which are denominated in Hong Kong Dollar ("**HKD**"), United States Dollar ("**USD**") and other currencies that are not the functional currency of the relevant companies in the Group.

As at 31 December 2018, if RMB had strengthened/weakened by 5% against the foreign currencies with all other variables unchanged, the Group's profit for the year before income tax would have been RMB24,414,000 (2017: RMB8,371,000) lower/higher respectively.

(b) Cash flow and fair value interest rate risk

Except for cash and cash equivalents (Note 21), the Group has no other significant interest-bearing assets and liabilities. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact on interest-bearing assets resulted from the changes in interest rates because the interest rates of bank deposits are not expected to change significantly.

(ii) Credit risk

Credit risk arises from bank deposits, trade and other receivables, as well as credit exposures to customers, including outstanding receivables and committed transactions.

(a) Risk management

Credit risk is managed on a group basis. All bank balances were placed with or entered into with highly reputable and sizable banks and financial institutions without significant credit risk. Majority of the Group's sales are settled in cash by its customers on delivery of goods. Credit sales are made only to selected customers with good credit history. The Group has policies in place to ensure that settlement of trade receivables are followed up on a timely basis.

The Group has no significant concentrations of credit risk. The carrying amounts of bank deposits, trade receivables and other receivables included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Financial risk factors *(Continued)*

(ii) Credit risk (Continued)

(a) Risk management *(Continued)*

The table below shows the bank balances with counterparties as at 31 December 2018 and 2017:

	2018 RMB'000	2017 RMB'000
Counterparties		
— Big 4 state-owned banks (Note)	**352,728**	282,781
— Other reputable and sizeable domestic commercial banks	**34,416**	9,317
— Highly reputable and sizeable foreign-owned banks	**178,882**	2,192
	566,026	294,290

Note: Big 4 domestic banks comprise Industrial and Commercial Bank of China Limited, Agricultural Bank of China Limited, Bank of China Limited and China Construction Bank Corporation.

(b) Impairment of financial assets

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade receivables for sales of goods, and
- other financial assets at amortised cost.

While cash and cash equivalents were also subject to the impairment requirements of HKFRS 9, no impairment loss was identified.

Trade receivables

The Group applied the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and aging periods.

The expected loss rates are based on the aging profiles of trade receivables over a period of 36 month before 31 December 2018 or 1 January 2018 respectively. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Financial risk factors *(Continued)*

(ii) Credit risk (Continued)

(b) Impairment of financial assets *(Continued)*

Trade receivables (Continued)

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of HKFRS 9) was determined as follows for trade receivables:

31 December 2018	Within 6 months	7 to 12 months	Over 12 months
Expected loss rate	0.68%	13.63%	86.50%

1 January 2018	Within 6 months	7 to 12 months	Over 12 months
Expected loss rate	1.18%	16.42%	81.91%

The difference of amounts of loss allowance for trade receivables as at 31 December 2018 and 1 January 2018 under HKFRS 9 and HKAS 39 was immaterial, and no restatement made through opening retained earnings.

The closing loss allowances for trade receivables as at 31 December 2018 and 2017 reconcile to the opening loss allowances as follows:

	Trade receivables	
	2018 RMB'000	2017 RMB'000
Closing loss allowance at 31 December 2017 and 2016 — calculated under HKAS 39	**892**	1,249
Amounts restated through opening retained earnings	**—**	—
Opening loss allowance as at 1 January 2018 and 2017 — calculated under HKFRS 9	**892**	1,249
Receivables written off during the year as uncollectible	**(632)**	—
Reversal of provision for impairment	**(166)**	(357)
Closing loss allowance at 31 December 2018 and 2017 (Note 20)	**94**	892

Trade receivables are written off when there is no reasonable expectation of recovery.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Financial risk factors *(Continued)*

(ii) Credit risk (Continued)

(b) Impairment of financial assets *(Continued)*

Other financial assets at amortised cost

There is no loss allowance for other financial assets at amortised cost as at 31 December 2018 and 2017.

(iii) Liquidity risk

Cash flow is managed at Group level by head office finance department ("**Group Finance**"). Group Finance monitors the Group's liquidity requirements to ensure that it has sufficient cash to meet operational needs at all times and does not breach borrowing limits or covenants on any of its borrowing facilities. Group Finance usually takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.

Group Finance mainly invests surplus cash in time deposits, with appropriate maturities.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2018 **RMB'000**	2017 RMB'000
Less than 1 year		
Trade payables	**56,616**	43,674
Other payables and accrued charges	**56,206**	23,288
	112,822	66,962

(2) Capital risk 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 and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated on the basis of the total bank borrowings as a percentage of the total shareholders' equity.

No gearing ratio has been presented as the Group did not have borrowings as at 31 December 2018 (2017: Nil).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(3) Fair value estimation

The Group adopts the amendment to HKFRS 13 for financial instruments that are measured in the consolidated balance sheets at fair value, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2018, the Group had no financial instruments that are measured in the consolidated balance sheets at fair value.

The carrying amounts of the Group's current financial assets (including cash and cash equivalents, and trade receivables, other receivables, prepayments and deposits) and current financial liabilities (including trade payables, other payables and accrued charges) approximated their fair values as at the balance sheet date due to their short maturities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(1) Useful lives 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 property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(2) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement 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 at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(3) Impairment of property, plant and equipment

The Group reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, in accordance with the accounting policy stated in Note 2(9). The recoverable amount of a CGU (cash-generating unit) has been determined based on higher of value-in-use and fair value less costs to sell.

The Group measured the value-in-use and fair value less costs to sell by discounting the future estimated cash flow deriving from the property, plant and equipment. These calculations required the Group to estimate the expected future cash flows from the CGUs and also to apply a suitable discount rate in order to calculate the present value of those cash flows.

(4) Current tax and deferred tax

The Group is subject to income taxes in Mainland China and in Hong Kong. Significant judgement is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and provisions in the period in which such determination is made.

Deferred income tax assets and liabilities are determined using tax rates that are expected to apply when the related deferred income tax assets are realised or the deferred income tax liabilities are settled. The expected applicable tax rate is determined based on the enacted tax laws and regulations and the actual situation of the Group. The management of the Group will revise the expectation where the intending tax rate is different from the original expectation.

5 REVENUE AND SEGMENT INFORMATION

(1) Description of segments

The Board of Directors of the Company monitors the gross profit of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. For management purposes, the Group is organised into business units based on their products and has four reportable operating segments as follows:

i. Jelly Products
ii. Crackers and Chips
iii. Seasoning Products
iv. Confectionery and Other Products

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(2) Segments profits

	Year ended 31 December 2018				
	Jelly Products RMB'000	Crackers and Chips RMB'000	Seasoning Products RMB'000	Confectionery and Other Products RMB'000	Group RMB'000
Revenue — recognised at a point in time					
Sales to external customers	**435,238**	**210,273**	**87,307**	**29,001**	**761,819**
Cost of goods sold	**(314,242)**	**(134,273)**	**(59,251)**	**(21,552)**	**(529,318)**
Results of reportable segments	**120,996**	**76,000**	**28,056**	**7,449**	**232,501**

A reconciliation of results of reportable segments to profit for the year is as follows:

Results of reportable segments	**232,501**
Distribution and selling expenses	**(131,175)**
Administrative expenses	**(97,567)**
Net reversal of impairment losses on financial assets	**166**
Other income and other gains — net	**(490)**
Finance income	**35,802**
Finance costs	**(206)**
Profit before income tax	**39,031**
Income tax expense	**(6,271)**
Profit for the year	**32,760**

Other segment information is as follows:

	Jelly Products	Crackers and Chips	Seasoning Products	Confectionery and Other Products	Group
Depreciation and amortisation charges					
Allocated	**20,806**	**5,954**	**2,681**	**1,576**	**31,017**
Unallocated					**2,300**
					33,317
Capital expenditures					
Allocated	**11,810**	**3,457**	**832**	**—**	**16,099**
Unallocated					**5,820**
					21,919

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(2) Segments profits *(Continued)*

	Year ended 31 December 2017 (Restated)				
	Jelly Products RMB'000	Crackers and Chips RMB'000	Seasoning Products RMB'000	Confectionery and Other Products RMB'000	Group RMB'000
Revenue — recognised at a point in time					
Sales to external customers	407,896	208,341	76,783	34,237	727,257
Cost of goods sold	(309,274)	(145,117)	(54,363)	(35,525)	(544,279)
Results of reportable segments	98,622	63,224	22,420	(1,288)	182,978

A reconciliation of results of reportable segments to loss for the year is as follows:

Results of reportable segments	182,978
Distribution and selling expenses	(116,719)
Administrative expenses	(71,758)
Net reversal of impairment losses on financial assets	357
Other income and other gains — net	10,503
Finance income	5,194
Finance costs	(12,811)
Loss before income tax	(2,256)
Income tax expense	(4,280)
Loss for the year	(6,536)

Other segment information is as follows:

	Jelly Products	Crackers and Chips	Seasoning Products	Confectionery and Other Products	Group
Depreciation and amortisation charges					
Allocated	21,194	6,156	2,811	2,364	32,525
Unallocated					2,825
					35,350
Capital expenditures					
Allocated	5,587	688	51	—	6,326
Unallocated					4,053
					10,379
Impairment charge of machinery (Note 13)	—	—	—	8,021	8,021

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(2) Segments profits *(Continued)*

Geographical information

Over 90% of the Group's revenue and operating profit were generated from the sales in Mainland China and over 90% of the Group's non-current assets were located in Mainland China, therefore no geographical information is presented in accordance with HKFRS 8 Operating Segments.

Major customer

None of the Group's sales to a single customer amounting to 10% or more of the Group's total revenue for the year, therefore no major customer information is presented in accordance with HKFRS 8 Operating Segments.

No analysis of the Group's assets and liabilities by operating segments is disclosed as it is not regularly provided to the Board of Directors of the Company for review.

(3) Liabilities related to contracts with customers

The Group has recognised the following liabilities related to contracts with customers:

	31 December 2018 RMB'000	31 December 2017 RMB'000 Restated (Note 2(2))	1 January 2017 RMB'000 Restated (Note 2(2))
Contract liabilities			
— advance from customers	**24,500**	27,371	98,828

The following table shows how much of the revenue recognised in the current reporting year that was related to carried-forward contract liabilities:

	2018 RMB'000	2017 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Advance from customers	**27,371**	98,828

6 OTHER INCOME AND OTHER GAINS — NET

	2018 RMB'000	2017 RMB'000
Government grants	**4,708**	12,706
Exchange gain/(losses) from operating activities — net	**17**	(868)
Losses on disposal or write-off of property, plant and equipment — net (Note 27(b))	**(6,329)**	(1,937)
Others	**1,114**	602
	(490)	10,503

Governments grants received during the year primarily comprised financial subsidies received from various local government authorities in Mainland China. There are no unfulfilled conditions or contingencies relating to these governments grants.

7 EXPENSES BY NATURE

Expenses included in cost of goods sold, distribution and selling expenses and administrative expenses were analysed as follows:

	2018 RMB'000	2017 RMB'000 Restated (Note 2(2))
Raw materials and consumables used	**404,000**	382,460
Changes in inventories of work-in-progress and finished goods	**(8,599)**	21,617
Employee benefit expense, including directors' emoluments (Note 12)	**170,640**	135,057
Transportation and packaging expenses	**45,323**	47,965
Utilities and various office expenses	**43,258**	41,867
Depreciation of property, plant and equipment (Note 13)	**31,526**	33,724
Travelling expenses	**16,707**	14,662
Marketing and advertising expenses	**13,441**	5,404
Research and development expenses	**6,213**	271
Operating leases rentals	**4,759**	5,387
Auditor's remuneration	**1,878**	1,480
Amortisation of land use rights (Note 15)	**1,064**	954
Amortisation of intangible assets (Note 16)	**727**	672
Impairment charge of property, plant and equipment (Note 13)	**—**	8,021
(Reversal of provision)/provision for decline in value of inventories (Note 19)	**(582)**	105
Others	**27,705**	33,110
Total cost of sales, distribution and selling expenses and administrative expenses	**758,060**	732,756

8 FINANCE INCOME AND FINANCE COSTS

	2018 RMB'000	2017 RMB'000
Finance income:		
Interest income from bank deposits	**11,287**	5,194
Exchange gain	**24,515**	—
	35,802	5,194
Finance costs:		
Other finance charges	**(206)**	(209)
Exchange loss	**—**	(12,602)
	(206)	(12,811)
Finance income/(costs) — net	**35,596**	(7,617)

9 INCOME TAX EXPENSE

The amount of income tax expense charged to the consolidated income statement represents:

	2018 RMB'000	2017 RMB'000
Current income tax	**11,086**	7,899
Deferred income tax, net (Note 25)	**(4,815)**	(3,619)
Income tax expense	**6,271**	4,280
Represented by:		
Corporate income tax	**3,402**	3,630
Withholding tax on distributed profits and unremitted earnings	**2,869**	650
Income tax expense	**6,271**	4,280

Pursuant to the enactment of two-tiered profit tax rates by the Inland Revenue Department from the year of assessment 2018/19 onwards, the Group's first HK$2 million of assessable profits under Hong Kong profits tax during the year ended 31 December 2018 is subject to a tax rate of 8.25%. The Group's remaining assessable profits above HK$2 million will continue to be subject to a tax rate of 16.5%. Hong Kong profits tax had been provided for at the rate of 16.5% on the estimated assessable profits of the Group's company in Hong Kong in 2017.

Taxation on Mainland China income has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in Mainland China in which the Group operates. The Company's subsidiaries incorporated in Mainland China are subject to Corporate Income Tax at the rate of 25% (2017: 25%).

Deferred income tax is calculated on temporary differences under the liability method using the prevailing tax rates applicable to subsidiaries of the Group in Mainland China.

9 INCOME TAX EXPENSE *(Continued)*

The profits of subsidiaries of the Group in Mainland China derived since 1 January 2008 are subject to withholding tax at a rate of 5% upon the distribution of such profits to foreign investors in Hong Kong. Deferred income tax liabilities have been provided for in this regard based on the expected dividends to be distributed from the Group's subsidiaries in Mainland China in the foreseeable future in respect of the profits generated since 1 January 2008.

The tax on the Group's profit/(loss) before income tax differs from the theoretical amount that would arise using the tax rates applicable to the profits of the Group's companies as follows:

	2018 **RMB'000**	2017 RMB'000
Profit/(loss) before income tax	**39,031**	(2,256)
Tax calculated at tax rates applicable to profits of the Group's companies	**6,449**	757
Income not subject to tax	**(2,346)**	—
Expenses not deductible for tax purposes	**—**	2,078
Withholding tax on distributed profit and unremitted earnings	**2,869**	650
Others	**(701)**	795
Income tax expense	**6,271**	4,280

10 EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2018	2017
Profit/(loss) attributable to shareholders of the Company (RMB'000)	**32,760**	(6,536)
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share (Note 22)	**561,196,557**	475,696,557
Basic earnings/(loss) per share	**RMB0.058**	RMB(0.014)

(b) Diluted

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The Company's share options are dilutive potential ordinary shares. The diluted earnings/(loss) per share are the same as the basic earnings/(loss) per share for the year ended 31 December 2018 and 31 December 2017 as the potential ordinary shares in respect of outstanding share options are anti-dilutive.

11 DIVIDENDS

At a meeting of the Board of Directors held on 15 March 2019, the Board of Directors did not recommend any payment of dividend to shareholders for the year ended 31 December 2018 (2017: Nil).

12 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2018 RMB'000	2017 RMB'000
Wages and salaries	144,407	125,529
Equity-settled share-based payment expense (Note 23)	3,115	1,222
Pension, housing fund, medical insurance and other social benefits	23,118	8,306
Total employee benefit expenses	170,640	135,057

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year included two (2017: two) directors, details of whose emoluments are reflected in the analysis presented in Note 33(a). The emoluments payable to the remaining three (2017: three) individuals during the year were as follows:

	2018 RMB'000	2017 RMB'000
Salaries, wages and bonuses	1,033	855
Equity-settled share-based payment	80	31
Pension, housing fund, medical insurance and other social benefits	25	22
	1,138	908

The emoluments fell within the following bands:

	Numbers of the individual	
	2018	2017
Emolument bands		
Within HKD1,000,000	3	3

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Office equipment, furniture and fixtures RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2018					
Cost	273,091	180,568	19,636	2,960	476,255
Accumulated depreciation	(84,057)	(70,605)	(14,874)	(1,948)	(171,484)
Accumulated impairment	—	(12,259)	—	—	(12,259)
Net book amount	189,034	97,704	4,762	1,012	292,512
Year ended 31 December 2018					
Opening net book amount	189,034	97,704	4,762	1,012	292,512
Additions	1,152	11,613	1,236	139	14,140
Transfer from construction-in-progress (Note 14)	532	91	—	—	623
Depreciation for the year (Note 7)	(13,749)	(15,709)	(1,679)	(389)	(31,526)
Disposals	(106)	(10,561)	(57)	(299)	(11,023)
Closing net book amount	176,863	83,138	4,262	463	264,726
At 31 December 2018					
Cost	274,496	153,135	19,561	787	447,979
Accumulated depreciation	(97,633)	(62,779)	(15,299)	(324)	(176,035)
Accumulated impairment	—	(7,218)	—	—	(7,218)
Net book amount	176,863	83,138	4,262	463	264,726

13 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings RMB'000	Machinery RMB'000	Office equipment, furniture and fixtures RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2017					
Cost	271,471	185,817	19,137	2,985	479,410
Accumulated depreciation	(70,679)	(61,769)	(13,296)	(1,649)	(147,393)
Accumulated impairment	—	(4,238)	—	—	(4,238)
Net book amount	200,792	119,810	5,841	1,336	327,779
Year ended 31 December 2017					
Opening net book amount	200,792	119,810	5,841	1,336	327,779
Additions	594	4,654	1,074	85	6,407
Transfer from construction-in-progress (Note 14)	1,154	1,300	—	—	2,454
Depreciation for the year (Note 7)	(13,489)	(17,743)	(2,094)	(398)	(33,724)
Disposals	(17)	(2,296)	(59)	(11)	(2,383)
Impairment provision (Note 7)	—	(8,021)	—	—	(8,021)
Closing net book amount	189,034	97,704	4,762	1,012	292,512
At 31 December 2017					
Cost	273,091	180,568	19,636	2,960	476,255
Accumulated depreciation	(84,057)	(70,605)	(14,874)	(1,948)	(171,484)
Accumulated impairment	—	(12,259)	—	—	(12,259)
Net book amount	189,034	97,704	4,762	1,012	292,512

Depreciation expenses have been charged to the consolidated income statement as follows:

	2018 RMB'000	2017 RMB'000
Manufacturing overheads included in cost of goods sold	**21,563**	24,677
Distribution and selling expenses	**133**	250
Administrative expenses	**9,830**	8,797
	31,526	33,724

There was no pledge of property, plant and equipment of the Group as at 31 December 2018 and 2017.

13 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

In June 2018, the Group obtained the certificate of land-use-right for the 56,168 square-meter of land situated within the Jinjiang Industrial Zone, Fujian Province, Mainland China. In July 2018, the Group obtained the ownership certificates for all the respective buildings located in the above land with carrying amount of approximately RMB59,030,000 as at 31 December 2018 (2017: RMB62,663,000).

14 CONSTRUCTION-IN-PROGRESS

	2018 RMB'000	2017 RMB'000
At 1 January	**2,628**	1,110
Additions	**1,990**	3,972
Transfer to property, plant and equipment (Note 13)	**(623)**	(2,454)
At 31 December	**3,995**	2,628

15 LAND USE RIGHTS

	2018 RMB'000	2017 RMB'000
At 1 January	**39,419**	40,373
Additions	**5,625**	—
Amortisation for the year (Note 7)	**(1,064)**	(954)
At 31 December	**43,980**	39,419

Amortisation has been charged to administrative expenses in the consolidated income statement.

As at 31 December 2018, certain land of the Group that are situated within the Jinjiang Industrial Zone, Fujian Province, Mainland China, with carrying amount of approximately RMB6,709,000 (2017: RMB12,096,000) were still in the process of applying for the ownership certificates.

16 INTANGIBLE ASSETS — COMPUTER SOFTWARES

	2018 RMB'000	2017 RMB'000
At 1 January		
Cost	**6,789**	6,789
Accumulated amortisation	**(2,468)**	(1,796)
Net book amount	**4,321**	4,993
Year ended 31 December		
Opening net book amount	**4,321**	4,993
Additions	**164**	—
Amortisation for the year (Note 7)	**(727)**	(672)
Closing net book amount	**3,758**	4,321
At 31 December		
Cost	**6,953**	6,789
Accumulated amortisation	**(3,195)**	(2,468)
Net book amount	**3,758**	4,321

Amortisation of intangible assets has been charged to administrative expenses in the consolidated income statements.

17 PREPAYMENTS FOR NON-CURRENT ASSETS

The balance represented prepayments for purchase of property, plant and equipment and land use rights.

18 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	Note	2018 RMB'000	2017 RMB'000
Financial assets			
Financial assets at amortised cost			
— Trade receivables	20	**9,049**	5,940
— Other receivables, prepayments and deposits, excluding non-financial assets	20	**5,260**	3,620
— Cash and bank balances	21	**566,085**	294,447
		580,394	304,007
Financial liabilities			
Financial liabilities at amortised costs			
— Trade payables	26	**56,616**	43,674
— Other payables and accrued charges, excluding non-financial liabilities	26	**56,206**	23,288
		112,822	66,962

19 INVENTORIES

	2018 RMB'000	2017 RMB'000
Finished goods	**17,715**	12,838
Work-in-progress	**32,510**	28,788
Raw materials	**47,593**	52,664
Spare parts and consumables	**3,939**	7,278
	101,757	101,568

The cost of inventories recognised as expenses and included in cost of goods sold amounted to RMB395,401,000 (2017: RMB404,077,000).

The Group recorded a reversal of provision for decline in value of inventories amounting to RMB582,000 (2017: provision for decline in value of inventories, RMB105,000). These amounts have been included in cost of goods sold in the consolidated income statement (Note 7).

20 TRADE, OTHER RECEIVABLES, PREPAYMENT AND DEPOSITS

	2018 RMB'000	2017 RMB'000
Trade receivables	**9,143**	6,832
Less: provision for impairment (Note 3(1)(ii)(b))	**(94)**	(892)
	9,049	5,940
Other receivables, prepayments and deposits		
— Advance payments to suppliers	**10,918**	6,670
— Deposit for purchase of land use rights	**—**	6,228
— Prepayments for rental and utility	**3,581**	2,667
— Value added tax recoverable (i)	**6,475**	8,743
— Others	**5,260**	3,620
	26,234	27,928
Total	**35,283**	33,868

(i) The Group's distribution and sale of self-manufactured products are subject to value added tax ("**VAT**"). The applicable tax rate for domestic sales before 30 April 2018 was 17% and which was adjusted down to 16% from 1 May 2018. Input VAT from purchases of raw materials, certain fixed assets and utilities can be deducted from output VAT. VAT recoverable is the net difference between deductible input and output VAT.

The credit period ranges from 60 to 90 days (2017: 30 to 90 days). The ageing analysis of trade receivables based on invoice date, before provision for impairment, as at 31 December 2018 was as follows:

	2018 RMB'000	2017 RMB'000
Within 30 days	**1,131**	993
31 - 180 days	**7,759**	4,201
181 - 365 days	**253**	746
Over 365 days	**—**	892
	9,143	6,832

There is no significant concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

As the credit terms are short and most of the trade receivables, other receivables, prepayments and deposits are due for settlement within one year, the carrying amount of the trade receivables, other receivables, prepayments and deposits approximate their fair value at the balance sheet date.

20 TRADE, OTHER RECEIVABLES, PREPAYMENT AND DEPOSITS *(Continued)*

The maximum exposure to credit risk at the reporting date is the carrying amounts of each class of receivables mentioned above. The Group does not hold any collateral as security.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2018 RMB'000	2017 RMB'000
RMB	8,839	6,754
Other currencies	304	78
	9,143	6,832

21 CASH AND CASH EQUIVALENTS

	2018 RMB'000	2017 RMB'000
Cash on hand	59	157
Bank deposits		
— Call deposits	208,863	294,290
— Time deposits	357,163	—
Total	566,085	294,447

The cash and cash equivalents represented cash deposits held at call with banks and in hand and deposits with short-term maturity.

The carrying amounts of the cash and bank balances were denominated in the following currencies:

	2018 RMB'000	2017 RMB'000
RMB	78,109	93,862
USD	453,928	164,778
HKD	34,048	35,807
Total	566,085	294,447

The Group's bank deposits and cash denominated in RMB are mainly deposited with banks in Mainland China. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of Mainland China are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

22 SHARE CAPITAL

	Number of shares	Share capital HK$'000
Authorised:		
At 1 January 2017, 31 December 2017 and 31 December 2018	**1,000,000,000**	**10,000**

	Number of shares	Share capital RMB'000
Issued and fully paid:		
At 1 January and 31 December 2017	475,696,557	4,097
Issue of shares during the year	95,000,000	764
At 31 December 2018	**570,696,557**	**4,861**

Pursuant to the subscription agreements dated 20 January 2018 entered into between the Company and the subscribers, an aggregate of 95,000,000 new shares of the Company with par value of HK$0.01 per share were issued at HK$2.11 per share to the subscribers on 6 February 2018. The net proceeds of the issue was HK$200.25 million (equivalent to approximately RMB161,039,000) and the amount of RMB764,000 and RMB160,275,000 (Note 24) were recorded under share capital and share premium account in other reserves, respectively.

23 SHARE OPTION SCHEME

The Company adopted a share option scheme on 16 May 2017 (the "**Scheme**").

On 6 June 2017, 9,630,000 share options ("**Options**") to subscribe for a total of 9,630,000 ordinary shares of the Company were granted to a director and certain employees of the Group pursuant to the Scheme. Out of the 9,630,000 Options, 9,480,000 Options were accepted by the grantees.

On 16 August 2018, 11,000,000 Options to subscribe for a total of 11,000,000 ordinary shares of the Company were granted to two directors and certain employees of the Group pursuant to the Scheme. All Options were accepted by the grantees.

Movements in the number of Options outstanding and their exercise prices are as follows:

	Options granted on 16 August 2018	
	Exercise price per share	**Number of Options**
At 1 January 2018	**—**	**—**
Granted during the year	**HK$2.31**	**11,000,000**
Cancelled/lapsed during the year	**HK$2.31**	**(680,000)**
At 31 December 2018	**HK$2.31**	**10,320,000**

	Options granted on 6 June 2017	
	Exercise price per share	Number of Options
At 1 January 2017	—	—
Granted during the year	HK$2.56	9,630,000
Cancelled/lapsed during the year	HK$2.56	(820,000)
At 31 December 2017	HK$2.56	8,810,000
At 1 January 2018	HK$2.56	8,810,000
Cancelled/lapsed during the year	HK$2.56	(1,810,000)
At 31 December 2018	HK$2.56	7,000,000
Total options granted		17,320,000

23 SHARE OPTION SCHEME *(Continued)*

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant Date	Exercisable Date	Expiry date	Exercise price	Number of Options	
				2018	2017
6 June 2017	7 June 2019	6 June 2022	HK$2.56	**3,500,000**	4,405,000
6 June 2017	7 June 2020	6 June 2022	HK$2.56	**3,500,000**	4,405,000
16 August 2018	17 August 2020	16 August 2023	HK$2.31	**5,160,000**	—
16 August 2018	17 August 2021	16 August 2023	HK$2.31	**5,160,000**	—
Total				**17,320,000**	8,810,000

The total amount of the fair value of share options granted to Directors and selected employees is expensed over the vesting period. The equity-settled share-based payment expense for the year ended 31 December 2018 amounted to RMB3,115,000 (2017: RMB1,222,000) (Note 12), and the remaining unamortised fair value of share options granted of approximately RMB6,782,000 (2017: RMB4,119,000) will be charged to the consolidated income statement in the future.

The following assumptions were used to calculate the fair values of the Options by using Binomial Model:

	Options Granted on 6 June 2017	Options Granted on 16 August 2018
Grant date share price	HK$2.56	HK$2.29
Exercise price	HK$2.56	HK$2.31
Expected life	5 years	5 years
Expected volatility (Note a)	33%	34%
Risk-free rate (Note b)	0.94%	2.06%
Dividend yield (Note c)	1.49%	1.91%

Notes:

(a) Expected volatility is estimated with reference to the historical share price of the Company and a set of comparable companies.

(b) Risk-free rate is determined with reference to the yield of Hong Kong Exchange Fund Notes.

(c) Dividend yield is estimated by reference to the historical share price and dividend paid of the Company and a set of comparable companies.

24 OTHER RESERVES

	Share premium RMB'000	Other reserve RMB'000	Statutory reserves RMB'000	Exchange reserve RMB'000	Share option reserve RMB'000	Total RMB'000
At 1 January 2018	**111,069**	**(115,044)**	**186,930**	**3,594**	**1,222**	**187,771**
Appropriation to statutory reserves	**—**	**—**	**4,590**	**—**	**—**	**4,590**
Issue of ordinary shares (Note 22)	**160,275**	**—**	**—**	**—**	**—**	**160,275**
Equity-settled share option arrangement (Note 23)	**—**	**—**	**—**	**—**	**3,115**	**3,115**
At 31 December 2018	**271,344**	**(115,044)**	**191,520**	**3,594**	**4,337**	**355,751**
At 1 January 2017	111,069	(115,044)	186,619	3,594	—	186,238
Appropriation to statutory reserves	—	—	311	—	—	311
Equity-settled share option arrangement (Note 23)	—	—	—	—	1,222	1,222
At 31 December 2017	111,069	(115,044)	186,930	3,594	1,222	187,771

Statutory reserves comprise statutory surplus reserve of the subsidiary companies in Mainland China. The Company's subsidiaries incorporated in Mainland China are required to make appropriations to statutory reserves from their profit for the year after offsetting accumulated losses carried forward from prior years as determined under the accounting regulations and before distribution to shareholders. The percentages to be appropriated to such statutory reserve are determined according to the relevant regulations at rate of 10% or at the discretion of the Board of Directors of the subsidiaries, and further appropriation is optional when the accumulated fund is 50% or more of the registered capital of the subsidiaries.

25 DEFERRED INCOME TAX

The analysis of deferred income tax assets and liabilities is as follows:

	2018 RMB'000	2017 RMB'000
Deferred income tax assets		
— Deferred income tax asset to be recovered after more than 12 months	**15,260**	11,672
— Deferred income tax asset to be recovered within 12 months	**9,332**	7,863
	24,592	19,535
Deferred income tax liabilities		
— Deferred income tax liability to be settled after more than 12 months	**(242)**	—

The net movement on the deferred income tax account is as follows:

	2018 RMB'000	2017 RMB'000
At beginning of the year	**19,535**	15,916
Credited to consolidated income statement (Note 9)	**4,815**	3,619
At end of the year	**24,350**	19,535

25 DEFERRED INCOME TAX *(Continued)*

The movements in the deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax assets:

	Accrued expense and provisions		Unrealised profit in inventories arising from intra-group transactions		Tax losses		Total	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
At beginning of the year	**6,331**	5,676	**1,532**	3,375	**11,672**	6,865	**19,535**	15,916
Credited/(charged) to consolidated income statement	**2,271**	655	**(803)**	(1,843)	**3,589**	4,807	**5,057**	3,619
At end of the year	**8,602**	6,331	**729**	1,532	**15,261**	11,672	**24,592**	19,535

Deferred income tax liabilities:

	Withholding income tax on unremitted earnings in subsidiaries in Mainland China	
	2018 RMB'000	2017 RMB'000
At beginning of the year	**—**	—
Charged to consolidated income statement	**242**	—
At end of the year	**242**	—

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2017 and 2018, the Group recognise all cumulative deferred income tax assets in respect of losses that can be carried forward against future taxable income. These unutilised tax losses would expire in one to five years for offsetting against future taxable profits.

As at 31 December 2018, deferred income tax liabilities of RMB2,129,000 (2017: RMB5,219,000) have not been recognised for the withholding income tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries totaled RMB42,576,000 (2017: RMB104,371,000). Such unremitted earnings will be retained in Mainland China for investment purpose in the foreseeable future as at 31 December 2018.

26 TRADE, OTHER PAYABLES AND ACCRUED CHARGES

	2018 RMB'000	2017 RMB'000 Restated (Note 2(2))
Trade payables	56,616	43,674
Other payables and accrued charges		
— Payables for purchase of property, plant and equipment	14,316	12,098
— Staff salaries payables	43,647	25,880
— Taxes payables	1,210	1,267
— Accrued expenses and others payables	41,890	11,190
	101,063	50,435
Total	157,679	94,109

At 31 December 2018, the ageing analysis of trade payables based on invoice date was as follows:

	2018 RMB'000	2017 RMB'000
Within 30 days	40,072	28,657
31 - 180 days	15,891	14,454
181 - 365 days	190	394
Over 365 days	463	169
	56,616	43,674

The carrying amounts of trade payables, other payables and accrued charges approximate their fair value as at the balance sheet date due to short-term maturity.

The carrying amounts of trade payables were denominated in RMB.

27 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

	2018 RMB'000	2017 RMB'000
Profit/(loss) before income tax	**39,031**	(2,256)
Depreciation of property, plant and equipment (Note 13)	**31,526**	33,724
Amortisation of land use rights (Note 15)	**1,064**	954
Amortisation of intangible assets (Note 16)	**727**	672
Losses on disposal of property, plant and equipment (Note 6)	**6,329**	1,937
Property, plant and equipment impairment charge (Note 13)	**—**	8,021
Equity-settled share-based payment expense (Note 23)	**3,115**	1,222
Finance (income)/cost	**(35,802)**	7,408
Operating profit before working capital changes	**45,990**	51,682
(Increase)/decrease in inventories	**(189)**	18,634
(Increase)/decrease in trade receivables, other receivables, prepayments and deposits	**(6,224)**	732
Increase/(decrease) in trade payables, other payables and accrued charges, and contract liabilities	**58,481**	(91,556)
Cash generated from/(used in) operations	**98,058**	(20,508)

(b) Proceeds from disposal of property, plant and equipment

	2018 RMB'000	2017 RMB'000
Net book value (Note 13)	**11,023**	2,383
Losses on disposal of property, plant and equipment (Note 6)	**(6,329)**	(1,937)
Proceeds from disposal of property, plant and equipment	**4,694**	446

28 CONTINGENT LIABILITIES

At 31 December 2018, the Group had no material contingent liabilities (2017: Nil).

29 COMMITMENTS

As at 31 December 2018 and 2017, the Group had the following commitments:

(a) Capital commitments

	2018 RMB'000	2017 RMB'000
Contracted but not provided for in respect of:		
Machinery and equipment	**4,863**	3,331
Buildings	**421**	1,220
	5,284	4,551

(b) Commitments under operating leases

As at 31 December 2018 and 2017, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2018 RMB'000	2017 RMB'000
Not later than 1 year	**2,636**	2,465
Later than 1 year and not later than 5 years	**1,190**	3
	3,826	2,468

30 RELATED PARTY TRANSACTIONS

The ultimate controlling party of the Group is Mr. Hui Ching Lau who is also the Chairman of the Board.

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The following is a summary of the significant transactions carried out between the Group and its related parties during the years.

(a) Transactions with related parties

	2018 RMB'000	2017 RMB'000
Lease of office		
— Lianjie Sports Investments Limited ("**Lianjie Sports**")	**405**	417

Lianjie Sports is a company wholly owned by Mr. Hui Ching Lau, the Company's director. Mr. Wong Wai Leung and Mr. Hui Ching Lau, the Company's directors, are also directors of Lianjie Sports.

30 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Key management compensation

	2018 RMB'000	2017 RMB'000
Key management compensation — Basic salaries, housing allowances, other allowances and benefits-in-kind	**3,220**	3,055

Further details of directors' and the chief executive's emoluments are included in Note 33 to the consolidated financial statements.

31 PRINCIPAL SUBSIDIARIES

The following is a list of the subsidiaries of the Company as at 31 December 2018:

Company	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Effective interest held %
Direct subsidiary:				
QinQin Foodstuffs Group Company Limited	British Virgin Island, limited liability company	Investment holding in Hong Kong	135,946,900 Ordinary shares of HKD0.001 each	100%
Xiaogan QinQin (Hong Kong) Company Limited (孝感親親(香港)有限公司)	Hong Kong, limited liability company	Investment holding in Hong Kong	HKD1,000	100%
Indirect subsidiaries:				
QinQin Foodstuffs Group (Hong Kong) Company Limited (親親食品集團(香港)股份有限公司)	Hong Kong, limited liability company	Investment holding, distribution and sale of snack foods	HKD1	100%
Fushun Nanfang Food Industry Co., Ltd. (撫順南方食品工業有限公司)	Mainland China, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in Mainland China	RMB10,000,000	100%

31 PRINCIPAL SUBSIDIARIES *(Continued)*

Company	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Effective interest held %
Indirect subsidiaries: *(Continued)*				
Fushun QinQin Food Industry Development Co., Ltd. (撫順親親食品工業發展有限公司)	Mainland China, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in Mainland China	RMB22,000,000	100%
Luohe Linying QinQin Food Industry Co., Ltd. (漯河臨潁親親食品工業有限公司)	Mainland China, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in Mainland China	RMB100,000,000	100%
Fujian QinQin Holdings Co., Ltd. (福建親親股份有限公司)	Mainland China, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in Mainland China	RMB70,000,000	100%
Quanzhou QinQin Foodstuff Co., Ltd. (泉州親親食品有限公司)	Mainland China, wholly foreign-owned enterprise	Manufacturing, distribution and sale of snack foods in Mainland China	RMB130,000,000	100%
Taian QinQin Food Co., Ltd. (泰安親親食品有限公司)	Mainland China, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in Mainland China	RMB5,000,000	100%
Xiantao QinQin Food Industry Co., Ltd. (仙桃親親食品工業有限公司)	Mainland China, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in Mainland China	RMB10,000,000	100%
Xiantao QinQin Flavour Commerce Co., Ltd. (仙桃市親親調料商貿有限公司)	Mainland China, limited liability company	Trading in Mainland China	RMB10,000,000	100%

31 PRINCIPAL SUBSIDIARIES *(Continued)*

Company	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Effective interest held %
Indirect subsidiaries: *(Continued)*				
Xianyang QinQin Food Industry Co., Ltd. (咸陽親親食品有限公司)	Mainland China, wholly foreign-owned enterprise	Manufacturing, distribution and sale of snack foods in Mainland China	RMB5,000,000	100%
QinQin Business Trade Co., Ltd. (泉州親親商貿有限公司)	Mainland China, limited liability company	Trading in Mainland China	RMB5,000,000	100%
QinQin (Quanzhou) E-commerce Co., Ltd. (泉州市親親電子商務有限公司)	Mainland China, limited liability company	Online trading in Mainland China	RMB5,000,000	100%
Xiaogan QinQin F&B Co., Ltd. (孝感親親食品有限公司)	Mainland China, limited liability company	Manufacturing, distribution and sale of food and beverage products in Mainland China	USD6,000,000	100%
Xiaogan QinQin Biotechnology Co., Ltd. (孝感親親生物科技有限公司)	Mainland China, limited liability company	Manufacturing, distribution and sale of food and beverage products in Mainland China	USD24,000,000	100%

32 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
Assets			
Non-current assets			
Investments in subsidiaries		**120,125**	117,010
Current assets			
Other receivables, prepayments and deposits		**59,102**	148
Cash and bank balances		**89,497**	42
		148,599	190
Total assets		**268,724**	117,200
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	22	**4,861**	4,097
Reserves		**263,863**	89,621
Total equity		**268,724**	93,718
Liabilities			
Current liabilities			
Other payables and accrued charges		**—**	23,482
Total liabilities		**—**	23,482
Total equity and liabilities		**268,724**	117,200

The balance sheet of the Company was approved by the Board of Directors on 15 March 2019 and was signed on its behalf.

Director
Hui Ching Lau

Director
Wong Wai Leung

32 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(b) Reserve movement of the Company

	Share premium RMB'000	Accumulated losses RMB'000	Share option reserve RMB'000	Total RMB'000
At 1 January 2017	111,069	(20,986)	—	90,083
Loss for the year	—	(1,684)	—	(1,684)
Equity-settled share option arrangement (Note 23)	—	—	1,222	1,222
At 31 December 2017	111,069	(22,670)	1,222	89,621
At 1 January 2018	**111,069**	**(22,670)**	**1,222**	**89,621**
Profit for the year	**—**	**10,852**	**—**	**10,852**
Issue of ordinary shares	**160,275**	**—**	**—**	**160,275**
Equity-settled share option arrangement (Note 23)	**—**	**—**	**3,115**	**3,115**
At 31 December 2018	**271,344**	**(11,818)**	**4,337**	**263,863**

33 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive for the year ended 31 December 2018 is set out below:

Name of Director	Fees RMB'000	Salary and bonuses RMB'000	Share-based compensation RMB'000	Pension, housing fund allowances, medical insurance and other social benefits RMB'000	Total RMB'000
Executive Directors:					
Mr. Hui Ching Lau *(Chairman)*	51	—	—	3	54
Mr. Zhu Hong Bo	51	625	33	16	725
Mr. Wong Wai Leung	51	1,020	38	15	1,124
Non-executive Directors:					
Mr. Hui Lin Chit	51	—	—	—	51
Mr. Sze Man Bok	51	—	—	—	51
Mr. Wu Huolu	51	—	—	—	51
Mr. Wu Sichuan	51	—	—	6	57
Mr. Wu Yinhang	51	—	—	7	58
Independent Non-executive Directors:					
Mr. Cai Meng	85	—	—	—	85
Mr. Chan Yiu Fai Youdey	85	—	—	—	85
Mr. Ng Swee Leng	85	—	—	—	85
Mr. Paul Marin Theil	85	—	—	—	85
	748	1,645	71	47	2,511

33 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

The remuneration of every director and the chief executive for the year ended 31 December 2017 is set out below:

Name of Director	Fees RMB'000	Salary and bonuses RMB'000	Share-based compensation RMB'000	Pension, housing fund allowances, medical insurance and other social benefits RMB'000	Total RMB'000
Executive Directors:					
Mr. Hui Ching Lau *(Chairman)*	52	—	—	2	54
Mr. Zhu Hong Bo	32	498	—	15	545
Mr. Wong Wai Leung	52	1,047	15	16	1,130
Non-executive Directors:					
Mr. Hui Lin Chit	52	—	—	—	52
Mr. Sze Man Bok	52	—	—	—	52
Mr. Wu Huolu	52	—	—	—	52
Mr. Wu Sichuan	52	—	—	6	58
Mr. Wu Yinhang	52	—	—	7	59
Independent Non-executive Directors:					
Mr. Cai Meng	87	—	—	—	87
Mr. Chan Yiu Fai Youdey	87	—	—	—	87
Mr. Ng Swee Leng	87	—	—	—	87
Mr. Paul Marin Theil	87	—	—	—	87
	744	1,545	15	46	2,350

(b) Directors' material interests in transactions, arrangements or contracts

Save as disclosed elsewhere in this consolidated financial statements, no significant transactions, arrangements and contracts to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2018 RMB'000 (Note a)	2017 RMB'000 (Note a)	2016 RMB'000 (Note a)	2015 RMB'000 (Note b)	2014 RMB'000 (Note b)
Revenue	**761,819**	727,257	980,902	1,020,051	1,216,135
Profit/(loss) before income tax	**39,031**	(2,256)	57,449	87,821	126,285
Income tax expense	**(6,271)**	(4,280)	(25,927)	(24,069)	(34,666)
Profit/(loss) for the year, all attributable to shareholders of the Company	**32,760**	(6,536)	31,522	63,752	91,619

ASSETS AND LIABILITIES

	At 31 December				
	2018 RMB'000 (Note a)	2017 RMB'000 (Note a)	2016 RMB'000 (Note a)	2015 RMB'000 (Note b)	2014 RMB'000 (Note b)
Total assets	**1,050,718**	792,863	894,854	775,000	843,885
Total liabilities	**182,421**	121,480	218,157	129,766	260,225
Equity attributable to shareholders of the Company	**868,297**	671,383	676,697	645,234	583,660

Notes:

(a) The financial figures were extracted from the consolidated financial statements in the annual report.

(b) The financial figures were extracted from the Listing Document dated 24 June 2016.

The summary above does not form part of the audited consolidated financial statements in the annual report.