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

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1006)

ANNUAL REPORT
2016

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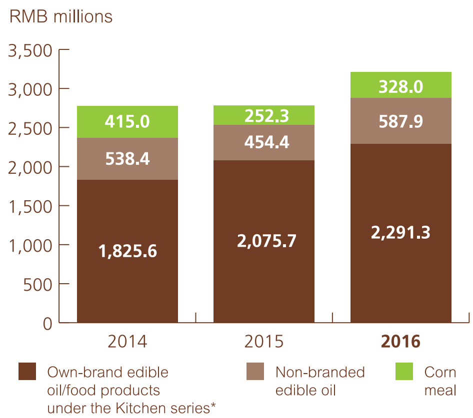
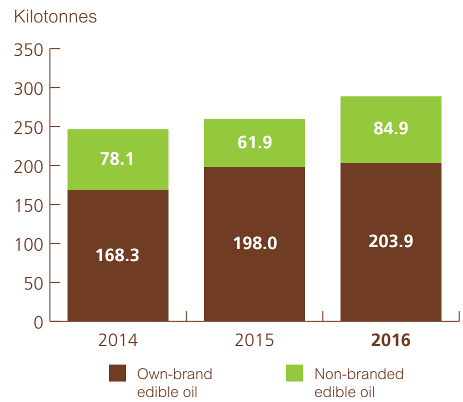
FINANCIAL AND OPERATING HIGHLIGHTS

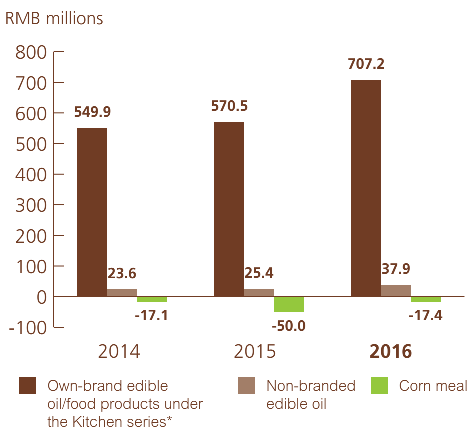
Revenue



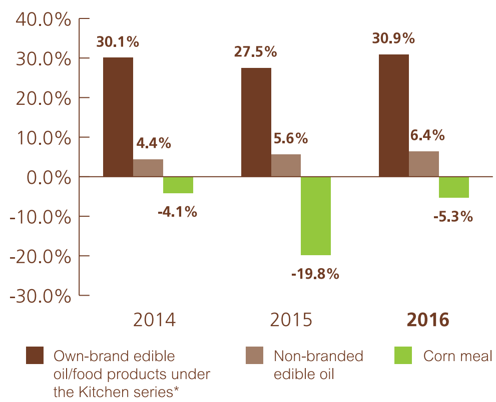
Sales of edible oil



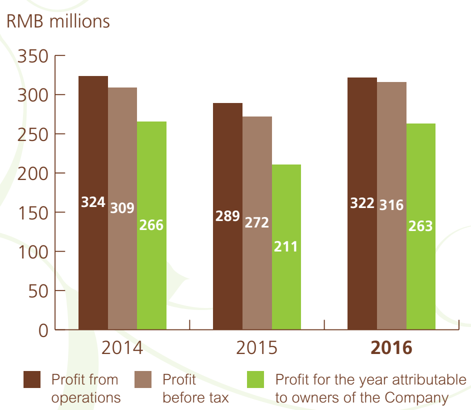
Gross profit



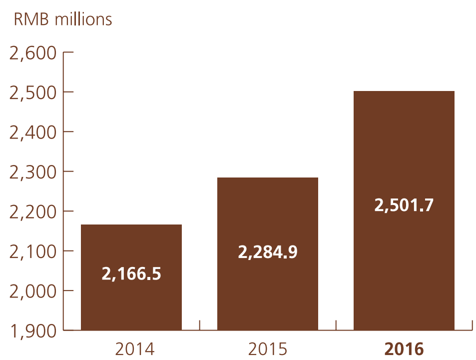
Gross profit margin



Profit from operations, profit before income tax and profit for the year attributable to owners of the Company



Net assets



Note (*): The food products under the kitchen series was launched in 2016.

CORPORATE INFORMATION

Board of Directors

Executive Directors

Wang Mingxing *(Chairman)*
Wang Mingfeng
Wang Mingliang
Cheng Wenming
Huang Da

Independent Non-Executive Directors

Wang Aiguo
Liu Shusong
Wang Ruiyuan

Company Secretary

Chan Yuen Ying, Stella

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Corporate Governance Committee

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

Auditor

BDO Limited

Principal Registrar

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Branch Registrar

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

Principal Bankers

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

Registered Office

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

Head Office and Principal Place of Business in Hong Kong

Room 1502, 15th Floor, The Chinese Bank Building
61–65 Des Voeux Road Central, Hong Kong

Stock Code

Hong Kong Stock Exchange: 1006

Website

http://www.chinacornoil.com/

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Directors") (the "Board") of Changshouhua Food Company Limited (the "Company" or "Changshouhua Food"), I would like to present to the shareholders of the Company ("Shareholders") the annual results and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016.

Financial Performance

Thanks to the recovery of edible oils industry in the PRC and the Group's five-year development plan, for the year ended 31 December 2016, the Group's revenue increased by approximately 15.3% to approximately RMB3,207,200,000, and the overall sales of edible oils increased by approximately 11.1% to 288,787 tonnes. As the Group improved its sales quality by optimisation of the sales mode and the distributor and direct sales system, for the year ended 31 December 2016, gross profit increased by approximately 33.3% to approximately RMB727,700,000 and the gross profit margin also increased to approximately 22.7%. Benefiting from the substantial increase in gross profit, for the year ended 31 December 2016, the Group recorded an increase in profit before income tax and the Group's profit attributable to owners of the Company by approximately 16.4% to approximately RMB316,100,000 and by approximately 24.9% to approximately RMB263,200,000, respectively.

Final Dividend

The Board resolved to recommend to the Shareholders at the forthcoming annual general meeting of the Company to be held on Tuesday, 23 May 2017 ("2017 AGM") a final dividend of HK 10 cents (2015: HK 10 cents) per share for the year ended 31 December 2016 to be paid on Tuesday, 20 June 2017 to the shareholders whose names appear on the register of members of the Company on Monday, 5 June 2017.

Business Review

Since the establishment of the Company, Changshouhua Food is committed to products' research and development as well as innovation of its production technology and improvement of the production capacity. Since the establishment of the brand of "長壽花" (Longevity Flower), the Company has been developing and expanding its sales channels, and for many years, the sales volume of its products has been far higher than its competitors. Changshouhua's brand position as a pioneer and market leader in the PRC corn oil industry is deeply rooted. In recent years, the Group has been focusing on brand-building with an aim to increasing of sales of own-brand products and made active efforts in developing new products under the brand of "長壽花" (Longevity Flower). The Company managed to maintain a stable growth of sales volume under the efforts made last year. The overall gross profit increased more significantly due to the optimisation of the sales mode and the distributor and direct sales system. With a view to adapt to the changing edible oils market and industry in the PRC and to achieve brand upgrade, product diversification, and expansion and improvement of sales network, the replacement of spokesperson enhanced the brand of reputation 長壽花 (Longevity Flower), the Group further integrated and optimised the sales network to support regional business development, and the food products under the Changshouhua Kitchen series were also launched in the last year.

Appreciation

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

Wang Mingxing
Chairman

Hong Kong, 29 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Since the establishment of the Company, Changshouhua Food is committed to products' research and development as well as innovation of its production technology and improvement of the production capacity. Since the establishment of the brand of "長壽花" (Longevity Flower), the Company has been developing and expanding its sales channels, and for many years, the sales volume of its products has been far higher than its competitors. Changshouhua's brand position as a pioneer and market leader in the PRC corn oil industry is deeply rooted. In recent years, the Group has been focusing on brand-building with an aim to increasing the proportion of sales of own-brand products and made active efforts in developing new edible oil products under the brand of "長壽花" (Longevity Flower).

The Group managed to maintain a double-digit growth of sales volume under the efforts made last year. The optimization of sales and the high-end wholesale of distributors and direct retails channels results in significant growth of the overall gross profit. In response to the dynamic industrial changes in edible oils market in the PRC, the Group carried out development plan for brand upgrading, product diversification and expansion and optimization of sales network. Subsequently, the Group changed the spokesperson for brand upgrading, and further integrated and optimised the sales network in line with the regional business development. In addition, the food products under the Changshouhua Kitchen series were launched in 2016.

Financial Review

For the year ended 31 December 2016, the revenue of the Group's products was only from the sales in the PRC. Due to the recovery of PRC edible oil industry and the promotion of the five-year Business Development Plan, the revenue of the Group increased by approximately 15.3% to approximately RMB3,207.2 million (2015: approximately RMB2,782.4 million). The sales of (i) own-brand edible oil/food products under the kitchen series; (ii) non-branded edible oil; and (iii) corn meal contributed to approximately RMB2,291.3 million, RMB587.9 million and RMB328.0 million (2015: approximately RMB2,075.7 million, RMB454.4 million and RMB252.3 million) respectively and accounted for approximately 71.5%, 18.3% and 10.2% (2015: approximately 74.6%, 16.3% and 9.1%) respectively of the Group's total revenue.

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

	For the year ended 31 December 2016		For the year ended 31 December 2015	
	RMB'000	**Overall Proportion %**	RMB'000	Overall Proportion %
Own-brand edible oil/food products under the Kitchen series	**2,291,389**	**71.5%**	2,075,672	74.6%
Non-branded edible oil	**587,866**	**18.3%**	454,407	16.3%
Corn meal	**327,969**	**10.2%**	252,347	9.1%
	3,207,224	**100%**	2,782,426	100%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Sales of Changshouhua brand edible oil increased by approximately 10.1% (i.e. approximately RMB209.8 million) and sales of non-branded edible oil increased by approximately 29.4% (i.e. approximately RMB133.5 million).

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

	For the year ended 31 December 2016		For the year ended 31 December 2015	
	Quantities (tonnes)	**Overall proportion %**	Quantities (tonnes)	Overall proportion %
Own-brand				
Corn oil	**178,794**	**61.9%**	172,837	66.5%
Other edible oil	**25,089**	**8.7%**	25,198	9.7%
	203,883	**70.6%**	198,035	76.2%
Non-branded				
Corn oil	**78,153**	**27.1%**	49,760	19.1%
Other edible oil	**6,751**	**2.3%**	12,097	4.7%
	84,904	**29.4%**	61,857	23.8%
Overall edible oil	**288,787**	**100%**	259,892	100%
Corn meal	**315,768**		236,313	

Overall sales of edible oil increased by 11.1% to 288,787 tonnes.

Own-brand edible oil

The Group continued to prioritize own brand development and gradually introduce different types of edible oil products under other brands of "長壽花" (Longevity Flower). For the year ended 31 December 2016, overall sales volume of own-brand edible oil increased by 3.0% to 203,883 tonnes. Benefited from the recovery of the edible oil industry and the rebound of the average selling price, revenue from own-brand corn oil recorded a satisfactory increase of 10.8% during the year.

Non-branded edible oil

For the year ended 31 December 2016, benefited from the significantly improvement in gross profit of non-branded edible oil, the overall sales volume of non-branded edible oil increased by 37.3% to 84,904 tonnes, of which non-branded corn oil increased by 57.1% to 78,153 tonnes.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

By-product — corn meal

For the year ended 31 December 2016, the sales volume of corn meal increased by approximately 33.6% to 315,768 tonnes driven by the growth of main businesses, and revenue from corn meal increased by 30.0% to approximately RMB328.0 million.

Gross profit and gross profit margin

For the year ended 31 December 2016, gross profit increased by approximately 33.3% to approximately RMB727.7 million and the gross profit margin improved to approximately 22.7%.

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

	For the year ended 31 December 2016		For the year ended 31 December 2015	
		proportion of gross profit/(loss)		proportion of gross profit/(loss)
	RMB'000	**%**	RMB'000	%
Own-brand				
Corn oil	**600,391**	**82.5%**	479,325	87.8%
Other edible oil/food products under the Changshouhua Kitchen series	**106,784**	**14.7%**	91,216	16.7%
	707,175	**97.2%**	570,541	104.5%
Non-branded				
Corn oil	**35,413**	**4.9%**	21,508	3.9%
Other edible oil	**2,476**	**0.3%**	3,894	0.7%
	37,889	**5.2%**	25,402	4.6%
Corn meal	**(17,390)**	**(2.4)%**	(50,004)	(9.1)%
Overall gross profit	**727,674**	**100%**	545,939	100%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

	For the year ended 31 December 2016 gross profit/(loss) margin	For the year ended 31 December 2015 gross profit/(loss) margin
Own-brand		
Corn oil	**30.8%**	27.2%
Other edible oil/food products under the Changshouhua kitchen series	**31.5%**	29.0%
	30.9%	27.5%
Non-branded		
Corn oil	**6.5%**	5.8%
Other edible oil	**5.7%**	4.7%
	6.4%	5.6%
Corn meal	**(5.3)%**	(19.8)%
Overall	**22.7%**	19.6%

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

	For the year ended 31 December 2016		For the year ended 31 December 2015	
	Average selling price (RMB/ton)	**Average unit cost of sales (RMB/ton)**	Average selling price (RMB/ton)	Average unit cost of sales (RMB/ton)
Own-brand				
Corn oil	**10,920**	**7,562**	10,192	7,419
Other edible oil	**13,276**	**8,982**	12,465	8,845
Non-branded				
Corn oil	**6,970**	**6,517**	7,479	7,046
Other edible oil	**6,386**	**6,019**	6,801	6,479

Own-brand edible oil/Food products under the kitchen series

The Group put high premium on high-end revenue and enhanced its sales quality through the optimization of sales and the high-end wholesale distributors and direct retails channels in 2016. For the year ended 31 December 2016, driven by the obvious improvement in gross profit of corn oil, overall gross profit of own-brand products increased by approximately 23.9% to approximately RMB707.2 million. During the year, the Group commenced the business development in high quality green and healthy foods and has introduced small size packing condiments, millet, northeast rice, mung beans and other grains successively.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Non-branded edible oil

For the year ended 31 December 2016, gross profit of non-branded edible oil increased significantly by approximately 49.2% to approximately RMB37.9 million, mainly due to an increase of gross profit margin and sales volume of non-branded corn oil.

By-product — corn meal

Due to the recovery of the PRC poultry farming industry in 2016, for the year ended 31 December 2016, the gross loss of corn meal declined to approximately 5.3%.

Cost of Sales

The cost of sales mainly included costs of raw materials, direct labour and manufacturing overhead. Direct labour costs include wages and other compensation paid to production workers. Manufacturing overhead includes depreciation, freight costs, electricity, steam power, indirect labour and packing expenses. For the year ended 31 December 2016, overall cost of sales increased by approximately 10.9% to approximately RMB2,479.6 million. The costs of raw materials constituted the largest component of total cost of sales and accounted for approximately 90.2% of the total cost of sales for the year ended 31 December 2016 (2015: approximately 89.8%).

Other Income

For the year ended 31 December 2016, other income decreased by approximately 16.4% to approximately RMB66.8 million (2015: approximately RMB79.9 million), mainly due to a decrease in income of bank interest and the government grants and subsidies.

Other income mainly comprised sales of scrap materials of approximately RMB31.0 million (2015: approximately RMB29.2 million), bank interest income of approximately RMB20.4 million (2015: approximately RMB36.9 million), compensation income from insurance company of approximately RMB553,000 (2015: approximately RMB35,000) and government grants and subsidies of approximately RMB6.5 million (2015: approximately RMB11.9 million).

Selling and Distribution Costs

Selling and distribution costs amounted to approximately RMB374.2 million for the year ended 31 December 2016 (2015: approximately RMB249.2 million). Selling and distribution costs mainly comprised transportation fees of approximately RMB67.8 million (2015: approximately RMB31.8 million), advertising and promotion expenses of approximately RMB92.1 million (2015: approximately RMB68.8 million), expenses of representative offices of approximately RMB114.9 million (2015: approximately RMB68.4 million) and sales staff costs of approximately RMB83.8 million (2015: approximately RMB66.4 million).

For the year ended 31 December 2016, the Group established new representative offices, expanded selling and distribution network in more cities in the PRC and increased the number of wholesale distributors to 1,489 (as at 31 December 2015: 1,457). Therefore, expenses of representative offices increased during the period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In line with the new spokesperson and brand upgrading, the advertising and promotion expenses increased significantly by approximately RMB23.3 million. During the year, the promotion activities increased due to the optimized resource allocation of the Group, thus the expenses of representative offices increased significantly by approximately RMB46.5 million. The sales staff costs increased by approximately RMB17.4 million, mainly due to the restructuring of marketing staff during the year, which increased the number of salespersons and promotion staff in average for the whole year.

Administrative Expenses

For the year ended 31 December 2016, administrative expenses increased by approximately 11.7% to approximately RMB97.9 million (2015: approximately RMB87.7 million). Other administrative expenses mainly comprised: (i) administrative staff costs of approximately RMB30.8 million (2015: approximately RMB21.3 million); (ii) depreciation and amortisation expenses of approximately RMB18.0 million (2015: approximately RMB10.6 million); (iii) other taxes of approximately RMB14.0 million (2015: approximately RMB14.5 million); and (iv) legal and professional fees of approximately RMB4.3 million (2015: approximately RMB4.1 million).

The increase in other administrative staff costs was mainly due to the increase in the number of administrative staff and training expenses to cope with the continuous expansion of the Group's business. To a lesser extent, the Group also held more activities such as merchants sales conventions and new conferences.

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

For the year ended 31 December 2016, benefited from the significantly improvement of the overall gross profit, the Group's profit before income tax and profit attributable to owners of the Company increased by approximately 16.4% to approximately RMB316.1 million (2015: approximately RMB271.5 million) and approximately 24.9% to approximately RMB263.2 million (2015: approximately RMB210.8 million) for the year ended 31 December 2016.

The Group's net profit margin for the year ended 31 December 2016 was approximately 8.2% (31 December 2015: approximately 7.6%). The basic earnings per share attributable to owners of the Company amounted to approximately RMB45.9 cents for the year ended 31 December 2016 (approximately RMB36.8 cents for the year ended 31 December 2015).

Acquisition of Property, Plant and Equipment

As at 31 December 2016, deposits paid for the Group's construction or acquisition of production plant, equipment and land use right amounted to approximately RMB19.5 million (2015: approximately RMB13.5 million). The new corn oil plant of the Group in Guangzhou will be commenced construction in 2017.

Trade and Notes Receivables

As at 31 December 2016, trade and notes receivables increased by approximately 12.9% to approximately RMB530.4 million (2015: approximately RMB469.7 million). The increase in trade and notes receivables is mainly due to the increase in sales in the 4th quarter of the financial year as compared with the corresponding period in 2015, resulting from the Group's new branding strategy and increase in the sales volume in direct retail chain.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Prepayments, Deposits and Other Receivables

As at 31 December 2016, prepayments, deposits and other receivables amounted to approximately RMB101.9 million (2015: approximately RMB134.7 million), which mainly comprised (i) deposits paid for purchase of raw materials of approximately RMB52.8 million (2015: approximately RMB76.7 million); and (ii) other receivables of approximately RMB31.4 million (2015: approximately RMB32.0 million).

Five-Year Business Development Plan (2016-2020) Progress

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

1. Brand upgrading

In line with the new spokesperson of the brand, the establishment of brand image of "長壽花" (Longevity Flower) as a high-quality, green and healthy product in medium and high-end markets is further enhanced.

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

The Fifth National wholesale distributors Conference of Changshouhua
The Group communicated with 1,100 wholesale distributors from more than 30 provinces and municipalities. The event served as the preparation for the orders and work for the coming peak season of sales.

Advertising campaigns
In line with the new spokesperson of the brand, there was significant increase in advertising campaigns launched extensively in different areas through different media channels.

2. Product diversification

The Group aims to attract more potential consumers by further diversifying its product categories:

Changshouhua rice germ oil
Extracted through physical refining process, the Group's rice germ oil is rich in vitamin E, phytocholesterols and contains 13,800 ppm of oryzanol, the highest in the industry, featuring "a natural balance of nutrients and original oryzanol". Apart from direct retail channels, the Company has gradually expanded into the wholesale distributors' network and e-commerce channel.

Changshouhua rapeseed oil
Two distinctive rapeseed oil products, special flavoured rapeseed oil and pure flavoured rapeseed oil, have started their sales in Yangtze River Basin region.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Changshouhua peanut oil/olive oil/sunflower seed oil

The Group continued to enrich consumer choice by introducing healthy oil products, such as peanut oil, sunflower seed oil and olive oil, to complement the edible oil products under the brand of "長壽花" (Longevity Flower).

Food products under the Changshouhua Kitchen series

The Group has introduced grains such as small size packing condiments, millet, Northeast Rice, mung beans and other products for trial sale at Changshouhua Kitchen experience stores in 2016 and sales through wholesale distributors and e-commerce channel. The Group plans to develop a series of food products under the brand of "Changshouhua Kitchen" in long term to enrich the categories of high-quality green and healthy foods for customers.

3. Expanding and optimising sales network

For the year ended 31 December 2016, the Group had 1,489 wholesale distributors and 153 retailers for its distribution network, covering all provincial-level administrative regions in mainland China (except Tibet) with approximately 170,000 domestic sales locations. The Group's future objective is to gradually expand its distribution network into all counties, townships and communities in the PRC.

Expansion in sales channel cooperation

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

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

Sales network layout and expansion in specific regions

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Capital Structure

The Company's issued share capital as at 31 December 2016 is HK$57,356,000, divided into 573,560,000 shares of HK$0.1 each.

As at 31 December 2016, the Group's borrowings are approximately RMB215.7 million (2015: approximately RMB207.6 million), gearing ratio (calculated as total borrowings divided by the amount of shareholders' equity) was 8.6% (2015: 9.1%). As a result, the current ratio (calculated as current assets divided by current liabilities) as at 31 December 2016 was 3.6 times (31 December 2015: 3.4 times). The Group continues to adopt stringent debt collection policy so as to minimise the risks of sales on credit and to ensure that funds are timely collected.

Liquidity and Financial Resources

As at 31 December 2016, the Group's borrowings amounted to approximately RMB215.7 million (31 December 2015: approximately RMB207.6 million) and cash and bank balances amounted to approximately RMB1,056.0 million (31 December 2015: approximately RMB948.7 million).

Material Acquisition and Disposal

The Company did not have any material acquisition or disposal during the year ended 31 December 2016.

Exposure to Fluctuations in Exchange Rates and Related Hedge

Most transactions of the Group are settled in Renminbi ("RMB") since the operations of the Group are mainly carried out in the PRC, and the major subsidiaries of the Group are operating under an RMB environment and the functional currency of the major subsidiaries is RMB. The reporting currency of the Group is RMB. The Group's cash and bank deposits are predominantly in RMB. The Group's interest-bearing bank and other borrowings are denominated in Hong Kong Dollars and US Dollars. The Company will pay dividends in Hong Kong Dollars if dividends are declared.

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

Pledge on Group Assets

As at 31 December 2016, none of the assets of the Group was pledged (2015: none of the assets of Group was pledged).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Capital Commitments and Operating Lease Commitments

The Group had capital commitment of approximately RMB6.6 million as at 31 December 2016 (31 December 2015: approximately RMB10.4 million). The Group had operating lease commitments of approximately RMB1.7 million in respect of leased properties as at 31 December 2016 (31 December 2015: approximately RMB2.3 million).

Employee Benefits and Remuneration Policies

As at 31 December 2016, the Group had a total of 5,379 employees (31 December 2015: 4,635). The employees of the Group were remunerated based on their experience, qualifications, the Group's results and the market condition. During the year, staff costs (including Directors' remunerations) amounted to approximately RMB142.0 million (31 December 2015: approximately RMB112.3 million).

As required by the PRC regulations on social insurance, the Group participates in social insurance schemes operated by the relevant local government authorities which include retirement pension, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance.

Significant Investments Held

There were no significant investments held by the Group as at 31 December 2016.

Final Dividend

The Board resolved to recommend a final dividend of HK 10 cents (2015: HK 10 cents) per share for the year ended 31 December 2016 at the forthcoming annual general meeting of the Company to be held on Tuesday, 23 May 2017 ("2017 AGM") to the shareholders whose names appear on the register of members of the Company on Monday, 5 June 2017, and such dividend will be made on Tuesday, 20 June 2017.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Wang Mingxing ("Mr. Wang MX")

Mr. Wang MX, aged 53, is one of the co-founders of the Group. He was appointed as an executive Director of the Company on 9 September 2009. He is the Chairman of the Board and the chief executive officer of the Company. He is also the chairman of the nomination committee of the Company ("Nomination Committee") and a member of the remuneration committee of the Company ("Remuneration Committee"). Mr. Wang MX is the sole director of SanXing Trade Co., Ltd. ("Sanxing Trade") and an executive director of Sanxing Grease, both of which are the controlling shareholders of the Company. He is also a director of each of Shandong Sanxing Corn Industry Technology Company Limited ("Corn Industry") and Corn Industry Investment Co., Ltd., both of which are the subsidiaries of the Company. He is responsible for the overall strategic planning and management of the Group. Mr. Wang MX has extensive experience in the corn products industry, and has been engaged in the edible corn oil products business for over eleven years. Mr. Wang MX obtained a bachelor degree in Mechanical Engineering from Shandong University of Technology (山東工業大學) in 1985 and was qualified as a Chinese Career Manager in 2005 by Chinese Career Manager Coalition. He received a number of awards during the recent years. Among others, he was awarded as The Fifth National Rural Entrepreneur (第五屆全國鄉鎮企業家) by the Ministry of Agriculture of the PRC in 2004. In 2006, He was also awarded as The Fourth Entrepreneur of Edible Oil in Shandong (第四屆"山東省糧油企業家") by The Grain and Food Association of Shandong Province (山東省糧食行業協會). He was further elected by The China Food Safety Annual Conference (中國食品安全年會組委會) as the Outstanding Managing Entrepreneur of the China Food Safety Annual Conference in 2007 (2007年度中國食品安全年會優秀管理企業家) and admitted as a member of China Association for Quality Inspection in 2007.

Mr. Wang Mingfeng ("Mr. Wang MF")

Mr. Wang MF, aged 58, is one of the co-founders of the Group. He was appointed as an executive Director of the Company on 23 November 2009. He is a member of the corporate governance committee of the Company. He is also a director of Corn Industry. He is responsible for monitoring the internal control system of the Group and leads an internal audit team of the Group. He has been engaged in the edible corn oil product business for over ten years. Mr. Wang MF obtained a bachelor degree in Business Administration from Hebei Radio & TV University (河北廣播電視大學) in 1983. He was awarded as Vice President of The Eighth Industrial and Commercial Joint Association in Zouping (鄒平縣第八屆工商業聯合會副會長) by Chinese Communist Zouping County Committee (中共鄒平縣委員會) in 2006. He was also awarded as The Outstanding Business Management Expert of Binzhou City (濱州市"優秀企業經營管理人才") by Chinese Communist Binzhou City Committee (中共濱州市委) and the People's Government of Binzhou City (濱州市人民政府) in 2007. He became The First Vice President of Binzhou Municipal Association of Grain Sector (濱州市糧食行業協會第一屆理事會副會長) in June 2007.

Mr. Wang Mingliang ("Mr. Wang ML")

Mr. Wang ML, aged 45, is one of the co-founders of the Group. He was appointed as an executive Director on 23 November 2009. He is also the chairman of the corporate governance committee of the Company ("CG Committee"). He is a director of Corn Industry. He is responsible for handling customer relationships. He has been engaged in the edible corn oil product business for over ten years. Mr. Wang ML obtained a bachelor degree in Mechanical Engineering from Harbin University of Science and Technology (哈爾濱科學技術大學) in 1994 and was qualified as an Internal Inspector of Quality System in 2001 by Beijing Oxford and Cambridge Senior Training Center (北京牛津 – 劍橋高級培訓中心). He further completed the Tsinghua University Chief Executives' Leadership and Commercial Strategy Class (清華大學領導商略總裁高級研修班) in 2006. He was awarded as The Top 10 Factory Manager of Zouping (鄒平縣"十佳廠長") by Chinese Communist Zouping County Committee (中共鄒平縣委員會) and the People's Government of Zouping County (鄒平縣人民政府) in 2004.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Huang Da ("Mr. Huang")

Mr. Huang, aged 34, was appointed as an executive Director of the Company on 23 November 2009. Mr. Huang joined the Group in 2008. He is responsible for corporate affairs and investor relations. He obtained a master degree in Western Economics from Fudan University (復旦大學) in 2008.

Mr. Cheng Wenming ("Mr. Cheng")

Mr. Cheng, aged 52, was appointed as an executive Director of the Company on 22 May 2013. He is also a member of the corporate governance committee of the Company. He majored in finance in Shandong TV University from September 1993 to July 1995, and studied in the Capital Strategy Training Class for Chairmen organized by the Vocational Training Centre for Managers at Tsinghua University in 2009 to 2010. Since August 2003, he has served as the Deputy General Manager of Shandong Sanxing Group Company Limited ("Shandong Sanxing"), one of the controlling shareholders of the Company, and he is mainly responsible for the capital financing affairs of Shandong Sanxing. He obtained the Assistant Accountant qualification awarded by the Ministry of Finance of the People's Republic of China in October 1994.

Independent Non-Executive Directors

Mr. Wang Aiguo ("Mr. Wang AG")

Mr. Wang AG, aged 52, was appointed as an independent non-executive Director of the Company on 23 November 2009. He is also the chairman of each of the audit committee of the Company and the Remuneration Committee, and a member of the Nomination Committee. Mr. Wang AG is currently the Dean of the School of Accounting of Shandong University of Finance and Economics (山東財經大學) and a member of the council of the Accounting Society of China (中國會計學會). He obtained a doctorial degree in Management Science and Engineering from Tianjin University (天津大學) in 2006. Mr. Wang AG engages in researches in the area of accounting and auditing. His publications include Accounting Theory Research — building up an accounting theory model with Chinese feature (會計理論研究 — 構建中國特色的會計理論體系) published by Nanhai Publishing Company (南海出版公司) in 1995, Cost Accounting Theory (成本會計理論) published by Inner Mongolia University Press (內蒙古大學出版社) in 1999, and Innovative Research on the Strategic Management Mode of High Technique Enterprise (高技術企業戰略管理模式的創新研究) published by Shandong People's Publishing House (山東人民出版社) in 2009. His research papers were also published in various finance and accounting journals. He also served as an independent non-executive director of Hisense Kelon Electrical Holdings Co. Ltd. (stock code: 921) from 20 January 2011 to 9 January 2017 and Shandong Chenming Paper Holdings Limited (stock code: 1812) from 12 April 2010 to 18 May 2016 respectively, both companies are listed on the Stock Exchange.

Mr. Liu Shusong ("Mr. Liu")

Mr. Liu, aged 51, was appointed as an independent non-executive Director of the Company on 23 November 2009. He is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Liu obtained a master degree in Laws from China University of Political Science and Law (中國政法大學) in 2001. He was jointly accredited as The Top 10 Lawyer in the City ("全市十佳律師") by Binzhou Judiciary (濱州市司法局) and Binzhou Law Society (濱州市律師協會) in 2004. In the same year, Mr. Liu was recognised as Shandong Province Outstanding Member of China Democratic League (中國民主同盟山東省優秀盟員). Mr. Liu was also awarded as The Seventh "Top 10 Outstanding Youngsters in Binzhou" (第七屆"濱州十大傑出青年") in August 2005. Mr. Liu was a committee member of The Ninth Binzhou City Chinese People's Political Consultative Conference Committee (中國人民政治協商會議第九屆濱州市委員會) in 2008.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Wang Ruiyuan ("Mr. Wang RY")

Mr. Wang RY, aged 78, was appointed as an independent non-executive Director of the Company on 23 November 2009. He is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Wang RY is currently the vice president of Chinese Cereals and Oils Association. He obtained a bachelor degree in Food Engineering from Jiangnan University (江南大學) (formerly known as "Wuxi Light Industry Institute (無錫輕工業學院)") in 1964. He is the chief editor of various publications in the area of oil and grease including Vegetable Oil Processing Industry (植物油料加工產業學) and The History of Development in the Oil and Grease Industry in China (中國油脂工業發展史), both of which were published by Chemical Industry Press (化學工業出版社), and Food and Medicine Confidence Project Science Popularisation Series — Food and Oil (食品藥品放心工程科普叢書 — 糧油食品) published by State Food and Drug Administration (國家食品藥品監督管理局) and China National Association of Grain Sector (中國糧食行業協會). Mr. Wang RY was awarded the Government special subsidy (政府特殊津貼) by the State Council of the PRC (中國國務院) in 1996 in respect of his contribution in the engineering technology for the PRC.

Senior Management

Ms. An Xiuping ("Ms. An"), aged 42, is a director of Corn Industry. Ms. An joined the Group in 1999 as the finance manager of Sanxing Grease. She is now a senior finance manager of the Group. Ms. An graduated from 山東濱州職業專修學院 (Shandong Binzhou Vocational Technical School) majoring in Computer Information Management in 2006.

Mr. Ren Zaishun ("Mr. Ren"), aged 40, joined the Group in 2003 responsible for corn oil sales and promotion, and had been the manager of sales department in 2008. He is currently the sales director of the Group.

Mr. Tsang Chiu Ping ("Mr. Tsang"), aged 33, joined the Company in 2015 as the Head of Investor Relations responsible for corporate affairs in capital market and investor relations in Hong Kong. Mr. Tsang has over 8 years working experience in financial industry and worked in an international financial institution and local corporate finance house before joining the Company. He graduated from University College London (UCL), England and obtained a Bachelor (Honour) Degree of Science.

Company Secretary

Ms. Chan Yuen Ying, Stella ("Ms. Chan"), aged 45, was appointed as the company secretary of the Company on 23 November 2009. Ms. Chan is a fellow member of the Institute of Chartered Secretaries and Administrators and a fellow member of the Hong Kong Institute of Chartered Secretaries. She is also a member of the Hong Kong Institute of Directors. Ms. Chan has over 20 years' experience in handling listed company secretarial matters.

CORPORATE GOVERNANCE REPORT

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

Corporate Governance Practices

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") in Appendix 14 to the Listing Rules as its own code of corporate governance.

During the year ended 31 December 2016, the Company was in compliance with the relevant code provisions set out in the CG Code except for the deviation explained below.

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

Save as the aforesaid and in the opinion of the Directors, the Company had met the relevant code provisions set out in the CG Code during the year ended 31 December 2016.

Directors' Securities Transactions

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

Board of Directors

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

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

Executive Directors

Mr. Wang Mingxing *(Chairman and Chief Executive Officer)*
Mr. Wang Mingfeng
Mr. Wang Mingliang
Mr. Cheng Wenming
Mr. Huang Da

Independent non-executive Directors

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

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

Save as aforesaid, the Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board. The composition of the Board reflects the balanced skills and experience for effective leadership. The biographical information of the Directors are set out on pages 15 to 17 under the section headed "Biographical Details of Directors and Senior Management".

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

Board Meetings

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

During the year ended 31 December 2016, the Board held four meetings. All Directors were given an opportunity to include any matters in the agenda for regular Board meetings, and were also given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance.

Name of Director	Number of attendance
Mr. Wang Mingxing	4/4
Mr. Wang Mingfeng	4/4
Mr. Wang Mingliang	4/4
Mr. Cheng Wenming	4/4
Mr. Sun Guohui *(Note)*	1/2
Mr. Huang Da	4/4
Mr. Wang Aiguo	4/4
Mr. Liu Shusong	4/4
Mr. Wang Ruiyuan	4/4

Note: Mr. Sun Guohui retired as an executive Director at conclusion of the annual general meeting of the Company held on 26 May 2016 (the "2016 AGM").

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

General Meetings

During the year ended 31 December 2016, two general meetings were held, being the 2016 AGM and an extraordinary general meeting of the Company held on 29 July 2016.

Name of Director	Number of attendance
Mr. Wang Mingxing	2/2
Mr. Wang Mingfeng	2/2
Mr. Wang Mingliang	2/2
Mr. Cheng Wenming	2/2
Mr. Sun Guohui *(Note)*	0/1
Mr. Huang Da	1/2
Mr. Wang Aiguo	1/2
Mr. Liu Shusong	2/2
Mr. Wang Ruiyuan	1/2

Note: Mr. Sun Guohui retired as an executive Director at conclusion of the 2016 AGM.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

Directors' Training

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

All Directors have participated in continuous professional development by way of receiving in-house briefing, taking part in business-related training/activities and attending seminars relating to their role as a Director of the Company. Each of the Directors has provided a record of training they received for the year ended 31 December 2016 to the Company.

The following table sets forth the summary of particular training that each Director received for the year ended 31 December 2016:

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

Note: Mr. Sun Guohui retired as an executive Director at conclusion of the 2016 AGM.

Chairman and Chief Executive Officer

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

Independent Non-Executive Directors

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

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

Nomination Committee

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

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

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

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

The Nomination Committee will discuss and review the measurable objectives for implementing the Board Diversity Policy from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained.

During the year ended 31 December 2016, the Nomination Committee held one meeting and reviewed the structure, size and diversity of the Board, assessed the independence of the independent non-executive Directors and considered the re-election of Directors.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Name of Director	Number of attendance
Mr. Wang Mingxing *(chairman)*	1/1
Mr. Wang Aiguo	1/1
Mr. Liu Shusong	1/1
Mr. Wang Ruiyuan	1/1

Remuneration Committee

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

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

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

During the year ended 31 December 2016, the Remuneration Committee held one meeting and reviewed the remuneration policy and structure for the Directors and senior management.

Name of Director	Number of attendance
Mr. Wang Aiguo *(chairman)*	1/1
Mr. Wang Mingxing	1/1
Mr. Liu Shusong	1/1
Mr. Wang Ruiyuan	1/1

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

The emolument payable to Directors will depend on their respective contractual terms under employment contracts or service contracts, if any, and will be fixed by the Board with recommendation of the Remuneration Committee, the performance of the Group and the prevailing marketing conditions. Details of the Directors' remuneration and senior management for the year ended 31 December 2016 are set out in notes 13(a) and 29(b), respectively, to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Senior Management's Remuneration

Senior Management's remuneration payment of the Group for the year ended 31 December 2016 falls within the following bands:

	Number of individuals
Nil to RMB100,000	—
RMB100,001 to RMB200,000	—
RMB200,001 to RMB300,000	—
RMB300,001 to RMB400,000	2
RMB400,001 to RMB500,000	—
RMB500,001 to RMB600,000	—
RMB600,001 to RMB700,000	1

Audit Committee

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

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

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

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

During the year ended 31 December 2016, the Audit Committee held two meetings.

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

During the year ended 31 December 2016, the Audit Committee reviewed the annual and interim results of the Group, which were in the opinion of the Audit Committee that the preparation of such results complied with the applicable accounting standards and the Listing Rules.

Corporate Governance Committee

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

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

During the year ended 31 December 2016, the CG Committee held one meeting and reviewed the training and continuous professional development of Directors and senior management; and reviewed the Company's compliance with the CG Code for the year ended 31 December 2015.

Auditor's Remuneration

For the year ended 31 December 2016, the remuneration paid/payable to the Company's auditor, BDO Limited ("BDO"), is as follows:

	HK$'000
Services rendered	
Audit services *(Note 1)*	1,600
Non-audit services *(Note 2)*	370
	1,970

Notes:

1. Services were rendered by BDO in respect of the audit of the consolidated financial statements of the Group for the year ended 31 December 2016.

2. Services were rendered by BDO in respect of the review of the interim financial information of the Group for the six months ended 30 June 2016 and the report on the continuing connected transactions of the Group for the year ended 31 December 2016.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Company Secretary

The Company engaged an external professional company secretarial services provider, Uni-1 Corporate Services Limited ("Uni-1"), to provide compliance and full range of company secretarial services to the Group in order to assist the Group to cope with the changing regulatory environment and to suit different commercial needs. Ms. Chan Yuen Ying, Stella ("Ms. Chan"), the representative of Uni-1, was appointed as the named Company Secretary of the Company. Mr. Wang Baogang, the director of Investor Relations of the Company, is the primary corporate contact person at the Company for the Company Secretary. According to the requirements of Rule 3.29 of the Listing Rules, Ms. Chan had taken no less than 15 hours of relevant professional training for the year ended 31 December 2016.

Shareholders' Rights

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

Shareholders to convene an extraordinary general meeting

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

Putting enquiries by shareholders to the Board

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

Procedures for putting forward proposals by shareholders at shareholders' meetings

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

Voting by Poll

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions to be set out in the notice of 2016 AGM will be voted by poll.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Investor Relations

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

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

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

Mr. Wang Mingxing, being the Chairman of the Board, the chairman of the Nomination Committee, attended the 2016 AGM to answer questions and collect views of Shareholders. Mr. Wang Aiguo, being the chairman of the Audit Committee and the Remuneration Committee, did not attend the 2016 AGM due to his engagement in his own official business.

Directors' Responsibilities for the Consolidated Financial Statements

The Board acknowledges its responsibility to prepare the Company's consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 December 2016, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

Risk Management and Internal Control

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

Risk Management System

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

- Identification: identify ownership of risks, business objectives and risks that could affect the achievement of objectives;

- Evaluation: analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.

- Management: consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Based on the risk assessments conducted in 2016, no significant risk was identified.

Internal Control System

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

- Control Environment: a set of standards, processes and structures that provide the basis for carrying out internal control across the Group.

- Risk Assessment: a dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.

- Control Activities: action established by policies and procedures to help ensure that management directives to migitate risks to the achievement of objectives are carried out.

- Information and Communication: internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

- Monitoring: ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- The Executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Based on the internal control reviews conducted in 2016, no significant control deficiency was identified.

Internal Auditors

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

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

Effectiveness of the Risk Management and Internal Control Systems

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

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

REPORT OF THE DIRECTORS

The Directors of the Company are pleased to submit their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2016.

Principal Activities

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

Results and Appropriations

The Group's profit for the year ended 31 December 2016 and the state of affairs of the Company and of the Group as at that date are set out in the consolidated financial statements on pages 56 to 107.

The Board resolved to recommend to the Shareholders at the 2017 AGM to be held on Tuesday, 23 May 2017 a final dividend of HK 10 cents (2015: HK 10 cents) per Share for the year ended 31 December 2016 to be paid on Tuesday, 20 June 2017 to the Shareholders whose names appear on the register of members of the Company on Monday, 5 June 2017.

Closure of Register of Members

For determining the identity of the shareholders to attend and vote at the 2017 AGM, the register of members of the Company will be closed from Wednesday, 17 May 2017 to Tuesday, 23 May 2017, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2017 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 16 May 2017.

For determining the entitlement of the shareholders to the proposed final dividend, the register of members of the Company will be closed from Monday, 5 June 2017 to Tuesday, 6 June 2017, both days inclusive, during which period no transfers of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited for registration not later than 4:30 p.m. on Friday, 2 June 2017.

REPORT OF THE DIRECTORS (CONTINUED)

Business Review

Company's Business

The business review of the Group for the year ended 31 December 2016 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 5 to 14 of this report.

Principal Risks and Uncertainties Facing the Company

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

Market Risk

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

Foreign exchange risk

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

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

Liquidity Risk

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

Operational Risk

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

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

Important Events Since the End of the Financial Year

There has been no material event since the end of the financial year.

Future Development in the Company's Business

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

REPORT OF THE DIRECTORS (CONTINUED)

Analysis Using Financial Key Performance Indicators

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

Environmental Policies and Performance

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

Compliance with the Relevant Laws and Regulations

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

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

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

Key Relationships with Employees, Customers and Suppliers

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

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

Share Capital

Details of movements in the Company's share capital for the year ended 31 December 2016 are set out in note 25 to the consolidated financial statements.

Pre-Emptive Rights

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

REPORT OF THE DIRECTORS (CONTINUED)

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2016.

Distributable Reserves

As at 31 December 2016, the Company's reserves available for distribution to the Shareholders amounted to approximately RMB695,286,000 (2015: RMB721,295,000).

Charitable Donations

During the year, the Group did not have charitable donation (2015: Nil).

Directors

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

Executive Directors

Mr. Wang Mingxing
Mr. Wang Mingfeng
Mr. Wang Mingliang
Mr. Cheng Wenming
Mr. Sun Guohui *(retired as an executive Director at conclusion of the 2016 AGM)*
Mr. Huang Da

Independent Non-executive Directors

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

In accordance with Article 84(1) of the Articles, Mr. Wang Mingxing, Mr. Wang Mingfeng and Mr. Wang Aiguo shall retire by rotation at the 2017 AGM and, being eligible, offer themselves for re-election.

Independence Confirmation

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

REPORT OF THE DIRECTORS (CONTINUED)

Share Option Scheme

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

The principal terms of the Scheme are summarised as follows:

1. The limit on the total number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other scheme(s) of any member of the Group must not exceed 10% of the nominal amount of all the issued share capital of the Company as at the date of commencement of the listing of the shares on the Stock Exchange, i.e. 18 December 2009 (the "Listing Date") (which is 50,000,000 shares) unless Shareholders' approval has been obtained, and which must not in aggregate exceed 30% of the shares in issue from time to time.

2. The total number of shares issued and which may be issued upon exercise of all options (whether exercised, cancelled or outstanding) granted to any Participant in any 12-month period shall not exceed 1% of the issued shares as of the proposed grant date.

3. The subscription price for the shares under the options to be granted under the Scheme will be a price determined by the Board at the time of grant of the options, and will be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant (subject to acceptance) of the options, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares.

4. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the Board to each Participant who accepts the grant of any options, which must not be more than 10 years from the date of the grant (subject to acceptance) of the option.

5. HK$1.00 is payable by the participant who accepts the grant of an option in accordance with the terms of the Scheme on acceptance of the grant of an option.

6. The Scheme shall be valid and effective for a period of ten years commencing on the Listing Date, i.e. 18 December 2009.

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

No option was granted, cancelled or lapsed during the year ended 31 December 2016.

REPORT OF THE DIRECTORS (CONTINUED)

Equity-Linked Agreements

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

Directors' Rights to Acquire Shares or Debentures

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

Directors' Service Contracts

Each of Mr. Wang Mingxing, Mr. Wang Mingfeng, Mr. Wang Mingliang and Mr. Huang Da, executive Directors, has entered into a service agreement with the Company for a term of three years commencing from 18 December 2015 and until terminated by not less than three months' notice in writing served by either party on the other or in accordance with the provisions set out in the respective service agreement. Each of them may receive a discretionary bonus, the amount of which will be determined by reference to the recommendations of the Remuneration Committee.

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

Each of Mr. Wang Aiguo, Mr. Liu Shusong and Mr. Wang Ruiyuan, independent non-executive Directors, has entered into a letter of appointment with the Company for a term of three years commencing on 18 December 2015 unless terminated by not less than three months' notice in writing served by either party to the other.

None of the Directors who are proposed for re-election at the 2017 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

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

Management Contracts

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

REPORT OF THE DIRECTORS (CONTINUED)

Permitted Indemnity Provision

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

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

Directors' Interests in Shares

As at 31 December 2016, the interest or short positions of the directors or chief executives in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance ("SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), are set out below:

1. Interests in shares, underlying shares of the Company

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

Note: Mr. Wang Mingxing, Mr. Wang Mingfeng and Mr. Wang Mingliang are deemed to be interested in 279,142,249 Shares and 19,895,000 derivative Shares held by SanXing Trade Co., Ltd. ("SanXing Trade"), whereby SanXing Trade is wholly-owned by Sanxing Grease, which is wholly-owned by Shandong Sanxing, which in turn is owned as to 24.4% by Mr. Wang Mingxing, 24.8% by Mr. Wang Mingfeng, and 24.4% by Mr. Wang Mingliang. The 19,895,000 derivative Shares were derived from the zero coupon secured exchangeable bond due 2018 ("Exchangeable Bond") pursuant to the subscription agreement entered into between SanXing Trade and Munsun Financial Investment Fund LP dated 30 April 2015. The relevant details are set out in the announcement made by the Company dated 30 April 2015.

REPORT OF THE DIRECTORS (CONTINUED)

2. Interests in associated corporations

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

Save as disclosed above, none of the Directors or chief executive of the Company or their respective associates, had any interest in short position in the shares, underlying shares or debentures of the Company or its associated corporations which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2016.

REPORT OF THE DIRECTORS (CONTINUED)

Substantial Shareholders

As at 31 December 2016, the interests or short positions of every person, other than Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out as follows:

Name of Shareholder	Nature of Interest	Long position/ Short position	Number of ordinary shares/ underlying shares	Approximate percentage of shareholding in the Company
SanXing Trade	Beneficial owner	Long position	299,037,249 *(Note)*	52.14%
Sanxing Grease	Interest of controlled corporations	Long position	299,037,249 *(Note)*	52.14%
Shandong Sanxing	Interest of controlled corporations	Long position	299,037,249 *(Note)*	52.14%
Koo Yuen Kim	Beneficial owner	Long position	64,168,881	11.19%
FIL LIMITED	Investment Manager	Long position	40,168,000	7.00%

Note: Mr. Wang Mingxing, Mr. Wang Mingfeng and Mr. Wang Mingliang are deemed to be interested in 279,142,249 Shares and 19,895,000 derivative Shares held by SanXing Trade, whereby SanXing Trade is wholly-owned by Sanxing Grease, which is wholly-owned by Shandong Sanxing, which in turn is owned as to 24.4% by Mr. Wang Mingxing, 24.8% by Mr. Wang Mingfeng and 24.4% by Mr. Wang Mingliang. The 19,895,000 derivative Shares were derived from the Exchangeable Bond.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2016.

Model Code for Securities Transactions by Directors

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

REPORT OF THE DIRECTORS (CONTINUED)

Connected Transactions

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

(1) 山東三星 (Shandong Sanxing), a company owned as to 24.4% by Mr. Wang Mingxing, 24.8% by Mr. Wang Mingfeng and 24.4% by Mr. Wang Mingliang, all being executive Directors of the Company, which is therefore a connected person of the Company;

(2) 三星油脂, the sole shareholder of SanXing Trade, the controlling Shareholder holding approximately 52.14% of the issued share capital of the Company, which is therefore a connected person of the Company; and

(3) 山東明達熱電有限公司 (Shandong Mingda Heat and Electricity Company Limited) ("Shandong Mingda"), a company wholly-owned by Shandong Sanxing, which is therefore an associate of Shandong Sanxing and a connected person of the Company.

Exempt Continuing Connected Transactions

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

Trademark Licence Agreements

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

REPORT OF THE DIRECTORS (CONTINUED)

Non-Exempt Continuing Connected Transactions

The following continuing connected transactions constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules:

1. Corn Industry and Shandong Mingda entered into a master supply agreement (the "Master Supply Agreement") dated 30 March 2015 (subsequently supplemented by a supplemental agreement entered into by Corn Industry and Shandong Mingda dated 6 May 2016), pursuant to which Shandong Mingda agreed to supply steam and/or electricity to Corn Industry for a term up to 31 December 2017.

   The cap for the annual transaction amount for the procurement of steam and/or electricity under the Master Supply Agreement for the year ended 31 December 2016 is RMB65.0 million.

   The actual transaction amount for the procurement of steam and/or electricity pursuant to the Master Supply Agreement for the year ended 31 December 2016 amounted to approximately RMB47.8 million.

2. Corn Industry and Sanxing Grease entered into a sale and purchase agreement (the "Sale and Purchase Agreement") dated 30 March 2015 (subsequently supplemented by a supplemental agreement entered into by Corn Industry and Sanxing Grease dated 6 May 2016), pursuant to which Sanxing Grease agreed to supply crude corn oil to Corn Industry for a term up to 31 December 2017.

   The cap for the annual purchase fee for the procurement of crude corn oil under the Sale and Purchase Agreement for the year ended 31 December 2016 is RMB525.0 million.

   The actual purchase fee for the procurement of crude corn oil pursuant to the Sale and Purchase Agreement for the year ended 31 December 2016 amounted to approximately RMB398.3 million.

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

1. in the ordinary and usual course of the Group's business;

2. on normal commercial terms which are no less favourable to the Company than terms available to independent third parties; and

3. in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

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

REPORT OF THE DIRECTORS (CONTINUED)

Major Customers and Suppliers

During the year ended 31 December 2016, approximately 9.1% of the Group's turnover and approximately 31.1% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers, respectively. Approximately 14.1% of the Group's purchases were attributable to the Group's largest supplier. To the best knowledge of the Directors, none of the Directors or chief executive of the Company or any shareholder owning more than 5% of the Company's share capital or their respective associates, had any interest in the Group's five largest suppliers.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the year ended 31 December 2016 and up to the date of this report.

Audit Committee

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

The Audit Committee comprises three independent non-executive Directors, namely Mr. Wang Aiguo (as chairman), Mr. Wang Ruiyuan and Mr. Liu Shusong. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2016.

During the year ended 31 December 2016, the Audit Committee reviewed the annual and interim results of the Group, which were in the opinion of the Audit Committee that the preparation of such results complied with the applicable accounting standards and the Listing Rules.

Corporate Governance

A report on the principal corporate governance practices adopted by the Company is set out on pages 18 to 29 of the 2016 Annual Report.

REPORT OF THE DIRECTORS (CONTINUED)

Auditor

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

A resolution will be submitted to the 2017 AGM to re-appoint BDO Limited as auditor of the Company.

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

Hong Kong, 29 March 2017

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

Introduction of the Report

The environmental, social and governance report (the "ESG Report") issued by Changshouhua Food Company Limited (the "Company" or "Changshouhua Food") stated that the Company and its subsidiaries (collectively, the "Group" or "We") have fully implemented the concept of sustainable development and performed the corporate social responsibilities. The ESG Report elaborated various work of the Group fulfilling the principle of sustainable development and its performance of social governance in 2016.

Scope of the Report

The ESG Report focused on the environmental and social performance of the core business of the Group (including its corn oil processing plants and refining & filling plants) in the People's Republic of China (PRC) during 1 January 2016 to 31 December 2016 (the "Year"). For details of the corporate governance, please refer to Corporate Governance Report on Page 18 to 29 of the annual report of the Company.

Reporting Framework

The ESG Report was prepared based on "Environmental, Social and Governance Reporting Guide" under Appendix 27 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Stakeholder Engagement

The preparation of the ESG Report, which was supported by staff from the Group's different departments, enabled us to have a better understanding of our current environmental and social development. The information we gathered were not only the summary of the environmental and social work carried out by the Group in 2016, but also the basis for us to develop short and long term sustainable development strategies.

Information and Feedbacks

For detail information about the environmental and corporate governance, please refer to the official website (http://www.chinacornoil.com/) and the annual report of Changshouhua Food Company Limited. Your opinions will be highly valued by the Company. If you have any advices or suggestions, please email to cornoil@163.com.

RIGOROUS PROCESS

Supplier Selection

The Group is committed to becoming a well-known Chinese manufacturer of edible corn oil, attaching importance to the quality assurance of the products. We have strict requirements for the suppliers who cooperate with us as the quality of the purchased materials directly affects the quality of the products. When the Purchasing Department determines the required products to be purchased, we review the relevant qualifications, product and quality system of the supplier, including obtaining a copy of the license. We assign the personnel of the Quality Control (QC) Department to sample the product samples for inspection. When there are suppliers with similar qualifications, we prioritize suppliers near to the factory locations of the Group to reduce the carbon footprint due to long-distance transport while reducing logistics costs.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

After suppliers' review and execution of the contract, the QC Department samples the incoming products of each truck in batches for testing and retains those samples. We will stop receiving the supplies, discuss with the supplier's personnel and remind them to improve the product quality if the product quality requirements under the contract cannot be met in the test. The supplies will not be received until they meet the contract requirements. During the cooperation with the supplier, we conduct a regular assessment to ensure that the supplier can provide high quality products. After a certain period of cooperation with the supplier, we update the list of qualified suppliers and remove the suppliers that have been eliminated.

Quality Assurance

As one of the leading enterprises in the corn oil industry, the Group has always made food safety a top priority of enterprise production, constantly putting product quality and customer demand first and serving customers with high quality corn oil. In order to better ensure product quality and safety, we have achieved automation during the whole process from procurement to pressing, refining and packaging. All of which are controlled step by step by improving a series of control systems such as improvement of production, testing, storage, sales, etc. as well as in accordance with the Food Safety Law of the PRC so as to achieve zero-pollution production process and to produce healthy, green and safe corn oil.

The Group has been awarded the honors including "China Nutrition Industry Demonstration Base (中國營養產業示範基地)" issued by China National Food Industry Association, "Certificate of Industrialization Demonstration Projects of the National Torch Program (國家火炬計劃產業化示範項目證書)" issued by the Ministry of Science and Technology of the PRC; the "Longevity Flower" products are identified as "Nutrition and Health Food (營養健康食品)" by China National Food Industry Association. The Group is also proactive in being in line with the international management system. The Group has been certified by the GB/T19001-2008/ISO9001:2008 quality management system and GB/T22000-2006/ISO22000:2005 food safety management system.

Safe raw and auxiliary materials

The crude oil is refined and processed after pressing and leaching. The refining process includes degumming, dephosphorization, deacidification, bleaching, dewaxing and deodorization. These processes require the addition of raw and auxiliary materials such as phosphoric acid, liquid alkali, clay, etc. As an edible oil producer, we attach importance to the quality of raw and auxiliary materials used in the production process. On this account, we have established a set of raw and auxiliary tracking process. After delivery to the factory, the raw and auxiliary materials should pass the quality inspection procedures. Only the qualified raw and auxiliary materials can be transported to the warehouse for storage. For the raw and auxiliary materials that cannot pass the quality inspection, the inspection personnel will first submit the feedback of the unqualified materials to Supply Department. The Supply Department will be responsible for the communication with the suppliers and return those unqualified raw and auxiliary materials to the suppliers.

The Group insists on using the raw and auxiliary materials that have reached the national standard and refuses to use those failed to meet the standard which may further affect the quality of the entire batch of corn oil.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Rigorous production process

The staff responsible for the production must strictly follow the process disciplines and perform the operations according to the specifications and standard operating procedures. Every employee entering the production site is required to comply with the requirements of hygiene standards and achieve cleanliness, sanitation, cleaning and disinfection of the personal positions and maintain good personal and environmental hygiene. These employees must wear neat uniforms, work caps and work shoes before entering the production area and get disinfected as required by the procedures. Any employee with failure of disinfection or improper dress shall not be permitted for such entrance to ensure that our products are not affected by the hygiene of employees. In addition, our production management staff should ensure that the food storage facilities are safe, harmless and pollution free. They shall supervise and inspect employees to maintain daily personal hygiene while monitoring the temperature and humidity of the production site within the specified range to ensure that food quality is controlled.

Careful storage and transportation management

In order to keep the corn oil in the best condition, the Group has formulated the storage and transportation management system and strictly managed the operation of the warehouse. According to the guidelines of storage and transportation management system, the stock of raw materials and the final products are stored according to the provisions at the specified storage period and storage conditions. These materials and products are regularly inspected for the appearance and shelf life. "Five preventions" should be achieved, including: prevention of fire, moisture, water, mold and leakage. In the event of any problem found in storage, the Storage and Transportation Department will deal with the problem on a timely basis to make an immediate report and record of the defective products. During the transportation process, we also require that the handling staff should protect the logo and prevent missing or rubbing off of the same. Any product released should be handled with care to prevent damage to the packaging. Containers, tools and equipment for the storage, transport and handling of food shall also be safe, harmless, kept clean so as to prevent food contamination, and meet the special requirements including temperature necessary for food safety. Transportation along with toxic or hazardous substances is not permitted in order to provide safe and high quality products for customers.

Rigid inspection process

In the production process, the laboratory staff will regularly tests the procedures on the production line in strict accordance with the inspection and test system. Work-in-progress, which passed the test, is permitted for the next production stage. Production personnel and laboratory personnel will evaluate the non-conforming porting and further actions shall be taken to solve such problem. Such products should be labeled and separately stored. The final products should be sampled and tested by the laboratory technician based on sampling basis of the final products. The results are recorded in the test report for review.

Before the delivery of the products, the laboratory personnel take the samples of each lot on a sampling basis after determination of the sampling quantity and plan in accordance with the product requirements and standards. After sampling, the samples should be immediately sealed, stored and kept for testing to ensure that such samples will not subject to change or missing before the testing and are properly kept. For the samples to be tested, the re-test samples should be retained according to the provisions. If the shelf life of the products is two years, the period of retention of re-test samples should be no less than two years. In case of any quality problem in subsequent lot of products, samples may be immediately taken for testing.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Product Traceability System

In view of the traceability of the products sold by the Group, we have established the labeling and traceability control procedures and product labeling management system and abided by the provisions of the Product Quality Law of the PRC so that traceability will be achieved throughout the food chain. For product storages, we mark the name, date of manufacture, shelf life ad storage conditions of the products at the storage location to store the products under given conditions and prevent mixing up. For the packaging of pre-packaged food, we clearly mark on the product label the important information including specification, date of manufacture, ingredients, shelf life, product standard code, storage conditions, production license certification number, etc. in accordance with national laws, regulations and food safety standards so that customers have access to read the product information before any purchase. In the event of product quality, the Group will find the product of batch with such problem according to the date of manufacture, product standard code, etc. on the product and take relevant measures for treatment.

Establishment of Complaint Handling Mechanism

The Group has formulated the product sales and consumer complaint handling system to control the quality of service and meet the requirements of the customers to the greatest extent. Customers can inform our staff with regard to product quality problem or service requirements by letter, by phone or by a visit to the store. After receiving the complaint, the Business Section will proceed with the same and record the acceptance of customer complaints, including the name, date of manufacture of the product subject to complaints, quality problem referred to in the complaint. For such complaints, the corresponding department shall make investigations and analyze the cause that may give rise to customer complaint so as to take appropriate measures. Upon completion of the complaint handling, the Business Section will visit the customer and further collect the product quality requirements and service requirements of the customer so that we can take corrective and preventive measures to continuously improve the quality of the service.

ENVIRONMENTAL PROTECTION

Well-established System

The Group keeps in mind the importance of business operation to environmental influence while developing to be a leading brand in the PRC edible corn oil consumer market. For this purpose, we have been always abiding by the Environmental Protection Law of the PRC, the Law of the PRC on Prevention and Control of Atmospheric Pollution, the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste, the Law of the PRC on Promoting Clean Production, the Law of the RPC on Prevention and Control of Environmental Noise Pollution and other relevant laws and regulations, and have established complete environmental management system. The environmental management system of Shandong Sanxing Corn Industry Technology Company Limited subordinated to the Group (the "Subsidiary") even complies with GB/T24001-2004/ISO14001:2004 The Requirements of Environmental Management System and User's Guide.

In addition, we have established the environmental protection department to implement the Environmental and Occupational Health and Safety Operation Control Programs (《環境和職業健康安全運行控制程序》). The designated personnel shall not only execute the occupational health and safety policies, but also monitor the disposal of solid wastes, gas and wastewater generated in the production of edible oil, so as to ensure the satisfaction of environmental protection requirements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Emission Reduction

As a responsible enterprise, the Group strives to reduce the emissions produced from business operation, so as to achieve the environmental protection objectives under the Environmental and Occupational Health and Safety Operation Control Programs.

Air emission

The air emission of the Group is the flue gas produced during the combustion of natural gas, which is emitted outside through the 15m chimney stack. The air emission from vacuumization in the infusion process during production is conveyed to the sealed pool through pipelines, rather than being emitted outside. The dust produced when packaging germ dregs are dedusted and filtered with bag duster, and the remaining gas is emitted outside in height. Staff members will inspect the duster on a daily basis to ensure its effective operation. The staff who works under the dusty environment is required to wear anti-dust respirator and participate in occupational health examination on a regular basis, so as to prevent the discomfort caused by dust inhalation.

Wastewater

The wastewater of the Group includes production wastewater and domestic sewage. The wastewater from squeezing plant are mainly wastewater with solvent in diversion box in infusion process, condensate water from heat exchanger, and cleaning wastewater of equipment and floor, which are conveyed through underground pipes to external sewage disposal plant for unified treatment, while the wastewater from decoloration, deacidification and deodorization processes in refining plant and the cleaning wastewater of equipment and floor is flowed into the external sewage disposal station for oil removal and unified treatment. And the daily domestic sewage of the Group is treated in the septic tank, and then flowed into the local sewage disposal plant along municipal sewage discharge network for centralized treatment.

Wastes

We adhere to the principle of facilitating the comprehensive utilization of solid wastes to dispose the Group's solid wastes in accordance with relevant requirements under the Standards for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes (GB18599-2001), so as to turn industrial wastes into useful materials for rational utilization.

The hazardous wastes of the Group from the production of corn oil include scrap saponins and clay waste. Scrap saponins is sent to resource regeneration companies for treatment (to be used as raw materials for example), while clay waste is removed by qualified unites. The hazardous wastes in offices including waste cartridges of printers and waste packages of chemical reagents are collected together by us and then recycled by suppliers.

The non-hazardous wastes of the Group include the waste germ dregs, by-product from the production of corn oil and are sold to feed mill to be used as raw material, thus reducing the discarded non-hazardous wastes. Furthermore, the non-hazardous wastes in offices including cartons and printing papers are collected together by us and then recycled by suppliers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Resources Conservation

In addition to emission reduction, the Group also makes certain contribution to our environment by vigorously promoting the concept of resources conservation inside the Group and improving the environmental awareness of our staff.

Energy and resources management

With an aim to reduce energy consumption of the Group, we require all departments and staff to aware of the consumption of energy and resources in daily work and living, and cultivate a good habit of energy saving, such as turning off the light when leaving the workplace, water conservation and paper saving. Air conditioners shall be turned off half an hour before off-duty, and the temperature shall be set at no less than 26°C in summer and no more than 18°C in winter.

In the production process, we also strictly execute technological procedures and control all energy-consumption indexes to reduce energy waste. Raw and auxiliary materials used for production shall be accessed and used at a strict expenditure rate, and process control shall be completed to lower fraction defective and improve utilization ratio as far as possible, thus reducing the resources consumption at a maximum extent.

Control on office and living supplies

The Group has adopted a series of measures for the control on office and living supplies. Our staff are encouraged to convey a general notice through office network or by email, or by call, so as to reduce the distribution of records and reports. For the printed documents, our staffs are suggested to minimize the font size and line space in the manner of printing or copying on both sides, and use the reverse side of other facsimile transmission papers and writing papers, so as to reduce the usage of papers.

The facility management department of the Group shall be responsible for recording the water consumption and electricity consumption used for production in each month, and control and improve the water consumption and electricity consumption of the Group by comparing the product outputs in each month, which are assessed with the quarterly economic indicators calculated by the finance department. For instance, the Water-saving Improvement Control Procedures (《節水改進控制程序》) will apply in case of any abnormity in water consumption in that month, such as adoption of water-saving faucets, adjustment of water supply pressure and lowering hydraulic pressure as far as possible at the premise of ensuring production demand, thus controlling the water consumption.

TALENTS CULTIVATION

Improving Recruitment Process

The Group has always adhered to the philosophy of "People-oriented and Pursuit of Excellence", and strictly abided by the requirements of the PRC Labor Law, the PRC Labor Contract Law and other relevant laws and regulations. The Group has established explicit recruitment process and organizes relevant recruitment activities to attract talents to join our Group based on the job requirements of each department. The human resources department select applicants based on the recruitment criteria and job requirements. Applicants who meet the basic requirements of the jobs they applied for are given equal interview opportunity and none of them are unfairly treated due to his/her gender, age, race, religion belief or disability. In order to prevent forced labour, we give applicants a detailed introduction of the job including job duties, welfare and salary package at the time of interview and ensure every applicant has an informed understanding about the job. We will not enter into labour contracts with applicants unless we have reached an agreement with them and both parties are willing to enter into the contract. On the on board date, employees are required to present the original copy of their identification certificates and provide a photocopy thereof to the human resources department in order to ensure no child labour is employed by the Group by mistake.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Upon joining the Group, employees are provided with competitive salary package in order to attract and stimulate them to work for the Group. In addition to the salary increase after the completion of the probation period, we review employees' salary package regularly and make appropriate adjustment in line with the salary benchmark in the industry. At the end of each year, the Group conducts employee performance assessment, and performance bonus will be paid to employees according to their assessment results and those with excellent performance are given promotion opportunity. In accordance with the requirements of the PRC Labor Law, employees shall work eight hours per day and five days per week (namely 40 hours a week). During the employment, employees are entitled to maternity leave, marriage leave, funeral leave and annual leave as stipulated by law. An employee may terminate the labour contract with us in advance provided that an agreement has been reached between the Group and such employee. Upon termination of the labour contract, we pay the remaining wages of the resigned employee in time in accordance with the national provisions.

During the Year, we hosted an award ceremony to recognize cadres and employees with excellent performance, dealers and marketing elites. Meanwhile, we also organized recreational activities such as Chinese New Year party, oath taking rally for the Hundred-day Action project of "Safety, Environmental Protection, Energy Conservation and Innovation" to boost employee morale and increase their sense of belonging.

Health and Safety

Employees are our valuable assets. We abided by the requirements of the Prevention and Control of Occupational Diseases Law of the PRC, Emergency Response Law of the PRC and the Law of PRC on Work Safety and other laws and regulations. The Group has obtained the certification of GB/T28001-2011/OHSAS18001:2007 Occupational Health and Safety Management System.

The Group organizes physical examination for its employees. Every new and temporary employee shall pass the physical examination and obtain the health certificate before engaging in his/her job. Production and processing staff and other relevant employees shall take the physical examination at least once a year and accept temporary examination when necessary. We have created employee health record for each employee and keep a record of the health condition of employees who directly contact with food. We also provide health and safety education to new or temporary employees, who are not allowed to engage in their jobs before taking the courses.

In addition, a leading group has been established to take charge of the sanitation management matters in accordance with the Sanitation Management System of Manufacturing Workplace and Plant Area (《生產車間廠區衛生管理制度》) of the Group in order to ensure the plant area is clean and tidy at all times. All equipment in the workplace are subject to routine repair and maintenance, in order to ensure they are operated in a clean and safety condition, and workers are working in a safety environment.

Development and Training

The Group is committed to enhancing the professional knowledge and expertise of employees and it prepares an annual training program every year. We provide employees with corresponding training programs such as internal training and on-the-job training specific to different job requirements in accordance with the training program. Upon completion of the training, employees have to take relevant examinations to determine whether he/she is qualified. In addition, employees engaging in the special type of work are required to pass relevant examinations and obtain the qualification certificate in order to be employed.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

As an edible oil manufacturer, the Group attaches great importance to safety training. Therefore, during the Year, we provided employees with a series of safety trainings, including training on safety warning marks, special training on heatstroke prevention, training on work injury and traffic safety, training on safety and production system, training on emergency rescue plan, and training on basic safety knowledge, in order to enhance employees' safety awareness. Besides safety training, we also offered expertise-related on-the-job training, including training on refining and packaging, and training on responsibility construction of crush plant. In addition, we provided employees with internal training such as training related to business cases, key working disciplines and professional knowledge, with the aim of enhancing their knowledge to the Group.

Advancing Corruption-free Management

The Group abides by the requirements of the Criminal Law of the PRC. A discipline inspection department has been set up to monitor and inspect the implementation of various activities and rules and regulations, implement the decisions on corruption-free management, ensure various bidding and tendering process complying with laws and regulations, handle complaints, reports, calls and letters concerning various irregularities, and investigate into the responsibility of the person in breach of the rules and regulations of the Group. The discipline inspection department is responsible for the internal corruption-free education, strengthens the fostering of corruption-free culture, and plays an important role in pushing forward corruption-free management of the Group.

In order to achieve the strategic goal of the Group, further improve the overall image of the Group, regulate cadres and employees' personal behaviors, and to create good and corruption-free working environment, employees are required to sign the Ethical Conduct Commitment and prohibited from taking advantage of position in committing bribery, blackmail, fraud, extortion against and illegally accepting property from others. In addition, the cadre is also required to sign the Corruption-Free Management Responsibility Statement, and the leading groups shall be responsible for the corruption-free management within their authorities. Each year, according to the requirements of the corruption-free management, the discipline inspection department carries out a responsibility assessment against the relevant leading group to review the achievements made by the Group in corruption-free management.

In respect of the cooperation between the Group and its suppliers, the Group enters into an anti-commercial bribery agreement with each supplier, under which a supplier commits that it will not secure a transaction opportunity by means of providing our employees with any material or spiritual benefits such as referral fees and free travel opportunities. We have established a whistleblower hotline through which suppliers may report any of our employees who seek for personal rewards for its own benefits to the senior management of the Group, and the Group will take corresponding actions.

CARE FOR THE COMMUNITY

Community Work

In the development history of the Group, we have been adhered to the enterprise tenet of "commitment to operational excellence, contributing society in good faith (追求卓越經營，真誠回報社會)", as well as honest and trustworthy. The Group keeps in mind contributing society and actively cares for and supports the development of education and charity undertakings while developing its business. Therefore, we donated RMB300,000 to Liumiao Huimin Middle School (劉廟回民中學) in Yangxin County, Shandong in 2011, which was used to construct a playground and support the education development of Minority.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

In addition to the active support of education undertakings, the Group has been supporting disaster relief activities in the PRC. In 2008, we donated approximately RMB200,000 and corn oil products with a value of approximately RMB50,000 to seismic area of Wenchuan, Sichuan; in 2010, we donated approximately RMB300,000 to seismic area of Yushu, Qinghai; in 2012, we donated corn oil products with a value of approximately RMB200,000 to disaster area of Fangshan, Beijing. During the Year, our Changshouhua marketing center in Hubei Region donated 2,000 barrels of Changshouhua golden embryo corn oil to Caidian District severely afflicted by flood after "Wuhan Heavy Rainfall Event in 6 July ('7.6'武漢特大降雨)", hoping to make a contribution to solve the seriously inadequate goods and materials in the disaster area.

In addition, we have participated in "Donation Day" activity with all the raised fund of RMB100,000 every year used to support charity projects from 2012 to 2015. During the Year, we made donations through Zouping County Government who then made the donation.

Employee Caring

The Group has been helping employees suffering from financial difficulties in a long term, including badly-off employees caused by serious disease or other reasons. We have relieved their financial pressure through donation, and persist in visiting them on an annual basis.

In our future development road, the Group will continue to pay high attention to food safety, enhance moral and conscientiousness self-discipline, consciously guarantee food safety, safeguard customer benefits, and take into account social demands, so as to promote the on-going development of the Group.

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF CHANGSHOUHUA FOOD COMPANY LIMITED
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Changshouhua Food Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 56 to 107, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Impairment of trade receivables

Trade receivables were significant to the Group and represented approximately 21% of net assets as at 31 December 2016.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

In respect of the amount of trade receivables, no impairment allowance was provided by management as at 31 December 2016. This conclusion was based on the assessment on the existence of impairment indicators with respect to the specific risks associated with each customer and the estimation of the recoverable amount of each customer. These assessments and estimations involved significant management judgement.

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

Our responses:

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

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

Other Information in the Annual Report

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

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

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

Directors' Responsibilities for the Consolidated Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

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

BDO Limited
Certified Public Accountants

Wong Kwok Wai
Practising Certificate Number P06047

Hong Kong, 29 March 2017

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Revenue	7	**3,207,224**	2,782,426
Cost of sales		**(2,479,550)**	(2,236,487)
Gross profit		**727,674**	545,939
Other income	7	**66,818**	79,893
Selling and distribution costs		**(374,193)**	(249,158)
Administrative expenses		**(97,935)**	(87,689)
Other operating expenses		**(157)**	(367)
Profit from operations	8	**322,207**	288,618
Finance costs	9	**(6,125)**	(17,095)
Profit before income tax		**316,082**	271,523
Income tax expense	10	**(52,839)**	(60,752)
Profit for the year attributable to owners of the Company		**263,243**	210,771
Earnings per share attributable to owners of the Company	12		
Basic (RMB cents)		**45.90**	36.75
Diluted (RMB cents)		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
Profit for the year	**263,243**	210,771
Other comprehensive income that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	**1,581**	(1,610)
Other comprehensive income for the year, net of tax	**1,581**	(1,610)
Total comprehensive income for the year attributable to owners of the Company	**264,824**	209,161

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	14	**785,445**	795,875
Land use rights	15	**166,264**	169,720
Goodwill	16	**62,762**	62,762
Deposits paid for acquisition of capital assets and land use right	19	**19,490**	13,530
Total non-current assets		**1,033,961**	1,041,887
Current assets			
Inventories	17	**300,742**	198,492
Trade and notes receivables	18	**530,350**	469,705
Prepayments, deposits and other receivables	19	**101,872**	134,683
Amounts due from related companies	20	**33,823**	2,985
Cash and bank balances	21	**1,056,003**	948,727
Total current assets		**2,022,790**	1,754,592
Current liabilities			
Trade payables	22	**52,632**	87,864
Accrued liabilities, other payables and deposits received	23	**242,088**	174,586
Dividend payable		**21,883**	18,768
Amounts due to related companies	20	**5,043**	6,776
Borrowings	24	**215,699**	207,569
Tax payable		**17,721**	16,031
Total current liabilities		**555,066**	511,594
Net current assets		**1,467,724**	1,242,998
Net assets		**2,501,685**	2,284,885
EQUITY			
Equity attributable to owners of the Company			
Share capital	25	**50,109**	50,109
Reserves	26	**2,451,576**	2,234,776
Total equity		**2,501,685**	2,284,885

On behalf of the Board

Wang Mingxing
Director

Cheng Wenming
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Share capital RMB'000	Share premium* RMB'000	Share option reserve RMB'000	Other reserves* RMB'000 (note 26(i))	Capital reserve* RMB'000 (note 26(ii))	Merger reserve* RMB'000 (note 26(iii))	Translation reserve* RMB'000	Proposed final dividend* RMB'000	Retained profits* RMB'000	Total RMB'000
At 1 January 2015	50,109	530,817	6,064	158,979	53,941	69,131	1,809	90,766	1,204,874	2,166,490
2014 final dividend declared	—	—	—	—	—	—	—	(90,766)	—	(90,766)
2015 final dividend proposed	—	—	—	—	—	—	—	48,024	(48,024)	—
Transactions with owners	—	—	—	—	—	—	—	(42,742)	(48,024)	(90,766)
Profit for the year	—	—	—	—	—	—	—	—	210,771	210,771
Other comprehensive income	—	—	—	—	—	—	(1,610)	—	—	(1,610)
Total comprehensive income for the year	—	—	—	—	—	—	(1,610)	—	210,771	209,161
Lapse of share options	—	—	(6,064)	—	—	—	—	—	6,064	—
Transfer to statutory reserves	—	—	—	28,845	—	—	—	—	(28,845)	—
At 31 December 2015 and 1 January 2016	**50,109**	**530,817**	**—**	**187,824**	**53,941**	**69,131**	**199**	**48,024**	**1,344,840**	**2,284,885**
2015 final dividend declared	—	—	—	—	—	—	—	(48,024)	—	(48,024)
2016 final dividend proposed	—	—	—	—	—	—	—	51,347	(51,347)	—
Transactions with owners	—	—	—	—	—	—	—	3,323	(51,347)	(48,024)
Profit for the year	—	—	—	—	—	—	—	—	263,243	263,243
Other comprehensive income	—	—	—	—	—	—	1,581	—	—	1,581
Total comprehensive income for the year	—	—	—	—	—	—	1,581	—	263,243	264,824
Transfer to statutory reserves	—	—	—	33,434	—	—	—	—	(33,434)	—
At 31 December 2016	**50,109**	**530,817**	**—**	**221,258**	**53,941**	**69,131**	**1,780**	**51,347**	**1,523,302**	**2,501,685**

* The consolidated reserves of the Group of approximately RMB2,451,576,000 (2015: RMB2,234,776,000) as at 31 December 2016 as presented in the consolidated statement of financial position comprised these reserve accounts.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Cash flows from operating activities			
Profit before income tax		**316,082**	271,523
Adjustments for:			
Interest income	7	**(20,356)**	(36,927)
Interest expenses	9	**6,125**	17,095
Depreciation of property, plant and equipment	8	**87,752**	70,657
Amortisation of land use rights	8	**3,667**	3,372
Loss on disposal of property, plant and equipment	8	**415**	224
Unrealised foreign exchange loss		**15,474**	10,289
Operating profit before working capital changes		**409,159**	336,233
(Increase)/decrease in inventories		**(102,250)**	7,988
Increase in trade and notes receivables		**(60,645)**	(62,574)
Decrease/(increase) in prepayments, deposits and other receivables		**35,671**	(46,497)
Increase in amounts due from related companies		**(30,220)**	—
(Decrease)/increase in trade payables		**(35,232)**	29,676
Increase/(decrease) in accrued liabilities, other payables and deposits received		**68,041**	(30,724)
Cash generated from operations		**284,524**	234,102
Income taxes paid		**(51,149)**	(49,173)
Net cash generated from operating activities		**233,375**	184,929
Cash flows from investing activities			
Interest received		**17,496**	28,984
Purchases of property, plant and equipment	33	**(65,261)**	(59,464)
Decrease in pledged bank deposits		—	45,000
Increase in short-term bank deposits		—	(200,000)
Additions to land use rights	15	**(211)**	—
(Increase)/decrease in amounts due from related companies		**(618)**	666
Deposits paid for acquisition of capital assets and land use right	33	**(18,856)**	(7,592)
Proceeds from disposal of property, plant and equipment		**420**	13
Net cash used in investing activities		**(67,030)**	(192,393)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Cash flows from financing activities			
Interest paid		**(4,848)**	(17,095)
(Decrease)/increase in amounts due to related companies		**(1,733)**	573
Proceeds from borrowings		**—**	40,109
Repayment of borrowings		**(6,045)**	(372,923)
Dividend paid		**(48,024)**	(90,766)
Net cash used in from financing activities		**(60,650)**	(440,102)
Net increase/(decrease) in cash and cash equivalents		**105,695**	(447,566)
Cash and cash equivalents at 1 January		**748,727**	1,197,903
Effect of foreign exchange rates, net		**1,581**	(1,610)
Cash and cash equivalents at 31 December	*21*	**856,003**	748,727

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. Corporate Information

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

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

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

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

The consolidated financial statements for the year ended 31 December 2016 were approved by the board of directors on 29 March 2017.

2. Adoption of New and Revised Standards

2.1 New and revised standards adopted by the Group

In the current year, the Group has applied for the first time the following new and revised International Financial Reporting Standards ("IFRSs") and International Accounting Standards ("IASs") issued by the International Accounting Standards Board ("IASB"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2016.

IFRSs (Amendments)	Annual Improvements 2012–2014 Cycle
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
IFRS 14	Regulatory Deferral Accounts

The adoption of these new and revised standards has no material impact on the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

2. Adoption of New and Revised Standards (Continued)

2.2 New and revised IFRSs in issue but not yet effective

The following new and revised IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to IAS 7	Disclosure Initiative[1]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to IFRS 2	Classification and Measurement of Share-Based Payment Transactions[2]
IFRS 9	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers[2]
Amendments to IFRS 15	Revenue from Contracts with Customers (Clarification of IFRS 15)[2]
IFRS 16	Leases[3]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019

Amendments to IAS 7 — Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to IAS 12 — Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

Amendments to IFRS 2 — Classification and Measurement of Share-Based Payment Transactions

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

2. Adoption of New and Revised Standards (Continued)

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

IFRS 9 — Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

IFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in IAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

IFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 supersedes existing revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

IFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

IFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under IFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

2. Adoption of New and Revised Standards (Continued)

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

Amendments to IFRS 15 — Revenue from Contracts with Customers (Clarification to IFRS 15)

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

IFRS 16 — Leases

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

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group will apply the above new standards and amendments to standards when they become effective. The Group is in the process of making an assessment of the impact of the above new standards and amendments to standards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

3. Basis of Preparation

3.1 Statement of compliance

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

3.2 Basis of measurement

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

3.3 Functional and presentation currency

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

4. Summary of Significant Accounting Policies

4.1 Basis of consolidation

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

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

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

4.2 Subsidiaries

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

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

4. Summary of Significant Accounting Policies (Continued)

4.3 Goodwill

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

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

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A CGU to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 4.16), and whenever there is an indication that the unit may be impaired.

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

4.4 Property, plant and equipment

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

4. Summary of Significant Accounting Policies (Continued)

4.4 Property, plant and equipment (Continued)

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

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

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

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

4.5 Leasing

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the right to use the assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

4.6 Financial instruments

(a) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

4. Summary of Significant Accounting Policies (Continued)

4.6 Financial instruments (Continued)

(a) *Financial assets (Continued)*

The Group's financial assets are classified as loans and receivables, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market principally through the provision of goods and services to customers (trade debtors) and also other types of contractual monetary assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(b) *Impairment loss on financial assets*

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

— significant financial difficulty of the debtor;

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

— granting concession to a debtor because of debtor's financial difficulty; and

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

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

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Except for trade receivables, the carrying amount of loans and receivables is directly reduced by any identified amount of impairment. Impaired debts are derecognised when they are assessed as uncollectible. Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

4. Summary of Significant Accounting Policies (Continued)

4.6 Financial instruments (Continued)

(c) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred. Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

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

(d) Effective interest method

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

(e) Equity instruments

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

(f) Derecognition

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

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

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

4.7 Land use rights

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

4. Summary of Significant Accounting Policies (Continued)

4.8 Inventories

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

4.9 Cash and cash equivalents

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

4.10 Revenue recognition

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

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

(ii) Interest income is recognised on a time-proportion basis using the effective interest method.

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

4.11 Cost of sales

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

4.12 Income taxes

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

4. Summary of Significant Accounting Policies (Continued)

4.12 Income taxes (Continued)

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

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

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

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

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

   (i) the same taxable entity; or

   (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

4. Summary of Significant Accounting Policies (Continued)

4.13 Foreign currency translation

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

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

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

4.14 Employee benefits

(a) Defined contribution retirement plan

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

(b) Short-term employee benefits

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

4. Summary of Significant Accounting Policies (Continued)

4.15 Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all non-market vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

4.16 Impairment of non-financial assets

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

4. Summary of Significant Accounting Policies (Continued)

4.17 Borrowing costs

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

4.18 Provisions and contingent liabilities

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

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

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

4.19 Segment reporting

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

4. Summary of Significant Accounting Policies (Continued)

4.20 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;
(ii) has significant influence over the Group; or
(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if:

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

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

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

4. Summary of Significant Accounting Policies (Continued)

4.21 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

5. Critical Accounting Estimates and Judgments

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

(i) Impairment of receivables

The Group's management determines the provision for impairment of receivables. This estimate is based on the evaluation of collectability and ageing analysis of receivables and on management's judgment. A considerable amount of judgment is required in assessing the expected timing of collection and ultimate realisation of these receivables, including credit worthiness and collection history of each customer and other debtors. Management will reassess the provision at the reporting date. If the financial conditions of the customers or debtors of the Group deteriorate thus resulting in impairment as to their ability to make payment, additional allowances may be required.

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

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

(iii) Net realisable value of inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

5. Critical Accounting Estimates and Judgments (Continued)

(iv) Provision for taxes

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

(v) Impairment of goodwill

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

6. Segment Information

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

The executive directors have identified the reportable and operating segments by major product and service lines. During the year ended 31 December 2016, the Group has reorganised its internal reporting structure. Accordingly, the comparative segment information has been re-presented to conform to current year's presentation. The Group's reportable and operating segments for financial reporting purposes have been reorganised as production and sale of (i) Own brand products, including own brand corn oil and other edible oil under the brand of "長壽花" (Longevity Flower); (ii) Non-branded products, mainly non-branded corn oil and other edible oil; and (iii) Corn meal.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

6. Segment Information (Continued)

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

	Year ended 31 December 2016			
	Own brand products RMB'000	**Non-branded products RMB'000**	**Corn meal RMB'000**	**Total RMB'000**
Revenue from external customers	**2,291,389**	**587,866**	**327,969**	**3,207,224**
Reportable segment revenue	**2,291,389**	**587,866**	**327,969**	**3,207,224**
Reportable segment profit/(loss)	**707,175**	**37,889**	**(17,390)**	**727,674**
Depreciation	**46,888**	**16,278**	**10,222**	**73,388**

	Year ended 31 December 2015			
	Own brand products RMB'000 (Re-presented)	Non-branded products RMB'000 (Re-presented)	Corn meal RMB'000	Total RMB'000
Revenue from external customers	2,075,672	454,407	252,347	2,782,426
Reportable segment revenue	2,075,672	454,407	252,347	2,782,426
Reportable segment profit/(loss)	570,541	25,402	(50,004)	545,939
Depreciation	42,295	12,055	8,496	62,846

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

6. Segment Information (Continued)

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

	2016 RMB'000	2015 RMB'000
Reportable segment profit	**727,674**	545,939
Other income	**66,818**	79,893
Selling and distribution costs	**(374,193)**	(249,158)
Administrative expenses	**(97,935)**	(87,689)
Other operating expenses	**(157)**	(367)
Finance costs	**(6,125)**	(17,095)
Profit before income tax	**316,082**	271,523

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

7. Revenue and Other Income

Revenue from the Group's principal activities represented the net invoiced value of goods sold, net of allowances for returns, trade discounts and value-added tax. An analysis of the Group's revenue and other income is as follows:

	2016 RMB'000	2015 RMB'000
Revenue		
Sale of goods	**3,207,224**	2,782,426
Other income		
Bank interest income	**20,356**	36,927
Sale of scrap materials	**30,988**	29,192
Compensation income from insurance company	**553**	35
Compensation income from sundry creditors	**307**	121
Government grants and subsidies*	**6,466**	11,933
Others	**8,148**	1,685
	66,818	79,893

* The Group received grants from the relevant PRC government authorities in support of the Group's edible oil business in the PRC. There were no unfulfilled conditions in relation to the grants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

8. Profit from Operations

	2016 RMB'000	2015 RMB'000
Profit from operations is arrived at after charging:		
Auditor's remuneration	**1,386**	1,303
Cost of inventories recognised as an expense	**2,479,550**	2,236,487
Depreciation on property, plant and equipment*	**87,752**	70,657
Amortisation of land use rights**	**3,667**	3,372
Loss on disposal of property, plant and equipment	**415**	224
Net foreign exchange loss	**16,316**	21,061
Operating lease charges on rented premises	**2,096**	1,875
Research and development costs	**765**	1,284
Employee costs (including directors' remuneration)		
— Wages, salaries and bonus	**130,929**	105,868
— Contribution to defined contribution pension plan^	**11,025**	6,408
Total employee costs	**141,954**	112,276

* Depreciation expenses have been included in:

— cost of sales of approximately RMB73,388,000 (2015: RMB62,846,000); and

— administrative expenses of approximately RMB14,364,000 (2015: RMB7,811,000).

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

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

9. Finance Costs

	2016 RMB'000	2015 RMB'000
Interest on bank and other borrowings	**6,125**	17,095

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

10. Income Tax Expense

	2016 RMB'000	2015 RMB'000
Current tax		
— Provision for PRC corporate income tax	**52,839**	60,752

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any taxation under the jurisdictions of the Cayman Islands and the BVI during the years.

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

山東三星玉米產業科技有限公司 ("Corn Industry") has been accredited as a High-tech Enterprise by the Accrediting Bodies under the Administrative Measures for Determination of High and New Technology Enterprises on 30 November 2012 and is subject to preferential tax rate of 15% for two years commencing from 1 January 2013. In 2015, Corn Industry has been re-qualified as a High-tech Enterprise for three years and is accordingly entitled to the tax rate of 15% for the year ended 31 December 2016.

No deferred tax asset has been recognised in respect of the unused tax losses of approximately RMB97,256,000 (2015: RMB83,657,000), that are available, within a maximum period of five years in the PRC, for offsetting against future taxable profits of the relevant entities in the Group in which the losses arose, due to the unpredictability of future profit streams.

Deferred tax liabilities have not been established for the withholding tax that would be payable on the undistributed earnings of subsidiaries of approximately RMB1,467,420,000 (2015: RMB1,282,007,000) as the Group is in a position to control the dividend policies of the subsidiary and it is probable that such amount will be reinvested in the foreseeable future.

The Group did not have any other significant temporary differences which gave rise to a deferred tax asset or liability as at 31 December 2015 and 2016.

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

	2016 RMB'000	2015 RMB'000
Profit before income tax	**316,082**	271,523
Tax calculated at the rates applicable to profits in the tax jurisdictions concerned	**55,486**	55,172
Tax effect of tax losses not recognised	**5,833**	6,426
Tax effect of income not taxable for tax purpose	**(7,523)**	(846)
Utilisation of tax losses previously not recognised	**(957)**	—
Income tax expense	**52,839**	60,752

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

11. Dividends

The directors recommend the payment of a final dividend to the shareholders of Hong Kong 10 cents per share for the year ended 31 December 2016 (2015: Hong Kong 10 cents per share), subject to shareholders' approval at the forthcoming annual general meeting. The proposed final dividend declared after the reporting date has not been recognised as liability at the reporting date, but reflected as an appropriation of retained profits for the year.

12. Earnings Per Share

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

	2016 RMB'000	2015 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share	**263,243**	210,771
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**573,560,000**	573,560,000

The Group had no potential dilutive ordinary shares in issue during the year ended 31 December 2016.

No diluted earnings per share has been presented for the year ended 31 December 2015 because the exercise price of the Company's share options was higher than the average market price for shares during the period when those options are outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

13. Directors' Emoluments and Five Highest Paid Individuals

(a) Directors' emoluments

Directors' emoluments for the year are set out below:

	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Contribution to pension plans RMB'000	Total RMB'000
Year ended 31 December 2016					
Executive directors					
Mr. Wang Mingxing	—	508	—	—	508
Mr. Wang Mingfeng	—	508	—	—	508
Mr. Wang Mingliang	—	508	—	—	508
Mr. Sun Guohui*	—	—	—	—	—
Mr. Huang Da	—	301	—	—	301
Mr. Cheng Wenming	—	248	—	—	248
	—	2,073	—	—	2,073
Independent non-executive directors					
Mr. Liu Shusong	50	—	—	—	50
Mr. Wang Ruiyuan	170	—	—	—	170
Mr. Wang Aiguo	50	—	—	—	50
	270	—	—	—	270
	270	2,073	—	—	2,343

* Mr. Sun Guohui resigned as director with effective on 26 May 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

13. Directors' Emoluments and Five Highest Paid Individuals (Continued)

(a) Directors' emoluments (Continued)

	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Contribution to pension plans RMB'000	Total RMB'000
Year ended 31 December 2015					
Executive directors					
Mr. Wang Mingxing	—	508	—	—	508
Mr. Wang Mingfeng	—	508	—	—	508
Mr. Wang Mingliang	—	508	—	—	508
Mr. Sun Guohui	—	170	—	9	179
Mr. Huang Da	—	496	—	—	496
Mr. Cheng Wenming	—	342	—	—	342
	—	2,532	—	9	2,541
Independent non-executive directors			—	—	
Mr. Liu Shusong	50	—	—	—	50
Mr. Wang Ruiyuan	170	—	—	—	170
Mr. Wang Aiguo	50	—	—	—	50
	270	—	—	—	270
	270	2,532	—	9	2,811

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2015: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

13. Directors' Emoluments and Five Highest Paid Individuals (Continued)

(b) Five highest paid individuals

The five highest paid individuals of the Group included three directors (2015: four) for the year ended 31 December 2016 whose emoluments are reflected in the analysis presented above.

The analysis of the emoluments of the remaining two (2015: one) individual for the year ended 31 December 2016, whose emoluments fell within the band from nil to Hong Kong Dollar ("HK$") 1,000,000, are set out below:

	2016 **RMB'000**	2015 RMB'000
Salaries, allowances and benefits in kind	**1,057**	411
Contribution to defined contribution pension plan	**25**	8
	1,082	419

During the years ended 31 December 2015 and 2016, no emolument was paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

14. Property, Plant and Equipment

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2015						
Cost	450,348	544,328	17,101	2,033	65,118	1,078,928
Accumulated depreciation	(69,025)	(203,068)	(12,506)	(991)	—	(285,590)
Net carrying amount	381,323	341,260	4,595	1,042	65,118	793,338
Year ended 31 December 2015						
Opening net carrying amount	381,323	341,260	4,595	1,042	65,118	793,338
Additions	13,106	24,144	926	85	35,170	73,431
Transfers	74,717	20,140	—	—	(94,857)	—
Disposal	(104)	(86)	(47)	—	—	(237)
Depreciation	(20,337)	(47,757)	(2,213)	(350)	—	(70,657)
Closing net carrying amount	448,705	337,701	3,261	777	5,431	795,875
At 31 December 2015 and 1 January 2016						
Cost	**538,067**	**588,526**	**17,950**	**2,118**	**5,431**	**1,152,092**
Accumulated depreciation	**(89,362)**	**(250,825)**	**(14,689)**	**(1,341)**	**—**	**(356,217)**
Net carrying amount	**448,705**	**337,701**	**3,261**	**777**	**5,431**	**795,875**
Year ended 31 December 2016						
Opening net carrying amount	**448,705**	**337,701**	**3,261**	**777**	**5,431**	**795,875**
Additions	**52,283**	**24,255**	**1,537**	**37**	**45**	**78,157**
Transfers	**4,489**	**268**	**—**	**—**	**(4,757)**	**—**
Disposal	**—**	**(553)**	**(282)**	**—**	**—**	**(835)**
Depreciation	**(27,555)**	**(58,792)**	**(1,111)**	**(294)**	**—**	**(87,752)**
Closing net carrying amount	**477,922**	**302,879**	**3,405**	**520**	**719**	**785,445**
At 31 December 2016						
Cost	**594,839**	**612,496**	**19,235**	**2,155**	**719**	**1,229,444**
Accumulated depreciation	**(116,917)**	**(309,617)**	**(15,830)**	**(1,635)**	**—**	**(443,999)**
Net carrying amount	**477,922**	**302,879**	**3,405**	**520**	**719**	**785,445**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

14. Property, Plant and Equipment (Continued)

As at 31 December 2016, certificates of ownership in respect of certain buildings of the Group in the PRC with an aggregate net carrying amount of approximately RMB170,348,000 (2015: RMB194,612,000) had not been issued by the relevant PRC authorities. The directors anticipate that these certificates will be issued in the near future and are of the opinion that the Group is entitled to lawfully and validly occupy and use the properties, and therefore the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2016.

15. Land Use Rights

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

	RMB'000
At 1 January 2015	
Cost	146,905
Accumulated amortisation	(7,803)
Net carrying amount	139,102
Year ended 31 December 2015	
Opening net carrying amount	139,102
Additions	33,990
Amortisation	(3,372)
Closing net carrying amount	169,720
At 31 December 2015 and 1 January 2016	
Cost	**180,895**
Accumulated amortisation	**(11,175)**
Net carrying amount	**169,720**
Year ended 31 December 2016	
Opening net carrying amount	**169,720**
Additions	**211**
Amortisation	**(3,667)**
Closing net carrying amount	**166,264**
At 31 December 2016	
Cost	**181,106**
Accumulated amortisation	**(14,842)**
Net carrying amount	**166,264**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

16. Goodwill

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

	2016 RMB'000	2015 RMB'000
Cost:		
At beginning and end of the year	**62,762**	62,762

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

The recoverable amount for the own brand corn oil CGU was determined based on value in use calculations, covering a detailed five-year budget plan, followed by an extrapolation of expected cash flows at the average growth rates of 3% (2015: 3%) and discount rate of 13.5% (2015: 13.6%) estimated by the management.

Assumptions were used in the value in use calculation of the own brand corn oil CGU for 31 December 2016 and 31 December 2015. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

17. Inventories

	2016 RMB'000	2015 RMB'000
Raw materials	**108,700**	51,274
Work-in-progress	**20,379**	13,082
Finished goods	**171,663**	134,136
	300,742	198,492

18. Trade and Notes Receivables

	2016 RMB'000	2015 RMB'000
Trade receivables	**528,650**	465,615
Notes receivable	**1,700**	4,090
	530,350	469,705

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period is generally 45 to 180 days. Trade and notes receivables are non-interest bearing. They are recognised at their original invoice amounts which represent their fair values at initial recognition.

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

	2016 RMB'000	2015 RMB'000
Within 60 days	**318,587**	270,501
61–90 days	**100,528**	65,829
91–180 days	**67,633**	89,003
181–365 days	**26,197**	28,701
Over 365 days	**17,405**	15,671
	530,350	469,705

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

18. Trade and Notes Receivables (Continued)

The ageing analysis of trade and notes receivables that are past due but are not considered impaired is as follows:

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	**478,231**	406,052
Not more than 3 months past due	**42,288**	48,589
3 to not more than 6 months past due	**6,631**	9,518
6 to 12 months past due	**3,200**	5,546
	530,350	469,705

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

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

19. Prepayments, Deposits and Other Receivables

	2016 RMB'000	2015 RMB'000
Prepayments	**70,513**	102,703
Other receivables	**31,359**	31,980
Deposits paid for acquisition of capital assets and land use right	**19,490**	13,530
	121,362	148,213
Less: Portion due within one year included under current assets	**(101,872)**	(134,683)
Non-current portion included under non-current assets	**19,490**	13,530

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

20. Amounts Due From/To Related Companies

Particulars of amounts due from related companies are as follows:

	Notes	As at 31 December 2016 RMB'000	Maximum amount outstanding during the year RMB'000	As at 31 December 2015 and 1 January 2016 RMB'000	Maximum amount outstanding during the prior year RMB'000	As at 1 January 2015 RMB'000
Shandong Sanxing	*(i)*	42	58	58	72	4
山東三星集團油品有限公司	*(ii)*	—	4	4	24	—
鄒平三星鋼結構有限公司	*(iii)*	1,900	1,903	1,903	1,903	1,899
山東明達熱電有限公司	*(iii)*	694	694	—	812	812
內蒙古三星糧油工業有限公司	*(iii)*	960	960	953	953	936
鄒平三星油脂工業有限公司 ("Sanxing Grease")	*(iii)*	30,220	30,220	67	1,791	—
山東三星置業有限公司	*(iii)*	6	10	—	—	—
鄒平三星集團有限公司招待所	*(iii)*	1	8	—	—	—
		33,823		2,985		3,651

Notes:

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

(ii) Shandong Sanxing has significant influence over this entity.

(iii) These entities are wholly owned by Shandong Sanxing.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

21. Cash and Bank Balances

	2016 RMB'000	2015 RMB'000
Current assets		
Cash at banks and in hand	**856,003**	298,727
Short-term bank deposits	**200,000**	650,000
Cash and bank balances as stated in the consolidated statement of financial position	**1,056,003**	948,727
Short-term bank deposits that are not classified as cash and cash equivalents	**(200,000)**	(200,000)
Cash and cash equivalents for the presentation of the consolidated statement of cash flows	**856,003**	748,727

The short-term bank deposits earn 5.5% (2015: 3.46%) interest per annum. They have a maturity of within 1 year and are eligible for immediate cancellation without receiving any interest for the last deposit period. The other bank deposits earn interest at floating rates based on daily bank deposit rates.

The Group's cash and bank balances denominated in RMB were amounted to approximately RMB1,035,260,000 (2015: RMB918,964,000) and were deposited with banks in the PRC. The RMB is not freely convertible into other currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

22. Trade Payables

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

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

	2016 RMB'000	2015 RMB'000
Within 30 days	**33,773**	64,480
31–60 days	**9,854**	8,190
61–90 days	**4,124**	5,001
91–180 days	**3,132**	5,062
181–365 days	**1,074**	3,002
Over 365 days	**675**	2,129
	52,632	87,864

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

23. Accrued Liabilities, Other Payables and Deposits Received

	2016 RMB'000	2015 RMB'000
Accrued liabilities	**96,686**	33,855
Other payables	**112,694**	99,452
Deposits received	**32,708**	41,279
	242,088	174,586

24. Borrowings

	2016 RMB'000	2015 RMB'000
Unsecured bank borrowing	**179,046**	167,460
Unsecured other borrowings	**36,653**	40,109
	215,699	207,569
Interests borne at rates per annum in the range of:		
— floating-rate bank borrowing	**HIBOR + 2.50%**	HIBOR + 2.20%
— fixed-rate other borrowings	**3.60%**	3.60%

As at 31 December 2015 and 2016, all bank and other borrowings were repayable within one year.

As at 31 December 2015 and 2016, the bank borrowing was guaranteed by certain subsidiaries of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

25. Share Capital

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.10 each		
At 1 January 2015, 31 December 2015,		
1 January 2016 and 31 December 2016	9,000,000,000	900,000

	Number of shares	Amount HK$'000	Equivalent RMB'000
Issued and fully paid:			
Ordinary shares of HK$0.10 each			
At 1 January 2015, 31 December 2015,			
1 January 2016 and 31 December 2016	573,560,000	57,356	50,109

26. Reserves

Details of the movements on the Group's reserves are as set out in the consolidated statement of changes in equity on page 59.

(i) Other reserves

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

(ii) Capital reserve

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

(iii) Merger reserve

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

27. Share Option Scheme

On 14 May 2010, the Company granted to certain eligible participants a total of 25,000,000 share options to subscribe for ordinary shares of HK$0.10 each in the share capital of the Company under the share option scheme adopted by the Company on 23 November 2009. The share options granted are exercisable as follows:

(i) the first 50% of the share options between the first and fifth anniversary of the date of grant; and

(ii) the remaining share options between the second and fifth anniversary of the date of grant.

The following table discloses the movements of the share options during the year ended 31 December 2015.

	Number of share options					
Grantees	**Outstanding at 1 January 2015**	**Granted during the year**	**Lapsed during the year**	**Exercised during the year**	**Outstanding at 31 December 2015**	**Exercise price**
Mr. Wang Mingxing	800,000	—	(800,000)	—	—	HK$5.40
Mr. Wang Mingfeng	800,000	—	(800,000)	—	—	HK$5.40
Mr. Wang Mingliang	800,000	—	(800,000)	—	—	HK$5.40
Mr. Sun Guohui	800,000	—	(800,000)	—	—	HK$5.40
Mr. Huang Da	800,000	—	(800,000)	—	—	HK$5.40
	4,000,000	—	(4,000,000)	—	—	

The weighted average exercise price of share options for the lapsed share options was HK$5.4 per share during year end 31 December 2015 and there was no share option outstanding under the share option scheme as at 31 December 2015 and 2016.

No share-based compensation expense is included in the consolidated income statement for the years ended 31 December 2015 and 2016.

28. Commitments

Operating lease commitments

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

	2016 RMB'000	2015 RMB'000
Within one year	**1,022**	1,223
In the second to fifth years	**660**	1,033
	1,682	2,256

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

28. Commitments (Continued)

Capital commitments

	2016 RMB'000	2015 RMB'000
Contracted but not provided for property, plant and equipment	**6,600**	10,403

29. Related Party Transactions

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

	Notes	2016 RMB'000	2015 RMB'000
Sales of goods			
Related companies	*(i)*	**4,902**	1,860
Purchases of goods			
Shareholder		**398,334**	350,787
Related companies	*(i)*	**320**	—
Steam and electric power expenses			
A related company	*(i)*	**47,835**	50,561
Construction costs and purchases of property, plant and equipment			
Related companies	*(i)*	**1,343**	2,616

Notes:

(i) Each of the Beneficial Equity Holders have beneficial interests in these related companies.

(ii) The above related party transactions were conducted in the ordinary course of business with reference to the terms mutually agreed between the parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

29. Related Party Transactions (Continued)

(b) Key management personnel compensation

	2016 **RMB'000**	2015 RMB'000
Short-term employee benefits of directors and other members of key management personnel	**3,735**	3,819

30. Transfer of Financial Assets

At 31 December 2016, the Group endorsed certain notes receivable accepted by banks in the PRC (the "Endorsed Notes") to certain of its suppliers in order to settle the trade and other payables due to these suppliers with an aggregate carrying amount of approximately RMB31,580,000 (2015: RMB63,783,000). The Endorsed Notes had a maturity from three to six months at the end of the reporting period. In accordance with the relevant laws and regulations in the PRC, the holders of the Endorsed Notes have a right of recourse against the Group if the accepting banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Endorsed Notes. Accordingly, it has derecognised the full carrying amounts of the Endorsed Notes and the associated trade and other payables. The maximum exposure to loss from the Group's Continuing Involvement in the Endorsed Notes and the undiscounted cash flows to repurchase these Endorsed Notes is equal to their carrying amounts. In the opinion of the directors of the Company, the fair values of the Group's Continuing Involvement in the Endorsed Notes are not significant.

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

31. Financial Risk Management and Fair Value Measurements

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

31. Financial Risk Management and Fair Value Measurements (Continued)

(a) Categories of financial instruments

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

	2016 RMB'000	2015 RMB'000
Financial assets		
Loans and receivables		
— Trade and notes receivables	530,350	469,705
— Other receivables	31,359	31,980
— Amounts due from related companies	33,823	2,985
— Cash and bank balances	1,056,003	948,727
	1,651,535	1,453,397
Financial liabilities		
At amortised cost		
— Trade payables	52,632	87,864
— Accrued liabilities and other payables	124,142	100,792
— Dividend payable	21,883	18,768
— Amounts due to related companies	5,043	6,776
— Borrowings	215,699	207,569
	419,399	421,769

(b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The Group's interest rate risk arises primarily from floating-rate bank borrowing, fixed-rate other borrowings (note 24) and bank balances which were bearing fixed or floating interest rate (note 21). The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no undue exposures to significant interest rate movements and rates are approximately fixed when necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

31. Financial Risk Management and Fair Value Measurements (Continued)

(b) Interest rate risk (Continued)

(i) Interest rate profile

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

	Weighted average effective interest rate		Carrying amount	
	2016	2015	**2016**	2015
	%	%	**RMB'000**	RMB'000
Variable rate instruments				
Financial assets				
Cash at banks	**0.34%**	0.31%	**853,075**	287,312
Financial liabilities				
Interest-bearing bank borrowing	**2.80%**	3.00%	**179,046**	167,460
Fixed rate instruments				
Financial assets				
Short-term bank deposits	**5.50%**	3.46%	**200,000**	650,000
Financial liabilities				
Other borrowings	**3.60%**	3.60%	**36,653**	40,109

(ii) Interest rate sensitivity analysis

The following tables illustrate the sensitivity of the profit for the year and retained profits to a reasonably possible change in interest rates of +25 basis points and –25 basis points (2015: +/-25 basis points), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's financial instruments held at each reporting date. All other variables are held constant. There is no impact on other components of consolidated equity in response to the possible change in interest rates.

	2016		2015	
	+25 basis points RMB'000	**–25 basis points RMB'000**	+25 basis points RMB'000	–25 basis points RMB'000
Effect on profit for the year and retained profits	**1,357**	**(1,357)**	(51)	51

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

31. Financial Risk Management and Fair Value Measurements (Continued)

(c) Credit risk

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

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

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

None of the Group's financial assets are secured by collateral or other credit enhancements.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk of liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(d) Foreign currency risk

Currency risk refers to risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign currency risk primarily through borrowings that are denominated in a currency other than the functional currency of the entity within the Group to which they related. The currencies give rise to this risk are mainly HK$, Euro ("EUR") and United States Dollar ("US$").

(i) Foreign currency risk exposure

	2016			2015		
	HK$ RMB'000	**EUR RMB'000**	**US$ RMB'000**	HK$ RMB'000	EUR RMB'000	US$ RMB'000
Assets:						
Other receivables	**600**	**—**	**—**	573	—	—
Cash and bank balances	**17,569**	**7**	**239**	12,027	6	17,730
	18,169	**7**	**239**	12,600	6	17,730
Liabilities:						
Accrued liabilities and other payables	**4,225**	**—**	**—**	2,864	—	—
Dividend payable	**21,883**	**—**	**—**	18,768	—	—
Borrowings	**196,951**	**—**	**18,748**	191,681	—	15,888
	223,059	**—**	**18,748**	213,313	—	15,888

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

31. Financial Risk Management and Fair Value Measurements (Continued)

(d) Foreign currency risk (Continued)

(ii) Foreign currency sensitivity analysis

The following table illustrates the sensitivity of the Group's profit for the year and retained profits in regards to a 1% (2015: 1%) appreciation in the Group entities' functional currencies against HK$, EUR and US$. All other variables are held constant. The rate is used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates. There is no impact on other components of consolidated equity in response to the general fluctuation in the following foreign currency rates.

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

	2016			2015		
	HK$	**EUR**	**US$**	HK$	EUR	US$
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Effect on profit for the year and retained profits	**2,049**	**—**	**185**	1,765	—	(177)

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

These are the same method and assumption used in preparing the sensitivity analysis included in the consolidated financial statements of the year ended 31 December 2015.

(e) Liquidity risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

31. Financial Risk Management and Fair Value Measurements (Continued)

(e) Liquidity risk (Continued)

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

	2016	2015
	RMB'000	RMB'000
Within one year or on demand		
— Trade payables	**52,632**	87,864
— Accrued liabilities and other payables	**124,142**	100,792
— Dividend payable	**21,883**	18,768
— Amounts due to related companies	**5,043**	6,776
— Unsecured bank borrowing	**179,046**	167,460
— Unsecured other borrowings	**36,920**	40,109
	419,666	421,769

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

	2016	2015
	RMB'000	RMB'000
Within one year		
Total contractual undiscounted cash flows	**180,717**	168,297

(f) Fair value

The fair values of the Group's financial instruments as at 31 December 2015 and 2016 were not materially different from their carrying amounts. Fair value estimates are made at a specific point in time and are based on relevant market information about the financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

32. Capital Management

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

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

The gearing ratio is regularly reviewed by senior management. The gearing ratios as at the end of the reporting periods are as follows:

	2016 **RMB'000**	2015 RMB'000
Borrowings	**215,699**	207,569
Total equity	**2,501,685**	2,284,885
Gearing ratio	**8.6%**	9.1%

33. Note to the Consolidated Statement of Cash Flows

Major non-cash transactions

During the year ended 31 December 2016, deposits paid for acquisition of capital assets and land use right of approximately RMB12,896,000 (2015: RMB13,967,000) and nil (2015: RMB33,990,000) were transferred to property, plant and equipment and land use rights respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

34. Statement of Financial Position of the Company

	2016 RMB'000	2015 RMB'000
Non-current assets		
Interests in subsidiaries *(note (a))*	977,948	978,835
Total non-current assets	977,948	978,835
Current assets		
Other receivables	600	573
Cash and bank balances	17,569	29,502
Total current assets	18,169	30,075
Current liabilities		
Accrued liabilities and other payables	4,225	2,864
Dividend payable	21,883	18,768
Amount due to a subsidiary	8,915	8,305
Borrowings	215,699	207,569
Total current liabilities	250,722	237,506
Net current liabilities	(232,553)	(207,431)
Net assets	745,395	771,404
Equity		
Share capital	50,109	50,109
Reserves *(note (b))*	695,286	721,295
Total equity	745,395	771,404

On behalf of the Board

Wang Mingxing
Director

Cheng Wenming
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

34. Statement of Financial Position of the Company (Continued)

Notes:

(a) Subsidiaries

Particulars of the subsidiaries as at 31 December 2016 are as follows:

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

The financial statements of the subsidiaries for the year ended 31 December 2016 have been audited by BDO Limited for the purpose of incorporation into the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

34. Statement of Financial Position of the Company (Continued)

Notes: (Continued)

(b) Reserves

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

	Share premium RMB'000	Share option reserve RMB'000	Contributed surplus RMB'000	Proposed final dividend RMB'000	(Accumulated losses)/ retained profits RMB'000	Total RMB'000
At 1 January 2015	530,817	6,064	95,267	90,766	(68,477)	654,437
2014 final dividend declared	—	—	—	(90,766)	—	(90,766)
2015 final dividend proposed	—	—	—	48,024	(48,024)	—
Transactions with owners	—	—	—	(42,742)	(48,024)	(90,766)
Profit for the year	—	—	—	—	157,624	157,624
Other comprehensive income	—	—	—	—	—	
Total comprehensive income for the year	—	—	—	—	157,624	157,624
Lapse of share options	—	(6,064)	—	—	6,064	—
At 31 December 2015 and 1 January 2016	530,817	—	95,267	48,024	47,187	721,295
2015 final dividend declared	—	—	—	(48,024)	—	(48,024)
2016 final dividend proposed	—	—	—	51,347	(51,347)	—
Transactions with owners	—	—	—	3,323	(51,347)	(48,024)
Profit for the year	—	—	—	—	22,015	22,015
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	—	22,015	22,015
At 31 December 2016	530,817	—	95,267	51,347	17,855	695,286

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

FIVE-YEAR FINANCIAL SUMMARY

For the year ended 31 December 2016

	Year ended 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Revenue	**3,207,224**	2,782,426	2,778,948	2,930,268	2,704,175
Cost of sales	**(2,479,550)**	(2,236,487)	(2,222,516)	(2,333,727)	(2,167,048)
Gross profit	**727,674**	545,939	556,432	596,541	537,127
Other income	**66,818**	79,893	85,180	80,767	54,204
Selling and distribution costs	**(374,193)**	(249,158)	(251,204)	(279,381)	(216,254)
Administrative expenses	**(97,935)**	(87,689)	(65,789)	(58,155)	(55,597)
Losses from fire	**—**	—	—	—	(26,248)
Other operating expenses	**(157)**	(367)	(387)	(2,606)	(1,477)
Finance costs	**(6,125)**	(17,095)	(14,897)	(488)	—
Profit before income tax	**316,082**	271,253	309,335	336,678	291,755
Income tax expense	**(52,839)**	(60,752)	(43,056)	(66,371)	(87,496)
Profit for the year attributable to owners of the Company	**263,243**	210,771	266,279	270,307	204,259
ASSETS AND LIABILITIES					
Total assets	**3,056,751**	2,796,479	2,989,505	2,250,978	1,724,383
Total liabilities	**(555,066)**	(511,594)	(823,015)	(283,015)	(196,383)
Total equity	**2,501,685**	2,284,885	2,166,490	1,967,963	1,528,000