親親食品集團
（開曼）股份有限公司
QINQIN FOODSTUFFS GROUP
(CAYMAN) COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability) Stock Code: 1583

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Hui Ching Lau *(Chairman)*[1]
Zhu Hong Bo *(Chief Executive Officer)*[2]
Wong Wai Leung *(Chief Financial Officer)*

NON-EXECUTIVE DIRECTORS

Hui Lin Chit[3]
Sze Man Bok
Wu Huolu
Wu Sichuan
Wu Yinhang

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Wong Wai Leung FCCA CPA

AUTHORISED REPRESENTATIVES

Sze Man Bok
Wong Wai Leung

REGISTERED OFFICE

P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

PLACE OF LISTING AND STOCK CODE

The Stock Exchange of Hong Kong Limited
Stock Code: 1583

HEAD OFFICE IN THE PRC

Wuli Industrial Park
Jinjiang City
Fujian Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY'S WEBSITE

www.fjqinqin.com

LEGAL ADVISERS

Hong Kong

Reed Smith Richards Butler

PRC

Global Law Office

Cayman Islands

Maples and Calder

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

COMPLIANCE ADVISER

First Shanghai Capital Limited

SHARE REGISTRAR

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

1 re-designated as Chairman and Executive Director with effect from 12 April 2017 and 16 May 2017, respectively
2 appointed as Chief Executive Officer and elected as Executive Director with effect from 1 January 2017 and 16 May 2017, respectively
3 ceased to be the Chairman with effect from 12 April 2017

FINANCIAL HIGHLIGHTS

KEY FINANCIAL PERFORMANCE

Consolidated Income Statement

	For the year ended 31 December		
	2017 **RMB'000**	2016 RMB'000	**% of change**
Revenue	**882,379**	980,902	-10.0%
Operating profit	**5,361**	41,904	-87.2%
(Loss)/profit attributable to shareholders	**(6,536)**	31,522	-120.7%
(Loss)/earnings per share			
— Basic and diluted	**RMB(0.014)**	RMB0.066	

Consolidated Balance Sheet

	As at 31 December		
	2017 **RMB'000**	2016 RMB'000	**% of change**
Cash and cash equivalents	**294,447**	346,308	-15.0%
Bank borrowing	**NIL**	NIL	N/A
Net current assets	**308,403**	279,786	10.2%
Net assets	**671,383**	676,697	-0.8%

KEY FINANCIAL RATIOS

	31 December 2017	31 December 2016	**Change (% points)**
Gross profit margin	**38.3%**	42.9%	-4.6
Return on equity	**-1.0%**	4.7%	-5.7
Current ratio (times)	**3.5**	2.3	
Finished goods turnover days	**18 days**	19 days	
Trade receivables turnover days	**4 days**	7 days	

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "**Board**"), I am pleased to present the results of Qinqin Foodstuffs Group (Cayman) Company Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2017 ("**FY17**").

PERFORMANCE

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

The Group's revenue decreased by RMB98.5 million or 10.0% from RMB980.9 million for the year ended 31 December 2016 ("**FY16**") to RMB882.4 million in FY17 and the gross profit decreased by RMB82.9 million or 19.7% from RMB421.0 million in FY16 to RMB338.1 million in FY17. The overall decrease in revenue and gross profit was mainly attributable to the decrease in sale volume of certain existing products due to product ageing and the increase in costs for certain of the Group's major raw materials and packaging materials.

The Group recorded loss attributable to shareholders of the Company of RMB6.5 million and basic loss per share of RMB0.014 in FY17, as compared to a profit attributable to shareholders of the Company of RMB31.5 million and basic earnings per share of RMB0.066 in FY16. Such substantial decrease in the consolidated net profit was mainly attributable to the decrease in revenue and gross profit in FY17 as stated above and the foreign exchange loss recorded by the Group in FY17 of RMB12.6 million (FY16: foreign exchange gain of RMB9.7 million) in relation to the Group's cash and cash equivalent in Hong Kong Dollars ("**HKD**") and United States Dollars ("**USD**") as HKD and USD devalued against Chinese Renminbi in FY17.

PROSPECTS

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

APPRECIATION

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

Hui Ching Lau
Chairman
Hong Kong, 29 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

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

INDUSTRY ENVIRONMENT

In 2017, in the context of the new normal economy, China's economic development is under structural adjustment and the Chinese economy continued to maintain steady growth though the overall growth rate has decreased. The gross domestic product for the year grew by 6.9% year-on-year and the national per capita disposable income grew by 7.3% year-on-year. The effect of the general economic environment also brought certain impact and pressure on the food and snacks market in the PRC.

While the food and snacks industry of the PRC remains challenging due to intense market competition, the Group believes that the industry is also under continuing structural adjustment. As consumers pursue healthier and personalised products and favor high quality and innovative products, product development in this industry is becoming more diversified. Under such changes, enterprises have to focus on product innovation and product quality improvement, and introduce new products to adapt to changes in consumer demand and preferences. In addition, sales and distribution channels are also undergoing structural adjustments, resulting in the need for improvement on corporate sales and marketing strategies.

BUSINESS OVERVIEW

The Group's total revenue for 2017 was approximately RMB882.4 million (2016: RMB980.9 million), representing a decrease of approximately 10.0% as compared with last year.

The Group is facing the problem of product ageing, the attractiveness of certain best-selling key products in the past have been reduced among mainstream consumer groups as consumer preferences and needs are ever-changing. Part of the existing products lack young and fashionable elements, and their packaging, taste and design are lack of significant changes and enhancement. These products have no significant differentiation in the market, which resulted in the slowdown of sales and failure to increase the market end price. As a result, the Group streamlined certain products with relatively weak in sales volume in 2017, and with these adjustments, the overall number of products and the overall sales volume has been affected temporarily, which also resulted in the decline in sales in 2017.

In 2017, the Group's gross profit was approximately RMB338.1 million (2016: RMB421.0 million), representing a decrease of approximately 19.7% as compared with last year; Gross profit margin was approximately 38.3% (2016: 42.9%), representing a decrease of approximately 4.6 percentage points as compared with last year. In 2017, loss attributable to the Company's shareholders was approximately RMB6.5 million (2016: profit attributable to the Company's shareholders of RMB31.5 million), which recorded a significant decrease compared to the consolidated net profit in 2016 (before deduction of one-off listing expenses and net of related tax impact) of approximately RMB53.6 million. The decrease in gross profit margin was mainly due to the significant increase in the prices of certain major raw materials and packaging materials in 2017. The prices of major materials, such as sugar, palm oil, shrimp, polypropylene and cartons, increased by double-digit as compared with last year. The rising cost and declining sales volume resulted in the decrease in gross profit and consolidated net profit during the year.

In addition, as Hong Kong Dollars ("**HKD**") and United States Dollars ("**USD**") devalued against Chinese Renminbi ("**RMB**") in 2017, the Group recorded a foreign exchange loss in relation to its cash and cash equivalent in HKD and USD totaling approximately RMB12.6 million (2016: foreign exchange gain of RMB9.7 million), which further impacted the consolidated net profit during the year.

Jelly Products

Sales of jelly products in 2017 were approximately RMB495.2 million (2016: RMB529.1 million), representing a decrease of approximately 6.4% as compared with last year and accounting for 56.1% (2016: 53.9%) of total revenue of the Group. The decline in sales of jelly products was attributable to the ageing of part of our existing products and hence reduced competitiveness. The Group streamlined certain products with relatively weak in sales volume in 2017 accordingly, and with these adjustments, the overall number of products and the overall sales volume has been affected temporarily, which also resulted in the decline in sales in 2017.

In 2017, the Group continued to optimise the product portfolio for its major jelly products. The Group engaged external marketing company to re-adjust the branding and product strategies on jelly products. The Group developed functional flexible pouches packaging jelly for women and pudding products for children, which were formally launched in the market in December 2017 following completion of package upgrading for new products in 2017, in order to facilitate the improvement in future results of the jelly business.

Crackers and Chips

Sales of crackers and chips in 2017 were approximately RMB253.5 million (2016: RMB280.3 million), representing a decrease of approximately 9.5% as compared with last year and accounting for 28.7% (2016: 28.6%) of total revenue of the Group. The decline in sales of crackers and chips was attributable to the ageing of part of our existing products and hence reduced competitiveness. In particular, the prawn cracker products have a history of many years, but their market end price cannot be increased due to the lack of refinement and improvement in their packaging and taste designs. The Group streamlined certain products with relatively weak in sales volume in 2017 accordingly, and with these adjustments, the overall number of products and the overall sales volume has been affected temporarily, which also resulted in the decline in sales in 2017.

In 2017, the Group continued to optimise the product portfolio for its crackers and chips. The Group fully upgraded the packaging and taste of prawn crackers, expanded the flavours to meet different needs of consumers, developed new manufacturing technology for prawn cracker products, and engaged external marketing company to create new product package design. Since December 2017, the Group started to launch fashionable and innovative crackers and chips products including classic prawn cracker series and crayfish flavour series, in order to recover the growth trend of crackers and chips business.

Seasoning Products

Sales of seasoning products in 2017 were approximately RMB93.5 million (2016: RMB110.0 million), representing a decrease of approximately 15.0% as compared with last year and accounting for 10.6% (2016: 11.2%) of total revenue of the Group. The decline in sales of seasoning products was attributable to the ageing of part of our existing products and hence reduced competitiveness. The Group streamlined certain products with relatively weak in sales volume in 2017 accordingly, and with these adjustments, the overall number of products and the overall sales volume has been affected temporarily, which also resulted in the decline in sales in 2017.

In December 2017, the Group established an independent seasoning division to develop clearer sales strategies for seasoning products and to accelerate the full upgrading of product packaging.

Confectionery and Other Products

Sales of confectionery and other products in 2017 were approximately RMB40.2 million (2016: RMB61.6 million), representing a decrease of approximately 34.7% as compared with last year and accounting for 4.6% (2016: 6.3%) of total revenue of the Group. Sales of confectionery and other products contributed relatively small proportion to the overall sales of the Group.

During the year, the Group ceased the production of bakery products and full provision of approximately RMB8.0 million were made for the impairment of the relevant production lines.

FUTURE PROSPECTS AND STRATEGIES

Looking forward to 2018, the Group will strive to capture the opportunities of consumer upgrades through continuous product innovations. The Group will remain customer-centric and will continue to enhance our product portfolio and promote product innovation and upgrades. The products of the Group will be developed towards more natural, healthy, safe and high-end to meet different consumer demand and enhance their competitiveness, so as to resume business growth of the Group.

The Group will also aim at the rising of younger generation consumers with the trend to prefer modern style. The Group will revitalise the "Qinqin" brand, create a "younger, more fashionable, more sociable style" characteristic to our brand. The Group's marketing strategies will also be developed towards more digital, through the use the new media to actively approach and attract younger generation customers, carry out innovative social media and networking marketing, and make full use of social media such as WeChat, Weibo platforms for effective interaction with customers to rejuvenate brand vitality.

Research and Development and Product Upgrade

The Group is committed to develop safe, convenient and no preservatives new products. The Group is also committed to establish a high-quality and no preservatives brand and product image to consumers. In 2017, the Group recruited a number of highly skilled technical personnel, restructured our research and development center, and cooperated with leading food research institutions in the PRC to develop products. Recently, the Group has successfully launched brand new jelly products and crackers and chips products, which are expected to bring growth drivers for the Group's sales.

The Group believes that PRC food industry is in its transition period. With the upgrade of consumers and rise of consumption, health-consciousness and food safety are the major concerns of consumers. Any product upgrade must follow the trend of low sugar, low salt, and with no preservatives in order to meet consumer demand and preferences.

For jelly products, the Group has set the product development objective in the direction of functional and nutritional products with zero preservatives, zero artificial pigments, zero sweeteners and low calories. The Group changed its past practice of developing a product targeting a wide range of people to developing different products to adapt to the needs of different people. It analyses the needs of different consumer groups and is committed to improve the contents of its products. It continued to work with different domestic and foreign design firms and strived to develop innovative designs for the flat packaging and packages of jelly products.

For crackers and chips, the Group targets to become a leading prawn product brand in the PRC. Through a series of upgrades in terms of packaging, product and flavour to improve its brand influence and market share, the Group upgraded its product quality by improving tastes and expanding flavours to cater to the preferences of young consumers and regional features. In addition to refining its classic flavour prawn product line, the Group will also launch new products such as high prawn-content canned prawn crackers and low-salt calcium children's prawn crackers in the future.

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

For confectionery products, the Group conducted a full review of its production line, targeted the holiday market and wedding market, developed a series of toffee, crunchy candy and chocolate products and packages, and improved its display effectiveness.

Channel Expansion

Along with product upgrades, the Group will strive to maintain its existing market share and distributors network. The Group will further expand and upgrade its distribution network through sales to snack food branded stores, convenience stores, campus snack stores and other channels. The Group will also increase promotion of its online sales platform and export sales channels to increase sales.

While the Group continues to strengthen our traditional distribution network, in 2018, the Group will increase its investment and expansion on modern retail channel. The main focus is the supermarkets in Southern part of China.

With the significant changes in consumption habits among the younger generation, the penetration rate of online purchase continues to rise. The Group continues the expansion of online sales. In 2017, the Company established an independent e-commerce company and recruited e-commerce professional team to manage the online business operation. The team is also required to develop products that meet the characteristics of e-commerce channels and increase the product selling price. In 2018, the Group will continue to focus on the development of Tmall and JD e-commerce platforms and capture the new retail market.

Production Facilities Improvement

The Group aimed to reduce the impact of increasing labor costs by increasing the level of our production facilities automation. During the year, the Group proposed and continued to promote "equipment transformation, production process enhancement, quality improvement". The Group also upgraded the existing production lines, and will gradually promote "high-speed, high-yield, low-loss rates and high automation" benchmarking production line in each production base. The Group believes that a more advanced and automated production process with an upgraded production capability will allow the Group to reduce its reliance on labor, improve production efficiency and accelerate the time-to-market for our products. In addition, the Group continued to adopt measures to save energy and lower consumption and products defective rate.

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

LIQUIDITY AND CAPITAL RESOURCES

The Group maintained a solid financial position and was in a net cash position as at 31 December 2017. As at 31 December 2017, the Group had cash and bank balances of RMB294.4 million (2016: RMB346.3 million). Cash and bank balances were mainly denominated in Hong Kong dollars ("**HKD**"), United States dollars ("**USD**") and Chinese Renminbi ("**RMB**"). The Group's working capital or net current assets were RMB308.4 million (2016: RMB279.8 million). The current ratio, represented by current assets divided by current liabilities, was 3.5 (2016: 2.3).

As at 31 December 2017, the Group's total equity was RMB671.4 million (2016: RMB676.7 million), representing a decrease of 0.8%.

The Group did not have any borrowings as at 31 December 2017 (2016: Nil).

COMMITMENTS AND CONTINGENCIES

As at 31 December 2017, the Group had total capital commitments (contracted but not provided for) of RMB4.6 million (2016: RMB4.8 million).

As at 31 December 2017, the Group had future aggregate minimum lease payments under non-cancellable operating leases of RMB2.5 million (2016: RMB5.4 million). As at 31 December 2017, the lessors of our leased properties in Taian city, Shandong province and Xianyang, Shaanxi province were still in the process of obtaining the relevant title documents to the properties. As the lease agreement for the Group's leased properties in Xianyang, Shaanxi province expired in February 2018, the leased properties are currently under short-term lease and it is expected that the production facilities will be relocated to the Group's production facilities in Linying, Henan province in mid-2018.

The Group had no material contingent liabilities as at 31 December 2017 and 31 December 2016.

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

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

CHARGE ON ASSETS

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

HUMAN RESOURCES AND MANAGEMENT

As at 31 December 2017, the Group had approximately 2,700 (2016: 2,900) employees. For the year ended 31 December 2017, total employee benefit expenses, including directors' emoluments, was approximately RMB135.1 million (2016: RMB136.2 million). The Group aims to create a strong sense of community and a motivating environment for its employees to excel. The Group recruit employees based on a number of factors, including their educational background, work experience and vacancies within the Group. The Group determines employees' compensation based on their qualifications, work experience, position and performance. In addition to salaries, the Group provides a comprehensive range of staff benefits to its employees, including performance or contribution-based bonuses and allowances for meals and free dormitories. Besides, share options may be granted to eligible employees of the Group in accordance with the terms of the share option scheme adopted by the Company.

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

FOREIGN EXCHANGE RISK

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

During the year, HKD and USD devalued against RMB. The Group recorded foreign exchange loss in relation to its cash and cash equivalent in HKD and USD totaling RMB12.6 million (2016: net foreign exchange gain totaling RMB9.7 million). Save as disclosed above, the Group is exposed to minimal foreign exchange risk exposure as the Group focused on its sales and purchase within the PRC market.

FINAL DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2017 (2016: Nil).

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Non-Executive Directors

Mr. Hui Lin Chit, aged 64, was the ex-Chairman of the Company and he ceased to be the Chairman with effect from 12 April 2017. Mr. Hui is a non-executive director of the Company and a director of certain of the subsidiaries of the Group. He is responsible for providing leadership, guidance and strategic advice to the Group. He has accumulated over nine years of experience in the food and snacks business since he became a director of some of the subsidiaries of the Group in November 2008. Mr. Hui is also an executive director, deputy chairman, chief executive officer and authorised representative of Hengan International Group Company Limited (a company whose shares are listed on the Main Board of the Stock Exchange, stock code: 1044) ("**Hengan**" and, together with its subsidiaries, "**Hengan Group**"), as well as founding shareholder of Hengan Group and a director of a number of its subsidiaries. Mr. Hui was appointed as executive director of Wang Zeng Berhad on 15 June 2017, a company listed on the Main Market of Bursa Malaysia Securities Berhad with a stock code of 7203. He was redesignated as non-independent non-executive chairman of Wang Zeng Berhad on 25 September 2017.

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

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

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

Mr. Sze Man Bok, aged 68, is a non-executive director of the Company and a director of certain of the subsidiaries of the Group. He is responsible for providing leadership, guidance and strategic advice to the Group. He has accumulated over nine years of experience in the food and snacks business since he became a director of some of the subsidiaries of the Group in November 2008. Mr. Sze is an executive director, chairman and founding shareholder of Hengan Group. Mr. Sze was appointed as executive director of Wang Zeng Berhad on 15 June 2017, a company listed on the Main Market of Bursa Malaysia Securities Berhad with a stock code of 7203. He was redesignated as non-independent non-executive director of Wang Zeng Berhad on 25 September 2017.

Mr. Wu Huolu, aged 54, is a non-executive director of the Company and a director of certain of the subsidiaries of the Group. He is responsible for providing leadership and guidance in relation to the general development of the Group. He is one of the founding members of the Group and has accumulated over 27 years of experience in food and snacks production, operation and management. He has also acted as a director of Luyan (Fujian) Pharma Co., Ltd, a company which engages in distribution of medicine and listed on the Shenzhen Stock Exchange (Stock code: 2788) since January 2011. Mr. Wu Huolu is also a director of Fujian Shuncheng Flour Industry Development Co., Ltd. ("**Shuncheng Flour**"). Please refer to the section headed "Continuing Connected Transactions" in the Report of the Directors for further details of the transactions between our Group and Shuncheng Flour.

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

Mr. Wu Sichuan, aged 53, is a non-executive director of the Company and a director of certain of the subsidiaries of the Group. He is responsible for providing leadership and guidance in relation to the general development of the Group. He is one of the founding members of the Group and has accumulated over 27 years of experience in food and snacks production, operation and management.

Mr. Wu Yinhang, aged 50, is a non-executive director of the Company and a director of certain of the subsidiaries. He is responsible for providing leadership and guidance in relation to the general development of the Group. He is one of the founding members of the Group and has accumulated over 27 years of experience in food and snacks production, operation and management. He is also an executive director of Shuncheng Flour. Please refer to the section headed "Continuing Connected Transactions" in the Report of the Directors for further details of the transactions between our Group and Shuncheng Flour.

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

Executive Directors

Mr. Hui Ching Lau, aged 38, was a non-executive director of the Company since 22 March 2016 until his re-designation as an executive director on 16 May 2017. He is the Chairman of the board of directors of the Company and the chairman and member of nomination committee of the Company since 12 April 2017. He is also a director of most of the subsidiaries of the Group. He is responsible for providing leadership, guidance and strategic advice on corporate development and investment of the Group. He has accumulated over 13 years of experience in the food and snacks business since he became a director of some of the subsidiaries of the Group in April 2003. He is also the managing director of Lianjie Investments Group Limited. He has about 17 years of experience in investment management and is responsible for the daily operation and management of Lianjie Investments Group Limited. Mr. Hui is also a non-executive director of China Huiyuan Juice Group Limited (a company whose shares are listed on the Main Board of the Stock Exchange, stock code: 1886) since 29 January 2018 and the director of AGORA Hospitality Group Co., Ltd. (a company whose shares are listed on the Tokyo Stock Exchange, stock code: 9704) since 29 March 2018.

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

Mr. Hui is the son of Mr. Hui Lin Chit, the ex-Chairman of the board of directors and a non-executive director of the Company.

Mr. Zhu Hong Bo, aged 55, has been an executive director of the Company since 16 May 2017 and the Chief Executive Officer of the Group since 1 January 2017. Mr. Zhu worked in the Strategic Development Department of Hengan, since October 2010. He was the director of the Strategic Development Department of Hengan and was responsible for overseeing the corporate development and investment functions of Hengan Group, which included the Group before the Group ceased to be subsidiaries of Hengan by virtue of the listing of the Shares on the Main Board of the Stock Exchange on 8 July 2016. He resigned from his position with Hengan with effect from 31 December 2016. Prior to 2010, he worked as senior management in listed companies and has extensive experience in marketing promotion and corporate management. Mr. Zhu graduated from Tianjin Normal University in 1984.

Mr. Wong Wai Leung, aged 40, is an executive director, the chief financial officer and company secretary of the Company. He is responsible for the corporate development, investment, accounting and financial, and corporate governance matters of the Group. Mr. Wong worked at Ernst & Young in audit assurance from September 2000 to July 2009. He is an independent non-executive director of MediNet Group Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (Stock code: 8161), since 19 May 2016 and an independent non-executive director of Vertical International Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (Stock code: 8375), since 24 October 2017. He is also a director in a private group ultimately owned by Mr. Hui Ching Lau, which manages investments and trusts for Mr. Hui Ching Lau's family.

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

Independent Non-executive Directors

Mr. Cai Meng, aged 50, was appointed as an independent non-executive director of the Company on 17 June 2016. Mr. Cai has more than 14 years of experience in business management consulting services, and has been the chairman of Beijing Hejun Hengcheng Business Management Consultant Corp., Ltd. (previously known as Hejun Consulting Company Limited) since January 2015. The company was listed on the New Third Board of the China Stock Markets (Stock number: 839279) since September 2016. Mr. Cai was a research assistant (lecturer) at Beijing University of Aeronautics and Astronautics (now known as Beihang University) from July 1990 to September 1994. He acted as a deputy general manager of various departments of China Asset Management Co., Limited during the period from May 1998 to June 2002. Mr. Cai was a partner of Beijing Hezhong Huifu Consulting Co. Ltd., a securities investment consulting firm, from November 2002 to March 2008. From March 2008 to March 2014, he was the general manager and project manager of H&J Consulting Co., Ltd (now known as Beijing Hejun Digital Learning Company Limited), a company providing management training services listed on the New Third Board of the China Stock Markets (Stock number: 831930) since February 2015, and was chairman of the supervisory board of the same from August 2014 to December 2015.

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

Mr. Chan Yiu Fai Youdey, aged 48, was appointed as an independent non-executive director of the Company on 17 June 2016. Mr. Chan has 24 years of experience in the legal industry. Mr. Chan has been a partner of David Y.Y. Fung & Co., solicitors since December 2004. He is also an independent non-executive director of Nan Nan Resources Enterprises Limited, a company listed on the main board of the Stock Exchange (Stock code: 1229) since March 2008.

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

Mr. Ng Swee Leng, aged 53, was appointed as an independent non-executive director of the Company on 17 June 2016. Mr. Ng has 28 years of financial and managerial experience. Mr. Ng was the Associate Finance Director of Procter & Gamble International Operations Pte. Limited in Singapore from August 2007 to August 2008. He then joined Kraft Foods China and acted as its Chief Financial Officer from November 2008 to June 2013 before he acted as the Chief Financial Officer of GroupM China from June 2013 until February 2016. He was responsible for, amongst others, overseeing the finance functions and corporate governance matters of the aforesaid companies before his appointment as an independent non-executive director of the Company.

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

Mr. Paul Marin Theil, aged 64, was appointed as an independent non-executive director of the Company on 17 June 2016. Mr. Theil has extensive experience in the finance and investment industry. Mr. Theil is the founder of Shenzhen Zhong An Credit Investment Co., Ltd and was appointed as its chairman in January 2008. Mr. Theil has been an independent director of China Industrial Bank Co. Ltd., a company listed on the Shanghai Stock Exchange (Stock code: 601166) since October 2013. Mr. Theil was also formerly a director of Hengan during the period from July 2000 to September 2001.

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

SENIOR MANAGEMENT

Mr. Chen Xin Yi, aged 40, is the general manager of the supply chain department of the Group and is responsible for procurement and supply chain management. He joined the Group in July 2013. Prior to that, he worked as director of operation in Yashili International Group Limited from October 2007 to December 2008, and Xiamen Huierkang Food Co., Ltd from January 2009 to July 2013. He has over 17 years of experience in production operation and supply chain management.

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

Mr. Dong Gang, aged 53, is a deputy chief engineer of the Chief Engineer Office of the Group. He is responsible for technology management and organisation of major projects. He joined the Group in April 2017.

Mr. Dong graduated from Tianjin University of Science and Technology (formerly known as Tianjin Light Industry College) with a Degree of Bachelor of Engineering in 1987. He has extensive experience in food research and development and has the tile of food engineer. He was a research and development engineer at Guangdong Strong Group Co., Ltd. and JDB China.

Mr. Huang Huangshan, aged 33, is a deputy general manager of the human resource department of the Group. He is responsible for human resource management of the Company. He joined the Group in June 2017. Prior to that, he worked at Hengan Group as human resource manager. He has over nine years of experience in human resource management. He graduated from Fujian Normal University, majoring in public service management and minoring in law, with a Degree of Bachelor of Management and a Degree of Bachelor of Law.

Mr. Huang Rongyu, aged 43, is a deputy general manager of the internal audit department of the Group and is responsible for the internal audit of the Company. He joined the Group in July 2017. He graduated from Liming Vocational University, Quanzhou, majoring in foreign accounting (accounting computerisation) and obtained the Diploma. Prior to that, he joined the finance department of Hengan Group in 1997, where he had been responsible for financial audit and internal audit for over 20 years.

Mr. Jian Chang Quan, aged 45, is the general manager of the sales department of the Group and is responsible for the overall sales and distribution of our products. He joined the Group in July 2008. Mr. Jian worked in Hengan Group from November 1997 to May 2010, and was the general manager of a branch under the business and trading department of Hengan Group prior to joining the Group. He has more than 20 years of experience in sales management, sales planning, sales technique and team building and management.

Mr. Jian graduated from Hunan Radio and Television University with a Diploma in Accounting and Computer Science (part-time) in June 1995. He was accredited with the title of Economist by the Department of Human Resources of Hunan Province in the PRC in December 2000.

Mr. Meng Wen Quan, aged 43, is the deputy general manager of the research and development department of the Group, and joined the Group in January 2004. He is responsible for research and development, formulating technical development plans, and the development of new products of the Group.

Mr. Meng graduated from Guangxi Institute of Engineering (now known as Guangxi University of Technology) with a Degree of Bachelor of Food Science and Engineering in June 1999.

Mr. Pan Jin Zhen, aged 44, is the general manager of the finance department of the Group. He is responsible for the financial management and internal audit control of the Group, which provides financial support to our operations and improves the efficiency of the utilisation of funds. He worked in the finance department of Hengan Group from May 1994, and had been the deputy general manager of the internal audit division before he joined the Group in May 2010. He has more than 23 years of experience in financial management including accounting and audit.

Mr. Pan received a Degree of Business Administrative and Accounting from Huaqiao University in July 1994. Mr. Pan graduated from Dongbei University of Finance & Economics with a Degree of Bachelor of Accounting (online education) in July 2007. He was accredited with the title of Accountant by the Department of Human Resources of Zhejiang Province in the PRC in October 2000 and International Certified Senior Public Accountant by the American Certification Institute in August 2010.

Mr. Wang Yong, aged 42, is an assistant to the Chief Executive Officer of the Group. He is responsible for developing the Group's strategies and marketing. He joined the Group in May 2017. Prior to that, he worked at the Strategic Development Department of Hengan Group from March 2001 to February 2017. He has over 17 years of experience in corporate strategic management, investment management and administration. Mr. Wang graduated from Huaqiao University, majoring in Chinese Language and Literature, with a Degree of Bachelor of Arts in 2000.

Mr. Wu Wen Xu, aged 46, is the general manager of the production and operation department of the Group. He is responsible for formulating and implementing production strategies, and organising, managing and supervising our production systems for the realisation of the Group's production targets. He joined the Group in June 1993 and he has rich experience in production and manufacturing, technological innovation and quality control.

Mr. Xin Ya Dong, aged 45, is the general manager of the quality management department of the Group. He is responsible for the quality management of the production process and operation activities of the Group. Mr. Xin joined the Group in December 2006. During his term of office, Mr. Xin has worked on precision management, safety management and improving customers' satisfaction of the Group.

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

Mr. Zheng Junlong, aged 41, is a deputy office supervisor of the Group. He joined the Group in June 2017. He is responsible for the legal affairs, administrative and public relations of the Group. Prior to that, he worked at the legal compliance department of Hengan Group as a senior legal officer from March 1999 to March 2007, at SKSHU Paint Co., Ltd. as the legal affairs manager from March 2007 to December 2007, at Lianjie Investments Group Limited as a vice president from December 2007 to May 2017, where he was responsible for legal affairs and assisting in handling investment affairs. He has over 18 years of experience in corporate legal affairs, investment management and administration. Mr. Zheng obtained a Diploma in Law (online education) from Beijing Normal University in 2009, and obtained the Enterprise Legal Consultant Qualification Certificate of the People's Republic of China jointly issued by the Ministry of Human Resources of the People's Republic of China, the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Justice of the People's Republic of China in December 2003.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CODE

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

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

In the opinion of the directors of the Company (the "**Director(s)**"), the Company has complied with all code provisions as set out in the CG Code throughout the year ended 31 December 2017 and, where appropriate, the applicable recommended best practices of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. All Directors have confirmed, upon specific enquiries made by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2017. To ensure Directors' dealings in the securities of the Company (the "**Securities**") are conducted in accordance with the Model Code and securities code of the Company, a Director is required to notify the chairman of the Board (the "**Chairman**") in writing and obtain a written acknowledgement from the Chairman prior to any dealings in the Securities.

BOARD OF DIRECTORS

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

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

The Board comprises twelve directors, of which five are non-executive Directors, namely Mr. Hui Lin Chit, Mr. Sze Man Bok, Mr. Wu Huolu, Mr. Wu Sichuan and Mr. Wu Yinhang; three are executive Directors, namely Mr. Hui Ching Lau (Chairman), Mr. Zhu Hong Bo (Chief Executive Officer) and Mr. Wong Wai Leung (Chief Financial Officer and Company Secretary); and four are independent non-executive Directors, namely Mr. Cai Meng, Mr. Chan Yiu Fai Youdey, Mr. Ng Swee Leng and Mr. Paul Marin Theil. The biographies of the Directors are set out in "Profile of Directors and Senior Management" on pages 11 to 17 of this annual report.

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

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

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

Save for the family relationships disclosed in the Profile of Directors and Senior Management set out on pages 11 to 17 of this annual report, the Directors do not have material financial, business or other relationships with one another.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman is Mr. Hui Ching Lau (previously assumed by the ex-Chairman Mr. Hui Lin Chit until 11 April 2017) and the chief executive officer (the "**CEO**") is Mr. Zhu Hong Bo. The roles of the Chairman and the CEO of the Group are clearly defined and segregated to ensure independence and proper checks and balances. The Chairman focuses on the business strategy and direction of the Company and has executive responsibilities, provides leadership for the Board and ensures proper and effective functioning of the Board in discharging of its responsibilities. The CEO is accountable to the Board for the overall implementation of the Company's strategies and the coordination of overall business operations.

EXECUTIVE AND NON-EXECUTIVE DIRECTORS

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

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

BOARD DIVERSITY POLICY

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

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

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

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

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

AUDIT COMMITTEE

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

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

During the year ended 31 December 2017, the Audit Committee held two meetings to review the interim and the annual results before their submission to the Board and monitored the integrity of such financial statements; and review the internal control and risk management system with auditor. The attendance of each member of the Audit Committee is set out in the section headed "Board and Committees Meetings" of this report.

The Audit Committee has also discussed and reviewed the key audit matters determined by the external auditor under the new and revised auditor reporting standards under Hong Kong Standards on Auditing for the year ended 31 December 2017.

REMUNERATION COMMITTEE

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

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

During the year ended 31 December 2017, the Remuneration Committee held two meetings to make recommendation of the remuneration packages and performance bonuses for the Directors and senior management of the Company and the Share Option Scheme and related options granting matters to the Board for approval. The attendance of each member of the Remuneration Committee is set out in the section headed "Board and Committees Meetings" of this report.

Details of the amount of Directors' emoluments for the year ended 31 December 2017 are set out in note 34 to the financial statements.

For the year ended 31 December 2017, the remuneration of the members of the senior management who are not directors are within the following bands:

Remuneration band	**Number of persons**
Within HKD1,000,000	11

NOMINATION COMMITTEE

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

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

During the year ended 31 December 2017, the Nomination Committee has reviewed the structure, size and composition of the Board and concluded that members of the Board has possessed the expertise and independence to carry out the Board's functions and responsibilities.

During the year, Mr. Zhu Hong Bo was elected as Director by shareholders at the annual general meeting. In considering the nomination of director, the Nomination Committee assessed the candidate on criteria such as integrity, independent mindedness, experience, skill and ability to commit time and effort to carry out his duty and responsibility effectively etc.

BOARD AND COMMITTEES MEETINGS

The individual attendance records of each Director at the meetings of the Board, Audit Committee, Remuneration Committee and Nomination Committee as well as annual general meeting during the year ended 31 December 2017 are set out below:

	Attendance/Number of Meetings Held				
Name of Directors	**Annual General Meeting**	**Board Meeting**	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Nomination Committee Meeting**
Non-Executive Directors					
Mr. Hui Lin Chit [1]	1/1	5/5	—	—	—
Mr. Sze Man Bok	1/1	5/5	—	—	—
Mr. Wu Huolu	1/1	4/5	—	—	—
Mr. Wu Sichuan	1/1	5/5	—	—	—
Mr. Wu Yinhang	1/1	5/5	—	—	—
Executive Directors					
Mr. Hui Ching Lau [2]	1/1	5/5	—	—	1/1
Mr. Zhu Hong Bo [3]	1/1	5/5	—	—	—
Mr. Wong Wai Leung	1/1	5/5	2/2*	2/2*	1/1*
Independent Non-Executive Directors					
Mr. Cai Meng	1/1	5/5	2/2	2/2	1/1
Mr. Chan Yiu Fai Youdey	1/1	4/5	2/2	2/2	1/1
Mr. Ng Swee Leng	1/1	5/5	2/2	2/2	1/1
Mr. Paul Marin Theil	1/1	5/5	2/2	2/2	1/1

* Being the secretary of the meetings

[1] ceased to be the Chairman with effect from 12 April 2017

[2] re-designated as Chairman and Executive Director with effect from 12 April 2017 and 16 May 2017, respectively

[3] appointed as Chief Executive Officer and elected as Executive Director with effect from 1 January 2017 and 16 May 2017, respectively

ACCOUNTABILITY AND AUDIT

The Board is responsible for overseeing the preparation of financial statements for the year ended 31 December 2017 which gives a true and fair view of the state of affairs of the Group as at 31 December 2017, and of the results and cash flows for year then ended. In preparing the financial statements for the year ended 31 December 2017, the Board has selected appropriate accounting policies, applied them consistently in accordance with the Hong Kong Financial Reporting Standards which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and ensured the preparation of the financial statements on the going concern basis.

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

The Directors have acknowledged their responsibility for preparing all information and representation contained in the financial statements of the Company for the year ended 31 December 2017. The statement of reporting responsibilities of auditor is set out in the independent auditor's report.

AUDITOR'S REMUNERATION

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

Services rendered	**Fee paid/payable** RMB'000
Audit of financial statements	1,600
Other non-audit services	128
Total	1,728

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

Risk Management Framework

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

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

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

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

DISSEMINATION OF INSIDE INFORMATION

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

COMPANY SECRETARY

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

SHAREHOLDERS' RIGHTS

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

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

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

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

Procedures for Shareholders to Put Forward Proposals at a General Meeting

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

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

Shareholders' enquires

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

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

INVESTOR RELATIONS

The public are welcomed to give their comments and make enquiries through the Company's website and by means of emails to the investor relations department (email address: ir@fjqinqin.com.hk). The management always provides prompt responses to any such enquiries. During the year ended 31 December 2017, there were no changes in the Company's Memorandum and Articles of Association. An up-to-date consolidated version of the Company's Memorandum and Articles of Association is available on the Company's website.

Adhering to the corporate mission of "continued dedication to supply safe, healthy, delicious and satisfactory food" and the corporate vision of "building a consumer-friendly brand and creating a family-like corporate culture among the staffs, customers and investors", Qinqin Foodstuffs Group (Cayman) Company Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") strive to build a harmonious enterprise. The Group has created a business model for sustainable development with its vigorous promotion on energy-saving and emission-reduction. To satisfy customers' needs, the Group strives to produce high-quality products and service. The Group also shoulders its social responsibility by taking on practical actions, with a vision to pursue a joint development with its staffs, customers and investors, as well as the society.

The Company has prepared its 2017 Environmental, Social and Governance Reporting in accordance with the requirements of the Appendix 27 "Environmental, Social and Governance Reporting Guide" issued by The Stock Exchange of Hong Kong Limited, which covers the period from 1 January 2017 to 31 December 2017. As over 90% revenue and business of the Group have been derived from and conducted in Mainland China, all of the data and information set out in this report are presenting the Group's activities in Mainland China. This report, elaborating on the environment and society aspects, describes the Company's concept and practice of sustainable development and social responsibility.

ENVIRONMENT

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

Emissions

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

The major emissions discharged by the Group is the waste gas generated from the energy consumption during its production and the dust particles generated from energy consumption by its commercial vehicles. For waste gas, the Group has been in strict compliance with the requirements under the "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution", and has ensured that the emissions of boilers at its production facilities meet the "Emission Standard of Air Pollutants for Boilers of the PRC". The Group recommended the use of natural gas at its major production facilities and used electrostatic fume pacifier to purify waste fume generated in its production up to emission standard before emission in order to minimise the emissions to the greatest degree.

The major wastewater discharged by the Group is the production wastewater generated during production. The Group has been in strict compliance with the requirements under the "Law of the People's Republic of China on the Prevention and Control of Water Pollution" and has formulated the "Sewage Treatment System Management Measures". Through the sedimentation and conditioning process, the quality of wastewater complied with the local emission standards, which are adopted in various places where the operation plants located. On this basis, the Group has adopted numerous initiatives to reduce sewage generation, such as washing with high-pressure water guns, sensor-operated water taps and recycled water in its cleaning workshops, with a view to conserving water.

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

The Group actively adopts a number of measures to reduce emissions, including:

1. the Group invested RMB2.1 million in 2017 on the reconstruction and expansion of its sewage treatment station, which has effectively reduced the content of pollutants such as chemical oxygen demand ("**COD**") and ammonia nitrogen in the sewage and lowered the sewage treatment load of the sewage treatment plant at the industrial parks. The sewage after treatment meets the class II standard in the Integrated Wastewater Discharge Standards of the PRC. The escaping gas from the sewage treatment station is collected and treated using active carbon to reduce the impacts on the surrounding environment.

2. the boilers at its production facilities use natural gas as combustion medium, which has significantly lowered the volume of sulphide and dust emitted arising from coal combustion and reduced the emissions of particulate matter and sulphide.

3. fume purification facilities, which have been upgraded to and replaced with electrostatic fume purifier, reducing the fume emission.

The Group's major emissions in 2017 were as follows:

Emissions	Details	Emission volume	Unit
Waste gas	Nitrous oxides (NOx)	0.39	Tonne
	Sulphur dioxide (SO2)	0.0024	Tonne
	Dust particles	0.0014	Tonne
Wastewater	Chemical oxygen demand discharge (COD)	74.78	Tonne
	Ammonia nitrogen (NH3-N)	7.48	Tonne
	Wastewater volume	498,558.1	Cubic metre

The Group's major greenhouse gas emission volume in 2017 were as follows:

Greenhouse gas emissions	Emission volume	Unit
Direct greenhouse gas emissions	5,692.64	Tonne of carbon dioxide equivalent (tCO2e)
Indirect greenhouse gas emissions	20,787.58	Tonne of carbon dioxide equivalent (tCO2e)
Total greenhouse gas emission volume	26,480.22	Tonne of carbon dioxide equivalent (tCO2e)

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

The Group has always been very concerned about the environmental impact of hazardous waste. The Group has been in strict compliance with the requirements under the "Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste". For wastes classified as hazardous wastes under the "National List of Hazardous Wastes", such as waste detergents, those hazardous wastes are treated and thus rendered harmless by qualified third party companies before disposal to reduce impact on environmental pollution.

The Group's hazardous wastes are mainly generated from the consumption of materials by the Group's packaging lines in the packaging process. The volume and density of major hazardous wastes generated by the Group in 2017 were as follows:

Hazardous wastes	Volume of wastes	Unit
Ink	243.8	Litre
Detergents	338.8	Litre

Total volume of hazardous wastes	Unit	Density of hazardous wastes	Density unit
582.6	Litre	0.007	Litre/tonne of products

For harmless wastes, the Group has been in strict compliance with the requirements under the "Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste". Harmless wastes are treated and thus rendered harmless, separated before disposing and finally recycled by the companies with relevant qualifications.

The volume of major harmless wastes generated by the Group in 2017 was as follows:

Harmless wastes	Volume of harmless wastes generated	Unit
Plastic	491.04	Tonne
Sludge	158.42	Tonne
Waste paper	352.78	Tonne
Production wastes	321.45	Tonne

The Group actively adopts various initiatives to treat and reduce the generation of waste, including the adoption of lean production and management at the packaging link of its major products to increase the utilisation of packaging materials and reduce the consumption of plastic and membrane materials.

Use of Resources

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

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

The Group's major energy consumption in 2017 were as follows:

Energy	Type of energy	Volume	Unit
Direct energy	Natural gas	2,017,883.0	Nm^3
Indirect energy	Purchased electricity	25,447,094.2	Kilowatt-hour (kWh)
	Purchased steam	50,412.0	Tonne

Total energy consumption	Unit	Energy consumption density	Density unit
60,302.98	Megawatt hour (MWh)	0.75	Megawatt hour (MWh)/ tonne of products

The Group's total water consumption and density in 2017 were as follows:

Water consumption	Unit	Water consumption density	Density unit
728,555	Tonne	9.09	Tonne/tonne of products

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

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

1. Ordinary lighting at certain of its production facilities were replaced with LED lights, which are expected to reduce electricity consumption while ensuring the effectiveness of lighting. The Group intends to apply the program at other production facilities.

2. Water generated from condensation process at the disinfection and sterilisation tanks and at certain production facilities were recycled for use as cleaning water, which is expected to save water. The Group intends to apply the program at other production facilities.

3. Steam waste heat generated from its production facilities was recycled for use, and part of the steam waste heat was used as a heating source, which is expected to reduce steam consumption at its facilities. The Group is considering the application of the program at other production facilities.

4. During the cleaning process of production plant, high-pressure water guns are used to clean the ground, and the cleaning water is mixed with detergents in proportion to reduce the waste of water resources, which is expected to reduce water consumption.

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

The Group's total consumption of packaging materials for finished products and the consumption per unit of production in 2017 were as follows:

Type of packaging materials	Total volume of packaging materials	Unit	Density of packaging materials	Density unit
Plastic	5,570.18	Tonne	0.07	Tonne/tonne of finished products
Paper	8,091.80	Tonne	0.10	Tonne/tonne of finished products

Environment and Natural Resources

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

SOCIAL

The Group is convinced that the establishment of good labour relations is one of the keys to business success. In order to enhance the well-being of employees, the Group is committed to providing competitive compensation and benefits and a sound training program to enable employees to realise their potential and grow. In addition, the Group has adopted a number of programs to improve the physical and mental health of employees and organised a variety of activities to increase the sense of belonging of employees and to create a harmonious working environment.

Employment

In accordance with the requirements under the laws and regulations as stated in the "Labour Law of the People's Republic of China" and the "Labour Contract Law of the People's Republic of China", the Group has formulated the "Personnel Management System of Qinqin" and the "Compensation Management System of Qinqin". The Group hires employees with different nationalities, genders, ages and religious beliefs, and is always upholding the principles of fairness, impartiality and openness in service appointment. Thus, all of the Group's employees are entitled to equal opportunities and equivalent treatment. The Group provides employees with comprehensive benefits and offers opportunities for multi-channel salary promotion, enabling employees to pursue a joint development with the Group.

Fair employment

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

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

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

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

Working hours and leaves

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

Health and Safety

The Group is committed to providing employees with a healthy, safe and comfortable working environment. In addition to the national policies and regulations, the Group has formulated systems and regulations including the "Safety Work Management Measures for the Production and Operation Department of Qinqin", which ensures the health and safety of the Group's employees. The Group has also established a production safety team to train employees on safety practices, purchasing suitable tools for employees, and arranging medical examinations for employees.

Health and safety

The Group enhances all employees' awareness of safety and self-protection through safety trainings. In line with the requirements of various positions, the Group timely provides its employees with various occupational safety facilities, as well as supervisory and education for their proper wearing and usage of such facilities. The Group keeps the person in charge of occupational safety under close monitor, for their implementation of safety educations, installation of dust removal and gas emission devices for equipment generating dust and waste gas. For the equipment generating excessive noise, priority is first given to eliminating or reducing noise sources, then to control over the spread of noise, and last to wearing protective equipment.

Physical examinations

The Group offers annual body check-ups for its staffs, which enables them to pay attention to personal health during their work.

Hazard identification and control measures

The Group identifies and evaluates the risk factors present in the existing workplaces, and determines the necessary control measures to eliminate and reduce risks and achieve system security. For potential emergencies (such as fires, flammable leaks, typhoons, accidental injuries), the Group has emergency plans and response control procedures in place and manages them according to emergency procedures.

Development and Training

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

The Group attaches great importance to the training of professional managers and the successors. Through the establishment of a professional manager training system, it has raised awareness and created learning environment for managers taking the initiative to train their subordinates, which has effectively trained professional managers and their successors. As at the end of 2017, the Group has 51 part-time trainers.

Labour Standards

In compliance with laws and regulations as stated in the "Labour Contract Law of the People's Republic of China", child labour or forced labour is prohibited by the Group. Pursuant to the "Personnel Management System of Qinqin", in the recruitment and selection of talents, those under 16 years of age must not be recruited. In addition, a restriction is set out in the human resource information system of the Group that the information on person under 16 years of age cannot be entered. As such, there has been no forced labour for the Group.

Supply Chain Management

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

Product Responsibility

Product policy

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

All production facilities and production lines of the Group are designed in compliance with the PRC's national quality standards. International Organisation for Standardization (ISO 9001 and ISO 22000) and Hazard Analysis and Critical Control Point (HACCP) certification have also been obtained for certain production facilities.

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

Advertising and labels

The Group has formulated the "Management Procedures for Design and Modification of Packaging and Samples Printing and the Label Review Management Rules" for standardising the product label review, which strengthens the label management and enhances the label compliance. The Group has established a cross-department label checking team, with members from the marketing department, the office, the technical research department and the quality control department, to review contents of labels, including product brand, advertising slogan, trademark, product ingredients and related food safety information, in accordance with the "Advertising Law of the People's Republic of China", the "Food Safety Law of the People's Republic of China", the "National Standard for Food Safety — General Code for Pre-packaged Food Labelling" (GB7718), the "National Standard for Food Safety — General Principles for Nutrition Labelling of Pre-packaged Food" (GB28050), as well as the relevant laws and regulations and food safety standards.

Privacy protection

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

Anti-corruption

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

The Group has established a reporting mechanism to ensure that employees act in good faith and with an objective attitude to help maintaining the integrity at the workplace. As at 31 December 2017, all existing employees of the Group had signed the Declaration of Conflicts of Interest.

Community Investment

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

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

Month	Event
January 2017	Giving consolation to sanitation workers
March 2017	Volunteers sweeping the floor
March 2017	Arbor Day event
April 2017	Paying respects to cemetery of revolutionary martyrs
May 2017	"June 1 Love Delivery" event (donating the Group's products to surrounding elementary schools and kindergartens)
June 2017	"Beautify the Environment" event (cleaning the areas in the vicinity of the Group)

REPORT OF THE DIRECTORS

The directors (the "**Director(s)**") of Qinqin Foodstuffs Group (Cayman) Company Limited (the "**Company**") herein present their report together with the audited financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

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

Further discussion and analysis of the Group's principal activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a fair review of the Company's business, a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the Management Discussion and Analysis set out on page 5 and 10 of this annual report. An analysis using financial key performance indicators can be found in "Financial Highlights" on page 3 of this annual report. This above discussion and highlight form part of this Directors' report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated income statement on page 54 of this annual report.

The Board did not recommend the payment of final dividend for the year ended 31 December 2017.

The register of members of the Company (the "**Shareholders**") will be closed from Thursday, 24 May 2018 to Tuesday, 29 May 2018 (both days inclusive), for the purpose of determining Shareholders' entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on Tuesday, 29 May 2018 (the "**2018 AGM**"), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2018 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 23 May 2018.

RESERVES

Details of the movement in reserves of the Company and of the Group during the year are set out in note 33 to the consolidated financial statements and in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

The Company's net reserves available for distribution, calculated in accordance with the Companies Law Cap. 22 (Law 3 of 1961) of the Cayman Islands, as consolidated and revised from time to time, as at 31 December 2017 amounted to RMB88,399,000 (2016: RMB90,083,000), which represented the retained earnings/accumulated losses and share premium.

SHARE CAPITAL

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

PROPERTY, PLANT AND EQUIPMENT

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

FIVE-YEAR FINANCIAL SUMMARY

A five-year financial summary of the Group is set out on page 110.

DIRECTORS

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

Executive Directors

Mr. Hui Ching Lau *(Chairman)*
Mr. Zhu Hong Bo (elected as director with effect from 16 May 2017)
Mr. Wong Wai Leung

Non-Executive Directors

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

Independent Non-Executive Directors

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

Pursuant to the articles of association of the Company, all Directors appointed to fill a causal vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. In addition, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Accordingly, Mr. Zhu Hong Bo, Mr. Hui Lin Chit, Mr. Wu Sichuan, Mr. Cai Meng and Mr. Paul Marin Theil shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' SERVICE AGREEMENT

Each of the executive Directors and non-executive Directors has respectively entered into a service contract commencing from 8 July 2016 with the Company for a term of three years. The service contract may be terminated in accordance with the respective terms of the service contract.

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

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

DIRECTORS' EMOLUMENTS

Details of the remuneration of the Directors are set out in note 34 to the consolidated financial statements. There has been no arrangement under which any Director has waived or agreed to waive any emoluments.

HUMAN RESOURCES AND MANAGEMENT

As at 31 December 2017, the Group had approximately 2,700 (2016: 2,900) employees. The Group aims to create a strong sense of community and a motivating environment for its employees to excel. The Group recruit employees based on a number of factors, including their educational background, work experience and vacancies within the Group. The Group determines employees' compensation based on their qualifications, work experience, position and performance. In addition to salaries, the Group provides a comprehensive range of staff benefits to its employees, including performance or contribution-based bonuses and allowances for meals and free dormitories. Besides, share options may be granted to eligible employees of the Group in accordance with the terms of the share option scheme adopted by the Company.

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management are set out on page 11 to 17.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

MANAGEMENT CONTRACTS

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

COMPETING BUSINESSES

As at 31 December 2017, none of the Directors had any interest in a business which competes or is likely to compete, either directly or indirectly, with the Group's businesses.

CONTINUING CONNECTED TRANSACTIONS

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

	2017 **RMB'000**	2016 RMB'000
Purchases of flour from Fujian Shuncheng Flour Industry Development Co., Ltd ("**Shuncheng Flour**")	**3,878**	4,873

Shuncheng Flour is a company owned as to over 50% by Mr. Wu Huolu and Mr. Wu Yinhang, each of whom is a Director of the Company, and their family members. Shuncheng Flour has been supplying flour to the Group in the ordinary course of our business during the year ended 31 December 2017.

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

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

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

Related Party Transactions

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

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2017, the interest and short positions of the Directors in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which (a) were required to be notified to the Company and the Stock Exchange pursuant to provisions of Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which the Directors have taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange were set out below:

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

Name of Director	Note	Capacity/Nature of interest	Number of Shares interested	Number of underlying Shares interested (Note 1)	Approximate percentage of interest in the Company (Note 2)
Mr. Sze Man Bok	3	Beneficial owner and founder of discretionary trust/ personal and other interests	45,760,919	—	9.62%
Mr. Hui Lin Chit	4	Founder of discretionary trust/ other interest	44,933,950	—	9.45%
Mr. Wu Huolu	5	Beneficial owner and interest of controlled corporation/ personal and corporate interests	85,842,895	—	18.05%
Mr. Hui Ching Lau	6	Interest of controlled corporation/ corporate interest	31,225,078	—	6.56%
Mr. Wong Wai Leung		Beneficial owner/personal interest	—	120,000	0.03%

Notes:

1. Underlying Shares represent share options granted to a director pursuant to share option scheme of the Company and details of which are set out on pages 42.

2. The percentages expressed are based on the total number of issued Shares of 475,696,557 as at 31 December 2017.

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

4. These 44,933,950 Shares are held and owned by An Ping Holdings Limited, a wholly owned subsidiary of An Ping Investments Limited, which is in turn owned by Seletar Limited and Serangoon Limited as nominee on trust for Credit Suisse Trust Limited, the trustee of the Hui Family Trust. Mr. Hui Lin Chit is settlor and beneficiary of the Hui Family Trust and accordingly, is deemed to be interested in the said 44,933,950 Shares.

5. These 85,842,895 Shares comprise (i) 85,214,895 Shares held and owned by Easy Success International Investment Limited ("**Easy Success**"), which is owned as to 50% by Mr. Wu Huolu and 50% by Mr. Wu Yongde ("**Mr. Wu YD**", brother of Mr. Wu Huolu) and (ii) 628,000 Shares held and owned by Mr. Wu Huolu. Mr. Wu Huolu is deemed to be interested in the said 85,214,895 Shares held by Easy Success accordingly.

6. These 31,225,078 Shares comprises 29,555,978 Shares held and owned by Sure Wonder Limited, 1,497,500 Shares held and owned by Event Star Limited and 171,600 Shares held and owned by King Terrace Limited, all of which are wholly owned by Mr. Hui Ching Lau and accordingly, Mr. Hui Ching Lau is deemed to be interested in the said 31,225,078 Shares.

Save as disclosed above, none of the Directors or chief executive had, as at 31 December 2017, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which, (a) were required to be notified to the Company and the Stock Exchange pursuant to provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or chief executive have taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Save as disclosed elsewhere in this report, none of the Directors nor chief executive of the Company had registered an interest or a short position in any shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 2017, so far as the Directors are aware, the following persons (other than the Directors or chief executive of the Company), were directly or indirectly, interested in 5% or more of the shares or short positions in the shares and the underlying shares of the Company, which are required to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO, or which will be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, or to be notified to the Company, were as follows:

Long Positions in the Shares of the Company

Name of Substantial Shareholder	Note	Capacity/Nature of interest	Number of Shares interested	Approximate percentage of interest in the Company (Note 1)
Tin Lee Investments Limited	2	Beneficial owner/beneficial interest	45,645,799	9.60%
Tin Wing Holdings Limited	2	Interests of controlled corporation/ corporate interest	45,645,799	9.60%
An Ping Holdings Limited	3	Beneficial owner/beneficial interest	44,933,950	9.45%
An Ping Investments Limited	3	Interests of controlled corporation/ corporate interest	44,933,950	9.45%
Serangoon Limited	2,3,4	Interests of controlled corporation/ corporate interest	102,819,049	21.61%
Seletar Limited	2,3,4	Interests of controlled corporation/ corporate interest	102,819,049	21.61%
Credit Suisse Trust Limited	2,3,4	Trustee/other interest	102,819,049	21.61%
Easy Success International Investment Limited	5	Beneficial owner/beneficial interest	85,214,895	17.91%
Mr. Wu Yongde	6	Interest in controlled corporation and interest of spouse/ corporate and family interests	104,359,359	21.94%
Ms. Cai Liqiong	6	Beneficial owner and interest of spouse/ beneficial interest and family interest	104,359,359	21.94%
Sure Wonder Limited	7	Beneficial owner/beneficial interest	29,555,978	6.21%

Notes:—

1. The percentages expressed are based on the total number of issued Shares of 475,696,557 as at 31 December 2017.

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

3. An Ping Holdings Limited is a wholly owned subsidiary of An Ping Investments Limited which is owned by Seletar Limited and Serangoon Limited as nominee on trust for Credit Suisse Trust Limited, the trustee of the Hui Family Trust. Each of An Ping Investments Limited, Seletar Limited, Serangoon Limited and Credit Suisse Trust Limited is deemed to be interested in 44,933,950 Shares held and owned by An Ping Holdings Limited under the SFO.

4. These 102,819,049 Shares comprise 45,645,799 Shares held and owned by Tin Lee Investments Limited (under the Sze's Family Trust), 44,933,950 Shares held and owned by An Ping Holdings Limited (under the Hui Family Trust) and 12,239,300 held by other trusts. As stated in notes 2 and 3 above, Seletar Limited and Serangoon Limited have deemed interests in these Shares on trust for Credit Suisse Trust Limited, being trustee of the said trusts, and accordingly, each of them are deemed to be interested in these Shares under the SFO.

5. These 85,214,895 Shares held and owned by Easy Success, which is owned as to 50% by Mr. Wu Huolu, a non-executive Director of the Company, and 50% by Mr. Wu YD. Each of Mr. Wu Huolu, Mr. Wu YD and Ms. Cai Liqiong ("**Ms. Cai**", the spouse of Mr. Wu YD) is deemed to be interested in the said 85,214,895 Shares held by Easy Success accordingly.

6. These 104,359,359 Shares comprise deemed interests of Mr. Wu YD and Ms. Cai as described in note 5 above in the 85,214,895 Shares held and owned by Easy Success and 19,144,464 Shares directly held and owned by Ms. Cai. Both Mr. Wu YD and Ms. Cai are deemed to be interested in these 104,359,359 shares of the Company under the SFO.

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

SHARE OPTION SCHEME

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

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

(i) Purpose of the Scheme

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

(ii) Eligible Persons

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

(iii) Maximum Number of Shares Available for Issue

The maximum number of shares available for issue after considering the options already granted under the Scheme as at the date of the annual report are 39,009,655, representing 6.84% of total issued shares of the Company as at the date of this annual report, which are not more than 10% of the issued share capital of the Company (i.e. 47,569,655 shares) as at the date of the approval of the Scheme.

(iv) Maximum Entitlement of Each Participant

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

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

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

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

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

(v) Time on Exercise of Options

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

(vi) Acceptance of Offer

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

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

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

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

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

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

(2) The table below sets out movements in the share options granted under the Scheme during the year ended 31 December 2017:

	Number of share options							
Eligible person	**Balance as at 1/1/2017**	**Granted during the year**	**Exercised during the year**	**Cancelled or lapsed during the year**	**Balance as at 31/12/2017**	**Exercise price per share** HK$	**Date of grant** (DD/MM/YYYY)	**Exercisable period** (DD/MM/YYYY)
Director								
Mr. Wong Wai Leung	—	60,000	—	—	60,000	2.56	06/06/2017	07/06/2019-06/06/2022
	—	60,000	—	—	60,000	2.56	06/06/2017	07/06/2020-06/06/2022
Other employees	—	4,755,000	—	(410,000)	4,345,000	2.56	06/06/2017	07/06/2019-06/06/2022
	—	4,755,000	—	(410,000)	4,345,000	2.56	06/06/2017	07/06/2020-06/06/2022
	—	9,630,000	—	(820,000)	8,810,000			

Notes:

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

2. The closing price of the Shares immediately before the date on which the share options being granted was HK$2.55.

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

	6 June 2017
Grant date share price	HK$2.56
Exercise price	HK$2.56
Expected life	5 years
Expected volatility (note a)	33%
Risk-free rate (note b)	0.94%
Dividend yield (note c)	1.49%

Notes:

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

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

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

According to the Binomial Model, the fair value of the option granted, which had been charged to the consolidated income statement for the year ended 31 December 2017, amounted to approximately RMB1,222,000 and the remaining unamortised fair value of approximately RMB4,119,000 will be charged to the consolidated income statement in future years.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for securities transactions by the Directors. Having made specific enquiries with all the Directors, they have confirmed compliance with the required standard as set out in the Model Code throughout the year ended 31 December 2017.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

The audit committee, which comprises four Independent Non-executive Directors of the Company, has reviewed with the management in conjunction with the auditor, the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of audited consolidated financial statements of the Group for the year ended 31 December 2017.

MAJOR CUSTOMERS AND SUPPLIERS

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

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

The percentages of purchases and sales for the year ended 31 December 2017 contributed by the Group's major suppliers and customers are as follows:

Purchases	
— the largest supplier	5.7%
— five largest suppliers combined	15.8%
Sales	
— the largest customer	1.9%
— five largest customers combined	5.8%

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

CHANGES IN DIRECTORS' AND CHIEF EXECUTIVES' INFORMATION

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float during the year ended 31 December 2017 under the Listing Rules.

PERMITTED INDEMNITY PROVISIONS

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

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

PRE-EMPTIVE RIGHTS

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

AUDITOR

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

RAISING OF FUNDS AND USE OF PROCEEDS

Pursuant to the subscription agreements each dated 20 January 2018 ("**Subscription Agreements**") entered into between the Company and no less than six subscribers, an aggregate of 95,000,000 new shares of the Company were issued at HK$2.11 per share to the subscribers on 6 February 2018. The closing price of each share on 19 January 2018 (the last trading day prior to the fixing of the terms of the Subscription Agreements) was HK$2.21 per share. The gross and net proceeds of the issue were HK$200.45 million and approximately HK$200.25 million respectively, representing a net price of approximately HK$2.11 per share. The Company intends to use the net proceeds from the subscription for development, introduction and promotion of new products, expansion and upgrade of production facilities, enhancing our presence in the sales channels and promoting our brands and for potential future acquisition and business cooperation.

Details of the transactions were disclosed in the Company's announcement dated 21 January 2018 and 6 February 2018. Save as disclosed herein, the Company did not have any other fund raising activity during the year ended 31 December 2017 and up to the date of this report.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

EVENT AFTER THE REPORTING PERIOD

Details of the event after the reporting period are provided under note 32 to the consolidated financial statement of this annual report.

CORPORATE GOVERNANCE

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

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

Hui Ching Lau
Chairman

Hong Kong, 29 March 2018

INDEPENDENT AUDITOR'S REPORT

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

OPINION

What we have audited

The consolidated financial statements of Qinqin Foodstuffs Group (Cayman) Company Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 54 to 109, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

KEY AUDIT MATTERS

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

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

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

Key Audit Matters	How our audit addressed the Key Audit Matters
Revenue recognition — sales of goods	
Refer to Note 2(18) (Summary of significant accounting policies) and Note 5 (Revenue and segment information) of the consolidated financial statements The Group's revenue from sales of goods for the year ended 31 December 2017 amounted to RMB882.4 million. Revenue from the sales of goods is recognised when the amount of revenue and the related cost are reliably measured and the risk and reward of the goods have been transferred to the customer, which is usually at the date when the Group has delivered the products to the customer and the customer has accepted the products. We focused on this area due to the large volume of revenue transactions generated from sales of various kinds of products in many different locations and mainly through numerous distributors. In addition, the return of the goods receipt notes from customers may encounter certain time lag which may cause the revenue to be recorded in the incorrect reporting period.	We understood, evaluated and tested management's key controls, on a sample basis, in respect of the Group's sales transactions from customer order's approval, goods delivery, return of goods receipt notes, issue of sales invoices, record of sales, through to cash receipts and settlement of trade receivables. In addition, we tested the general control environment of the Group's information technology systems and the specific automatic controls that were related to revenue recording to assess the completeness and accuracy of the revenue entries being recorded in the general ledger accounting system. We conducted testing of revenue recorded covering different locations and customers by examining the relevant supporting documents including customer's orders, goods delivery notes and goods receipt notes by customers, and sales invoices. In addition, we confirmed selected trade receivable balances as at the balance sheet date. The items tested were selected on a sample basis considering the amount, nature and characteristics of the customers. Furthermore, our audit work also included testing sales transactions that took place before and after the balance sheet date to assess whether or not the revenue was recognised in the correct reporting period. Based on the work performed, we found the Group's revenue from sales of goods being tested were recognised in a manner consistent with the Group's revenue recognition accounting policy.

Key Audit Matters	**How our audit addressed the Key Audit Matters**
Recognition of deferred income tax assets	
Refer to Note 2(15) (Summary of significant accounting policies), Note 4 (Critical accounting estimates and judgments) and Note 25 (Deferred income tax) of the consolidated financial statements. As at 31 December 2017, deferred income tax assets of approximately RMB11.7 million were recognised for tax losses that can be carried forward in respect of certain subsidiaries in Mainland China, to the extent that realisation of the related tax benefits through the availability of future taxable profits is probable. Significant judgements are involved in determining the recognition of deferred income tax assets and considering whether future taxable profit will be available against which the unutilised tax losses can be utilised. Management prepared a 5-year profit forecast to assess the probability of generating sufficient taxable profits in the foreseeable future involving assumptions of revenue growth rate and gross margin. We focused on this area due to its significance to the consolidated financial statements and the inherent complexity and judgements involved in recognition of deferred income tax assets.	As part of our risk assessment in this area, we compared the current year's actual results with the prior year forecast to consider, with hindsight, whether key assumptions included in that forecast had been subject to management bias. We checked the mathematical accuracy of the forecast model, and evaluated and challenged management's profit forecasts for the next five years of the individual subsidiaries that have unutilised tax losses. Our assessment focused on the key assumptions, such as revenue growth rates and gross margin, by comparing them to these subsidiaries' historical operating results and future operating plans, together with external economic and industry forecasts. We also performed a sensitivity analysis over the key assumptions used in the profit forecast such as the revenue growth rate to assess the potential impact of a range of possible outcomes. The existence and amounts of unutilised tax losses, together with their expiry dates, and the income tax rates applicable to the subsidiaries have been verified by examining the tax returns submitted by the relevant entities and reviewing the correspondences with the tax authorities. Based on our work performed, we found that management's judgement and estimation for the recognition of deferred income tax assets were supported by the evidences that we gathered.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2018

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

		Year ended 31 December	
		2017	2016
	Note	**RMB'000**	RMB'000
Revenue	5	**882,379**	980,902
Cost of goods sold	7	**(544,279)**	(559,911)
Gross profit		**338,100**	420,991
Distribution and selling expenses	7	**(271,841)**	(296,831)
Administrative expenses	7	**(71,401)**	(93,369)
Other income and other gains — net	6	**10,503**	11,113
Operating profit		**5,361**	41,904
Finance income	8	**5,194**	15,736
Finance costs	8	**(12,811)**	(191)
Finance (costs)/income — net		**(7,617)**	15,545
(Loss)/profit before income tax		**(2,256)**	57,449
Income tax expense	9	**(4,280)**	(25,927)
(Loss)/profit for the year, all attributable to shareholders of the Company		**(6,536)**	31,522
(Loss)/earnings per share for (loss)/profit attributable to shareholders of the Company			
Basic and diluted (loss)/earnings per share (expressed in RMB per share)	10	**RMB(0.014)**	RMB0.066

The notes on pages 60 to 109 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
(Loss)/profit for the year	**(6,536)**	31,522
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
— Currency translation differences	**—**	(59)
Other comprehensive income for the year	**—**	(59)
Total comprehensive (loss)/income for the year, all attributable to shareholders of the Company	**(6,536)**	31,463

The notes on pages 60 to 109 are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Note	As at 31 December 2017 RMB'000	2016 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	13	**292,512**	327,779
Construction-in-progress	14	**2,628**	1,110
Prepayments for land use rights	15	**39,419**	40,373
Intangible assets	16	**4,321**	4,993
Prepayments for non-current assets	17	**4,565**	6,740
Deferred income tax assets	25	**19,535**	15,916
		362,980	396,911
Current assets			
Inventories	19	**101,568**	120,202
Trade receivables	20	**5,940**	12,393
Other receivables, prepayments and deposits	20	**27,928**	19,040
Cash and cash equivalents	21	**294,447**	346,308
		429,883	497,943
Total assets		**792,863**	894,854

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Note	As at 31 December 2017 RMB'000	2016 RMB'000
Equity			
Equity attributable to shareholders of the Company			
Share capital	22	**4,097**	4,097
Other reserves	24	**187,771**	186,238
Retained earnings		**479,515**	486,362
Total equity		**671,383**	676,697
Liabilities			
Current liabilities			
Trade payables	26	**43,674**	60,773
Other payables and accrued charges	26	**77,806**	155,167
Current income tax liabilities		**—**	2,217
		121,480	218,157
Total liabilities		**121,480**	218,157
Total equity and liabilities		**792,863**	894,854

The notes on pages 60 to 109 are an integral part of the consolidated financial statements.

The consolidated financial statements on pages 54 to 109 were approved by the Board of Directors on 29 March 2018 and were signed on its behalf.

Director
Sze Man Bok

Director
Hui Ching Lau

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Note	**Share capital** RMB'000	**Other reserves** RMB'000	**Retained earnings** RMB'000	**Total equity** RMB'000
Balance at 1 January 2016		—	180,514	464,720	645,234
Profit for the year		—	—	31,522	31,522
Currency translation differences		—	(59)	—	(59)
Total comprehensive income		—	(59)	31,522	31,463
Share issue upon Reorganisation and bonus issue	22	4,097	(4,097)	—	—
Appropriation to statutory reserves	24	—	9,880	(9,880)	—
Balance at 31 December 2016		4,097	186,238	486,362	676,697
Balance at 1 January 2017		4,097	186,238	486,362	676,697
Loss for the year		—	—	(6,536)	(6,536)
Total comprehensive loss		—	—	(6,536)	(6,536)
Equity-settled share option arrangement	23	—	1,222	—	1,222
Appropriation to statutory reserves	24	—	311	(311)	—
Balance at 31 December 2017		4,097	187,771	479,515	671,383

The notes on pages 60 to 109 are an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	27(a)	**(20,508)**	168,840
Income tax paid		**(13,283)**	(39,974)
Net cash (used in)/generated from operating activities		**(33,791)**	128,866
Cash flows from investing activities			
Purchase of property, plant and equipment, including additions of construction-in-progress		**(11,108)**	(12,737)
Purchase of intangible assets		**—**	(488)
Proceeds from disposal of property, plant and equipment	27(b)	**446**	591
Interest received		**5,194**	6,030
Net cash used in investing activities		**(5,468)**	(6,604)
Cash flows from financing activities			
Dividends paid to the then shareholders prior to the Listing		**—**	(6,055)
Net cash used in financing activities		**—**	(6,055)
Net (decrease)/increase in cash and cash equivalents		**(39,259)**	116,207
Cash and cash equivalents at beginning of the year		**346,308**	220,395
Effect of foreign exchange rate changes in cash and cash equivalents		**(12,602)**	9,706
Cash and cash equivalents at end of the year		**294,447**	346,308

The notes on pages 60 to 109 are an integral part of the consolidated financial statements.

1 GENERAL INFORMATION

Qinqin Foodstuffs Group (Cayman) Company Limited (the "**Company**") was incorporated in the Cayman Islands on 14 January 2016 as an exempted company with limited liability under the Companies Law (2013 revision) of the Cayman Islands in preparation for a listing of the Company's shares ("**Shares**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Listing**"). The address of its registered office is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The address of the Company's principal business place is Unit 2601, 26th Floor, Admiralty Centre, Tower 1, 18 Harcourt Road, Hong Kong.

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

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 29 March 2018.

(1) Reorganisation and bonus issue in 2016

In preparation for the Listing, the Company and other companies now comprising the Group have undergone a reorganisation (the "**Reorganisation**"), pursuant to which the Company became the holding company of the companies now comprising the Group. The major steps which have been undertaken to effect the Reorganisation were as follows:

On 14 January 2016, the Company was incorporated in the Cayman Islands with an authorised share capital of HKD380,000, consisting 38,000,000 shares of HKD0.01 each. Upon incorporation, one nil-paid share was issued to the subscriber, who transferred the share to Hengan International Group Company Limited ("**Hengan**"), the then holding Company prior to the Listing.

On 14 April 2016, Hengan transferred the one nil-paid share to Ever Town Investments Limited ("**Ever Town**"), a wholly-owned subsidiary of Hengan holding 51% equity interest in QinQin Foodstuffs Group Company Limited ("**Qinqin BVI**"), a company incorporated in the British Virgin Islands and the then holding company of the companies now comprising the Group. On the same date, the Company allotted and issued 50 nil-paid Shares and 49 nil-paid Shares to Ever Town and Total Good Group Limited ("**Total Good**"), a company holding the remaining 49% of Qinqin BVI, so that the Company was owned as to 51% by Ever Town and 49% by Total Good. On the same date, Ever Town and Total Good (each as a transferor) transferred their respective entire interest in Qinqin BVI to the Company through share swap. After the share swap, Qinqin BVI became a wholly-owned subsidiary of the Company.

Upon completion of the Reorganisation on 14 April 2016, the Company has direct and indirect interests in the subsidiaries set out in Note 31 below.

On 7 July 2016, the Company made a bonus issue of 475,696,457 new shares to the shareholders whose names appeared on the register of members of the Company as at record date, in proportion to their then shareholdings in the Company and credited as fully paid at par.

1 GENERAL INFORMATION *(Continued)*

(2) Basis of presentation

Pursuant to the Reorganisation as set out above, which was completed on 14 April 2016, the Company became the holding company of the Group. Accordingly, the consolidated financial statements of the Group for the year ended 31 December 2016 had been prepared as if the Group had always been in existence throughout the year presented, or since the respective dates of incorporation or establishment of the group companies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Basis of preparation

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

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

(i) Changes in accounting policy and disclosures

(a) Standards, amendments and interpretations to existing standards effective in 2017

The following amendments of HKAS and HKFRS are effective for the first time for the financial year beginning on or after 1 January 2017:

— Amendments to HKAS 7, 'Statement of cash flows' introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financial activities.

— Amendments to HKAS 12, 'Income taxes', amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

— Amendment to HKFRS 12, 'Disclosure of interest in other entities'.The amendment is part of the annual improvements to HKFRSs 2014-2016 cycle. It clarifies that the disclosure requirement of HKFRS 12 is applicable to interest in entities classified as held for sale except for summarised financial information (para B17 of HKFRS 12). Previously, it was unclear whether all other HKFRS 12 requirements were applicable for these interests.

The Group assessed the adoption of these standards and amendments and concluded that they did not have a significant impact on the Group's results and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(1) Basis of preparation *(Continued)*

(i) Changes in accounting policy and disclosures *(Continued)*

(b) New and amended standards that might be relevant to the Group that have been issued but are not effective for the financial year beginning on or after 1 January 2017 and have not been early adopted by the Group

A number of new standards and amendments to existing standards have been issued but are not yet effective for the financial year beginning on 1 January 2017, and have not been early adopted by the Group in preparing these consolidated financial statements. The Group is yet to assess the full impact of these new standards and amendments and intents to adopt them no later than the respective effective dates of these new standards and amendments. These new standards and amendments are set out below:

		Effective for annual periods beginning on or after
HKFRS 9 (i)	Financial instruments	1 January 2018
HKFRS 15 (ii)	Revenue from contracts with customers	1 January 2018
HKFRS 16 (iii)	Leases	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HKFRS 1 (Amendment)	First time adoption of HKFRS	1 January 2018
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 4 (Amendment)	Insurance contracts	1 January 2018
HKAS 40 (Amendment)	Transfers of investment property	1 January 2018
HKAS 28 (Amendment)	Investment in associates	1 January 2018
HK(IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HK(IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

(i) HKFRS 9 Financial Instruments

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(1) Basis of preparation *(Continued)*

(i) Changes in accounting policy and disclosures *(Continued)*

(b) New and amended standards that might be relevant to the Group that have been issued but are not effective for the financial year beginning on or after 1 January 2017 and have not been early adopted by the Group (Continued)

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

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets as the Group does not have:

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

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

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not have any hedge instruments. Therefore, the Group does not expect any impact on the new hedge accounting rules.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect material change to the loss allowance for trade debtors.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(1) Basis of preparation *(Continued)*

(i) Changes in accounting policy and disclosures *(Continued)*

(b) New and amended standards that might be relevant to the Group that have been issued but are not effective for the financial year beginning on or after 1 January 2017 and have not been early adopted by the Group (Continued)

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

Date of adoption by the Group

Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

(ii) HKFRS 15 Revenue from Contracts with Customers

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

When applying HKFRS 15, revenue shall be recognised by applying following steps:

- identify the contract with customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contracts;
- recognise revenue when (or as) the entity satisfies a performance obligation.

The Group is engaged in manufacturing, distribution and sale of food and snack products. The Group does not have any customer loyalty programme which is likely to be affected by the new HKFRS 15.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(1) Basis of preparation *(Continued)*

(i) Changes in accounting policy and disclosures *(Continued)*

(b) New and amended standards that might be relevant to the Group that have been issued but are not effective for the financial year beginning on or after 1 January 2017 and have not been early adopted by the Group (Continued)

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

Impact (Continued)

Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

- Payment to customer — the application of HKFRS 15 may result in the consideration payable to a customer recorded as a reduction of the arrangement's transaction price, thereby reducing the amount of revenue recognised, unless the payment is for a distinct good or service received from the customer.

- Rights of return — HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation. The Group's historical goods return rate was very low and the financial impact of applying new HKFRS 15 is not expected to be material.

- Presentation of contract assets and contract liabilities on the balance sheet — HKFRS 15 requires separate presentation of contract assets and contract liabilities on the balance sheet. The Group has assessed the adoption of this standard and concluded that it will not have a significant impact on the Group's results and financial position, except that certain new disclosures are introduced.

Date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(1) Basis of preparation *(Continued)*

(i) Changes in accounting policy and disclosures *(Continued)*

(b) New and amended standards that might be relevant to the Group that have been issued but are not effective for the financial year beginning on or after 1 January 2017 and have not been early adopted by the Group (Continued)

(iii) HKFRS 16 Leases

Nature of change

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

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB2.5 million.

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Date of adoption by the Group

The standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations. According to the preliminary assessment, other than the assessment results of HKFRS 9, 15 and 16 stated above, none of these is expected to have a significant impact on the consolidated financial statements of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(2) Subsidiaries

(i) Consolidation

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

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

Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(2) Subsidiaries *(Continued)*

(ii) Separate financial statements

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

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

(3) Segment reporting

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

(4) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(5) Property, plant and equipment

Buildings comprise mainly factories, warehouses and offices. All property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(8)).

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

(6) Land use rights

Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses, if any (Note 2(8)). Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for periods of the lease. Amortisation of land use rights is calculated on a straight-line basis over the period of the leases.

(7) Intangible assets — Computer softwares

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

(9) Financial assets

(i) Classification

The Group classifies its financial assets in one category: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period and are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" (Note 20) and "cash and cash equivalents" (Note 21) in the balance sheet.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(9) Financial assets *(Continued)*

(iii) Offsetting financial instruments

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

(iv) Impairment of financial assets — assets carried at amortised cost

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

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

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

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

(10) Inventories

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(11) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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

(12) Cash and cash equivalents

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

(13) Share capital

Ordinary shares are classified as equity.

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

(14) Trade payables

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

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

(15) Current and deferred income tax

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

(i) Current income tax

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(ii) Deferred income tax

(a) Inside basis differences

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

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

(b) Outside basis differences

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

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

(iii) Offsetting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(16) Employee benefits

(i) Pension obligations

The full-time employees of the Group in the PRC are covered by various government-sponsored defined contribution pension plans under which the retired employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expenses as incurred and contributions paid to the defined-contribution pension plans for a staff are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the staff leave the Group. The non-PRC employees are covered by other defined contribution pension plans sponsored by local government.

The contributions are recognised as employee benefit expense when they are due.

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

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

(iii) Share-based compensation

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(17) Provisions

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

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

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

(18) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts and returns. Revenue is recognised when the amount of revenue and the related cost are reliably measured and the risk and reward of the goods have been transferred to the customer, and future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(i) Revenue from the sales of goods is recognised when the amount of revenue and the related cost are reliably measured and the risk and reward of the goods has been transferred to the customer, which is usually at the date when the Group has delivered products to the customer and the customer has accepted the products, the collectability of the related receivables is reasonably assumed and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

(ii) Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(19) Government grants

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

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

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

(20) Leases — Operating leases

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

(21) Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

(1) Financial risk factors

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

(i) Market risk

(a) Foreign exchange risk

The Group operates primarily in the PRC and the functional currency of all of the companies in the Group is RMB. Foreign exchange risk arises mainly from future commercial transactions of sales and purchases with overseas customers and suppliers by the Group and recognised assets or liabilities, such as bank deposits, trade and other receivables and payables, and borrowings of its subsidiaries, which are denominated in Hong Kong Dollar ("**HKD**"), United States Dollar ("**USD**") and other currencies.

As at 31 December 2017, if RMB had strengthened/weakened by 5% against the foreign currencies with all other variables unchanged, the Group's profit for the year before income tax would have been RMB8,371,000 (2016: RMB6,990,000) lower/higher respectively.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Financial risk factors *(Continued)*

(i) Market risk (Continued)

(b) Cash flow and fair value interest rate risk

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

(ii) Credit risk

Credit risk is managed on a group basis. Credit risk arises from bank deposits, trade and other receivables, as well as credit exposures to customers, including outstanding receivables and committed transactions. Majority of the Group's sales are settled in cash by its customers on delivery of goods. Credit sales are made only to selected customers with good credit history. The Group has policies in place to ensure that settlement of trade receivables are followed up on a timely basis.

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

At 31 December 2017, all bank balances were placed with or entered into with highly reputable and sizable banks and financial institutions without significant credit risk. The table below shows the balances with counterparties as at 31 December 2017:

	2017 **RMB'000**	2016 RMB'000
Counterparties		
— Big 4 domestic banks (Note)	**282,781**	186,507
— Other reputable and sizeable domestic commercial banks	**9,317**	156,749
— Highly reputable and sizeable foreign-owned banks	**2,192**	2,848
	294,290	346,104

Note:

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Financial risk factors *(Continued)*

(iii) Liquidity risk

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

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

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

	Less than 1 year RMB'000
At 31 December 2017	
Trade payables	**43,674**
Other payables and accrued charges	**23,288**
	66,962
At 31 December 2016	
Trade payables	60,773
Other payables and accrued charges	24,983
	85,756

(2) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

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

No gearing ratio has been presented as the Group did not have borrowings as at 31 December 2017 (2016: Nil).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(3) Fair value estimation

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

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

As at 31 December 2017, the Group had no financial instruments that are measured in the consolidated balance sheets at fair value.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

(1) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(2) Impairment of property, plant and equipment

The Group reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, in accordance with the accounting policy stated in Note 2(8). The recoverable amount of a CGU (cash-generating unit) has been determined based on higher of value-in-use and fair value less costs to sell.

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

(3) Current tax and deferred tax

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

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

5 REVENUE AND SEGMENT INFORMATION

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

i. Jelly Products
ii. Crackers and Chips
iii. Seasoning Products
iv. Confectionery and Other Products, including bakery products

	Year ended 31 December 2017				
	Jelly Products RMB'000	Crackers and Chips RMB'000	Seasoning Products RMB'000	Confectionery and Other Products RMB'000	Group RMB'000
Revenue					
Sales to external customers	**495,191**	**253,528**	**93,471**	**40,189**	**882,379**
Cost of goods sold	**(309,274)**	**(145,117)**	**(54,363)**	**(35,525)**	**(544,279)**
Results of reportable segments	**185,917**	**108,411**	**39,108**	**4,664**	**338,100**

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

Results of reportable segments	**338,100**
Distribution and selling expenses	**(271,841)**
Administrative expenses	**(71,401)**
Other income and other gains-net	**10,503**
Finance income	**5,194**
Finance costs	**(12,811)**
Loss before income tax	**(2,256)**
Income tax expense	**(4,280)**
Loss for the year	**(6,536)**

Other segment information is as follows:

	Jelly Products RMB'000	Crackers and Chips RMB'000	Seasoning Products RMB'000	Confectionery and Other Products RMB'000	Group RMB'000
Depreciation and amortisation charge					
Allocated	**21,194**	**6,156**	**2,811**	**2,364**	**32,525**
Unallocated					**2,825**
					35,350
Capital expenditure					
Allocated	**5,587**	**688**	**51**	**—**	**6,326**
Unallocated					**4,053**
					10,379
Impairment charge of machinery (Note 13)	**—**	**—**	**—**	**8,021**	**8,021**

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

	Year ended 31 December 2016				
	Jelly Products RMB'000	Crackers and Chips RMB'000	Seasoning Products RMB'000	Confectionery and Other Products RMB'000	Group RMB'000
Revenue					
Sales to external customers	529,086	280,284	109,955	61,577	980,902
Cost of goods sold	(298,343)	(150,817)	(64,626)	(46,125)	(559,911)
Results of reportable segments	230,743	129,467	45,329	15,452	420,991

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

Results of reportable segments	420,991
Distribution and selling expenses	(296,831)
Administrative expenses	(93,369)
Other income and other gains-net	11,113
Finance income	15,736
Finance costs	(191)
Profit before income tax	57,449
Income tax expense	(25,927)
Profit for the year	31,522

Other segment information is as follows:

	Jelly Products RMB'000	Crackers and Chips RMB'000	Seasoning Products RMB'000	Confectionery and Other Products RMB'000	Group RMB'000
Depreciation and amortisation charge					
Allocated	22,365	6,165	3,171	3,489	35,190
Unallocated					2,641
					37,831
Capital expenditure					
Allocated	3,922	629	18	99	4,668
Unallocated					3,891
					8,559
Impairment charge of machinery (Note 13)	—	—	—	4,238	4,238

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

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

Geographical information

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

Major customer

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

6 OTHER INCOME AND OTHER GAINS — NET

	2017 **RMB'000**	2016 RMB'000
Government grants	**12,706**	9,841
Exchange (losses)/gain from operating activities — net	**(868)**	7
Losses on disposal of property, plant and equipment (Note 27(b))	**(1,937)**	(80)
Others	**602**	1,345
	10,503	11,113

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

7 EXPENSES BY NATURE

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

	2017 RMB'000	2016 RMB'000
Raw materials and consumables used	**382,460**	434,844
Changes in inventories of work-in-progress and finished goods	**21,617**	(18,537)
Marketing and advertising expenses	**160,526**	178,800
Employee benefit expense, including directors' emoluments (Note 12)	**135,057**	136,186
Transportation and packaging expenses	**47,965**	53,612
Utilities and various office expenses	**41,867**	44,405
Depreciation of property, plant and equipment (Note 13)	**33,724**	36,252
Travelling expenses	**14,662**	14,241
Impairment charge of property, plant and equipment (Note 13)	**8,021**	4,238
Operating leases rentals	**5,387**	5,408
Auditor's remuneration	**1,480**	1,808
Amortisation of land use rights (Note 15)	**954**	954
Amortisation of intangible assets (Note 16)	**672**	625
Provision/(reversal of provision) for decline in value of inventories (Note 19)	**105**	(786)
(Reversal of provision)/provision for impairment of trade receivables (Note 20)	**(357)**	1,249
Listing expenses	**—**	23,220
Others	**33,381**	33,592
Total cost of sales, distribution and selling expenses and administrative expenses	**887,521**	950,111

8 FINANCE INCOME AND FINANCE COSTS

	2017 RMB'000	2016 RMB'000
Finance income:		
Interest income from bank deposits	**5,194**	6,030
Exchange gain	**—**	9,706
	5,194	15,736
Finance costs:		
Other finance charges	**(209)**	(191)
Exchange loss	**(12,602)**	—
	(12,811)	(191)
Finance (costs)/income, net	**(7,617)**	15,545

9 INCOME TAX EXPENSE

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

	2017 RMB'000	2016 RMB'000
Current income tax	**7,899**	37,481
Deferred income tax, net (Note 25)	**(3,619)**	(11,554)
Income tax expense	**4,280**	25,927
Represented by:		
Corporate income tax	**3,630**	16,795
PRC withholding tax on distributed profits and unremitted earnings	**650**	9,132
Income tax expense	**4,280**	25,927

Hong Kong profits tax has been provided for at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits during the year.

Taxation on Mainland China income has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the PRC in which the Group operates. The Company's subsidiaries incorporated in the PRC are subject to Corporate Income Tax at the rate of 25% (2016: 25%).

The profits of the PRC subsidiaries of the Group derived since 1 January 2008 are subject to withholding tax at a rate of 5% upon the distribution of such profits to foreign investors in Hong Kong. Deferred income tax liabilities have been provided for in this regard based on the expected dividends to be distributed from the Group's PRC subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008. The Group provided for withholding tax on 60% of the profits of its PRC subsidiaries up to 31 December 2016 according to the Group's policy. During the years ended 31 December 2017 and 2016, the Group's PRC subsidiaries distributed profits more than previously planned and additional withholding tax of approximately RMB0.65 million and RMB6 million were charged to income tax expense for the respective year.

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

	2017 RMB'000	2016 RMB'000
(Loss)/profit before income tax	**(2,256)**	57,449
Tax calculated at tax rates applicable to profits of the Group's companies	**757**	13,467
Income not subject to tax	**—**	(1,653)
Expenses not deductible for tax purposes	**2,078**	5,177
PRC withholding tax on distributed profit and unremitted earnings	**650**	9,132
Others	**795**	(196)
Income tax expense	**4,280**	25,927

10 (LOSS)/EARNINGS PER SHARE

(a) Basic

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

	2017 **RMB'000**	2016 RMB'000
(Loss)/profit attributable to shareholders of the Company	**(6,536)**	31,522
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	**475,696,557**	475,696,557
Basic (loss)/earnings per share	**RMB(0.014)**	RMB0.066

(b) Diluted

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

The Company's share options are dilutive potential ordinary shares. The diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share for the year ended 31 December 2017. As the Group incurred losses for the year ended 31 December 2017, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive.

For the year ended 31 December 2016, basic earnings per share and diluted earnings per share are the same as there is no dilutive potential ordinary shares.

11 DIVIDENDS

At a meeting of the board of directors held on 29 March 2018, the Board did not recommend any payment of dividend to shareholders for the year ended 31 December 2017 (2016: Nil).

12 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2017 RMB'000	2016 RMB'000
Wages and salaries	**125,529**	126,278
Equity-settled share-based payment expense (Note 23)	**1,222**	—
Pension, housing fund, medical insurance and other social benefits	**8,306**	9,908
Total employee benefit expenses	**135,057**	136,186

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year included two (2016: two) directors, details of whose emoluments are reflected in the analysis presented in Note 34(a). The emoluments payable to the remaining three (2016: three) individuals during the year were as follows:

	2017 RMB'000	2016 RMB'000
Salaries, wages and bonuses	**855**	867
Equity-settled share-based payment (Note 23)	**31**	—
Pension, housing fund, medical insurance and other social benefits	**22**	25
	908	892

The emoluments fell within the following bands:

	Numbers of the individual	
	2017	2016
Emolument bands		
Within HKD1,000,000	**3**	3

13 PROPERTY, PLANT AND EQUIPMENT

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

13 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings RMB'000	Machinery RMB'000	Office equipment, furniture and fixtures RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2016					
Cost	269,451	185,387	16,971	2,894	474,703
Accumulated depreciation	(57,541)	(45,593)	(10,265)	(1,106)	(114,505)
Net book amount	211,910	139,794	6,706	1,788	360,198
Year ended 31 December 2016					
Opening net book amount	211,910	139,794	6,706	1,788	360,198
Additions	332	1,591	2,753	216	4,892
Transfer from construction-in-progress (Note 14)	2,064	1,786	—	—	3,850
Depreciation for the year (Note 7)	(13,514)	(18,697)	(3,403)	(638)	(36,252)
Disposals	—	(426)	(215)	(30)	(671)
Impairment provision (Note 7)	—	(4,238)	—	—	(4,238)
Closing net book amount	200,792	119,810	5,841	1,336	327,779
At 31 December 2016					
Cost	271,471	185,817	19,137	2,985	479,410
Accumulated depreciation	(70,679)	(61,769)	(13,296)	(1,649)	(147,393)
Accumulated impairment	—	(4,238)	—	—	(4,238)
Net book amount	200,792	119,810	5,841	1,336	327,779

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

	2017 RMB'000	2016 RMB'000
Manufacturing overheads included in cost of goods sold	**24,677**	27,574
Distribution and selling expenses	**250**	491
Administrative expenses	**8,797**	8,187
	33,724	36,252

The impairment provision of RMB8,021,000 for the year ended 31 December 2017 was made on the Group's production lines for waffle cake and steam buns products under bakery products business segment. The impairment provision of RMB4,238,000 for the year ended 31 December 2016 was made on the Group's production lines for waffle cake products.

13 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group's waffle cake products, a separate cash generating unit ("**CGU**") of the Group, was launched in mid 2012 with continuing growth in sales and gross profit whilst the relevant growth rates had not been able to meet management's expectation. The management was confident in the development of waffle cake products since it was a new product to the market with comparatively less market competition at that time and management believed that it would take time for a new product to build market recognition. Accordingly, no impairment had been provided prior to 2016. In the second half of 2016, more competitors entered the market with similar products at cheaper prices. The management therefore adjusted down the selling price of waffle cake products at end of December 2016 and yet there were no immediate significant improvement in sales. In view of these impairment indicators, the management carried out an impairment test on the recoverable amount of the CGU, the assets of which mainly include the machinery and equipment of two production lines for the manufacturing of waffle cake products, amounting to RMB11,056,000 as at 31 December 2016, and concluded that an impairment provision of RMB4,238,000 (net of tax RMB3,180,000) was required. The impairment test was performed by comparing the carrying amount with the recoverable amount of the CGU. The recoverable amount was determined based on value in use calculation of the CGU which was considered higher than its fair value less costs of disposal. The value in use calculation was the present value of the future cash flows expected to be derived from the CGU determined by using a discounted cash flow model. The key assumptions used for the value-in-use calculations were: annual sales growth rate of 8% and discount rate of 11.8%.

In 2017, the sales of waffle cake products was further deteriorated. The management carried out an assessment of the performance of the bakery products business segment and decided to suspend the production and sale of waffle cake and steam buns products, two separate CGUs of the Group. The assets of these two CGUs mainly include the machinery and equipment of the production lines for the manufacturing of the products. Since the production had been suspended, the impairment test on the assets of the production lines for waffle cake and steam buns products was based on the recoverable amount of the disposal value of the assets which was determined based on the scrap value of production lines, which was minimal. Accordingly, a full provision for the remaining net book value of the production lines amounting to RMB8,021,000 was made for the year ended 31 December 2017.

The impairment provision expense has been charged to manufacturing overheads included in cost of goods sold in the consolidated income statement.

There was no pledge of property, plant and equipment of the Group as at 31 December 2017 and 2016.

As at 31 December 2017, the buildings of the Group that are situated within the Jinjiang Industrial Zone, Fujian Province, the Mainland China, were still in the process of applying for the ownership certificates had carrying amount of approximately RMB62,663,000 (2016: RMB65,707,000).

14 CONSTRUCTION-IN-PROGRESS

	2017 RMB'000	2016 RMB'000
Opening book amount	**1,110**	1,781
Additions	**3,972**	3,179
Transfer to property, plant and equipment (Note 13)	**(2,454)**	(3,850)
Closing book amount	**2,628**	1,110

15 PREPAYMENTS FOR LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating leases payments and their net book values are analysed as follows:

	2017 RMB'000	2016 RMB'000
At 1 January	**40,373**	41,327
Amortisation of prepaid operating leases payments (Note 7)	**(954)**	(954)
At 31 December	**39,419**	40,373

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

As at 31 December 2017, certain land of the Group that are situated within the Jinjiang Industrial Zone, Fujian Province, the Mainland China, with carrying amount of approximately RMB12,096,000 (2016: RMB12,364,000) were still in the process of applying for the ownership certificates.

16 INTANGIBLE ASSETS

	Softwares	
	2017 RMB'000	2016 RMB'000
At 1 January		
Cost	**6,789**	6,301
Accumulated amortisation	**(1,796)**	(1,171)
Net book amount	**4,993**	5,130
Year ended 31 December		
Opening net book amount	**4,993**	5,130
Additions	**—**	488
Amortisation charge (Note 7)	**(672)**	(625)
Closing net book amount	**4,321**	4,993
At 31 December		
Cost	**6,789**	6,789
Accumulated amortisation	**(2,468)**	(1,796)
Net book amount	**4,321**	4,993

Amortisation of intangible assets has been charged to administrative expenses in the consolidated income statements (Note 7).

17 PREPAYMENTS FOR NON-CURRENT ASSETS

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

18 FINANCIAL INSTRUMENTS BY CATEGORY

	2017 **RMB'000**	2016 RMB'000
Assets		
Loans and receivables		
— Trade and other receivables, excluding non-financial assets	**9,560**	12,818
— Cash and bank balances (Note 21)	**294,447**	346,308
Total	**304,007**	359,126
Liabilities		
Financial liabilities at amortised costs		
— Trade and other payables, excluding non-financial liabilities	**66,962**	85,756

19 INVENTORIES

	2017 **RMB'000**	2016 RMB'000
Finished goods	**12,838**	40,204
Work-in-progress	**28,788**	23,039
Raw materials	**52,664**	51,911
Spare parts and consumables	**7,278**	5,048
	101,568	120,202

The cost of inventories recognised as expenses and included in cost of goods sold amounted to RMB404,077,000 (2016: RMB416,307,000).

The Group recorded a provision for decline in value of inventories amounting to RMB105,000 (2016: reversal of provision for decline in value of inventories RMB786,000). These amounts have been included in cost of goods sold in the consolidated income statement (Note 7).

20 TRADE, OTHER RECEIVABLES, PREPAYMENT AND DEPOSITS

	2017 RMB'000	2016 RMB'000
Trade receivables	**6,832**	13,642
Less: provision for impairment	**(892)**	(1,249)
	5,940	12,393
Other receivables, prepayments and deposits		
— Advance payments to suppliers	**6,670**	6,485
— Deposit for purchase of land use rights	**6,228**	—
— Prepayments for rental fee and utility fee	**2,667**	2,019
— Value added tax recoverable (i)	**8,743**	10,111
— Others	**3,620**	425
	27,928	19,040
Total	**33,868**	31,433

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

The credit period ranges from 30 to 90 days (2016: 30 to 90 days). The ageing analysis of trade receivables based on invoice date, before provision for impairment, as at 31 December 2017 was as follows:

	2017 RMB'000	2016 RMB'000
Within 30 days	**993**	5,507
31-180 days	**4,201**	6,868
181-365 days	**746**	18
Over 365 days	**892**	1,249
	6,832	13,642

Trade receivables of RMB892,000 (2016: RMB1,249,000) were impaired and fully provided for. The ageing of these receivables was over 365 days.

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

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers. As the credit terms are short and most of the trade receivables are due for settlement within one year, the carrying value of the trade receivables approximate their fair value at the balance sheet date.

As at 31 December 2017, trade receivables of RMB3,673,000 (2016: RMB8,805,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. As at 31 December 2017, the ageing analysis of these trade receivables based on invoice date was as follows:

	2017 RMB'000	2016 RMB'000
Within 30 days	**1,284**	2,946
31-180 days	**1,643**	5,841
181-365 days	**746**	18
	3,673	8,805

The creation and release of provision for impaired receivables have been included in administrative expenses in the consolidated income statement (Note 7). Amounts charged to the provision for impairment are generally written-off when there is no expectation of recovering additional cash.

As at 31 December 2017, other receivables are neither past due nor impaired.

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

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

	2017 RMB'000	2016 RMB'000
RMB	**6,754**	13,456
Other currencies	**78**	186
	6,832	13,642

21 CASH AND CASH EQUIVALENTS

	2017 RMB'000	2016 RMB'000
Cash on hand	**157**	204
Bank deposits	**294,290**	346,104
Total	**294,447**	346,308

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

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

	2017 RMB'000	2016 RMB'000
RMB	**93,862**	178,874
USD	**164,778**	125,209
HKD	**35,807**	42,225
Total	**294,447**	346,308

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

22 SHARE CAPITAL

	Number of shares	Share capital HK$
Authorised:		
At 14 January 2016 (date of incorporation)	38,000,000	380,000
Increase in authorised share capital	962,000,000	9,620,000
At 31 December 2016 and 2017	**1,000,000,000**	**10,000,000**

	Number of shares	RMB'000
Issued and fully paid:		
At 14 January 2016 (date of incorporation)	1	—
Share issue upon the Reorganisation	99	—
Bonus issue upon the Listing	475,696,457	4,097
At 31 December 2016 and 2017	**475,696,557**	**4,097**

22 SHARE CAPITAL *(Continued)*

Movements in share capital are as follow:

— On 14 January 2016, at the date of incorporation, the Company had an authorised share capital of HK$380,000, divided into 38,000,000 share of HK$0.01 each. Upon incorporation, one nil-paid share was issued to the subscriber.

— On 14 April 2016, as part of the Reorgansation, the Company allotted and issued 50 nil-paid shares and 49 nil-paid shares to Ever Town and Total Good, the then holding companies of Qinqin BVI. On the same date, Ever Town and Total Good transferred their respectively entire interest in Qinqin BVI to the Company through share swap. After the share swap, Qinqin BVI became a wholly-owned subsidiary of the Company.

— On 17 June 2016, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares of HK$0.01 each to HK$10,000,000 divided into 1,000,000,000 shares of HK$0.01 each, by the creation of 962,000,000 share of HK$0.01 each.

— On 7 July 2016, the Company made a bonus issue of 475,696,457 new shares to the shareholders whose names appeared on the register of members of the Company as at record date, in proportion to their then shareholdings in the Company, and credited as fully paid at par.

23 SHARE OPTION SCHEME

The Company adopted a share option scheme on 16 May 2017 (the "**Scheme**"). On 6 June 2017, 9,630,000 share options ("**Options**") to subscribe for a total of 9,630,000 ordinary shares of the Company were granted to a director and certain employees of the Group pursuant to the Scheme. Out of the 9,630,000 Options, 9,480,000 Options were accepted by the grantees.

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

	2017	
	Exercise price per share	**Number of share options**
At 1 January	**—**	**—**
Granted during the year	**HK$2.56**	**9,630,000**
Cancelled/lapsed during the year	**HK$2.56**	**(820,000)**
At 31 December	**HK$2.56**	**8,810,000**

23 SHARE OPTION SCHEME *(Continued)*

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

Grant Date	Exercisable Date	Expiry date	Exercise price	Number of share options 2017
6 June 2017	7 June 2019	6 June 2022	HK$2.56	4,405,000
6 June 2017	7 June 2020	6 June 2022	HK$2.56	4,405,000
Total				8,810,000

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

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

	6 June 2017
Grant date share price	HK$2.56
Exercise price	HK$2.56
Expected life	5 years
Expected volatility (note a)	33%
Risk-free rate (note b)	0.94%
Dividend yield (note c)	1.49%

Notes:

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

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

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

24 OTHER RESERVES

	Share premium RMB'000	Other reserve RMB'000	Statutory reserves RMB'000	Exchange reserve RMB'000	Share option reserve RMB'000	Total RMB'000
At 1 January 2017	**111,069**	**(115,044)**	**186,619**	**3,594**	**—**	**186,238**
Appropriation to statutory reserves	**—**	**—**	**311**	**—**	**—**	**311**
Equity-settled share option arrangement (Note 23)	**—**	**—**	**—**	**—**	**1,222**	**1,222**
At 31 December 2017	**111,069**	**(115,044)**	**186,930**	**3,594**	**1,222**	**187,771**
At 1 January 2016	—	122	176,739	3,653	—	180,514
Other comprehensive income — currency translation differences	—	—	—	(59)	—	(59)
Share issue upon Reorganisation (Note 1(1))	115,166	(115,166)	—	—	—	—
Bonus issue (Note 22)	(4,097)	—	—	—	—	(4,097)
Appropriation to statutory reserves	—	—	9,880	—	—	9,880
At 31 December 2016	111,069	(115,044)	186,619	3,594	—	186,238

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

25 DEFERRED INCOME TAX

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

	2017 RMB'000	2016 RMB'000
Deferred income tax assets		
— Deferred tax income asset to be recovered after more than 12 months	**11,672**	6,865
— Deferred tax income asset to be recovered within 12 months	**7,863**	9,051
	19,535	15,916
Deferred income tax liabilities		
— Deferred tax income liability to be settled within 12 months	**—**	—
Deferred income tax assets — net	**19,535**	15,916

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

	2017 RMB'000	2016 RMB'000
At beginning of the year	**15,916**	4,362
Credited to consolidated income statement (Note 9)	**3,619**	11,554
At end of the year	**19,535**	15,916

25 DEFERRED INCOME TAX *(Continued)*

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

Deferred income tax assets:

	Accrued expense and provisions		Unrealised profit in inventories arising from intra-group transactions		Tax losses		Total	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
At beginning of the year	**5,676**	4,433	**3,375**	970	**6,865**	2,751	**15,916**	8,154
Credited/(charged) to consolidated income statement	**655**	1,243	**(1,843)**	2,405	**4,807**	4,114	**3,619**	7,762
At end of the year	**6,331**	5,676	**1,532**	3,375	**11,672**	6,865	**19,535**	15,916

Deferred income tax liabilities:

	Withholding income tax on unremitted earnings in PRC subsidiaries	
	2017 RMB'000	2016 RMB'000
At beginning of the year	**—**	3,792
Credited to consolidated income statement	**—**	(3,792)
At end of the year	**—**	—

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2016 and 2017, the Group recognise all cumulative deferred income tax assets in respect of losses that can be carried forward against future taxable income. These unutilised tax losses would expire in one to five years for offsetting against future taxable profits.

As at 31 December 2017, deferred income tax liabilities of RMB5,219,000 (2016: RMB4,409,000) have not been recognised for the withholding income tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries totaled RMB104,371,000 (2016: RMB88,187,000). Such unremitted earnings will be retained in the Mainland China for investment purpose in the foreseeable future as at 31 December 2017.

26 TRADE AND OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables	**43,674**	60,773
Other payables and accrued charges		
— Payables for purchase of property, plant and equipment	**12,098**	15,002
— Advance from customers	**27,371**	98,828
— Staff salaries payables	**25,880**	30,234
— Taxes payables	**1,267**	1,122
— Accrued expenses and others payables	**11,190**	9,981
	77,806	155,167
Trade and other payables	**121,480**	215,940

At 31 December 2017, the ageing analysis of trade payables based on invoice date was as follows:

	2017 RMB'000	2016 RMB'000
Within 30 days	**28,657**	40,338
31-180 days	**14,454**	20,207
181-365 days	**394**	86
Over 365 days	**169**	142
	43,674	60,773

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

The carrying amounts of trade payables were denominated in the following currencies:

	2017 RMB'000	2016 RMB'000
RMB	**43,674**	60,773

27 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

	2017 RMB'000	2016 RMB'000
(Loss)/profit before income tax	**(2,256)**	57,449
Depreciation of property, plant and equipment (Note 13)	**33,724**	36,252
Amortisation of land use rights (Note 15)	**954**	954
Amortisation of intangible assets (Note 16)	**672**	625
Losses on disposal of property, plant and equipment (Note 6)	**1,937**	80
Property, plant and equipment impairment charge (Note 7)	**8,021**	4,238
Equity-settled share-based payment expense (Note 23)	**1,222**	—
Finance costs/(income)	**7,408**	(15,736)
Operating profit before working capital changes	**51,682**	83,862
Decrease/(increase) in inventories	**18,634**	(21,365)
Decrease in trade and other receivables	**732**	6,878
(Decrease)/increase in trade and other payables	**(91,556)**	99,465
Cash (used in)/generated from operations	**(20,508)**	168,840

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

	2017 RMB'000	2016 RMB'000
Net book value (Note 13)	**2,383**	671
Losses on disposal of property, plant and equipment (Note 6)	**(1,937)**	(80)
Proceeds from disposal of property, plant and equipment	**446**	591

28 CONTINGENT LIABILITIES

At 31 December 2017, the Group had no material contingent liabilities (2016: Nil).

29 COMMITMENTS

At 31 December 2017, the Group had the following commitments:

(a) Capital commitments

	2017 RMB'000	2016 RMB'000
Contracted but not provided for in respect of:		
Machinery and equipment	**3,331**	3,614
Buildings	**1,220**	1,138
	4,551	4,752

(b) Commitments under operating leases

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

	2017 RMB'000	2016 RMB'000
Not later than 1 year	**2,465**	3,732
Later than 1 year and not later than 5 years	**3**	1,622
	2,468	5,354

30 RELATED PARTY TRANSACTIONS

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

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

(a) Transactions with related parties

	2017 RMB'000	2016 RMB'000
Lease of office		
— Lianjie Sports Investments Limited ("**Lianjie Sports**")	**417**	198

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

30 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Key management compensation

	2017 RMB'000	2016 RMB'000
Key management compensation — Basic salaries, housing allowances, other allowances and benefits-in-kind	**3,055**	2,708

Further details of directors' and the chief executive's emoluments are included in Note 34 to the consolidated financial statements.

31 PRINCIPAL SUBSIDIARIES

The following is a list of the subsidiaries of the Company as at 31 December 2017:

Company	**Place of incorporation/ establishment and kind of legal entity**	**Principal activities and place of operation**	**Particulars of issued share capital/ registered capital**	**Effective interest held** %
Direct subsidiary:				
QinQin Foodstuffs Group Company Limited	British Virgin Island, limited liability company	Investment holding in Hong Kong	135,946,900 Ordinary shares of HKD0.001 each	100%
Indirect subsidiaries:				
QinQin Foodstuffs Group (Hong Kong) Company Limited（親親食品集團（香港）股份有限公司）	Hong Kong, limited liability company	Investment holding, distribution and sale of snack foods	1 ordinary share of HKD1 each	100%
Fushun Nanfang Food Industry Co., Ltd.（撫順南方食品工業有限公司）	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in the PRC	RMB10,000,000	100%
Fushun QinQin Food Industry Development Co., Ltd.（撫順親親食品工業發展有限公司）	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in the PRC	RMB22,000,000	100%
Luohe Linying QinQin Food Industry Co., Ltd.（漯河臨潁親親食品工業有限公司）	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in the PRC	RMB100,000,000	100%

31 PRINCIPAL SUBSIDIARIES *(Continued)*

Company	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Effective interest held %
Indirect subsidiaries: *(Continued)*				
QinQin Incorporated Co., Ltd. (Fujian) （福建親親股份有限公司）	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in the PRC	RMB70,000,000	100%
Quanzhou QinQin Foodstuff Co., Ltd. (泉州親親食品有限公司)	PRC, wholly foreign-owned enterprise	Manufacturing, distribution and sale of snack foods in the PRC	RMB130,000,000	100%
Taian QinQin Food Co., Ltd. （泰安親親食品有限公司）	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in the PRC	RMB5,000,000	100%
Xiantao QinQin Food Industry Co., Ltd. （仙桃親親食品工業有限公司）	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in the PRC	RMB10,000,000	100%
Xianyang QinQin Food Industry Co., Ltd. （咸陽親親食品有限公司）	PRC, wholly foreign-owned enterprise	Manufacturing, distribution and sale of snack foods in the PRC	RMB5,000,000	100%
QinQin Business Trade Co., Ltd. (泉州親親商貿有限公司)	PRC, limited liability company	Trading in the PRC	RMB5,000,000	100%
QinQin (Quanzhou) E-commerce Co., Ltd. （泉州市親親電子商務有限公司）	PRC, limited liability company	Online trading in the PRC	RMB5,000,000	100%

32 EVENTS AFTER THE REPORTING PERIOD

Pursuant to the subscription agreements dated 20 January 2018 entered into between the Company and the subscribers, an aggregate of 95,000,000 new shares of the Company were issued at HK$2.11 per Share to the subscribers on 6 February 2018. The gross and net proceeds of the issue were HK$200.45 million and HK$200.25 million respectively. The Company intends to use the net proceeds from the subscription for development and introduction and promotion of new products, expansion and upgrade of production facilities, enhancing the presence in the sales channels, and promoting the brands and for potential future acquisition and business cooperation.

33 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

		As at 31 December	
	Note	**2017 RMB'000**	2016 RMB'000
Assets			
Non-current assets			
Investments in subsidiaries		**117,010**	115,788
Current assets			
Other receivables, prepayments and deposits		**148**	130
Cash and bank balances		**42**	45
		190	175
Total assets		**117,200**	115,963
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	22	**4,097**	4,097
Reserves		**89,621**	90,083
Total equity		**93,718**	94,180
Liabilities			
Current liabilities			
Other payables and accrued charges		**23,482**	21,783
Total liabilities		**23,482**	21,783
Total equity and liabilities		**117,200**	115,963

The balance sheet of the Company was approved by the Board of Directors on 29 March 2018 and was signed on its behalf.

Director	*Director*
Sze Man Bok	**Hui Ching Lau**

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

(b) Reserve movement of the Company

	Share premium RMB'000	Accumulated losses RMB'000	Share option reserve RMB'000	Total RMB'000
At 14 January 2016 (date of incorporation)	—	—	—	—
Share issue upon Reorganisation (Note 1(1))	115,166	—	—	115,166
Bonus issue	(4,097)	—	—	(4,097)
Loss for the year	—	(20,986)	—	(20,986)
At 31 December 2016	111,069	(20,986)	—	90,083
At 1 January 2017	**111,069**	**(20,986)**	**—**	**90,083**
Loss for the year	**—**	**(1,684)**	**—**	**(1,684)**
Equity-settled share option arrangement (Note 23)	**—**	**—**	**1,222**	**1,222**
At 31 December 2017	**111,069**	**(22,670)**	**1,222**	**89,621**

34 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

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

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

34 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

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

The remuneration of every director and the chief executive for the year ended 31 December 2016 is set out below:

Name of Director	Fees RMB'000	Salary and bonuses RMB'000	Pension, housing fund allowances, medical insurance and other social benefits RMB'000	Total RMB'000
Executive Directors:				
Mr. Cheng Yong (Note iii)	42	300	9	351
Mr. Wong Wai Leung	42	1,114	8	1,164
Non-executive Directors:				
Mr. Hui Lin Chit	42	—	—	42
Mr. Sze Man Bok	42	—	—	42
Mr. Hui Ching Lau (Note i)	42	—	—	42
Mr. Wu Huolu	42	—	—	42
Mr. Wu Sichuan	42	—	7	49
Mr. Wu Yinhang	42	—	7	49
Independent Non-executive Directors:				
Mr. Cai Meng	41	—	—	41
Mr. Chan Yiu Fai Youdey	41	—	—	41
Mr. Ng Swee Leng	41	—	—	41
Mr. Paul Marin Theil	41	—	—	41
	500	1,414	31	1,945

(i) Mr. Hui Ching Lau was re-designated as Chairman of the board and executive director with effect from 12 April 2017 and 16 May 2017, respectively.

(ii) Mr. Zhu Hong Bo was appointed as Chief Executive Office and elected as an executive director with effect from 1 January 2017 and 16 May 2017, respectively.

(iii) Mr. Cheng Yong resigned as an executive director with effect from 1 January 2017.

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

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

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note a)	(Note a)	(Note b)	(Note b)	(Note b)
Revenue	**882,379**	980,902	1,020,051	1,216,135	1,280,354
(Loss)/profit before income tax	**(2,256)**	57,449	87,821	126,285	112,366
Income tax expense	**(4,280)**	(25,927)	(24,069)	(34,666)	(27,984)
(Loss)/profit for the year, all attributable to shareholders of the Company	**(6,536)**	31,522	63,752	91,619	84,382

ASSETS AND LIABILITIES

	At 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note a)	(Note a)	(Note b)	(Note b)	(Note b)
Total assets	**792,863**	894,854	775,000	843,885	851,634
Total liabilities	**121,480**	218,157	129,766	260,225	359,174
Equity attributable to shareholders of the Company	**671,383**	676,697	645,234	583,660	492,460

Notes:

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

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

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