嘉士利®

嘉士利集團有限公司
JIASHILI GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1285

GLOBAL OFFERING

Sole Global Coordinator, Sole Sponsor and Sole Bookrunner

CMS 招商证券

Joint Lead Managers

CMS 招商证券

第一上海 FIRST SHANGHAI GROUP

FIRST SHANGHAI SECURITIES LIMITED

國泰君安國際 GUOTAI JUNAN INTERNATIONAL

興證香港 INDUSTRIAL SECURITIES HK

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

嘉士利集團有限公司
Jiashili Group Limited

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**100,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**10,000,000 Shares (subject to adjustment)**
Number of International Offer Shares	**:**	**90,000,000 Shares (subject to adjustment and the Over-allotment Option)**
Offer Price	**:**	**HK$3.7 per Offer Share, plus brokerage fee of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**HK$0.01 per Share**
Stock code	**:**	**1285**

Sole Global Coordinator, Sole Sponsor and Sole Bookrunner

Joint Lead Managers

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Appendix VI — Documents delivered to the registrar of companies and available for inspection" in this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

Investors applying for Hong Kong Offer Shares must pay, on application, the Offer Price of HK$3.7 for each Offer Share together with a brokerage of 1.0%, a SFC transaction levy of 0.003% and a Stock Exchange trading fee of 0.005%.

The Sole Bookrunner, on behalf of the Underwriters, may, with our consent, reduce the number of Offer Shares and/or the Offer Price stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notice of the reduction in the number of Offer Shares and/or the Offer Price will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Such notice will also be available at the website of the Stock Exchange at ***www.hkexnews.hk*** *and our website at* ***www.gdjsl.com****. Further details are set out in the sections headed "Structure and conditions of the Global Offering" and "How to apply for Hong Kong Offer Shares" in this prospectus.*

Prior to making investment decision, prospective investors should consider carefully all of the information set out in this prospectus and the related Application Forms, including the risk factors set out in the section headed "Risk factors" in this prospectus.

Prospective investors should note that the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers for, the Hong Kong Offer Shares are subject to termination by the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) if certain events shall occur prior to 8:00 a.m. on the day on which trading in our Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirement under the U.S. Securities Act.

September 15, 2014

Latest time to complete electronic applications under the **HK eIPO White Form** service through the designated website at **www.hkeipo.hk**[2]	11:30 a.m. on Thursday, September 18, 2014
Application lists of the Hong Kong Public Offering open[3]	11:45 a.m. on Thursday, September 18, 2014
Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Thursday, September 18, 2014
Latest time to lodge **WHITE** and **YELLOW** Application Forms	12:00 noon on Thursday, September 18, 2014
Latest time to give **electronic application instructions** to HKSCC[4]	12:00 noon on Thursday, September 18, 2014
Application lists of the Hong Kong Public Offering close	12:00 noon on Thursday, September 18, 2014

Announcement of:

- the level of indications of interest in the International Offering;
- the level of applications under the Hong Kong Public Offering ; and
- the basis of allotment of the Hong Kong Offer Shares

to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on the website of the Stock Exchange at **www.hkexnews.hk** and on the website of our Company at **www.gdjsl.com** on or before	Wednesday, September 24, 2014
Announcement of results of allotment in the Hong Kong Public Offering (with successful applicants' identification document numbers where applicable) available through a variety of channels as described in the section headed "How to apply for Hong Kong Offer Shares" in this prospectus	Wednesday, September 24, 2014
Results of allocations in the Hong Kong Public Offering will be available at **www.tricor.com.hk/ipo/result** with a "search by ID" function	Wednesday, September 24, 2014
Despatch of Share certificates in respect of wholly or partially successful applications on or before	Wednesday, September 24, 2014
Despatch of refund cheques (if applicable) in respect of wholly or partially unsuccessful applications on or before	Wednesday, September 24, 2014
Despatch of **HK eIPO White Form** e-Auto Refund payment instruction (if applicable) in respect of wholly or partially unsuccessful applications on or before	Wednesday, September 24, 2014
Dealings in our Shares on the Stock Exchange expected to commence at 9:00 a.m. on	Thursday, September 25, 2014

Notes:

(1) All dates and times refer to Hong Kong dates and time, except otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure and conditions of the Global Offering" in this prospectus. If there is any change in the above expected timetable, we will issue a separate announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

(2) You will not be permitted to submit your application through the designated website at ***www.hkeipo.hk*** *after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.*

(3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, September 18, 2014, the application lists will not open and close on that day. Please refer to the section headed "How to apply for Hong Kong Offer Shares — Effect of bad weather conditions on the opening of the application lists" in this prospectus.

(4) Applicants who apply for Hong Kong Offer Shares by giving ***electronic application instructions*** *to HKSCC should refer to the section headed "How to apply for Hong Kong Offer Shares — Applying by giving* ***electronic application instructions*** *to HKSCC via CCASS" in this prospectus.*

Share certificates will only become valid certificates of title if the Global Offering has become unconditional in all respects and the Underwriting Agreements have not been terminated in accordance with its terms, which is expected to be at or around 8:00 a.m., on Thursday, September 25, 2014. Investors who trade in our Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

e-Auto Refund payment instructions or refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering. If you apply through the **HK eIPO White Form** service by paying the application monies through a single bank account, you may have e-Auto Refund payment instructions (if any) despatched to your application payment bank account on or around Wednesday, September 24, 2014. If you apply through the **HK eIPO White Form** service by paying the application monies through multiple bank accounts, you may have refund cheque(s) sent to the address specified in your application instructions to the **HK eIPO White Form** Service Provider on or around Wednesday, September 24, 2014, by ordinary post and at your own risk. Part of the applicant's Hong Kong identity card number or passport number, or if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate the refund cheque.

You should read carefully the sections headed "Underwriting", "Structure and conditions of the Global Offering" and "How to apply for Hong Kong Offer Shares" in this prospectus for details relating to the structure and conditions of the Global Offering, how to apply for Hong Kong Offer Shares and the expected timetable including, *inter alia*, applicable conditions, the effect of bad weather, and the despatch of refund cheques and Share certificates.

We will publish an announcement in case there is any change in the expected timetable of the Hong Kong Public Offering as described above.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell, or a solicitation of an offer to subscribe for or buy, any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell, or a solicitation of an offer to subscribe for or buy, any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares, or the distribution of this prospectus, in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorized anyone to provide you with different information. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers or representatives or any other person or party involved in the Global Offering.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the entire prospectus before you decide to invest in the Offer Shares. There are risks associated with an investment in the Offer Shares. Some of the particular risks associated with an investment in the Offer Shares are set out in the section headed "Risk factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a large-scale biscuit manufacturer with a long history and leading position in the biscuit market in the PRC. According to Euromonitor, among the biscuit manufacturers operated by PRC brand owners, we were the largest manufacturer in terms of retail sales value, retail sales volume and production volume in 2013. We were also the second largest manufacturer of biscuits in the PRC in terms of retail sales volume and production volume with a market share of 2.2% and 2.3%, respectively, in 2013, and the sixth largest manufacturer of biscuits in the PRC in terms of retail sales value with a market share of 3.1% in 2013.

Our history of manufacturing biscuits can be traced back to 1956, when our predecessor Kaiping C&P Factory first started manufacturing biscuits in Guangdong province. Our products are primarily marketed under our core brand "Jiashili" (嘉士利) and are categorized into four major series, namely, breakfast biscuits series, crisp biscuits series, sandwich biscuits series and wafers series. As of March 31, 2014, we offered more than 300 SKU of products with more than 60 different flavors. We have also achieved a solid track record of consistent growth in revenue and profit. From 2011 to 2013, our total revenue and net profit grew at a CAGR of 15.0% and 56.0%, respectively.

The following tables set out our sales volume, production volume, the different categories of our products, their revenue and percentage of total revenue and our net profit for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,	
	2011		2012		2013		2014	
	tonnes		tonnes		tonnes		tonnes	
Sales volume[(1)]	56,658		64,451		70,179		17,804	
Production volume	51,182		57,639		67,631		16,505	
	RMB ('000)	% of total revenue	RMB ('000)	% of total revenue	RMB ('000)	% of total revenue	RMB ('000)	% of total revenue
Revenue								
Breakfast biscuits series	284,764	50.4	330,926	51.0	360,315	48.2	87,904	45.0
Crisp biscuits series	129,492	22.9	146,034	22.5	171,596	23.0	50,231	25.7
Sandwich biscuits series	18,838	3.3	32,974	5.1	52,955	7.1	19,778	10.1
Wafers series	19,957	3.5	28,788	4.4	43,678	5.8	12,993	6.6
Other products[(2)]	112,225	19.9	110,766	17.0	119,227	15.9	24,571	12.6
Total:	**565,276**	**100.0**	**649,488**	**100.0**	**747,771**	**100.0**	**195,477**	**100.0**
	RMB ('000)	Margin (%)	RMB ('000)	Margin (%)	RMB ('000)	Margin (%)	RMB ('000)	Margin (%)
Gross profit	132,033	23.4	165,781	25.5	225,651	30.2	62,761	32.1
Net profit	28,475	5.0	43,448	6.7	69,269	9.3	21,647	11.1

Notes:

(1) *Our sales volume is higher than our production volume for each of the three years ended December 31, 2011, 2012 and 2013 as some of our products were manufactured by our manufacturing partners during peak seasons. Our sales volume is*

higher than our production volume for the three months ended March 31, 2014 as some of our products sold during the three months ended March 31, 2014 were products manufactured by our manufacturing partners in 2013.

(2) *Other products include soda biscuits, cookies, short biscuits, moon cakes and peanuts.*

Our core brand, "Jiashili" (嘉士利), has a long history and strong brand recognition. We have received various national and provincial certifications and awards for our "Jiashili" (嘉士利) brand, including the "China Top Brand Product" (中國名牌產品) by AQSIQ in 2006, the "China Well-Known Trademark" (中國馳名商標) by SAIC in 2009 and, the "Top 10 Most Competitive Brands in China's Food Industry" (中國食品行業最具競爭力十大品牌) awarded by The Chinese Academy of Management Science (中國管理科學研究院), China Committee for Competitiveness Promotion (中國企業競爭力促進會), Business Times (商務時報社) and China Brand Association (中國品牌協會) in 2009 and the "Leading Enterprise in National Food Industry 2010–2011" (2010–2011 年度全國食品工業優秀龍頭食品企業) by the China National Food Industry Association (中國食品工業協會) in 2011.

We have an extensive nationwide distribution and sales network that spreads over 31 provinces, autonomous regions and municipalities in the PRC. We sell our products primarily through distributors in the PRC. To a lesser extent, we also sell some of our products directly to retailers, which include Superstores. As of March 31, 2014, our products were sold in over 160,000 points of sale in the PRC, and can also be purchased by consumers via online platforms.

As of the Latest Practicable Date, we had three production plants strategically located in Guangdong province, Jiangsu province and Hebei province to supply products to various geographical markets in the PRC. These production plants house 23 production lines which have a total designed production capacity of more than 120,000 tonnes of biscuits per year.

Our strong research and development team, which comprises a member of the expert committee of the China National Food Industry Association, together with the collaborative effort from institutions we have engaged in research and development, have allowed us to introduce new products and refine our existing products to tailor for the latest demand of consumers. We have been accredited with ISO 9001:2008 (quality management systems), ISO 22000:2005 (food safety management systems) and ISO 14001:2004 (environmental management systems) quality assurance certifications by Zhongjian Certification Co., Limited (中鑒認證有限責任公司) in respect of our raw material sourcing, production processes, sales of our products and environmental management. In recognition of our strong quality control capability, we were invited to participate in the drafting of the PRC National Standards (中華人民共和國國家標準) for biscuits (No. GB/T 20980-2007) for AQSIQ and the Standardization Administration of the PRC (中國國家標準化管理委員會) in 2007. For the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, our research and development expenses were RMB18.3 million, RMB21.3 million, RMB24.4 million and RMB5.2 million, respectively.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths have allowed us to achieve sustainable growth and profitability and maintain our leading position in the large biscuit market in the PRC:

- Leading position in the biscuit market in the PRC with a long history that can be traced back to 1956, long-standing brand and large target consumer base;
- Nationwide and extensive distribution and sales network that allows nationwide efficient distribution of our products to consumers and close monitoring of market preferences;
- Diverse product offerings, strong brand recognition and strong research and development capabilities with the ability to develop fast growing new products;
- Strategically located production plants with recognized quality control system to achieve efficient production and distribution of our products and adhere to stringent quality control, food safety and environmental protection measures; and
- Experienced management team with a proven track record to lead our development.

STRATEGIES

We intend to capitalize on the fact that the biscuit consumption per capita in the PRC is approximately one seventh of the biscuit consumption per capita in North America and the increase in food consumption by PRC consumers in the coming years to achieve sustainable growth in sales and profit and further strengthen our leading position in the PRC biscuit manufacturing industry. We intend to achieve this goal through the implementation of the following strategies:

- Increase recognition and awareness of our brands by increasing marketing and promotional activities;

- Increase the sales and market share of our current offerings by increasing marketing activities, develop fast-growing products and new biscuit series of high profit margin to optimize our product mix and strengthen our competitiveness;

- Expand the breadth and depth of our distribution and sales network through enhancing the distribution efficiency and sales of our distributors, engaging more Superstores and expanding into the e-commerce market; and

- Acquire advanced production and quality control machineries to ensure high quality and safety of our products, increase operation efficiency and reduce the cost of human resources.

OUR HISTORY

Our history of manufacturing biscuits can be traced back to 1956, when Kaiping C&P Factory was established for the business of manufacturing of biscuits and other auxiliary food in Kaiping, the PRC. Along with the restructuring of Kaiping C&P Factory into Jiashili Pastries, our "Jiashili" (嘉士利) brand was established in 1985. Guangdong Jiashili was established in June 2005 and continued with the manufacturing of biscuits under the brand "Jiashili" (嘉士利). Through an indirect acquisition of the controlling stake in Guangdong Jiashili, Mr. Huang became our Controlling Shareholder in April 2007, after which our business of biscuit manufacturing further expanded when our wholly-owned subsidiaries Xingtai Jiashili and Jiangsu Jiashili were established in August 2008 and September 2009 respectively.

OUR PRODUCTS

We offer a range of biscuit products to the market primarily under our core brand "Jiashili" (嘉士利), which can be broadly categorized as breakfast biscuits series, crisp biscuits series, sandwich biscuits series, wafers series and other products. Other products we offered as of the Latest Practicable Date include soda biscuits, cookies, short biscuits and moon cakes. As of March 31, 2014, we offered more than 300 SKU of products with more than 60 different flavors. We also produce a range of gift packs of assorted biscuits targeting the market for major Chinese festivals and occasions in which consumers purchase them as "Door Gifts". Furthermore, we have designed souvenir packs containing our biscuit products which we market and sell as souvenirs of Kaiping city. Such diversification in packaging has allowed us to target different consumer segments and different festive seasons.

The table below sets out our sales volume and average selling price by product category for the periods indicated:

Sales volume and average selling price	For the year ended December 31,						For the three months ended March 31,			
	2011		2012		2013		2013		2014	
	Tonne	Average selling price/tonne (RMB)	Tonne	Average selling price/tonne (RMB)	Tonne	Average selling price/tonne (RMB)	Tonne	Average selling price/tonne (RMB)	Tonne	Average selling price/tonne (RMB)
Breakfast biscuits series	31,253	9,111.5	35,596	9,296.7	36,451	9,884.9	9,614	9,492.7	8,454	10,397.4
Crisp biscuits series	13,336	9,710.1	15,075	9,687.3	17,219	9,965.7	5,005	9,802.7	4,976	10,094.4
Sandwich biscuits series	1,687	11,169.6	2,638	12,501.2	3,883	13,637.8	765	12,630.0	1,408	14,050.9
Wafers series	1,429	13,961.3	2,058	13,989.0	2,970	14,705.1	549	14,662.2	866	15,004.3
Other products . .	8,953	12,534.9	9,084	12,193.0	9,656	12,347.8	2,293	11,803.7	2,100	11,700.4
Total/overall:	**56,658**	**9,977.0**	**64,451**	**10,077.3**	**70,179**	**10,655.2**	**18,225**	**10,155.8**	**17,804**	**10,979.3**

The following table sets out the gross profit and gross profit margin by product category for the periods indicated:

Gross profit/ gross profit margin	For the year ended December 31,						For the three months ended March 31,			
	2011		2012		2013		2013		2014	
	RMB ('000)	%	RMB ('000)	%	RMB ('000)	%	RMB ('000) *(unaudited)*	%	RMB ('000)	%
Breakfast biscuits series	70,332	24.7	87,156	26.3	111,759	31.0	25,619	28.1	29,749	33.8
Crisp biscuits series	26,511	20.5	37,529	25.7	50,758	29.6	14,006	28.5	16,012	31.9
Sandwich biscuits series	5,498	29.2	9,817	29.8	19,013	35.9	2,827	29.3	6,955	35.2
Wafers series	3,912	19.6	6,753	23.5	11,755	26.9	2,028	25.2	3,517	27.1
Others	25,780	23.0	24,526	22.1	32,366	27.1	6,680	24.7	6,528	26.6
Total/ Overall:	**132,033**	**23.4**	**165,781**	**25.5**	**225,651**	**30.2**	**51,160**	**27.6**	**62,761**	**32.1**

Please refer to the sections headed "Business — Our products" and "Financial information — Principal income statement components — Revenue" in this prospectus for further details.

DISTRIBUTION AND SALES NETWORK

We sell our products primarily through distributors in the PRC, which then on-sell our products to sub-distributors, retailers and online operators. To a lesser extent, we also sell some of our products directly to retailers, which consist of Superstores and convenience stores, and other direct customers. As of March 31, 2014, our products were sold in over 160,000 points of sale in the PRC, and can also be purchased by consumers via online platforms. For the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, 98.8%, 98.5%, 98.2% and 97.5% of our sales were generated by our distributors, respectively, while the remainder was generated from sales to retailers and our other direct customers. Please refer to the section headed "Business — Distribution and sales network" in this prospectus for further details.

OUR PRODUCTION PLATFORM

We manufacture most of our products from our production plants located in Kaiping, Guangdong province, Suqian, Jiangsu province and Xingtai, Hebei province. As of the Latest Practicable Date, we had three production plants with a total gross floor area of approximately 79,739.8 sq.m. As of the Latest Practicable Date, these three production plants housed 23 production lines which have a total designed production capacity of more than 120,000 tonnes of biscuits per year. The production volume of our production lines for the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014 was 51,182 tonnes, 57,639 tonnes, 67,631 tonnes and 16,505 tonnes, respectively. Please refer to the section headed "Business — Production — Production facilities" in this prospectus for further details of our production facilities and production capacity.

RAW MATERIALS AND SUPPLIERS

The primary raw materials (excluding packaging materials) we use in our production are flour, palm oil and sugar. Our cost of sales primarily consists of cost of raw materials. For the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, the costs of flour, palm oil and sugar together represented 55.4%, 54.0%, 50.8% and 49.9% of our cost of sales, respectively, and the cost of packaging materials represented 20.6%, 20.5%, 20.4% and 19.6% of our cost of sales, respectively.

All of our suppliers are domestic suppliers and each of them is subject to our annual evaluation of quality and prices of the raw materials supplied. As of the Latest Practicable Date, our five largest suppliers during the Track Record Period have maintained a working relationship with us for at least five years. Please refer to the section headed "Business — Raw materials and suppliers" in this prospectus for further details.

SHAREHOLDERS INFORMATION

Upon completion of the Global Offering on the assumption that the Over-allotment Option and any option which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme are not exercised, approximately 54.04%, 15% and 5.96% of our issued Shares will be held by the Huang's Family through various investment holding companies and Kaiyuan, Actis Ship and Actis 151, respectively. If all the options granted under the Pre-IPO Share Option Scheme were exercised in full upon the Listing under certain assumption, it would have a dilution effect of approximately 3.59% on the earnings per Share for the year ended December 31, 2013. It is expected that a charge in relation to the options granted under the Pre-IPO Share Option Scheme in the amount of not more than HK$1.7 million will be recognized as expenses in the combined statement of profit or loss information of our Group for the year ending December 31, 2014. Please refer to the sections headed "History, Reorganization and corporate structure", "Relationship with our Controlling Shareholders" and "Statutory and General Information — Pre-IPO Share Option Scheme" in this prospectus for details.

Our Directors are of the view that as of the Latest Practicable Date, none of our Substantial Shareholders or any of their respective associates had any interest in any business, apart from the business we operated, that competes or is likely to compete, directly or indirectly, with our business.

Pre-IPO investment

Our pre-IPO investment consists of (i) the investment by Actis Ship by subscribing 2,500 Series A Preferred Shares; and (ii) the investment by Actis 151 by purchasing 933 Ordinary Shares and subscribing the convertible promissory note issued by our Company with a principal value of US$12.7 million. Any amount due and unpaid by our Company under the convertible promissory note on the date falling three months after the maturity date is convertible into such number of Series A Preferred Shares. On the date of the issue of convertible promissory note, being April 16, 2014, our Company designated the convertible promissory note payable at fair value through profit or loss and initially recognized at fair value. In subsequent periods, the convertible promissory note payable will be measured at fair value with changes in fair value recognized in profit or loss. Transaction costs relating to the issuance of the convertible promissory note payable were charged to profit or loss immediately. Our Directors estimate that the loss arising from the change in fair value of the convertible promissory note from the date of issue on April 16, 2014 to the Listing Date, which mainly represents finance costs incurred during such period, will amount to approximately US$0.3 million (equivalent to RMB1.9 million). The fair value is determined with reference to a valuation prepared by Asset Appraisal Limited, an independent qualified professional valuer. The handling officer of such valuation is a Registered Business Valuer under the Hong Kong Business Valuation Forum. Our Directors consider that the relevant transaction costs incurred for the issuance of the convertible promissory note are insignificant.

Please refer to the section headed "History, Reorganization and corporate structure — Pre-IPO investment" in this prospectus for further details of our pre-IPO investment.

RISK FACTORS

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors" in this prospectus. You should read that entire section carefully before you decide to invest in the Offer Shares. The following highlights some of the risks which are considered to be material by our Directors:

- Sale of our products are subject to changes in consumer tastes, preferences and perceptions.
- We rely on third-party distributors to sell our products.
- We have limited control over the practice and manner of the sales by our distributors, and the sub-distributors and retailers of our distributors.
- Any food safety problems relating to our raw materials could adversely affect our reputation, our ability to sell our products and our financial performance.
- Any safety problems in relation to our packaging materials could adversely affect our reputation, our ability to sell our products and our financial performance.
- We had net current liabilities as of December 31, 2011, 2012 and 2013 and July 31, 2014, respectively and net operating cash outflow for the three months ended March 31, 2014.

NON-COMPLIANCE

During the Track Record Period, we have contributed to the employee social welfare schemes based on the amount of wages approved by the relevant social insurance authorities. Under the applicable PRC laws and regulations, such contribution should instead be calculated based on the actual wages of employees. Further, during the Track Record Period, we did not register with the relevant housing provident fund authority and make housing provident fund contributions for all of our employees. Our Group has since December 2013 started making housing provident fund contributions for our employees based on the amount of wages approved by the relevant housing provident fund authorities. Under the applicable PRC laws and regulations, such contribution should instead be calculated based on the actual wages of employees. During the Track Record Period, we made several advances to related parties and Independent Third Parties which were not in compliance with the General Lending Provisions. Please refer to the sections headed "Business – Non-compliance – Social welfare schemes", "Business – Non-compliance – Housing provident fund" and "Business – Non-compliance – Advances to related parties and Independent Third Parties" in this prospectus for further details.

SUMMARY HISTORICAL FINANCIAL INFORMATION

The tables below present the summary combined financial information of our Group. The summary combined income statements data for each of the three years ended December 31, 2011, 2012 and 2013 and for the three months ended March 31, 2014, the summary combined statements of financial position data as of December 31, 2011, 2012, 2013 and March 31, 2014 and the summary combined cash flows data for each of the three years ended December 31, 2011, 2012 and 2013 and for the three months ended March 31, 2014 are derived from, and should be read in conjunction with our combined financial information, including the notes thereto, set out in the accountants' report in Appendix I to this prospectus.

Summary combined income statements information

	Year ended December 31,			Three months ended March 31,	
	2011	2012	2013	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000) *(Unaudited)*	RMB ('000)
CONTINUING OPERATION					
Revenue	565,276	649,488	747,771	185,085	195,477
Cost of sales	(433,243)	(483,707)	(522,120)	(133,925)	(132,716)
Gross profit	132,033	165,781	225,651	51,160	62,761
Other income	3,023	11,004	6,919	1,290	597
Selling and distribution expenses	(60,127)	(69,191)	(87,932)	(22,080)	(22,578)
Administrative expenses	(20,820)	(29,470)	(29,595)	(7,096)	(5,926)
Finance costs	(1,191)	(606)	(2,448)	(485)	(955)
Other expenses and loss	(18,508)	(22,970)	(30,466)	(4,804)	(7,801)
Profit before tax	34,410	54,548	82,129	17,985	26,098
Income tax expense	(9,508)	(11,745)	(14,268)	(3,170)	(4,512)
Profit for the year/period from continuing operation	24,902	42,803	67,861	14,815	21,586
DISCONTINUED OPERATION					
Profit (loss) for the year/period from discontinued operation	3,573	645	1,408	(154)	61
Profit and total comprehensive income for the year/period attributable to the owners of our Company	28,475	43,448	69,269	14,661	21,647

We have achieved a solid track record of consistent growth in revenue and profit. For the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, we recorded a total revenue of RMB565.3 million, RMB649.5 million, RMB747.8 million and RMB195.5 million, respectively, representing a CAGR of 15.0% from 2011 to 2013. Such increases were primarily due to the increase in sales of our products, especially our breakfast biscuits series and crisp biscuits series, accompanied by the general increase of their average selling prices. Sales of our sandwich biscuits series also increased significantly for the year ended December 31, 2013 and the three months ended March 31, 2014, which was mainly due to the continuous growth of sales of our fruit jam sandwich biscuits which became more popular since their launch in late 2012. Our net profit for the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014 were RMB28.5 million, RMB43.4 million, RMB69.3 million and RMB21.6 million, respectively, representing a CAGR of 56.0% from 2011 to 2013. Our net profit increased at a higher percentage than the increase in our revenue, which was mainly a result of the general increase in the average selling prices of our products, our efforts to control our cost of sales by increasing our bargaining position to obtain better pricing from our suppliers, and by reducing the wastage of our packaging materials with better coordination of our production. Please refer to the section headed "Financial information — Principal income statement components" in this prospectus for further details.

Summary combined statements of financial position information

	As of December 31,			As of March 31,
	2011	2012	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Current assets				
Inventories	33,186	36,500	43,443	36,835
Prepaid lease payments	472	472	472	433
Trade, bills and other receivables	31,837	34,927	44,022	59,914
Amount due from related companies	43,017	13	-	44,412
Structured deposits	1,000	1,000	-	-
Pledged bank deposits	4,560	11,618	10,845	16,493
Bank balances and cash	18,064	50,615	69,908	66,366
	132,136	135,145	168,690	224,453
Current liabilities				
Trade, bills and other payables	87,845	114,120	160,538	140,128
Amount due to a related company	2,587	-	-	-
Advances from customers	47,006	43,308	49,750	22,363
Dividends payable	-	32,341	-	-
Bank borrowings due within one year	2,000	7,823	35,300	43,232
Income tax payables	4,430	2,689	1,957	1,655
	143,868	200,281	247,545	207,378
Net current (liabilities)/assets	(11,732)	(65,136)	(78,855)	17,075

As of December 31, 2011, 2012 and 2013, we had net current liabilities of RMB11.7 million, RMB65.1 million and RMB78.9 million, respectively. Our Directors consider that the net current liabilities recorded as of December 31, 2011, 2012 and 2013 were mainly due to our significant investments made for the expansion and improvement of our production facilities in our production plants in Kaiping, Guangdong province and Suqian, Jiangsu province, and our investment in the production facilities of Guangdong Kangli, which was then a member of our Group, with an aim to increase our production capacity to satisfy the growing demand. We primarily financed our investments and purchase of property, plant and equipment through our cash generated from our operating activities and short-term borrowings. Although we had strong operating cash flows for the two years ended December 31, 2012 and 2013, our investment in our property, plant and equipment used up a significant portion of cash generated from our operating activities and our bank borrowings for the same year. Our net current liabilities as of December 31, 2011, 2012 and 2013 were also attributable to the payment of dividends of RMB15.8 million, RMB11.9 million and RMB123.1 million for the three years ended December 31, 2011, 2012 and 2013, respectively. As of March 31, 2014, we had net current assets of RMB17.1 million. Please refer to the paragraph headed "Latest development" in this section for details of our liquidity position as of July 31, 2014. Please also refer to the section headed "Risk factors - We had net current liabilities as of December 31, 2011, 2012 and 2013 and July 31, 2014, respectively and net operating cash outflow for the three months ended March 31, 2014" in this prospectus.

Summary combined cash flows information

	For the year ended December 31,			For the three months ended March 31,	
	2011	2012	2013	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000) *(Unaudited)*	RMB ('000)
Net cash generated from (used in) operating activities	82,797	65,344	93,134	19,979	(29,276)
Net cash used in investing activities	(69,467)	(21,489)	(49,598)	(28,949)	(26,460)
Net cash (used in)/from financing activities	(33,328)	(11,304)	(24,243)	8,924	52,194
Net (decrease)/increase in cash and cash equivalents	(19,998)	32,551	19,293	(46)	(3,542)
Cash and cash equivalents at the beginning of the year/period	38,062	18,064	50,615	50,615	69,908
Cash and cash equivalents at the end of the year/period, comprising bank balances and cash	18,064	50,615	69,908	50,569	66,366

For the three months ended March 31, 2014, we had net cash used in operating activities of RMB29.3 million, which was primarily caused by a decrease in advances from customers of RMB27.3 million due to (i) the delivery in the first quarter of 2014 of our products ordered by our customers at the annual ordering conference we hosted in the fourth quarter in 2013, which we did not have in the fourth quarter of previous years as the 2013 conference was held after the expansion of our production facilities in Jiangsu and Guangdong provinces and for promotion of our fruit jam sandwich biscuits; and (ii) the lower sales level when compared to the fourth quarter of the year, an increase in trade, bills and other receivables of RMB18.5 million primarily due to our prepayment arrangement with certain suppliers of flour and sugar, and a decrease in trade, bills and other payables of RMB14.0 million due to lower purchase level when compared to the fourth quarter of the year and the settlement of our trade payables and construction cost payable during the three months ended March 31, 2014. These cash outflows were partially offset by profit for the period of RMB21.6 million. Please refer to the section headed "Financial information — Liquidity and capital resources — Cash flow — Cash flow generated from (used in) operating activities" in this prospectus for further details.

Key financial ratios

The following table sets forth certain financial ratios of our Group as of the dates indicated:

	As of December 31,			As of March 31,
	2011	2012	2013	2014
Current ratio[(1)]	0.9	0.7	0.7	1.1
Gearing ratio[(2)]	3.9%	7.7%	23.5%	44.2%

Notes:

(1) Current ratio represents total current assets divided by total current liabilities as of the end of the year/period.

(2) Gearing ratio represents loans and borrowings divided by total equity as of the end of the year/period.

LATEST DEVELOPMENT

As far as we are aware, the PRC biscuit industry remained relatively stable after the Track Record Period. Our Group did not experience any significant drop in revenue or increase in cost of sales or other costs subsequent to the Track Record Period up to the Latest Practicable Date as there were no significant changes to the general business model of our Group and economic environment. Based on our unaudited management accounts, as of July 31, 2014, we had net current liabilities of approximately RMB66.2 million, which was primarily due to (i) the convertible promissory note of RMB80.7 million, which represented the convertible promissory note issued to Actis 151 pursuant to the Investment Agreement with a principal value of US$12.7 million; and (ii) our dividends payable of RMB25.6 million declared in April 2014. The dividends payable of RMB25.6 million were settled in August 2014 and were financed by cash generated from operations of our Group. We intend to use part of the net proceeds from the Global Offering to settle payment of the convertible promissory note. As of July 31, 2014, we had unutilized banking facilities of RMB186.8 million and we had non-refundable advances received from customers for the purchase of goods of RMB16.5 million as we generally require our distributors to make payment to us before our products are delivered to them. Our Directors believe that, with the available banking facilities, the advances received from our customers, the future cash generated from our operating activities and the net proceeds we expect to receive from the Global Offering, we will be able to further improve our liquidity position after Listing. Please refer to the section headed “Financial information — Liquidity and capital resources — Current assets and liabilities” in this prospectus for further details of our current assets and current liabilities. There was no material adverse change in our gross profit margin and net profit margin for the four months ended July 31, 2014 comparing to those for the three months ended March 31, 2014.

Our Directors confirm that, up to the date of this prospectus and save as disclosed in the paragraph headed “Summary — Latest development” in this section, there has been no material adverse change in the financial or trading position or prospects of our Group since March 31, 2014, and there is no event since March 31, 2014 which would materially affect the information shown in the accountants’ report set out in Appendix I to this prospectus.

DIVIDEND POLICY AND DISTRIBUTION

During the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, Guangdong Jiashili declared dividends of nil, RMB44.3 million, RMB90.7 million and nil, respectively, to its then equity owners. In April 2014, Guangdong Jiashili declared a special dividend of RMB25.6 million to its equity owners which were settled in August 2014. Save as disclosed above, during the Track Record Period and up to the Latest Practicable date, we had not distributed any dividends to the then equity holders of our Group. Going forward, we may distribute dividends by way of cash or by other means that our Directors consider appropriate. Please refer to the section headed “Financial information — Dividend policy” in this prospectus for further details.

OFFERING STATISTICS

Market capitalization at Listing:	HK$1,480 million
Offering size:	Initially 25% of the enlarged share capital of our Company
Offering structure:	10% Hong Kong Public Offering (subject to adjustment); and 90% International Offering (subject to adjustment and Over-allotment Option)
Over-allotment option:	We will grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriters at any time from the Listing Date up to (and including) the day which is the 30th day after the last date for the lodging of Application Forms under the Hong Kong Public Offering, to require us to allot to an aggregate of

	15,000,000 Shares, being 15% of the Offer Shares initially available under the Global Offering, at the Offer Price to cover over-allocations in the International Offering.
Offer Price per Share:	HK$3.7
Board lot:	1,000 Shares
Use of proceeds (Based on the Offer Price of HK$3.7):	We currently intend to apply the net proceeds of the Global Offering of approximately HK$320 million (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering) in the following manner:

- approximately HK$130 million (equivalent to approximately 40.6% of our total estimated net proceeds) will be used for increasing the recognition and awareness of our brands and expansion of our distribution and sales network including advertisements on the internet, television, public transport and printed media;
- approximately HK$30 million (equivalent to approximately 9.4% of our total estimated net proceeds) will be used for our infrastructure investment in respect of the purchase and installation of more advanced and automated machineries and the upgrading of our existing production facilities in our production plants;
- approximately HK$28 million (equivalent to approximately 8.7% of our total estimated net proceeds) will be used for research and development activities in order to refine our existing product offerings and develop new products;
- approximately HK$100 million (equivalent to approximately 31.3% of our total estimated net proceeds) will be used for repayment of the principal amount and the accrued interest under the convertible promissory note issued to Actis 151 pursuant to the Investment Agreement; and
- approximately HK$32 million (equivalent to approximately 10.0% of our total estimated net proceeds) will be used for working capital and other general corporate purposes.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS PER SHARE(1)(2)

	Based on the Offer Price of HK$3.7 per Offer Share
Unaudited pro forma adjusted combined net tangible assets per Share	HK$1.63

Notes:

(1) The unaudited pro forma adjusted combined net tangible assets of our Group as stated above has not been adjusted to reflect any trading or other transactions of our Group entered into subsequent to March 31, 2014, and in particular, for the effect of the deemed distribution amounting to RMB227.0 million and pre-IPO investment as more fully explained in the section headed "History, Reorganization and corporate structure" in this prospectus. The funding of the RMB227.0 million was mainly sourced from the proceeds from the issue of 2,500 Series A Preferred Shares to Actis Ship amounting to US$26.7 million (equivalent to RMB164.8 million) and convertible promissory note with a principal value of US$12.7 million (equivalent to RMB78.4 million) to Actis 151 by our Company in April 2014. The deemed distribution and the proceeds from

the issue of 2,500 Series A Preferred Shares would result in a net decrease of RMB62.2 million on our Group's net tangible asset value before the Global Offering. Had the deemed distribution and the proceeds from the issue of 2,500 Series A Preferred Shares been taken into account by adjusting RMB227.0 million and US$26.7 million (equivalent to RMB164.8 million) to the unaudited pro forma adjusted combined net tangible assets of our Group, the unaudited pro forma adjusted combined net tangible assets of our Group per Share would decrease to RMB0.95 (equivalent to HK$1.19) based on the Offer Price of HK$3.7 (equivalent to RMB2.95) per Share.

(2) Please also refer to "Unaudited pro forma financial information" in Appendix II to this prospectus for further details regarding the assumptions used and the calculation method.

LISTING EXPENSES

The estimated total listing expenses (based on the Offer Price of HK$3.7 and assuming that the Over-allotment Option is not exercised and all discretionary incentive fees and bonuses to the professional parties in the Global Offering are paid in full) incurred or to be incurred in relation to the Global Offering are approximately RMB40.1 million, of which RMB22.9 million was or will be charged to our combined statement of profit or loss and other comprehensive income and RMB17.2 million was or will be recognized directly in equity, in accordance with International Accounting Standard 32, *Financial Instruments: Presentation* ("**IAS 32**"). Pursuant to such accounting standard, expenses that are directly attributable to the issue of new shares are accounted for as a deduction from equity and the expenses which do not relate to the issue of new shares are recognized in the combined statements of profit or loss and other comprehensive income as incurred. Expenses that relate jointly to the issue of new shares and the listing of existing shares are allocated between these activities based on the proportion of number of new shares issued relative to the total number of shares in issue and listed on the Stock Exchange.

For the year ended December 31, 2013 and the three months ended March 31, 2014, we recognized approximately RMB5.2 million and RMB2.2 million of listing expenses as our other expenses. Listing expenses of RMB2.4 million were recognized as prepayment as of March 31, 2014 which is expected to be deducted directly from equity upon the issue of new Shares.

We incurred approximately RMB10.2 million of listing expenses for the period from April 1, 2014 to the Latest Practicable Date, and expect to incur an additional RMB20.1 million of listing expenses (based on the Offer Price of HK$3.7 and assuming that the Over-allotment Option is not exercised and all discretionary incentive fees and bonuses to the professional parties in the Global Offering are paid in full) after the Latest Practicable Date. We estimate that the listing expenses (based on the Offer Price of HK$3.7 and assuming that the Over-allotment Option is not exercised and all discretionary incentive fees and bonuses to the professional parties in the Global Offering are paid in full) of approximately RMB15.5 million, including the discretionary incentive fees and bonuses payable to the professional parties in the Global Offering of RMB0.3 million, incurred or to be incurred after March 31, 2014 will be charged to our combined statement of profit or loss and other comprehensive income for the year ending December 31, 2014. The balance of approximately RMB14.8 million, including the discretionary incentive fees and bonuses payable to the professional parties in the Global Offering of RMB1.6 million, is expected to be deducted directly from equity upon the issue of new Shares.

The estimated total discretionary incentive fees and bonuses payable to the professional parties in the Global Offering are approximately RMB1.9 million, of which RMB0.3 million will be charged to our combined statement of profit and loss and other comprehensive income and RMB1.6 million will be deducted directly from equity, in accordance with IAS 32, pursuant to which those expenses that are directly attributable to the issue of new shares are accounted for as a deduction from equity and the expenses that relate jointly to the issue of new shares and the listing of existing shares are allocated between these activities based on the proportion of number of new shares issued relative to the total number of shares in issue and listed on the Stock Exchange.

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

"Actis" or the "Pre-IPO Investors"	collectively, Actis Ship and Actis 151, both of which are companies incorporated in Mauritius, and all of their respective shareholders, namely Actis Global 4 A LP, Actis 4 Co-Investment Scheme LP and Actis Global 4 LP, Actis 4 PCC are entities controlled by a group of limited partnerships and protected cell companies and were Independent Third Parties prior to their pre-IPO investments. Actis collectively held approximately 27.94% of our issued Shares as of the Latest Practicable Date and are our Substantial Shareholders
"Actis 151"	Actis Investment Holdings No.151 Limited (now known as Rich Tea Investments Limited), a private company incorporated in Mauritius limited by shares on September 20, 2013 and which was owned as to approximately 72.77% by Actis Global 4 LP, 23.36% by Actis Global 4 A LP and as to 3.87% by Actis 4 Co-Investment Scheme LP. Actis 151 is a shareholder of our Company holding approximately 7.94% of our issued Shares as of the Latest Practicable Date
"Actis Ship"	Actis Investment Holdings Ship Limited, a private company incorporated in Mauritius limited by shares on June 4, 2013 and is wholly-owned by Actis 4 PCC. Actis Ship held approximately 20% of our issued Shares as of the Latest Practicable Date
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
"AQSIQ"	the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局)
"Articles of Association" or "Articles"	adopted on August 21, 2014, as amended from time to time, a summary of which is set out in "Appendix IV — Summary of the Constitution of our Company and Cayman Companies Law" to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of directors of our Company
"Business Day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalization Issue"	the issue of Shares to be made upon capitalization of certain sum standing to the credit of the share premium account of our Company referred to in the paragraph headed "Written resolutions of our Shareholders passed on August 21, 2104" in Appendix V to this prospectus

"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China", "PRC" or "State"	the People's Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires otherwise, references in this prospectus to "China" and the "PRC" do not apply to Hong Kong, Macau and Taiwan
"CMS", "Sole Sponsor", "Sole Global Coordinator", "Sole Bookrunner" or "Stabilization Manager"	China Merchants Securities (HK) Co., Limited, a corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
"Companies Law" or "Cayman Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Jiashili Group Limited (嘉士利集團有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on December 19, 2013, which is owned as to approximately 72.06% by Kaiyuan, 20% by Actis Ship and 7.94% by Actis 151 respectively as of the Latest Practicable Date
"Connected Person"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules and unless the context requires otherwise, refers to Kaiyuan and Huang's Family, who will control the exercise of approximately 54.04% voting rights in the general meeting of our Company immediately after the Global Offering and the Capitalization Issue (assuming that the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme is not exercised), and their respective investment holding companies, namely Great Logistics, Jade Isle, Grand Wing, Intelligent Pro and Prestige Choice Overseas

"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Deed of Non-competition"	the deed of non-competition undertakings dated August 21, 2014 entered into by each of our Controlling Shareholders in favor of our Company, as described more particularly in the section "Relationship with our Controlling Shareholders" in this prospectus
"DHA"	docosahexaenoic acid
"Director(s)"	the director(s) of our Company as of the date of this prospectus
"Euromonitor"	Euromonitor International, a global research organization established in 1972 that provides strategy research for consumer markets
"General Lending Provisions"	the General Lending Provisions (貸款通則) promulgated by the PBOC in 1996
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Grand Wing"	Grand Wing Investments Limited (弘穎投資有限公司), a business company incorporated under the laws of BVI with limited liability on August 8, 2013 and is wholly-owned by Ms. Huang Rujiao (黃如嬌), a sister of Mr. Huang and therefore a Connected Person upon the Listing
"Great Logistics"	Great Logistics Global Limited (鉅運環球有限公司), a business company incorporated under the laws of BVI with limited liability on November 1, 2013 and wholly-owned by Mr. Huang, our Controlling Shareholder
"Green Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider designated by our Company
"Group", "our Group", "we", "our" or "us"	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Guangdong Jiashili"	Guangdong Jiashili Food Group Co., Limited (廣東嘉士利食品集團有限公司) (formerly known as Kaiping Jiashili Food Company Limited (開平市嘉士利食品有限公司)), a limited liability company established in the PRC on June 8, 2005 and an indirect wholly-owned subsidiary of our Company
"Guangdong Jiashili Acquisition"	Acquisition of 99% and 1% equity interest in Guangdong Jiashili from Zhongchen and Prestige Choice by Jiashili HK with the consideration of RMB224.7 million and RMB2.3 million, respectively
"Guangdong Kangli"	Guangdong Kangli Food Company Limited (廣東康力食品有限公司), a limited liability company established in the PRC on September 24, 1998 and wholly-owned by Zhongchen as of the Latest Practicable Date
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKICPA"	Hong Kong Institute of Certified Public Accountants

"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **HK eIPO White Form** Service Provider
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company, as specified on the designated website **www.hkeipo.hk**
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the 10,000,000 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed "Structure and conditions of the Global Offering" in this prospectus)
"Hong Kong Public Offering"	the offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong at the Offer Price, subject to and in accordance with the terms and conditions set out in this prospectus and the Application Forms
"Hong Kong Share Registrar"	Tricor Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering whose names are set out in the section headed "Underwriting — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated September 12, 2014 relating to the Hong Kong Public Offering entered into by, among other parties, our Company, the Sole Global Coordinator and the Hong Kong Underwriters
"Huang's Family"	collectively, Mr. Huang and Huang Cuihong (黃翠紅), his spouse, and Mr. Huang's sisters, namely Huang Rujiao (黃如嬌), Huang Rujun (黃如君) and Huang Xianxian (黃仙仙), all of whom are parties acting in concert with Mr. Huang within the meaning of the Takeovers Code
"IFRS"	International Financial Reporting Standards issued by the International Accounting Standards Board
"Independent Third Party(ies)"	party or parties that is or are not connected with us, any Directors, Substantial Shareholders, chief executives of our Company, their respective subsidiaries or any of their respective associates
"Intelligent Pro"	Intelligent Pro Investments Limited (博慧投資有限公司), a business company incorporated under the laws of BVI with limited liability

	on October 16, 2013 and is wholly-owned by Ms. Huang Rujun (黃如君), a sister of Mr. Huang and therefore a Connected Person upon the Listing
"International Offer Shares"	the 90,000,000 Shares being initially offered by our Company for subscription under the International Offering, together, where relevant, with any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option, subject to reallocation as described in the section headed "Structure and conditions of the Global Offering" in this prospectus
"International Offering"	the offer of the International Offer Shares at the Offer Price outside the United States in reliance on Regulation S, as further described in the section headed "Structure and conditions of the Global Offering" in this prospectus
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering to be entered into by, among other parties, our Company, the Sole Global Coordinator and the International Underwriters on or about September 19, 2014
"International Underwriters"	the underwriters who are expected to enter into the International Underwriting Agreement to underwrite the International Offering
"Investment Agreement"	an investment agreement dated April 11, 2014 and entered into between, among others, our Company, Kaiyuan, Mr. Huang, Actis Ship and Actis 151 for subscription and purchase of shares in our Company
"Jade Isle"	Jade Isle Global Limited (翠島環球有限公司), a business company incorporated under the laws of the BVI with limited liability on November 7, 2013 and is wholly-owned by Ms. Huang Cuihong (黃翠紅), the spouse of Mr. Huang and therefore a Connected Person upon the Listing
"Jiangsu Jiashili"	Jiangsu Jiashili Food Company Limited (江蘇嘉士利食品有限公司), a limited liability company established in the PRC on September 30, 2009 and an indirect wholly-owned subsidiary of our Company
"Jiashili BVI"	Jiashili Limited (嘉士利有限公司), a business company incorporated under the laws of the BVI with limited liability on December 6, 2013 and a direct wholly-owned subsidiary of our Company
"Jiashili Gufen"	Guangdong Jiashili Group Gufen Limited (廣東嘉士利集團股份有限公司), a joint stock limited liability company established in the PRC in January 1993, the business license of which had been revoked as of the Latest Practicable Date
"Jiashili HK"	Jiashili (Hong Kong) Limited (嘉士利(香港)有限公司), a limited liability company incorporated under the laws of Hong Kong on December 24, 2013 and an indirect wholly-owned subsidiary of our Company

"Jiashili Pastries"	Kaiping Jiashili Pastries Company (開平市嘉士利餅業公司), a limited liability company established in the PRC in January 1985, the business license of which had been revoked as of the Latest Practicable Date
"Joint Lead Managers"	China Merchants Securities (HK) Co., Limited, First Shanghai Securities Limited, Guotai Junan Securities (Hong Kong) Limited and Industrial Securities (Hong Kong) Capital Limited
"Kaiping C&P Factory"	Kaiping Confectioneries and Pastries Factory (開平縣糖果餅乾廠), a joint state-private operative enterprise (公私合營企業) established in the PRC in 1956
"Kaiyuan"	Kaiyuan Investments Limited (開元投資有限公司), a business company incorporated under the laws of the BVI with limited liability on December 5, 2013 and our Controlling Shareholder, which was owned as to 80% by Great Logistics, a company wholly-owned by Mr. Huang, our Controlling Shareholder, 5% by Jade Isle, 5% by Grand Wing, 5% by Intelligent Pro and 5% by Prestige Choice Overseas respectively as of the Latest Practicable Date
"Kashi Food"	Kashi Jiashili Food Company Limited (喀什嘉士利食品有限公司), a limited liability company established in the PRC on November 5, 2010 and dissolved on April 11, 2014 and was a wholly-owned subsidiary of Guangdong Jiashili since its establishment and up till its dissolution
"Kashi Guoye"	Kashi Jiashili Guoye Company Limited (喀什嘉士利果業有限公司), a limited liability company established in the PRC on November 5, 2010 and dissolved on May 29, 2013 and was owned by Guangdong Jiashili as to 20% before its dissolution
"Latest Practicable Date"	September 8, 2014, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listing"	the listing of our Shares on the Main Board
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
"Listing Date"	the date, expected to be on or about September 25, 2014, on which dealings in our Shares first commence on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Huang"	Mr. Huang Xianming (黃銑銘), one of our Controlling Shareholders and our executive Director

"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會) and its Standing Committee
"Offer Price"	the offer price of HK$3.7 per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%)
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares
"Ordinary Share(s)"	ordinary share(s) in the share capital of our Company of par value HK$0.01 each, with the rights ascribed in the Articles
"Over-allotment Option"	the option to be granted by us to and exercisable by the Sole Global Coordinator, pursuant to which we may be required to allot and issue up to an aggregate of 15,000,000 additional Shares (representing 15% of our Shares initially being offered under the Global Offering) to cover over-allocations in the International Offering, details of which are described in the section headed "Underwriting — Over-allotment Option" in this prospectus
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC" or "China"	the People's Republic of China which, for the purpose of this prospectus, excludes Hong Kong, the Macau Special Administrative Region and Taiwan.
"PRC EIT Law"	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), as enacted by the NPC on March 16, 2007 and effective on January 1, 2008, as amended, supplemented or otherwise modified from time to time
"PRC Labor Contract Law"	the PRC Labor Contract Law (中華人民共和國勞動合同法), as enacted by the Standing Committee of the NPC on June 29, 2007 and effective on January 1, 2008, as amended, supplemented or otherwise modified from time to time
"PRC Legal Advisers"	Jingtian & Gongcheng, a qualified PRC law firm acting as the PRC legal advisers to our Company for the application for the Listing
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme conditionally adopted by our Company on August 21, 2014, a summary of the principal terms of which is set out under the paragraph headed "8. Pre-IPO Share Option Scheme" in Appendix V to this prospectus
"Prestige Choice"	Prestige Choice Investments Limited (名彩投資有限公司), a limited liability company incorporated under the laws of Hong Kong on December 20, 2013 and wholly-owned by Prestige Choice Overseas
"Prestige Choice Overseas"	Prestige Choice Investments (Overseas) Limited (名彩投資（海外）有限公司), a business company incorporated

	under the laws of BVI with limited liability on October 31, 2013 and is wholly-owned by Ms. Huang Xianxian (黃仙仙), a sister of Mr. Huang and therefore a Connected Person upon the Listing
"Regulation S"	Regulation S under the U.S. Securities Act
"Renminbi" or "RMB"	the lawful currency of the PRC
"Reorganization"	the corporate reorganization of our Group in preparation for the Listing, particulars of which are set out under the paragraph headed "3. Reorganization" in Appendix V to this prospectus
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"Sanbu Jiari"	Guangdong Sanbu Jiari Hotel Company Limited (廣東三埠假日酒店有限公司), a limited liability company established in the PRC on September 23, 2009, and a company excluded from our Group during the Reorganization
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"SAT"	the State Administration of Taxation (國家稅務總局)
"Series A Preferred Shares"	preferred shares of our Company of par value HK$0.01 each issued by our Company to and held by Actis Ship with the rights ascribed in the Articles
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Share(s)"	Ordinary Shares of our Company of HK$0.01 each, and prior to the completion of the Global Offering, shall also include Series A Preferred Shares issued to Actis Ship
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on August 21, 2014, a summary of the principal terms of which is set out under the paragraph headed "9. Share Option Scheme" in Appendix V to this prospectus
"Shareholder(s)"	holder(s) of our Share(s)
"SKU"	stock-keeping unit, a unique identifier for each distinct product, with products that are exactly the same except for their different flavors or different packaging deemed as different stock-keeping units

"sq.m."	square meters
"Stock Borrowing Agreement"	the stock borrowing agreement to be entered into on or about September 19, 2014 between the Stabilization Manager and Kaiyuan
"Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Substantial Shareholder"	has the meaning ascribed to it under the Listing Rules
"Superstores"	large global and local hypermarkets, supermarkets, and chain stores with multiple retail points in the PRC
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the three financial years ended December 31, 2013 and the three months ended March 31, 2014
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. persons"	U.S. persons as defined in Regulation S
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"Xingtai Jiashili"	Xingtai Jiashili Food Company Limited (邢台嘉士利食品有限公司), a limited liability company established in the PRC on August 19, 2008 and an indirect wholly-owned subsidiary of our Company
"Zhongchen"	Guangdong Zhongchen Industrial Group Company Limited (廣東中晨實業集團有限公司), a limited liability company established in the PRC on August 2, 2004. As of the Latest Practicable Date, it was owned as to 80% by Mr. Huang, our Controlling Shareholder and an executive Director, and 5% by Ms. Huang Cuihong, 5% by Ms. Huang Xianxian, 5% by Ms. Huang Rujiao and 5% by Ms. Huang Rujun respectively
"%"	per cent.

All dates and times refer to Hong Kong dates and time.

Unless otherwise specified, amounts denominated in HK$ and US$ have been translated, for the purpose of illustration only, into RMB, and vice versa, in this prospectus at the rates of RMB1 to HK$1.256 and US$1 to RMB6.1707, respectively, which were the PBOC rates prevailing on September 5, 2014, the business day immediately before the Latest Practicable Date. No representation is made that any amounts in RMB, HK$ or US$ can be or could have been at the relevant date converted at the above rates or any other rates or at all.

In this prospectus, statements of or references to our intentions or that of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

This prospectus contains forward-looking statements that state our intentions, beliefs, expectations or predictions for the future that are, by their nature, subject to significant known or unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our operations and business prospects;
- future developments, trends and conditions in the industry in which we operate;
- our strategies, plans, objectives and goals;
- the regulatory environment and industry outlook in general for the industries discussed herein;
- general political, economic, legal and social conditions in the markets in which we operate;
- our dividend policy;
- our future capital needs and capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital markets developments;
- the competitive markets for our products and the actions and developments of our competitors;
- volumes, operations, margins, overall market trends, risk management and exchange rates;
- exchange rate fluctuations and developing legal system, in each case pertaining to the PRC and the industries and markets in which we operate;
- financial condition and performance;
- regulations and restrictions;
- macroeconomic measures taken by the PRC government to manage economic growth;
- other statements in this prospectus that are not historical fact; and
- other factors beyond our control.

FORWARD-LOOKING STATEMENTS

The words “aim”, “anticipate”, “believe”, “could”, “predict”, “potential”, “continue”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “will”, “would”, “should” and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward-looking statements are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks, uncertainties and assumptions that could cause actual results to differ materially from those suggested by the forward-looking statements. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove to be incorrect, our results of operations and financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. These forward-looking statements should be considered in light of various important factors, including those set out in the section headed “Risk factors” in this prospectus. Moreover, the inclusion of forward looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realized. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. Our Directors confirm that these forward-looking statements are made after due and careful consideration and on bases and assumptions that are fair and reasonable. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

The Global Offering and the investment in our Shares involves certain risks. You should carefully consider all of the information in this prospectus, including, but not limited to, the risks and uncertainties described in the following risk factors when considering making an investment in our Shares being offered in the Global Offering. Our operations involve certain risks, many of which are beyond our control. You should pay particular attention to the fact that we are a company incorporated in the Cayman Islands, our business is mainly located in the PRC and we are governed by a legal and regulatory environment that may differ from that which prevails in other countries and jurisdictions. Our business, financial condition and results of operation could be adversely affected by any of the risks and uncertainties described below. The trading price of our Shares may decline due to any of the risks and uncertainties and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Sale of our products are subject to changes in consumer tastes, preferences and perceptions

Food manufacturing industry is subject to changes in consumer tastes, preferences and perceptions. Our business and financial performance depends on factors which may affect the level and pattern of consumer spending in the PRC. These factors include consumer preference and tastes, consumer confidence, consumer income and consumer perceptions of the safety and quality of our products. Any changes in consumer preferences and tastes, or a decline in consumer confidence or consumer income could result in lower sales of our products, put pressure on pricing or lead to increased levels of selling and promotional expenses, which could have an adverse effect on our sales and profits.

Our future success will depend in part on our ability to anticipate or adopt to changes in consumer tastes, preferences, perceptions and spending habits at any time and to offer, on a timely basis, new products that meet consumer tastes, preferences and perceptions. In addition, consumers in the PRC are increasingly becoming conscious of food safety and quality and impact on health. If we are unable to anticipate and respond in a timely manner or we are unable to successfully develop new products according to changes in consumer trends, or if consumers lose confidence in the safety and quality of our products, the demand for our products may decrease, and our business, results of operations and financial condition may be adversely affected.

We rely on third-party distributors to sell our products

We rely on third-party distributors to sell our products. Their purchases accounted for a substantial amount of our sales. For the three years ended December 31, 2011, 2012 and 2013 and March 31, 2014, sales to our distributors accounted for 98.8%, 98.5%, 98.2% and 97.5%, respectively, of our total sales. As we mainly sell and distribute our products through distributors, any one of the following events could cause fluctuations or declines in our revenue and could have an adverse effect on our financial condition and results of operations:

- reduction, delay or cancellation of orders from one or more of our distributors;
- selection or increased sales by our distributors of our competitors' products;
- our failure to renew distribution agreements and maintain relationships with our existing distributors; and
- inability to timely identify and appoint additional or replacement distributors upon the loss of one or more of our distributors.

We may not be able to compete successfully against the larger and better-funded sales and marketing campaigns of some of our current or future competitors, especially if these competitors provide more favorable arrangements with their distributors. We cannot assure you that we will not lose any of our distributors to our competitors in the future, which may cause us to lose some or all of our favorable arrangements with such distributors and may even result in the termination of our relationships with other distributors. In addition, we may not be able to successfully manage our distributors and the cost of any consolidation or further expansion of our distribution and sales network may exceed the revenue generated from these efforts. Furthermore, if the sales volumes of our products to our consumers are not maintained at a satisfactory level, our distributors may not place orders for new products from us, may decrease the quantity of their usual orders or may ask for discount on the purchase price. The occurrence of any of these factors could result in a significant decrease in the sales volume of our products and therefore adversely affect our financial condition and results of operations.

We have limited control over the practice and manner of the sales by our distributors, and the sub-distributors and retailers of our distributors

We mainly sell our products through our distributors. Despite having in place our monitoring system, due to the large number of our distributors and the size of the market, it is difficult to monitor all aspects of our distributors' practices extensively and substantively. Even though we have direct contractual relationships with our distributors, we cannot assure you that our distributors will at all times strictly adhere to the terms and conditions under the respective distribution agreements or that they will not compete with each other for market share in respect of our products.

As we do not have any contractual relationship with sub-distributors nor those ultimate retailers who contract with and operate under our distributors, we rely on our sales representatives to monitor their sales practices. As a result, our control over the ultimate retail sales of our products is limited. In particular, we contractually require our distributors to procure their customers (which include sub-distributors and retailers) to sell our products to consumers at a price within the recommended price ranges or at our recommended nationwide uniform retail price. We also require our distributors to sell our products within a geographical region designated by us. However, we cannot give assurance that our pricing requirements and our geographical restriction will be followed by the customers of our distributors, or that we will be able to identify and correct all cases of non-compliance by our distributors, sub-distributors and retailers of our distributors in a timely manner, if at all, which may subsequently induce artificial price fluctuation and/or adversely affect the sales of our products. If any of our distributors fails to distribute our products in a timely manner or in accordance with the terms of our distribution agreements, or at all, our brand and reputation and consumers' perception of our products could also be tarnished and our business, financial condition and results of operations may be adversely affected.

In addition, there may be instances when the customers of our distributors carry out actions which are inconsistent with our business strategy, such as failure to carry out promotional activities as agreed with us. These factors may hamper our sales, which may in turn adversely affect our business, financial condition and results of operations.

Any food safety problems relating to our raw materials could adversely affect our reputation, our ability to sell our products and our financial performance

The quality of our products could be adversely affected if our raw materials are spoiled, contaminated or tampered with. Contamination of our raw materials may occur during their production, transportation or distribution due to reasons unknown to us or out of our control. Some of our raw materials may also contain harmful chemicals or substances of which we are not aware due to adulteration by our suppliers. Such raw materials may not be suitable for human consumption and may cause undesirable side effects to our consumers. We cannot assure you that our suppliers will not intentionally or inadvertently contaminate our raw materials or provide us with substandard raw materials.

We have measures in place to control the quality of our raw materials, however, we cannot assure you that we will be able to detect defective raw materials in every circumstance. For further details of our quality control measures on our raw materials, please refer to the section headed “Business — Quality control — Raw materials quality control” in this prospectus. Any failure to detect defective raw materials could adversely affect the quality of our products. We could be required to recall certain of our products and subject to product liability claims, adverse publicity, and investigation and imposition against us of penalties by relevant authorities, resulting in increased costs and any of these events could have a material and adverse impact on our reputation, business, financial condition, results of operations and prospects. Further, food safety scandals occurred in the PRC in recent years may negatively influence consumer perception and demand for our products, which could in turn adversely affect our results of operations.

Any safety problems in relation to our packaging materials could adversely affect our reputation, our ability to sell our products and our financial performance

Our business requires certain packaging materials such as tapes, labels, paper cards, transparent films, packets, cartons and polyester bags. Some of the packaging materials we use in our production may contain harmful chemicals or substances of which we are not aware and may cause undesirable side effects or injuries to our consumers. We have a quality control system for the procurement of our packaging materials, however, we cannot assure you that our suppliers will not intentionally or inadvertently contaminate our packaging materials or provide us with substandard packaging materials or packaging materials that adversely impact the quality of our products. If we experience any quality or safety problems in relation to our packaging materials, our reputation, our ability to sell our products and our financial performance could suffer.

We had net current liabilities as of December 31, 2011, 2012 and 2013 and July 31, 2014, respectively and net operating cash outflow for the three months ended March 31, 2014

We had net current liabilities of approximately RMB11.7 million, RMB65.1 million and RMB78.9 million, as of December 31, 2011, 2012 and 2013, respectively. Based on our unaudited management accounts, as of July 31, 2014, we had net current liabilities of approximately RMB66.2 million. We may have net current liabilities in the future. Please see more information regarding our current assets and liabilities in the section headed “Financial information — Liquidity and capital resources — current assets and liabilities” in this prospectus. Our net current liabilities expose us to certain liquidity risks and could constrain our operational flexibility as well as adversely affect our ability to expand our business. Our future liquidity, the payment of trade and bills payables, the payment of other payables and accruals, and the repayment of outstanding debt obligations as and when they become due will primarily depend on our ability to maintain adequate cash inflows from operating activities and adequate external financing, which will be affected by our future operating performance, prevailing economic conditions, and financial, business and other factors, many of which are beyond our control. If adequate funds are not available, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, financial condition and results of operations may be adversely affected.

Besides, we had net cash outflow from our operating activities of approximately RMB29.3 million for the three months ended March 31, 2014. We had net cash outflow from our investing activities of approximately RMB69.5 million, RMB21.5 million, RMB49.6 million and RMB26.5 million for the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, respectively. We also had net cash outflow from our financing activities of approximately RMB33.3 million, RMB11.3 million and RMB24.2 million for the three years ended December 31, 2011, 2012 and 2013. We had cash inflow from financing activities of approximately RMB52.2 million for the three months ended March 31, 2014. Our cash outflow from operating activities were primarily the result of a decrease in advances from customers due to (i) the delivery in the first quarter of 2014 of our products ordered by our customers at the annual ordering conference we hosted in the fourth quarter in 2013, which we did not have in the fourth quarter of previous years as the 2013 conference was held after the expansion of our production facilities in Jiangsu and Guangdong provinces and for promotion of our fruit jam sandwich biscuits; and (ii) the lower sales level for the three months ended March 31, 2014 when compared to the fourth quarter of the year, an increase in trade, bills and other receivables and a decrease in trade, bills and other payables. Our cash outflow for investing activities primarily consisted of payment of purchase of property, plant and equipment, increase in pledged bank deposit and advance to Zhongchen, our former immediate holding company. Our cash outflow for financing activities primarily consisted of dividend payment and repayment of bank borrowings. Please refer to the section headed "Financial information — Liquidity and capital resources — Cash flow" in this prospectus. There is no assurance that we will not continue to experience periods of net cash outflows in the future. If we are unable to finance our operations continuously from our business activities, our operations and financial position could be adversely affected.

Delays in delivery or poor handling by third party logistics providers may affect our sales and our reputation

We rely on third party logistics providers to provide transportation services for the distribution of our products to our customers. Delivery disruptions by our logistics providers may occur for various reasons beyond our control, including transportation bottlenecks, earthquakes and other natural disasters, labor strikes and political events and could lead to delayed or lost deliveries. In addition, poor handling by the logistics providers could also cause damage to our products. If our products are not delivered to our customers on time, or are delivered damaged, we may have to pay compensation and could lose business as well as suffer harm to our reputation. Furthermore, our products have limited shelf life ranging from two to 12 months. As a result, delays in getting a product to market for any reason, including transportation disruptions or bad weather, may result in reduced sales and adversely affect our results of operations.

We are required to adhere to national health and safety standards, and in the event that we are unsuccessful at meeting these standards, our business, results of operation and brand image would be negatively affected

We cannot guarantee that our procedures, safeguards and training will be completely effective in meeting all relevant health and safety requirements and preventing all contaminations. A failure to meet relevant government requirements or any instance of contamination could occur in our operations or those of our distributors or suppliers. This could result in fines, suspension of operations, loss of production permits, and in more extreme cases, criminal proceedings against the company and its management. Moreover, negative publicity could be generated from false, unfounded or nominal liability claims or limited recalls. Any of these failures or occurrences could negatively affect our business and financial performance.

We are subject to the food safety laws and regulations of the PRC. Please refer to the section headed "The laws and regulations relating to the industry" in this prospectus for more information concerning the relevant food safety laws and regulations. In light of recent food safety concerns in China, there may be stringent enforcement of food safety rules and regulations and implementation of new food safety rules and regulations. In the event that the government increases the stringency of such laws, our production and distribution costs may increase, and we may be unable to pass these additional costs on to our distributors and retailers.

We may fail to continuously develop new products or our new products may not be successful

The biscuit industry in the PRC are highly competitive, from both domestic and foreign companies, and consumers are tempted to shift their choices and preference wherever there are new products launched or introduced by various marketing and pricing campaigns of different brands. In light of the highly competitive and volatile environment, we will need to continuously develop and launch new products in order to respond to consumers' demand and maintain our competitiveness and market share. Whilst we have in the past successfully developed, promoted and achieved market acceptance for our new products, we cannot assure you that we will be able to continuously develop new products or our new products in the future will attract sufficient consumer demand or gain sufficient market share to be profitable. In addition, whilst we have adopted and will continue to adopt strict quality control procedures, we cannot assure you that our products in the future will continue to be of high quality. Failure to recover development, production and marketing costs of unsuccessful new products or maintain the high quality of our products in the future could adversely affect our market share, overall profitability and financial performance.

Our distributors' and retailers' aggressive marketing of competitors' products may affect our results of operations and financial condition

We generally enter into distribution agreements with our distributors under which our distributors are prohibited to distribute and sell our competitors' products as we may determine. At times, we allow our distributors and our retailers to sell products of our competitors such as other overseas or international brands of biscuit products, due to practicality reasons. As such, any aggressive marketing of our competitors' products by our distributors or retailers may affect the sales performance of our products and as a result, our business, results of operations and financial condition may be adversely affected.

Sales of some of our products are subject to seasonality

Sales of some of our products are subject to seasonality. For example, we normally experience higher sales of our biscuit gift packs in advance of traditional Chinese festival and holiday seasons, including the Chinese New Year and Mid-Autumn Festival seasons. Our moon cakes are also subject to seasonality as they are sold only in advance of and during the traditional Mid-Autumn Festival season each year. We normally experience lower sales of our products in the first quarter of the year during and after the Chinese New Year. Sales of our products also fluctuate due to other reasons. For example, we generally experience higher sales during and after our advertising and promotional campaigns or the period of new product launches. As a result, we may not be able to utilize all our production capacity during non-peak periods, or we may not have sufficient production capacity to meet demand during certain peak seasons. Our sales and operating results for any particular period will not necessarily be indicative of our results for the full year or future periods, and our interim results may not proportionally reflect our annual results.

We may encounter difficulties in expanding our distribution and sales network

As part of our business strategy, we plan to expand our distribution and sales network to grow our business. However, the success of our expansion plan is subject to, among other things, the following factors:

- the existence and availability of suitable regions and locations for expansion of our distribution and sales network;

- our ability to negotiate favorable cooperation terms with our distributors;
- the availability of adequate management and financial resources;
- the availability of suitable distributors;
- competition from local competitors;
- our ability to hire, train and retain skilled personnel; and
- the adaptation of our logistics and other operational and management systems to an expanded distribution and sales network.

Accordingly, we cannot give assurance that we will be able to achieve our expansion goals or effectively integrate any new distributors into our existing network. If we encounter difficulties in expanding our distribution and sales network, our growth prospects may be limited, which could in turn have an adverse effect on our business, financial condition and results of operations.

Our customers may not pay us for their purchases in a timely manner or at all

We generally require our distributors to make payment to us before our products are delivered to them. We may grant a credit period of up to 60 days and a credit amount of up to an aggregate of RMB2.0 million for a year to a few distributors on a case-by-case basis depending on their credit history, historical sales performance, estimated future purchases, relationship history with us, business scale, whether they are able to provide security and whether they are able to provide a guarantee pursuant to which payment of the credit amount and the corresponding interests payable by the distributor are guaranteed by a guarantor. For retailers, we generally grant a credit period of up to 60 days.

In the event that any material portion of such trade receivables becomes bad debt and cannot be collected by us, our operations and financial condition may be adversely affected. In addition, in the event that our trade receivables could not be collected timely, we may need to finance our working capital requirement by internal resources or borrowings, and any increase in interest rate may adversely affect our financial position due to increase in finance costs.

We may encounter difficulties in expanding our marketing efforts

In order to maintain our existing market share and to increase our market share, we intend to continue to improve our brand recognition and product value proposition, by investing in marketing and advertising initiatives and through product innovation. The success of our marketing, advertising and product innovation is subject to risks, including uncertainties about trade and consumer acceptance. Competition and consumer pressures may restrict our ability to increase prices. As a result, our business will suffer if profit margins decrease, either as a result of a reduction in prices or an increase in costs which we are unable to mitigate by increasing our prices proportionally. Our business, results of operations and financial condition could be adversely affected.

Our business depends on a stable and adequate supply of raw materials, which are subject to price volatility and other risks

Our production volume and production costs are dependent on our ability to source at acceptable prices and maintain a stable and sufficient supply of raw materials, including flour, palm oil and sugar. We procure our raw materials in domestic markets, with a majority of them located in the Guangdong province. If we are unable to obtain raw materials in the quantities and of a quality that we require, our volume or quality of production and revenue may be adversely affected.

If our suppliers are affected by natural disasters, adverse weather conditions, infectious diseases, pest infestations, disruptions in transportation infrastructure or other inclement factors, the supply of raw materials from these areas may be adversely affected, and we may not be able to locate alternative supplies of raw materials in sufficient quantities, of suitable quality or at an acceptable price, which may consequently have an adverse effect on our business, results of operations and financial condition.

Raw material costs (including packaging materials) represent 84.6%, 81.7%, 79.6% and 78.4% of our total cost of sales for each of the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, respectively. Raw materials we use in our production are subject to price volatility caused by external conditions, such as market supply and demand, climate, commodity price fluctuations and changes in governmental policies. In particular, the average purchase price of flour has generally increased in recent years while the average purchase prices of palm oil and sugar have decreased, following the market price trend. Unexpected price changes to our raw materials may result in an increase in production and packaging costs, and if we are unable to manage these costs or to increase the prices of our products to offset these increased costs, our profitability could decrease.

Our business, reputation and brand may be affected by product liability claims, consumer complaints or adverse publicity in relation to our products

We may be subject to product liability claims if our products are found to be unfit for consumption. Products may be rendered unfit for consumption due to contamination of ingredients, whether intentional or not, delays in delivery, poor handling, packaging rupture, poor condition of storage facilities of suppliers, distributors or retailers, or unauthorized tampering by distributors, retailers or third parties during the transit of products. The occurrence of such problems may result in recalls of our products and significant damage to our brand reputation. We cannot assure you that such incidents will not occur in the future. We may incur legal liabilities and have to compensate consumers for any loss or damage they suffer in respect of valid product liability claims and, in addition, we may also be subject to administrative or other government sanctions or penalties. In addition, adverse publicity from these types of concerns, whether valid or not, may discourage customers from purchasing our products. If customers lose confidence in our brand, we may experience long term declines in our sales, which may have an adverse effect on our business, results of operation and financial condition.

Negative publicity on us arising from the use of shark fins in the production of our products

We use shark fins in the production of some of our moon cake products, sales of which amounted to RMB0.8 million, RMB0.6 million, RMB0.3 million and nil for each of the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, respectively. Given the public concerns over the sustainability and treatment of sharks during the process of shark finning, the use of shark fins in the production of food products may be subject to attention and focus from environmental and non-governmental organizations, which may create a negative impact on the public's perception on us or our products in general. As a result, our business, reputation, financial condition or results of operations may be materially and adversely affected.

Our workers are subject to risks of serious injury caused by the use of production equipment

We use heavy machinery and equipment such as industrial mixing, rolling and compressing machines and cutting equipment, which are potentially dangerous in our operations. Any significant accident caused by the use of such equipment or machinery could interrupt our operations and result in legal and regulatory liabilities. While we provide personal injury insurance for our employees, insurance coverage related to accidents resulting from the proper or improper use of such equipment or tools may be inadequate to offset losses arising from claims related to such accidents.

Our success and normal operations are largely dependent on certain key personnel and our ability to attract and retain talented personnel

The continued successful management of our business is, to a considerable extent, dependent on the continuing services of our senior management team. Our chairman and chief executive officer, Mr. Huang, and our vice chairman, Mr. Tan Chaojun, who have joined our Group since 2007 and 2008 respectively, have over 10 years and 25 years of experience in management position, respectively. Our executive Director, Mr. Chen Minghui, has over six years of relevant product development and marketing experiences in our Group; our another executive Director, Mr. Lu Jianxiong, has four years of relevant operational risk management and production cost management and control experiences in our Group; our director of sales, Mr. Xu Huayu, has 19 years of relevant sales and marketing experiences; our director of production, Mr. Chen Songhuan, has 26 years of relevant production technology and management experiences; and our sourcing director, Mr. Yang Zhiyong, has eight years of procurement management experiences. If one or more of the members of our senior management team are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our financial condition and results of operations may be adversely affected.

Our future success is further dependent upon our ability to attract and retain personnel who have the necessary experience and expertise. If we cannot recruit and retain the employees necessary to maintain our operations, our capabilities may be limited which could reduce our profitability and limit our ability to grow.

We may be subject to additional social insurance and housing provident fund contributions and late payments and fines imposed by relevant governmental authorities

In accordance with applicable PRC laws and regulations, we are obliged to provide our employees in the PRC with the social welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance and medical insurance. We have contributed to the employee social welfare schemes based on the amount of wages approved by the relevant social insurance authorities. Under the applicable PRC laws and regulations, such contribution should instead be calculated based on the actual wages of employees. For the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, the amounts of the difference in social insurance contribution based on the actual wages of employees were approximately RMB2.5 million, RMB2.6 million, RMB3.2 million and RMB1.0 million, respectively.

Further, we did not register with the relevant housing provident fund authority and make housing provident fund contributions for all of our employees during the Track Record Period. Our Group has since December 2013 started making housing provident fund contributions for our employees based on the amount of wages approved by the relevant housing provident fund authorities. Under the applicable PRC laws and regulations such contribution should instead be calculated based on the actual wages of employees. For the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, the amounts of the maximum outstanding housing provident fund contribution, which includes unpaid housing provident fund contribution and/or the difference in housing provident fund contribution based on the actual wages of employees, were approximately RMB1.1 million, RMB1.4 million, RMB1.6 million and RMB0.3 million, respectively.

As advised by our PRC Legal Advisers, in the event that the relevant social insurance and housing provident fund authorities demand our Group to pay the differences in social insurance and housing provident fund contributions, we shall be required to pay such differences and additional late payments (if applicable), and if our Group does not do so within the prescribed time limit, the relevant authorities may impose fines on us. Please refer to the sections headed "Business — Employees — Social welfare schemes" and "Business — Employees — Housing provident fund" in this prospectus for further details.

We may not be able to protect our intellectual property rights successfully

We have developed trademarks, patents, know-how, product formula, processes, technologies and other intellectual property rights that are of significant value to us. There can be no assurance that any of our intellectual properties will not be challenged, misappropriated or circumvented by third parties. In addition, the legal regime governing intellectual properties in the PRC is still evolving and the level of protection of intellectual property rights in the PRC may differ from those in other jurisdictions. Occurrence of counterfeiting or imitation could impact upon our reputation, which may lead to loss of consumer confidence, reduced sales or higher administrative costs in respect of detection and prosecution. Litigations to protect intellectual property rights may also be costly and ineffective. During the Track Record Period, we discovered incidents of possible infringements and made report to relevant PRC government authorities on two of such incidents. Appropriate actions were taken by the relevant PRC government authorities, including the confiscation of counterfeit productions and imposition of fines. In the event that the steps we have taken and the protection provided by law do not adequately safeguard our intellectual property rights, we could suffer losses in profits due to the sales of competing products, which exploit our intellectual property rights.

We may not be able to renew leases for our existing production facilities on favorable terms or at all and we may be subject to unexpected land acquisitions, building closures or demolitions

As of the Latest Practicable Date, we leased one property housing our production facilities in Xingtai, Hebei province. For details of the lease of our production facilities located in Xingtai, Hebei province, please see the section headed "Business — Properties" in this prospectus. When a lease agreement expires, our lessor may opt not to renew the leases or may wish to increase the rent or change other terms and conditions and we will have to negotiate the terms of renewal. We may not be able to renew the relevant lease agreement on terms and conditions which are acceptable to us, or if our lease is not renewed, we may not be able to obtain alternative premises on comparable terms on a timely basis, or at all. In the event that we need to close down our production plant at the end of a lease, our business may be disrupted and we may incur extra costs to relocate, and our business operations and financial condition may be adversely affected. In addition, the PRC government has the statutory power to acquire any real estate property for public interest. In the event of any compulsory acquisition by government of any of the properties in which our production facilities are situated, we will be forced to relocate to other locations, which could adversely affect our business operations.

Breakdowns of our machinery may cause disruptions to our usual business operations

We use machinery in our production process, which may be subject to breakdowns. There is no assurance that we will not require period machinery replacement or that replacements will be readily available. We may also require maintenance services of our machinery from external vendors which may or may not provide timely maintenance services. Under such circumstances, our financial resources will need to be deployed or diverted to the servicing and replacement of machinery, which, in turn, may cause disruption to our usual business operations.

Production facilities might be affected by natural disaster or other events, which may severely disrupt production and businesses

Our production plants are located in Kaiping, Guangdong province, Suqian, Jiangsu province and Xingtai, Hebei province. In the event of a fire or flood or other natural disasters, political instability, localized extended outages of critical utilities or transportation systems, terrorist attacks or other events that limit our ability to operate these facilities, we may need to incur substantial additional expenses to repair or replace the damaged equipment or facilities. The temporary closing down of one production facility may increase the production burden for the other production facilities. Our ability to manufacture and supply products and ability to meet delivery obligations to our customers would be disrupted, and relationships with our customers and suppliers could be damaged, in which case our business, results of operations and financial condition would be adversely impacted.

Our insurance coverage may not completely cover the risks related to our business and operations

Our operations are subject to hazards and risks associated with our manufacturing operations, which may cause significant harm to persons or damage to properties. Our insurance coverage includes social insurance for all of our employees, property insurance, vehicle insurance and group accident insurance. However, there is no assurance that our insurance policies will be adequate to cover all losses incurred. Losses incurred and associated liabilities may have a material adverse effect on our results of operation if such losses or liabilities are not covered by our insurance policies.

RISK RELATING TO OUR INDUSTRY

We are required to maintain various licenses and permits for our business operation, and the failure to renew any of these licenses and permits could adversely affect our business

In accordance with PRC laws and regulations, we are required to obtain and maintain various licenses and permits in order to commence and operate our business at each of our production facilities including, without limitation, the production license for industrial products (全國工業產品生產許可證). We are also required to comply with applicable PRC health and hygiene and production safety standards in relation to our production processes. Our production plants and facilities used are subject to regular inspections by the regulatory authorities for compliance with the relevant laws and regulations in the PRC including Regulations on the Administration of Production Licenses for Industrial Products of PRC (中華人民共和國工業產品生產許可證管理條例), Implementation Measures for the Regulations for the Administration of Production Licenses for Industrial Products of the PRC (中華人民共和國工業產品生產許可證管理條例實施辦法) and Food Safety Law of the PRC (中華人民共和國食品安全法). Failure to pass these inspections, or the loss of or failure to obtain or renew our licenses and permits when expired, could require us to temporarily or permanently suspend some or all of our production activities, which could disrupt our operations and adversely affect our business.

Changes in existing food hygiene laws may affect our business operations

As a manufacturer of products intended for direct human consumption, we are subject to extensive governmental laws and regulations in relation to food hygiene in the PRC and other countries to which we distribute our products. For instance, the PRC food hygiene laws require all enterprises engaged in the production of food products to obtain food production license for each of their production facilities. They also set out hygiene standards with respect to food and food additives, packaging and containers, information to be disclosed on packaging as well as hygiene requirements for food production and sites, facilities and equipment used for the transportation and sale of food.

Failure to comply with food hygiene laws in the PRC or other jurisdictions in which we distribute our products may result in fines, suspension of operations, loss of food production licenses and, in more extreme cases, criminal proceedings against us and our management. Any of these events will have an adverse impact on our production, business, results of operations and financial condition.

There can be no assurance that the PRC government or the governmental authorities of other jurisdictions in which we distribute or sell our products will not impose additional or stricter laws or regulations on food hygiene in the future, providing for stricter and more comprehensive monitoring and regulation of food manufacturers and distributors in areas including, but not limited to, food production and distribution, which may lead to an increase in our costs of complying with such regulations. We may be unable to pass these additional costs on to our customers, which may result in an adverse effect on our results of operations.

Competition from both domestic and foreign companies may adversely affect our market share and profit margins

The biscuit industry in the PRC is hugely competitive, as we face competition from well-established, large foreign companies as well as the emergence of small domestic manufacturers. Some of our competitors, in particular foreign companies, may have established their business longer than us internationally and have also established their business in the PRC for a considerable period of time. They may have substantially greater financial, marketing, operational, research and development resources and other capabilities than we do, allowing them to better react to changes in pricing, marketing and consumer preferences.

We cannot assure you that our current or potential competitors will not provide products comparable or superior to those we provide or adapt more quickly than we do to evolving industry trends or changing market requirements. It is also possible that there will be consolidation in the biscuit industry among our competitors, or alliances may develop among competitors and these alliances may rapidly acquire significant market share, or that some of our competitors may commence production of products similar to those we sell.

Increased competition may encourage the increase of advertising expenditures and spending on promotional activities, engagement in irrational or predatory pricing behavior, or activities designed to undermine our brands and product quality, or even influence customers' confidence in our products. Our customers may be diverted if our current or future competitors offer better-priced or more appealing items. To stay competitive, we may be forced to make price reductions or suffer a loss of market share, either of which would adversely affect our profit margins, business, results of operations, cash flows, financial condition and prospects.

We are subject to environmental regulations and may be exposed to liability and potential costs for environmental compliance

Our operations are subject to national, provincial and local environmental laws, rules and regulations which, among other things, require manufacturers to conduct an environmental impact assessment before engaging in new construction projects, pay fees in connection with activities that discharge waste materials, properly manage and dispose of hazardous substances, and impose fines and other penalties on activities that threaten the environment. Any violation of these regulations may result in fines, criminal sanctions, revocation of operating permits, shutdown of our facilities and obligation to take corrective measures. There is no assurance that we will not incur future obligations or material liabilities relating to environmental laws and regulations.

Further, the government may adopt more stringent environmental regulations and there is no assurance that we will be in full compliance with these regulatory requirements at all times. Due to the possibility of unanticipated regulatory developments, the amount and timing of future environmental expenditures may vary substantially from those currently anticipated. If there is any unanticipated change in environmental regulation, we may be required to incur additional capital expenditures to, among other things, install, replace, upgrade or supplement our equipment relating to pollution control and the use, storage, handling and disposal of hazardous materials and chemicals, or make operational changes to limit any adverse impact or potential adverse impact on the environment in order to comply with new environmental protection laws and regulations. If such costs become prohibitively expensive, we may be forced to modify, curtail or cease certain aspects of our business operations.

RISK RELATING TO CONDUCTING BUSINESS IN THE PRC

Uncertainties with respect to the PRC legal system could have an adverse effect on our business and operations

Our business is conducted, and our operations are located, in the PRC. Our business in the PRC is subject to PRC laws and regulations applicable to foreign investment in the PRC. The PRC legal system is a civil law system based on written statutes. Unlike in the common law system, prior cases have limited precedential value in deciding subsequent cases in the civil law legal system. Additionally, PRC written statutes are often principle oriented and require detailed interpretations by the enforcement bodies for their application and enforcement. When the PRC government started its economic reforms in 1978, it began to build a comprehensive system of laws and regulations to regulate business practices and the overall economic order of the country. The PRC has made significant progress in the promulgation of laws and regulations dealing with business and commercial affairs of various participants of the economy, involving foreign investment, corporate organization and governance, commercial transactions, taxation and trade. However, the promulgation of new laws, changes in existing laws and abrogation of local regulations by national laws may have an adverse effect on our business and operations. Additionally, given the involvement of different enforcement bodies of the relevant rules and regulations and the non-binding nature of prior court decisions and administrative rulings, the interpretation and enforcement of PRC laws and regulations involve significant uncertainties under the current legal environment.

Changes in economic, political, legal and social developments and conditions in the PRC and policies adopted by the PRC government may adversely affect our business results of operation and financial condition

All of our operating assets are located in the PRC and almost all of our sales are derived from our business activities in the PRC. Our business, results of operation and financial condition are subject, to a significant degree, to economic, political, legal and social developments in the PRC. The economy of the PRC differs from the economies of most developed countries in many respects, including the extent of government involvement, the level of development, the growth rate, and government control of foreign exchange. The PRC economy has traditionally been centrally planned. Since 1978, the PRC government has been promoting reforms of its economic and political systems. These reforms have brought about marked economic growth and social progress in the PRC, and the economy of the PRC has shifted gradually from a planned economy towards a market-oriented economy. However, there is no assurance that the PRC government will continue to pursue economic reforms. The PRC government exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policies and providing preferential treatments to particular industries or companies. Also, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. In addition, while the PRC's economy has experienced significant growth in the last three decades, growth has been uneven across both geographic regions and the various sectors of the economy. Our business, results of operation and financial condition may be adversely affected by the PRC government's political, economic and social policies, tax regulations or policies, and regulations affecting the food manufacturing industry.

We may be affected by the changes in or cessation of income tax incentives and financial subsidies

Under the PRC EIT Law, enterprises in the PRC are generally subject to a uniform 25% enterprise income tax rate on their worldwide income. Guangdong Jiashili was subject to 15% enterprise income tax rate during the Track Record Period as a result of its accreditation as a "High and New Technology Enterprise" by the Science and Technology Bureau of Guangdong Province and relevant authorities in the PRC. During the Track Record Period, we were also awarded government grants which relate to tax refund, compensation for promotional expenses and research and development expenses and working capital improvement. There is no assurance that these preferential enterprise income tax rates, tax incentives and financial subsidies will continue to apply to our subsidiaries. These tax incentives and financial subsidies are given at the discretion of the applicable governmental authorities and there is no assurance that any of our subsidiaries will continue to enjoy such tax incentives or financial subsidies in the near future.

Any removal, loss, suspension or reduction of such tax incentives, other tax benefit or relief or financial subsidies may have an adverse effect on our financial condition and results of operation. Furthermore, any future increase in the enterprise income tax rate applicable to our subsidiaries or other adverse tax treatments, such as the discontinuation of preferential tax treatments, may have an adverse effect on our financial condition and results of operation.

Our Company is a holding company and our ability to pay dividends is dependent upon the earnings of, and distributions by, our subsidiaries in the PRC

Our Company is a holding company incorporated under the laws of the Cayman Islands with limited liability. All of our business operations are conducted through our subsidiaries in the PRC. Our Company's ability to pay dividends to our Shareholders is dependent upon the earnings of our subsidiaries in the PRC and their distribution of funds to our Company, primarily in the form of dividends. The ability of the subsidiaries in the PRC to make distributions to our Company depends upon, among other things, their distributable earnings. Under the PRC laws, payment of dividends is only permitted out of accumulated profits according to PRC accounting standards and regulations, and subsidiaries in the PRC are also required to set aside part of their after-tax profits to fund certain reserve funds that are not distributable as cash dividends. Other factors such as cash flow conditions, restrictions on distributions contained in the PRC subsidiaries' articles of association, restrictions contained in any debt instruments, withholding tax and other arrangements will also affect the ability of our subsidiaries in the PRC to make distributions to our Company. These restrictions could reduce the amount of distributions that our Company receives from its subsidiaries in the PRC, which in turn would restrict our ability to pay dividends on our Shares.

We may be deemed as a PRC tax resident under the PRC EIT Law and be subject to the PRC taxation on our worldwide income

Under the PRC EIT Law, enterprises established under the laws of jurisdictions other than the PRC may nevertheless be considered as PRC tax resident enterprises for tax purposes if these enterprises have their "de facto management body" within the PRC. Under the supplementary rules for the PRC EIT Law, the term "de facto management body" is defined as a body which substantially manages, or has control over the business, personnel, finance and assets of an enterprise. Since a majority of the members of our management team continued to be located in the PRC after the effective date of the PRC EIT Law and we expect them to continue to be located in the PRC for the foreseeable future, we may be considered a PRC resident enterprise by the PRC tax authorities and therefore be subject to the PRC enterprise income tax at the rate of 25% on our worldwide income. If we are considered by the PRC tax authorities as a PRC tax resident enterprise under the PRC tax regime, our business, financial condition and results of operations may be adversely affected.

Dividends from our PRC subsidiaries and dividends on our Shares and gains on the sales of our Shares may be subject to PRC withholding taxes

We are a Cayman Islands holding company and all of our income is ultimately derived from dividends that are paid by our subsidiaries in the PRC. Under the PRC EIT Law and its implementation rules, dividends payable to foreign enterprise investors that are non-resident enterprises that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place are subject to a 10% withholding tax since January 1, 2008, which may be reduced if a foreign enterprise investor is eligible for the benefits of a tax treaty with the PRC that provides for a different withholding arrangement. Pursuant to a tax arrangement between the PRC and Hong Kong, companies incorporated in Hong Kong may be subject to withholding taxes at a rate of 5% on dividends they receive from their PRC subsidiaries of which they directly hold at least 25% equity interests. As dividends from our PRC subsidiaries will be paid to us through our Hong Kong subsidiaries that own 100% equity interests in our PRC subsidiaries, those dividends may be subject to a withholding tax at the rate of 5%. However, according to the Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (Trial) (非居民享受稅收協定待遇管理辦法（試行）) ("**Administrative Measures**") which was promulgated on August 24, 2009 and came into force on October 1, 2009, where a non-resident enterprise (as defined under the PRC EIT Law) that receives dividends from a PRC resident enterprise wishes to enjoy the favorable tax benefits under the tax arrangements, it shall submit an application for approval to the competent tax authority. Without being approved, the non-resident enterprise may not enjoy the favorable tax treatments provided in the tax arrangements. Furthermore, on October 27, 2009, the State Administration of Taxation, or the SAT, promulgated the Circular on How to Understand and Recognize the "Beneficial Owner" in Tax Treaties (關於如何理解和認定稅收協定中"受益擁有人"的通知) ("**Circular 601**"). Circular 601 clarifies that a beneficial owner is a person having actual operations and this person could be an individual, a company or any other entity. Circular 601 expressly excludes a "conduit company" that is established for the purposes of tax avoidance and dividend transfers and is not engaged in actual operations such as manufacturing, sales and management, from being a beneficial owner. It is still unclear how Circular 601 is being implemented in practice by the SAT or its local counterparts. If our Hong Kong subsidiaries are not deemed to be beneficial owners of our PRC subsidiaries, those dividends may be subject to withholding tax at the rate of 10%, instead of 5%.

Moreover, under the PRC EIT Law and its implementation rules, as discussed above, we may in the future be treated as a PRC tax resident enterprise by the PRC taxation authorities. In that case, dividends on our Shares and capital gains from sales of our Shares realized by foreign shareholders may be regarded as income from "sources within the PRC" and may be subject to a 10% withholding tax, subject to any reduction by an applicable tax treaty. If foreign shareholders are required to pay PRC withholding tax on dividends on our Shares or capital gains from any sales of our Shares, the value of the investment in our Shares may be materially and adversely affected.

The strengthened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your investment in us

On December 10, 2009, the State Administration of Taxation issued the Notice on Strengthening the Management on Enterprise Income Tax for Non-resident Enterprises Equity Transfer (《關於加強非居民企業股權轉讓企業所得稅管理的通知》) ("Circular 698"). Circular 698 became effective retroactively on January 1, 2008. The State Administration of Taxation also issued rules to provide clarification on this circular. By promulgating and implementing such circular, the PRC tax authorities have strengthened their scrutiny over the direct or indirect transfer of equity interests in a PRC resident enterprise by a non-resident enterprise.

For example, Circular 698 specifies that the PRC State Administration of Taxation is entitled to reclassify the nature of an indirect equity transfer where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by disposition of the equity interests of an overseas holding company, and to disregard the existence of such overseas holding company, if such indirect transfer is deemed as for tax-avoidance purposes and without sound commercial purpose. Although Circular 698 contains an exemption for transfers of publicly traded stock in a PRC resident enterprise, it remains unclear whether we will be deemed a PRC resident enterprise and whether such exemption will be applicable to the transfer of our Shares.

If we are to be regarded as a non-PRC resident enterprise, PRC tax authorities may deem any future transfer of our Shares by our Shareholders that are non-PRC resident enterprises to be subject to these regulations, which may subject such Shareholders to additional reporting obligation or tax burdens. In case of failure to comply with these circulars by these Shareholders, the PRC tax authorities may take certain enforcement actions, including requesting us to provide assistance for their investigation, which may have a negative impact on our business operation. In addition, since we may pursue acquisitions as one of our growth strategies, and may conduct acquisitions involving complex corporate structures, the PRC tax authorities may, at their discretion, adjust the capital gains or request that we submit additional documentation for their review in connection with any potential acquisitions, which may cause us to incur additional acquisition costs or delay our acquisition timetable.

Failure by the Shareholders or beneficial owners who are PRC domestic residents to make any required applications and filings pursuant to regulations relating to offshore investment activities by PRC domestic residents Shareholders may prevent us from distributing profits and could expose us and our PRC Shareholders to liabilities under PRC law

The Circular on Issues concerning the Foreign Exchange Administration for the Offshore Financing and Round-trip Investments by Chinese Domestic Residents through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**Circular No. 37**"), which was promulgated by SAFE and became effective on July 4, 2014, requires a PRC domestic resident to file a "Registration Form of Offshore Investments Contributed by Domestic Individual Residents" and register with the local SAFE branch before he or she contributes assets or equity interests in an offshore special purpose vehicle ("**Offshore SPV**"), that is established or controlled by the PRC domestic resident for the purpose of conducting investment or financing. Following the initial registration, the PRC domestic resident is also required to register with the local SAFE branch for any major change in respect of the Offshore SPV, including any major change of the Offshore SPV's PRC domestic resident shareholder, name of the SPV, term of operation, or any increase or reduction of the SPV's registered capital, share transfer or swap, merger or division, or similar development. Failure to comply with the registration procedures of Circular No. 37 may result in penalties, including the imposition of restrictions on the foreign exchange transactions by the SPV's PRC subsidiary and its ability to distribute dividends to its offshore parent.

As Circular No. 37 was recently promulgated, it remains unclear how this regulation and any future legislation concerning offshore or cross-border transactions will be interpreted, amended and implemented by the relevant PRC government authorities. As of the Latest Practicable Date, to the best knowledge of our Directors, our PRC Shareholders with offshore investments in our Group had registered with SAFE as to their offshore investments in accordance with the previous regulation on this topic, namely the Notice of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Financing and Return Investments Conducted by Domestic Residents via Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), which was effective when they made their investments. Any failure by our PRC Shareholders to register with SAFE or update SAFE's records may result in penalties and the prohibition of distribution or contributions from capital reductions, share transfers or liquidations of our PRC subsidiaries and may affect our ownership structure, acquisition strategy, business operations and ability to make dividend payments to our Shareholders.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using proceeds we receive from the Global Offering to make loans or additional capital contributions to our PRC subsidiaries

On August 29, 2008, SAFE promulgated the Notice on Relevant Business Operations Issues Concerning Improving the Administration of the Payment and Settlement of Foreign Exchange Capital of Foreign-Funded Enterprises 《關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》 ("**Notice 142**") which regulates the conversion by a foreign-funded enterprise of foreign currency into Renminbi by restricting how the converted Renminbi may be used. Notice 142 requires that the Renminbi funds converted from the foreign currency capital of a foreign-funded enterprise may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC unless specifically provided for otherwise. In addition, SAFE strengthened its supervision over the flow and use of the Renminbi funds converted from the foreign currency capital of a foreign-funded enterprise. The use of such Renminbi capital may not be changed without SAFE's approval, and may not, in any case, be used to repay Renminbi loans if such loans have not been used. Violations of Notice 142 will result in severe penalties, such as heavy fines as set out in the relevant foreign exchange control regulations.

As an offshore holding company of our PRC subsidiaries, our Company may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries by utilizing the proceeds we receive from the Global Offering, subject to the foreign investment regulations in the PRC. For example, any of our loans to our PRC subsidiaries cannot exceed the difference between the total investment amount that is approved to make under the relevant PRC laws and regulations, and its registered capital, and must be registered with or approved by the local branches of SAFE as a procedural matter. In addition, our capital contributions to our PRC subsidiaries are subject to the approval and registration of local branches of SAIC and MOFCOM or other relevant local authorities.

We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to our future loans or capital contributions to our PRC subsidiaries or any of their respective subsidiaries. If we fail to receive such registrations or approvals, our ability to use the proceeds received from the Global Offering and to fund our PRC operations may be adversely affected, which may adversely affect our liquidity and ability to expand our business.

We are exposed to foreign exchange rate fluctuations

We conduct all of our operations in the PRC and our functional currency is Renminbi. Our revenues and cost of sales were denominated in Renminbi during the Track Record Period. However, some of our products are exported to overseas and some of our production facilities are imported from countries outside the PRC. Our foreign currency denominated assets and liabilities are expected to increase if we further expand our production facilities and increase our export sales. We are therefore subject to risks associated with foreign exchange rate fluctuations.

Changes in the value of foreign currencies could affect our Renminbi costs and revenues, and the prices of our imported production facilities and the prices of our exported products. Any increased costs or reduced revenues as a result of foreign currency fluctuations could adversely affect our profits and margins. The fluctuation of foreign exchange rates also affects the value of our monetary and other assets and liabilities denominated in foreign currencies. Generally, an appreciation of Renminbi against the U.S. dollar and other relevant foreign currencies could result in a foreign exchange loss for assets denominated in U.S. dollars and other foreign currencies, and a foreign exchange gain for liabilities denominated in U.S. dollars and other foreign currencies. Conversely, a devaluation of Renminbi against the U.S. dollar and other relevant foreign currencies could result in a foreign exchange gain for assets denominated in U.S. dollars and other foreign currencies and a foreign exchange loss for liabilities denominated in U.S. dollars and other foreign currencies.

The value of Renminbi is subject to changes in PRC governmental policies and to international economic and political developments. There can be no assurance that the exchange rate of Renminbi will remain stable against the U.S. dollar or other foreign currencies in the market. While the international reaction of Renminbi revaluation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further, and more significant, appreciation of Renminbi against U.S. dollar or other foreign currencies. Further appreciation of Renminbi against these currencies may lead to a decline in the revenues of our overseas operations. Fluctuations in exchange rates may adversely affect the value, translated into U.S. dollars or Hong Kong dollars, of our net assets, earnings and any declared dividends.

Government control of currency conversion may adversely affect the value of your investments

All of our revenue is denominated in Renminbi, which is also our reporting currency. Renminbi is currently not a freely convertible currency. A portion of our cash may be required to be converted into other currencies in order to meet our foreign currency needs, including cash payments on declared dividends, if any, on our Shares. Under existing foreign exchange regulations of the PRC, following the completion of this Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements.

However, if the PRC government were to impose restrictions on access to foreign currencies for current account transactions at its discretion, we might not be able to pay dividends to the holders of our Shares in foreign currencies. On the other hand, most of the foreign exchange transactions under capital accounts in the PRC continue to be not freely convertible and require the approval of the SAFE. These limitations could affect our ability to obtain foreign currencies through equity financing or to obtain foreign currencies for capital expenditures.

Furthermore, the net proceeds from the Global Offering are expected to be deposited in currencies other than Renminbi until we obtain necessary approvals from relevant PRC regulatory authorities to convert these proceeds into onshore Renminbi. If the net proceeds cannot be converted into onshore Renminbi in a timely manner, our ability to deploy these proceeds efficiently may be affected as we will not be able to invest these proceeds on RMB-denominated assets onshore or deploy them in uses onshore where Renminbi is required, which may adversely affect our business, results of operations and financial condition.

The enforcement of the PRC Labor Contract Law and increases in labor costs in the PRC may adversely affect our business and our profitability

The PRC Labor Contract Law and its implementation rules impose more stringent requirements on employers with regard to entering into written employment contracts, hiring temporary employees and dismissing employees. The PRC Labor Contract Law and its implementation rules also establish requirements relating to, among others, minimum wages, severance payments and non-fixed term employment contracts, time limits for probation periods as well as duration and the number of times that an employee can be placed on fixed term employment contracts. It also provides that social insurance is required to be paid on behalf of the employees and the employees are entitled to unilaterally terminate the labor contracts if this requirement is not satisfied.

In addition, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which also came into effect on January 1, 2008, and its implementation measures, which were promulgated and became effective on September 18, 2008, employees who have served more than one year for an employer are entitled to paid annual leave ranging from five to 15 days, depending on their length of service. Employees who waive such annual leave at the request of employers shall be compensated at a rate of three times of their normal salaries for each waived annual leave day. Such new laws and regulations may increase our labor costs. In addition, certain companies operating in the PRC have experienced labor unrest in 2010 as a result of workers' dissatisfaction with working conditions and remuneration. We cannot assure you that these labor strikes will not affect general labor market conditions or result in changes to labor laws in the PRC, which in turn could adversely affect our business. Any significant increases in our labor costs and future disputes with our employees could nonetheless adversely affect our business, results of operations and financial position.

Our subsidiaries, operations and significant assets are located in the PRC. Shareholders may not be accorded the same rights and protection that would be accorded under the Companies Law

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability and is subject to the Companies Law of the Cayman Islands. Some of our subsidiaries and all of our operations are located in the PRC, and are therefore subject to the relevant laws in the PRC. The Companies Law may provide shareholders with certain rights and protection of which there may be no corresponding or similar provisions under PRC laws. As such, investors in our Shares may or may not be accorded the same level of shareholder rights and protection that would be accorded under the Companies Law.

It may be difficult to effect service of process upon our Directors or executive officers who reside in the PRC or to enforce against them in the PRC any judgments obtained from non-PRC courts

The legal framework to which our Company is subject is materially different from the Companies Ordinance or corporate laws in other jurisdictions with respect to certain areas, including the protection of minority shareholders. In addition, the mechanisms for enforcement of rights under the corporate governance framework to which our Company is subject are also relatively undeveloped and untested. However, according to the PRC Company Law, shareholders may commence a derivative action against the directors, supervisors, officers or any third party on behalf of a company under certain circumstances.

On July 14, 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (the "**Judgments Arrangement**"), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Judgments Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against our assets or Directors in the PRC in order to seek recognition and enforcement of foreign judgments in the PRC.

In addition, on June 18, 1999, the Supreme People's Court of the PRC and the Government of Hong Kong signed the Arrangement Concerning Mutual Enforcement of Arbitral Awards between the Mainland and Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互執行仲裁裁判的安排》) (the "**Arbitration Arrangement**"). This Arbitration Arrangement, made in accordance with the spirit of the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council and became effective on February 1, 2000. Under the Arbitration Arrangement, awards that are made by the PRC arbitral authorities recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong, and awards made by Hong Kong arbitral authorities are also enforceable in the PRC. However, so far as we are aware, there has not been any published report of judicial enforcement in the PRC by a holder of our Shares to enforce an arbitral award made by the PRC arbitral authorities or Hong Kong arbitral authorities, and there are uncertainties as to the outcome of any action brought in the PRC to enforce an arbitral award made in favor of a holder of Shares. Accordingly, we are unable to predict the outcome of any such action.

Substantially all of our Directors and executive officers reside within the PRC. Substantially all of our assets and substantially all of the assets of our Directors and executive officers are located within the PRC.

Furthermore, the PRC does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the United States, the United Kingdom, or most other western countries or Japan. Hence, the recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases in the PRC may have an adverse effect on our business operations, results of operations and financial condition

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics, including but not limited to those caused by avian influenza or swine influenza, may restrict business activities in the areas affected and adversely affect our business and results of operations. For example, in 2009 and 2013, there were reports of the occurrence of two types of avian influenza in certain regions of the worlds, including the PRC, where we operate our business. Moreover, the PRC has experienced natural disasters like earthquakes, flood and droughts in the past few years. Any future occurrence of severe natural disasters in the PRC may adversely affect its economy and therefore our business. We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics, or the measures taken by the PRC government or other countries in response to such disasters and epidemics, will not seriously disrupt our operations or those of our distributors, which may have an adverse effect on our business and results of operations.

RISK RELATING TO THE GLOBAL OFFERING

There has been no prior public market in Hong Kong for our Shares and their liquidity and market price may be volatile

Prior to the Global Offering, no public market existed for our Shares. The initial Offer Price to the public for our Shares is the result of negotiations between us and the Sole Bookrunner on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. There is no assurance that an active trading market for our Shares will develop following the Global Offering or, if it does develop, that it will be sustained or that the market price for our Shares will not decline below the initial Offer Price.

The price and trading volume of our Shares may be volatile, which could result in substantial losses for investors purchasing our Shares in the Global Offering

Factors such as fluctuations in our sales, earnings, cash flows, new investments, acquisitions or alliances, regulatory developments, additions or departures of key personnel, or actions taken by competitors could cause the market price of our Shares or trading volume of our Shares to change substantially and/or unexpectedly. In addition, stock prices have been subject to significant volatility in recent years. Such volatility has not always been directly related to the performance or condition of the specific companies whose shares are traded. Such volatility, as well as general economic conditions, may adversely affect the prices of our Shares, and as a result investors in our Shares may incur substantial losses.

Control by our Controlling Shareholders of a substantial percentage of our Company's share capital after the completion of the Global Offering may limit your ability to influence the outcome of decisions requiring the approval of Shareholders

Upon completion of the Global Offering on the assumption that the Over-allotment Option and any option which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme are not exercised, approximately 54.04% of our issued Shares will be held by our Controlling Shareholders. The interests of our Controlling Shareholders may conflict with the interests of our other Shareholders. Following the completion of the Global Offering, our Controlling Shareholders will continue to have significant influence over us, including on matters relating to potential mergers, consolidations, the sale of all or substantially all of our assets, the election of Directors, and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of us, which could deprive our Shareholders of the opportunity to receive a premium for their Shares as part of a sale of us or our assets, and might reduce the trading price of our Shares. Due to our Controlling Shareholders' position, these actions may be taken even if they are opposed by our other Shareholders, including those who subscribe for our Shares in the Global Offering. For more information regarding the share ownership of, and our relationship with, our Controlling Shareholders, please refer to the section headed "Relationship with our Controlling Shareholders" in this prospectus.

Future sale or major divestment of shares by any of our Controlling Shareholders could adversely affect the prevailing market price of our Shares

Our Shares held by certain Controlling Shareholders are subject to certain lock-up periods, the details of which are set out in the section headed "Underwriting" in this prospectus. However, there is no assurance that after the restrictions of the lock-up periods expire, these Shareholders will not dispose of any Shares. Sale of substantial amounts of our Shares in the public market, or the perception that these sales may occur, may adversely affect the prevailing market price of our Shares.

New investors will incur immediate dilution and may experience further dilution

The Offer Price is substantially higher than our audited net asset value per Share based on our issued share capital after the completion of the Global Offering. If we were liquidated for net asset value immediately following the Global Offering, each Shareholder subscribing to the Global Offering would receive less than the price they paid for their Shares. If the Sole Global Coordinator (on behalf of the International Underwriters) exercises the Over-Allotment Option, holders of our Shares may experience a further dilution of their interest. In addition, in order to expand our business, we may consider offering and issuing additional Shares in the future. Investors of our Shares may experience dilution in the net asset value per Share of their Shares if we issue additional Shares in the future.

Certain facts and statistics derived from government sources contained in this prospectus may not be reliable

We have derived certain facts and other statistics in this prospectus, particularly those relating to the PRC, the PRC economy and the biscuit industry in which we operate, from information provided by PRC government agencies, industry associations, independent research institutes or other third-party sources that we believe to be reliable. While our Directors have taken reasonable care in the reproduction of the information, they have not been prepared or independently verified by us, the Underwriters or any of our or their respective affiliates or advisers and, therefore, we cannot assure you as to the accuracy and reliability of such facts and statistics, which may not be consistent with other information compiled in or outside the PRC. The facts forecasts and other statistics include the facts forecasts and statistics included in the sections headed "Risk factors", "Industry overview" and "Business". Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to, or place on, such facts or statistics.

Investors should read the entire prospectus carefully and we strongly caution the investors not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering, including, in particular, any projections, valuations or other forward-looking information

Prior or subsequent to the publication of this prospectus, there has been or may be press and media coverage regarding us and the Global Offering. We have not authorized the disclosure of any such information in the press or media, the financial information, financial projections, valuations and other information about us contained in such unauthorized press and media coverage may not truly reflect what is disclosed in this prospectus or the actual circumstances, and we do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us or the Global Offering, or of any assumptions underlying such projections, valuations or other forward-looking information included in or referred to by the press articles or other media. To the extent that any such information appearing in the press or media is inconsistent or conflicts with the information contained in this prospectus or the actual circumstances, we shall not be liable on the same. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and not to rely on any other information.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus contains particulars given in compliance with the Companies (Winding up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules, Chapter 571V of the Laws of Hong Kong and the Listing Rules for the purpose of giving information to the public with regard to our Company. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus. Having made all reasonable enquiries, our Directors confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive in any material respect, and there are no other matters the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Hong Kong Public Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by us, the Sole Global Coordinator, the Sole Sponsor, any of the Underwriters, any of their respective Directors, officers, agents, employees or advisers or any other party involved in the Global Offering.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering. Details of the terms of the Global Offering are described in the section headed "Structure and conditions of the Global Offering" in this prospectus.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement. The International Underwriting Agreement is expected to be entered into on or about September 19, 2014. For details of the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

Each person acquiring the Hong Kong Offer Shares will be required to, or be deemed by his/her acquisition of Hong Kong Offer Shares to, confirm that he/she is aware of the restrictions on offers of the Hong Kong Offer Shares described in this prospectus and that he/she is not acquiring, and has not been offered, any Hong Kong Offer Shares in circumstances that contravene any such restrictions.

No action has been taken in any jurisdiction other than Hong Kong to permit an offering of the Hong Kong Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, our Shares in issue, the Offer Shares (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), Shares to be issued pursuant to the Capitalization Issue and any Shares which may be issued upon the exercise of any options to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme. Dealings in our Shares on the Stock Exchange are expected to commence on or around September 25, 2014.

None of our Shares or loan capital are listed on or dealt in on any other exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, our Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

SHARES WILL BE ELIGIBLE FOR CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for our Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice of your stockbrokers or other professional advisers.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of us, the Sole Global Coordinator, the Sole Sponsor, any of the Underwriters, any of their respective Directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

REGISTER OF MEMBERS AND STAMP DUTY

All the Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the register of members of our Company maintained in Hong Kong at Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. We will maintain the Company's principal register of members in the Cayman Islands at Codan Trust Company (Cayman) Limited, Cricket Square, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

Dealings in our Shares registered on the register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

CURRENCY TRANSLATIONS

Unless otherwise specified, amounts denominated in HK$ and US$ have been translated, for the purpose of illustration only, into RMB, and vice versa, in this prospectus at the rates of RMB1 to HK$1.256 and US$1 to RMB6.1707, respectively, which were the PBOC rates prevailing on September 5, 2014, the business day immediately before the Latest Practicable Date. No representation is made that any amounts in RMB, HK$ or US$ can be or could have been at the relevant date converted at the above rates or any other rates or at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, institutions, natural persons, companies, other entities or product names included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares are set out in the section headed "How to apply for Hong Kong Offer Shares" in this prospectus and in the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure and conditions of the Global Offering" in this prospectus.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

In preparation for the Listing, we have sought the following waiver from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE

According to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong and at least two of the issuer's executive directors must be ordinarily resident in Hong Kong. Since we have our headquarters and principal operations in the PRC, we do not, and in the foreseeable future will not, have sufficient management presence in Hong Kong in strict compliance with the normal requirements under Rule 8.12 of the Listing Rules. Currently, none of the executive Directors is a Hong Kong resident. Mr. Huang, Mr. Tan Chaojun, Mr. Chen Minghui and Mr. Lu Jianxiong are all PRC residents and have to spend most of their time looking after the principal businesses and operations of our Group in the PRC. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with Rule 8.12 of the Listing Rules.

Our Company has made arrangements to maintain regular and effective communication between the Stock Exchange and us as follows:

- Our Company has appointed Mr. Huang, chairman of the Board, and Mr. Yau Chung Hang, the company secretary, as the authorized representatives in compliance with Rule 3.05 of the Listing Rules. Mr. Huang and Mr. Yau Chung Hang will serve as the principal channel of communication with the Stock Exchange on behalf of our Company and will be readily contactable by telephone, fax and email and if required, will be able to meet with the Stock Exchange to discuss any matter in relation to our Company.

- Mr. Huang and Mr. Yau Chung Hang or their alternates to be appointed under Rule 3.06(2) of the Listing Rules have provided or will provide to the Stock Exchange their home and office telephone numbers and fax numbers.

- Both Mr. Huang and Mr. Yau Chung Hang have means of contacting all other Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact any Director on any matter.

- Each of the Directors and the company secretary has provided to the Stock Exchange his office phone number, mobile phone number, fax number and email address.

- Each of our Directors who is not ordinarily resident in Hong Kong possesses or will be able to apply for valid travel documents to visit Hong Kong and should be able to meet with the Stock Exchange within a reasonable period of time.

- In accordance with Rules 3A.19 of the Listing Rules, our Company has agreed to appoint Optima Capital Limited as our Company's compliance adviser which will serve as a further channel of communication with the Stock Exchange for the period from the Listing Date to the date on which our Company has sent the annual report to the Shareholders in respect of the first full financial year commencing immediately after the Listing.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Huang Xianming (黃銑銘)	No.28, Yinzonglv Road Ziyun Villas Xintang, Zengcheng Guangdong PRC	Chinese
Mr. Tan Chaojun (譚朝均)	Flat 12C, 8 Baoyuan Zhong Road Changsha Street Office Changsha, Kaiping Guangdong PRC	Chinese
Mr. Chen Minghui (陳明輝)	Flat 1601, Block 16, Haiyi Yuan, 23 Muqiao Road East Changsha, Kaiping Guangdong PRC	Chinese
Mr. Lu Jianxiong (盧健雄)	Flat 206, Block 1, 109 Guangming Road Sanbu Street Office, Changsha, Kaiping Guangdong PRC	Chinese
Non-executive Directors		
Mr. Lee Ping Nam (李炳南)	Flat 3108, 31/F Yuet Wing House Tin Yuet Estate Tin Shui Wai New Territories Hong Kong	Chinese (Hong Kong)
Mr. Lin Xiao (林曉)	Apartment 101, Building 1 625 Tai Xing Road Shanghai PRC	Chinese (Hong Kong)

Name	Residential Address	Nationality
Independent non-executive Directors		
Mr. Wu I-ting (吳一挺)	1 of 12/F, 179 Chang Rong Road Section 1 Neighbourhood No 18 Quannan Lane Eastern District Tainan City Taiwan	Taiwanese
Mr. Kam Robert (甘廷仲) (alias 甘定滔)	1 Wambool Street Turramurra Sydney NSW 2074 Australia	Australian
Ms. Ho Man Kay (何文琪)	15/F, Block A Tower 3, Garden Terrace 8A Old Peak Road Mid-Levels, Hong Kong	Chinese (Hong Kong)

Please refer to the section headed "Directors and senior management" in this prospectus for further information on our Directors.

PARTIES INVOLVED

Sole Global Coordinator, Sole Sponsor and Sole Bookrunner	China Merchants Securities (HK) Co., Limited 48th Floor, One Exchange Square 8 Connaught Place Central Hong Kong
Joint Lead Managers	China Merchants Securities (HK) Co., Limited 48th Floor, One Exchange Square 8 Connaught Place Central Hong Kong
	First Shanghai Securities Limited 19/F, Wing On House 71 Des Voeux Road Central Hong Kong
	Guotai Junan Securities (Hong Kong) Limited 27/F, Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong

	Industrial Securities (Hong Kong) Capital Limited Unit 3201 32/F Infinitus Plaza 199 Des Voeux Road Central Hong Kong
Legal advisers to our Company	*As to Hong Kong law:* Stevenson, Wong & Co. 4/F, 5/F and 1602, Central Tower 28 Queen's Road Central Hong Kong
	As to PRC law: Jingtian & Gongcheng 34th Floor, Tower 3, China Central Place 77 Jianguo Road Chaoyang District Beijing 100025 PRC
	As to Cayman Islands law: Conyers Dill & Pearman (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Legal advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law:* Eversheds 21st Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
	As to PRC law: Jia Yuan Law Offices Suite 2511, Landmark 4028 Jintian Road, Futian District Shenzhen 518035 PRC
Auditors and reporting accountants	Deloitte Touche Tohmatsu *Certified Public Accountants* 35th Floor, One Pacific Place 88 Queensway Hong Kong

Property valuer	Savills Valuation and Professional Services Limited 23rd Floor, Two Exchange Square Central Hong Kong
Asset valuer	Asset Appraisal Limited Room 901, 9/F On Hong Commercial Building 145 Hennessy Road Wanchai Hong Kong
Compliance adviser	Optima Capital Limited Suite 1501, 15th Floor Jardine House 1 Connaught Place Central Hong Kong
Receiving banks	Standard Chartered Bank (Hong Kong) Limited 15F, Standard Chartered Tower 388 Kwun Tong Road Kowloon Hong Kong Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central Hong Kong

CORPORATE INFORMATION

Registered address	Codan Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
Headquarter in the PRC	No. 18 Gangkou Road, Changsha Kaiping Guangdong PRC
Principal place of business in Hong Kong	Room 701A East Ocean Center 98 Granville Road Kowloon Hong Kong
Website address	**www.gdjsl.com**[1]
Company secretary	Mr. Yau Chung Hang *(HKICPA)* Flat 49F, Block 7 Central Park, Tower II Tin Shui Wai New Territories Hong Kong
Authorized representatives	Mr. Huang Xianming No. 28, Yinzonglv Road Ziyun Villas Xintang, Zengcheng Guangdong PRC
	Mr. Yau Chung Hang *(HKICPA)* Flat 49F, Block 7 Central Park, Tower II Tin Shui Wai New Territories Hong Kong
Audit committee	Mr. Kam Robert *(Chairman)* Mr. Wu I-ting Ms. Ho Man Kay
Remuneration committee	Ms. Ho Man Kay *(Chairman)* Mr. Huang Xianming Mr. Kam Robert Mr. Wu I-ting
Nomination committee	Mr. Huang Xianming *(Chairman)* Ms. Ho Man Kay Mr. Kam Robert Mr. Wu I-ting

Principal share registrar and transfer office in the Cayman Islands	Codan Trust Company (Cayman) Limited Cricket Square P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Hong Kong Share Registrar	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	China Construction Bank (Kaiping Sub-branch, PRC) 21 Weimin Road, Changsha Kaiping City PRC
	Agricultural Bank of China (Kaiping Sub-branch, PRC) 25 Xijiao Road, Changsha Kaiping City PRC

Note:

(1) The information contained on the website of our Company does not form part of this prospectus.

The information that appears in this Industry Overview has been prepared by Euromonitor and reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Euromonitor should not be considered as the opinion of Euromonitor as to the value of any security or the advisability of investing in our Company. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information prepared by Euromonitor and set out in this section has not been independently verified by us, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, any of the Underwriters or any of our or their respective directors, officers or representatives or any other party involved in the Global Offering and neither they nor Euromonitor give any representation as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.

EUROMONITOR REPORT

In connection with the Global Offering, we have engaged Euromonitor, an Independent Third Party, to conduct a research on the PRC biscuit market for RMB800,000.

Euromonitor, founded in 1972, is a global research organization and private independent provider of business intelligence on industries, countries and consumers.

In preparation of the Euromonitor Report, Euromonitor made use of multiple primary and secondary sources to validate any data or information collected, without reliance on any single-source, in order to reflect a balanced view of historical data relating to the PRC biscuit market. Primary research includes trade interviews with multiple organizations such as trade associations, biscuit manufacturers, importers, distributors and retailers. Secondary research involves gathering, assessing and confirming information from multiple and relevant published data sources. The market share data reported below has been determined by Euromonitor via a fieldwork program consisting of desk research and trade interviews. While audited data was available for some of the companies, they typically do not break the revenue numbers into the relevant categories which were covered in the study carried out by Euromonitor. For these companies as well as those companies that are included in the market shares but are not publicly listed, Euromonitor has estimated the markets shares based on estimates provided by various other trade sources and after seeking a consensus on these estimates as much as possible.

In preparing market forecasts in respect of the market size, growth trends, etc, Euromonitor adopted its standard practice of analysis based on multiple reviews of the market development history and a cross check with established government figures, industry figures, trade interviews, and statistical analysis tools where possible.

Euromonitor made the following major assumptions about the economy of the PRC in the preparation of the Euromonitor Report:

- The PRC is likely to maintain steady macro-economic growth during the forecast period with ongoing urbanization;

- The social, economy and political environment in the PRC are likely to remain stable for the foreseeable future, which provide an overall robust and healthy environment for the development of the consumer goods market in the PRC including the biscuit market; and

- Market drivers such as continuous growth of per capita disposable income, consumers' trade-ups, accelerating urbanization, diversified retailing channels and dynamics of low tier cities in the PRC, are recognized to bolster the future growth of the biscuit market in the PRC.

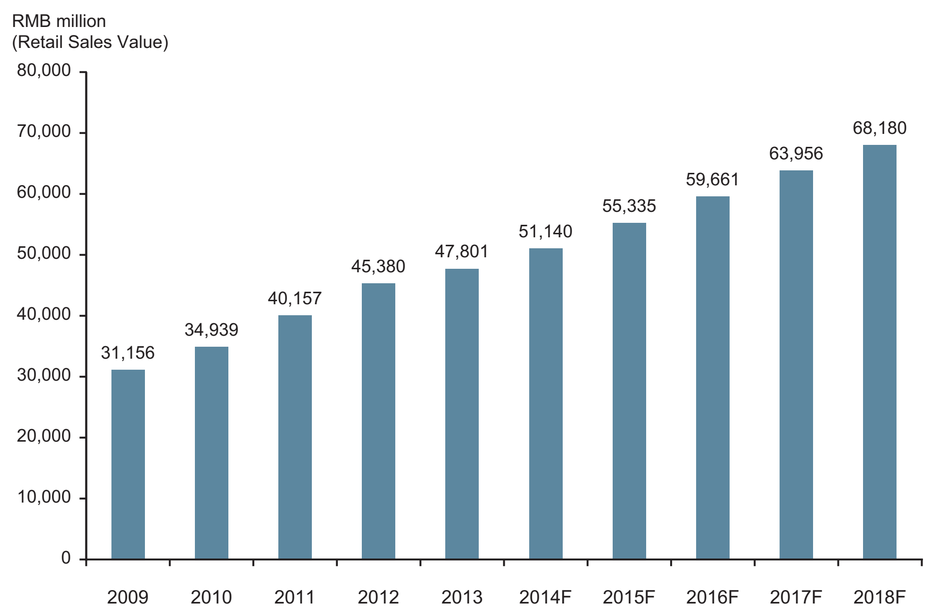
On these basis, our Directors are satisfied that the disclosure of future projections and industry data in this section is not biased or misleading.

Our Directors confirm that, as of the Latest Practicable Date, after taking reasonable care, there was no adverse change in the market information since the date of the Euromonitor Report which may qualify, contradict or have an impact on the information in this section.

THE PRC BISCUIT MARKET

Overview

In the PRC, stable GDP growth and improved purchasing power have raised the demand for biscuits in recent years. In addition, the demand for biscuits has continued to increase as consumers in the PRC look for meal replacements and affordable indulgence snacks. According to Euromonitor, the PRC biscuit market in terms of retail sales value grew by 53.4% from RMB31.2 billion in 2009 to RMB47.8 billion in 2013, and is expected to grow by 33.3% from 2014 to 2018 and reach RMB68.2 billion in 2018. The following chart sets forth the retail sales of biscuits in the PRC from 2009 to 2018:



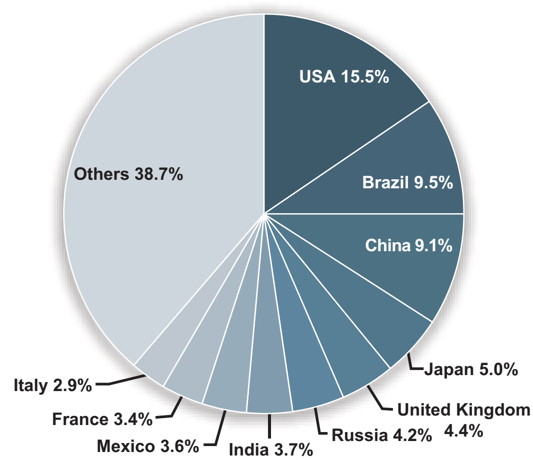
Source: Euromonitor database (Passport — packaged food 2014)

In terms of retail sales volume, the PRC biscuit market grew by 24.5% from 2.4 million tonnes in 2009 to 3.0 million tonnes in 2013, and is expected to grow by 16.4% from 2014 to 2018 and reach 3.6 million tonnes in 2018. In terms of production volume, the PRC biscuit market grew by 22.5% from 2.5 million tonnes in 2009 to 3.1 million tonnes in 2013.

Outlook for the PRC biscuit market

Biscuit consumption in the PRC

According to Euromonitor, the PRC biscuit market is the third largest biscuit market in the world in 2013, accounting for 9.1% of the global biscuit retail sales value. The following chart sets forth the shares of top 10 biscuit markets in the world in terms of retail sales value in 2013:



Source: Euromonitor database (Passport — packaged food 2014)

Further, compared to other developed countries, the biscuit consumption per capita in the PRC is much lower than that in Western Europe and North America. According to Euromonitor, the biscuit consumption per capita in the PRC in 2013 was USD 6.0, while the biscuit consumption per capita in Western Europe and North America in 2013 was USD 37.2 and USD 43.3, respectively. Hence, despite the intense competition, there are still abundant opportunities in the biscuit market in the PRC when compared to the biscuit markets in Western Europe and North America.

Changing consumer preferences

Since concerns over health related issues, such as obesity and diabetes, have heightened amongst consumers in the PRC, it is expected that consumers' demand will shift to healthier alternatives. Accordingly, the prevailing trend in the PRC biscuit market is to develop more nutritious and generally healthier product offerings that are lower in sugar content, less calorie-bearing and richer in fiber. One expected focus will be savory biscuits, digestive crackers and fruit-jam based sandwich biscuits. Besides, in order to respond to changing consumer tastes, the prevailing trend in the PRC biscuit market is also to develop new biscuit flavors. Further, in order to provide for the increasing demand for portability and to appeal to younger consumers, there will also be a focus on developing bite-size biscuits with more convenient packaging.

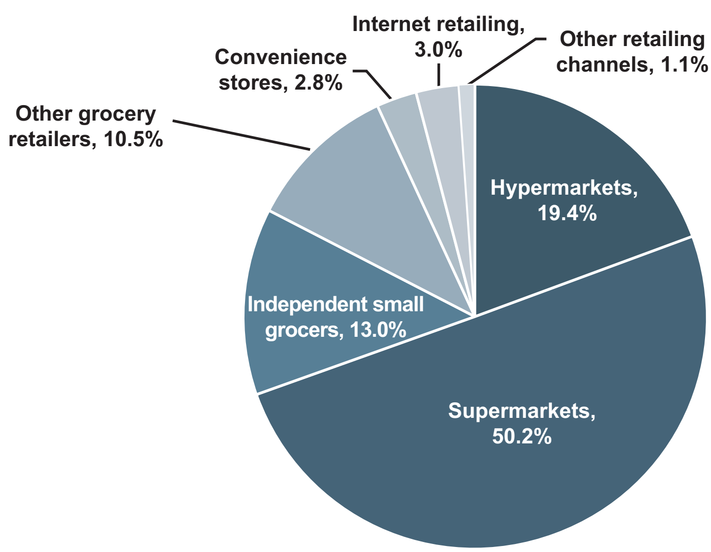
Market consolidation

Rising concern over food safety following various food safety scandals in recent years has led to a growing awareness of safe and healthy products with reliable brand images among consumers in the

PRC. It is expected that the competition in the PRC biscuit market will intensify, the shares of top biscuit manufacturers will consolidate following the rising brand awareness from consumers, and the increasing cost of sales will impede the development of small biscuit manufacturers. As a result, the number of biscuit manufacturers in the PRC is expected to decrease.

Key retail sales channels

The major retail sales channel for biscuits in the PRC are supermarkets, hypermarkets and independent small grocers. In 2013, 50.2%, 19.4% and 13.0% of biscuits distributed via retail sales channels in the PRC in terms of retail sales value were through supermarkets, hypermarkets and independent small grocers, respectively, with the remaining 17.4% distributed via other channels such as other grocery retailers and internet retailing. Distribution of biscuits via internet retailing has shown a growing trend and is expected to grow exponentially, especially for some leading online food retailers. The following chart sets forth the breakdown of retail sales value of biscuit products by retail sales channels in the PRC for 2013:

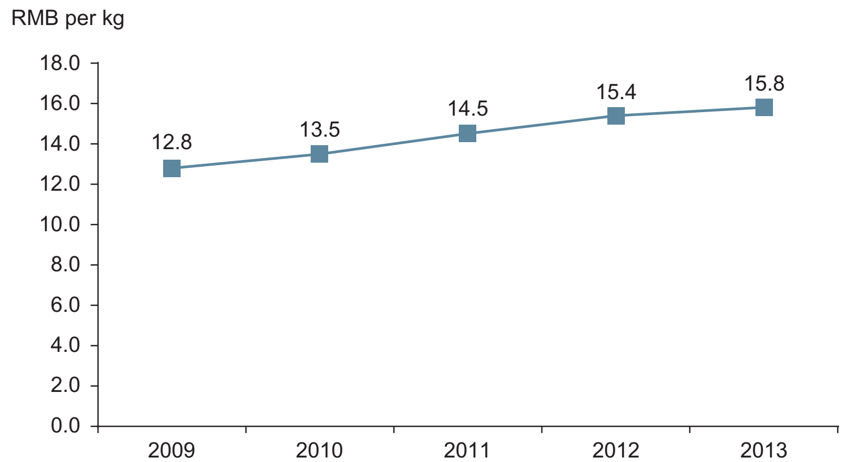


Source: Euromonitor database (Passport — packaged food 2014)

Historical and future price trends of biscuits in the PRC

According to Euromonitor, the average retail price of biscuits in the PRC increased from RMB 12.8/kg in 2009 to RMB15.8/kg in 2013, representing a CAGR of 5.4%. The increase of the retail price of biscuits is largely driven by the increase in the price of the raw materials used in the production of biscuits, such as flour, the increase in labor cost in the PRC, and the cost of aggressive advertising carried out by biscuit manufacturers in the PRC to drive sales and attract consumers by offering new products. Instead of absorbing the increase in costs, the PRC biscuit manufacturers transferred some of their cost burdens onto consumers and thereby increased the retail price of biscuits. According to Euromonitor, it is expected that many leading biscuit brand owners in the PRC will launch more premium biscuits which will raise the average retail price of biscuits in the PRC in the near future.

The following chart sets forth the average retail price of biscuits in the PRC from 2009 to 2013:



Source: Euromonitor database (Passport-packaged food 2014)

Historical and future price trends of raw materials in the PRC

Flour

According to Euromonitor, the price of flour increased with a CAGR of 8.7% from 2009 to 2013. There was a continuous increase in the price of flour from 2009 to 2013. The price of flour has continued to rise in the first quarter of 2014 and reached RMB3,322 per tonne. According to Euromonitor, the price of flour is expected to increase at a steady rate in the coming years due to the implementation of the 'lowest wheat purchasing price program' by the PRC government since 2006.

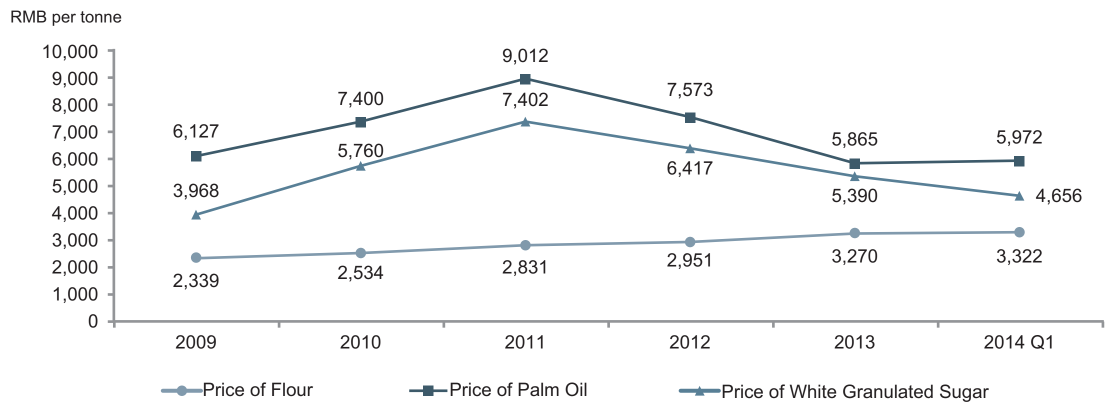
Palm oil

According to Euromonitor, the price of palm oil decreased with a CAGR of -1.1% from 2009 to 2013. There was a continuous increase in the price of palm oil from 2009 to 2011 and then a drop in 2012 and 2013. The price of palm oil has increased slightly in the first quarter of 2014 and reached RMB5,972 per tonne due to the typhoon season in Malaysia, which has led to decline in production of palm oil. According to Euromonitor, from 2014 to 2015, the price of palm oil is expected to drop slightly in the PRC given the expected good harvest of Elaeis guineensis and the expected decrease of price of Malaysian palm oil. As the palm oil supply in the PRC relies primarily on the import from Malaysia and as such, the price of palm oil is affected by the palm oil market in Malaysia and the bilateral trade policy between Malaysia and the PRC.

Sugar

According to Euromonitor, the price of sugar increased with a CAGR of 8.0% from 2009 to 2013. There was a continuous increase in the price of sugar from 2009 to 2011 and then a drop in 2012 and 2013. The price of sugar has continued to drop in the first quarter of 2014 and reached RMB4,656 per tonne. According to Euromonitor, due to the excess global production of sugar, it is estimated that the price of sugar will remain stable or drop slightly.

The following chart sets forth the historical price trends of flour, palm oil and sugar from 2009 to the first quarter of 2014:



Source: Euromonitor estimates from desk research

Key drivers of growth in the PRC biscuit market

Economic growth, urbanization and rising individual income

The macro economy in the PRC had a robust growth since the introduction of several reforms and open trade policies in the early 1980s. Despite the global economic crisis which began in late 2008, the real GDP of the PRC continued to grow at an annual average rate of 8.9% from 2009 to 2013.

Facilitated by rapid social transformations and improvements in infrastructure and the public transportation system, in 2013, the urban population in the PRC increased to 731.1 million, while the rural population dropped to 629.6 million. With the trend towards urbanization, the income levels for both urban and rural residents rose year by year from 2009 to 2013. According to the National Bureau of Statistics of China, from 2009 to 2013, the per capita annual disposal income of urban residents increased by 56.9% from RMB17,175.0 in 2009 to RMB 26,955.0 in 2013, and the per capita net income of rural residents increased by 72.6% from RMB5,153.0 in 2009 to RMB 8,896.0 in 2013.

Rapid growth of the PRC economy, sustained urbanization trend and rising individual income level are the primary key drivers for the growth of the PRC biscuit market. With rising living standards and greater purchasing power, consumers in the PRC are more willing to spend on indulgence snacks, such as biscuit products. In addition, consumer's purchase decisions in the PRC have become increasingly driven more by food safety, health, brand image and convenience.

Changing consumer demands

As the pace of life continues to accelerate in the urban areas in the PRC, the demand for convenient meal replacement products, such as small biscuit packs, is constantly growing in these areas. Moreover, with rising concerns towards health problems related to food, such as obesity and diabetes, consumers in the PRC are more willing to spend on value-added products with health claims, for example, sugar-free, high fiber and low fat. It is expected that the demand for biscuit products with healthy concept and nutritional value will increase and biscuit products from reputable brands with strict quality control are more preferred by consumers in the PRC.

Favorable government policies

In order to standardize the food industry, the PRC government implemented food safety laws in 2009. The law stipulates that all food manufacturers, traders, and service providers are required to obtain permission to work within the industry and demonstrate their compliance with the food safety laws. It also defines the related government functions as being responsible for supervising the industry. The food safety laws are expected to work efficiently to reduce food safety problems and weed out unqualified companies.

Further, it was indicated in the 12th Five-year Development Plan for the Food Industry issued in 2012 that the food industry would focus on accelerating market development and meeting needs for its subdivided markets. It is expected that the PRC government will continue to optimize convenience food manufacturers to eventually facilitate the formation of large-scale convenience food groups, and will introduce more positive policies for the biscuit market.

Key constraints in the PRC biscuit market

Rising consumer health concerns

With rising income level and change of lifestyle, consumers in the PRC are becoming more health conscious. However, biscuits, added with high content of sugar and oil, are perceived to easily cause obesity, and not suitable to people with hyperglycemia. Due to these reasons, consumers may decrease the consumption of biscuits or shift to healthier alternatives, such as bread, breakfast cereals and rice crackers, which are also convenient meal replacement products.

Ascending costs

According to Euromonitor, the growth of the PRC biscuit market is constrained by the increasing labor costs, prices of raw materials and other operation costs in recent years. Price of flour, one of the principal raw materials for biscuits, has been increasing at a steady rate since 2009. Other operation costs such as rental costs of factories, marketing fees, and logistic costs are also growing year by year, which all impose high pressure on the biscuit manufacturers in the PRC. As a result, profit margins for biscuit manufacturers in the PRC, in particular the smaller manufacturers, have shrunk and operational difficulties have increased.

Intense competitions

The PRC biscuit market tends to be crowded, owing to the intense competitions and abundance of players involved. Moreover, due to food safety concern, many Chinese consumers are shifting to purchase imported biscuits. According to Euromonitor, total import value of biscuits was increasing with a CAGR of 39.0% from 2009 to 2013. As a result, biscuit manufacturers in the PRC may have to develop new products, modify current product portfolio and invest more on marketing events to grow their market share.

Key barriers to entry

Key barriers to entry in the PRC biscuit market include capital investment, distribution and sales network, product development capability and product portfolio. It is difficult for new entrants to succeed in these aspects in a short period of time. Besides, with rising concerns over food safety issues in the PRC, it is expected that consumers in the PRC will be more inclined to choose well-known brands they are familiar with over less prominent brands. As a result, it is generally more difficult for new entrants to develop and establish their presence in the PRC biscuit market.

Further, increased investment in stringent quality and hygiene control measures are required in order to meet the tightened regulatory requirements on food quality and environment protection by the PRC authorities following various contamination and food safety scandals in recent years. This will likely create pressure on the part of new entrants who may not have the capital required to implement stringent quality and hygiene control measures.

Competitive landscape

The PRC biscuit market is a fragmented market with a large number of players. While there were around 1,600 qualified biscuit manufacturers in the PRC by the end of September 2013 according to AQSIQ, according to Euromonitor, the top 10 biscuit manufacturers in the PRC, in aggregate, accounted for approximately 40.1% of the total biscuit market share in the PRC in terms of retail sales value in 2013. Among these top 10 biscuit manufacturers in terms of retail sales value, only Mondelez China Inc enjoyed a market share larger than 10%. According to Euromonitor, among the biscuit manufacturers operated by PRC brand owners, we were the largest manufacturer in terms of retail sales value, retail sales volume and production volume in 2013. We were also the second largest biscuit manufacturer in the PRC in terms of retail sales volume and production volume in 2013, and the sixth largest biscuit manufacturer in the PRC in terms of retail sales value in 2013. According to Euromonitor, we are a leading PRC local biscuit brand owner with large scale production volume.

The following table sets forth the market share of the top five biscuit manufacturers in the PRC by retail sales volume and production volume in 2013:

Rank	Company name	Operated by PRC brand owner (yes/no)	Approximate % of retail sales volume	Approximate % of production volume
1	Mondelez China Inc	No	4.5%	4.8%
2	Guangdong Jiashili	Yes	2.2%	2.3%
3	Want Want Holdings Ltd	No	1.5%	1.9%
4	Dongguan Hsu-Fu-Chi Food Co Ltd	No	1.3%	1.4%
5	Ting Hsin International Group	No	1.2%	1.3%
Others			89.3%	88.3%
Total			100.0%	100.0%

Source: Euromonitor estimates from trade interview and desk research

The following table sets forth the market share of, and retail price range of products sold by, the top 10 biscuit manufacturers in the PRC by retail sales value in 2013:

Rank	Company name	Operated by PRC brand owner (yes/no)	Approximate % of market share in 2013	Retail price range (RMB'000/tonne)
1	Mondelez China Inc	No	13.6%	45 - 50
2	Dongguan Hsu-Fu-Chi Food Co Ltd	No	6.0%	72 - 75
3	Want Want Holdings Ltd	No	5.2%	50 - 56
4	Orion (China) Co Ltd	No	3.5%	98 - 110
5	Ting Hsin International Group	No	3.1%	39 - 43
6	Guangdong Jiashili	Yes	3.1%	20 - 24
7	Shanghai Glico Food Co	No	2.6%	96 - 110
8	Munchy (Shandong) Food Co Ltd	No	1.2%	16 - 18
9	Dongguan Huajia Food Co Ltd	Yes	1.0%	56 - 59
10	KelsenBisca Group	No	0.9%	90 - 120
Others			59.8%	
Total			100.0%	

Source: Euromonitor estimates from trade interview and desk research

Below is a summary of the top five biscuit manufacturers in the PRC by retail sales value in 2013 based on the Euromonitor Report:

Mondelez China Inc.

Mondelez China Inc. changed its name from Kraft Food in 2012, and leads the PRC biscuit market by offering a relatively complete portfolio of biscuits and its iconic brands, such as Oreo, Pacific, TUC, and Prince. To cater for the high popularity of its brands in the PRC, it has established new production facilities and commissioned two new product lines in Suzhou and Beijing.

Dongguan Hsu-Fu-Chi Food

Dongguan Hsu-Fu-Chi Food is currently owned by Nestlé SA following an acquisition by the latter in 2011. Its core products are sachima sandwich biscuits and wafers.

Want Want Holdings Ltd

The distribution networks of Want Want Holdings Ltd has enabled it to sell its biscuits through most retail channels in the PRC. It has two iconic brands, namely, Want Want Ball Cake and Want Want Black & White, which are positioned as snack biscuits.

Orion (China) Co Ltd.

Orion (China) Co Ltd. entered the PRC in 1993 and has established production plants in Shanghai, Beijing and Guangzhou. Orion chocolate pie is one of its core products, accounted for 29% of its total revenue in 2013. It has also launched a new biscuit product in 2013, namely "Gao Xiao Mei", targeting white collar office ladies in the PRC.

Ting Hsin International Group

Ting Hsin International Group offers a wide range of biscuits, including filled biscuits, plain biscuits, sandwich biscuits and savory biscuits and crackers, under its brand, Master Kong, with sandwich biscuits being its core product.

According to Euromonitor, the market shares of large biscuit manufacturers in the PRC will consolidate as rising brand awareness from consumers and increasing cost of sales will impede the development of small biscuit manufacturers in the PRC. As the Chinese middle class grows, it is also expected that a number of international biscuit brands will enter the PRC biscuit market and tap into the vast Chinese consumer base.

We are principally engaged in the manufacture and sale of biscuits in the PRC. This section sets out summaries of certain aspects of the laws, rules, regulations, government and industry policies and requirements, which are relevant to our Group's operations and business in the PRC.

LICENSING FOR FOOD PRODUCTION

In accordance with provisions of the Regulations of the PRC for the Administration of Production License for Industrial Products (中華人民共和國工業產品生產許可證管理條例) (the "**Production License Regulations**"), which was promulgated by the State Council and came into effect on September 1, 2005, and the Measures for the Implementation of the Regulations of the PRC for the Administration of Production License for Industrial Products (中華人民共和國工業產品生產許可證管理條例實施辦法), which were promulgated by the General Administration of Quality Supervision, Inspection and Quarantine and came into effect on November 1, 2005 and amended on April 21, 2010, and April 21, 2014 the General Administration of Quality Supervision, Inspection and Quarantine is responsible for the centralized administration of production license for industrial products, whereas the competent authorities of the county level or above for industrial production license are responsible for the administration of production license for industrial products within their own jurisdictions and the imposition of penalties on acts that violate the production license pursuant to the relevant requirements.

In accordance with the Measures for the Administration of Food Production Licensing (食品生產許可管理辦法), which was promulgated on April 7, 2010, and came into effect on June 1, 2010, the validity term for a food production license is three years. Enterprises that have food production license, with the need to continue the production upon expiry of the food production license, are required to file an application for renewal of the license with the original licensing authority within six months prior to the expiry of the validity term of the food production license. If the renewal is approved, the number of the food production license shall remain unchanged. Where no application is filed for renewal of license upon expiry of the validity term, the enterprise shall be deemed with no license upon the expiry, after which, if the enterprise intends to continue the production of food, it shall file a new application for re-issuance of the license and a new number of the license, the validity term of which shall be counted from the date of permission.

FOOD SAFETY

In accordance with the Food Safety Law of the PRC (中華人民共和國食品安全法) (the "**Food Safety Law**") which was promulgated on February 28, 2009 and became effective on June 1, 2009 and the Regulations for the Implementation of the Food Safety Law of the PRC (中華人民共和國食品安全法實施條例) (the "**Implementing Rules on the Food Safety Law**") promulgated and implemented on July 20, 2009, food products include finished products edible or drinkable by human beings, raw materials used in the production of finished food products and substances which have been traditionally used both as food and medicinal materials, excluding substances used for therapeutic purposes, which are categorized into health (functional) food, pediatric food products and processed food. For business engaging in food production, food circulation and catering services, relevant licenses shall be obtained in accordance with the law. Food producers who have obtained food production license are not required to obtain food circulation license for selling the food produced by them at their production site; the catering service providers who have obtained the catering service license are not required to obtain the food production or food circulation license for selling the food produced by them at venue where their catering services are provided.

Food producers and traders are required to adopt a management system of personnel health. The personnel suffering from dysentery, typhoid, viral hepatitis type A, viral hepatitis type E or any other infectious disease of the digestive tract or suffering from active tuberculosis, purulent or seeping skin disease or any other disease that affects the food safety shall not engage in work that involves contact with ready-to-eat food. Food producers and traders shall have physical examination for their personnel each year and shall obtain healthy certificates prior to working.

In accordance with Food Safety Law as well as Implementing Rules on the Food Safety Law, Food producers shall examine the relevant licenses and eligibility certification documents of the suppliers when purchasing food raw materials, food additives and food-related products. Food raw materials shall be inspected in accordance with food safety standards if the relevant eligibility certification documents are unavailable. Food raw materials, food additives or food-related products may not be procured or used if they are not up to the standards of food safety. Food production enterprises are required to build an administrative system for records of procurement inspection of food raw materials, food additives and food-related products, and truthfully record the names, specifications, quantities, names and contact information of suppliers, dates of purchase, etc. of food raw materials, food additives and food-related products. The procurement inspection records of food raw materials, food additives and food-related products shall be true, and shall be kept for at least two years. Food production enterprises are also required to build an administrative system for records of ex-factory inspection, among which the inspection certificates and safety conditions of the foods to be delivered shall be examined, with truthful recording of the names, specifications, quantities, dates of production, lot numbers of production, numbers of inspection certificates, names and contact methods of purchasers, dates of sales, etc. of food. The records of food ex-factory inspection shall be true, and shall be kept for at least two years. Food producers and traders may carry out the inspection of their products by themselves or through qualified inspectors in accordance with the Food Safety Law.

Under Food Safety Law and Implementing Rules on the Food Safety Law, packages of pre-packed food shall bear labels with information required to be indicated by laws, regulations or food safety standards, including but not limited to net content, date of production, list of ingredients or components, name, address and contact details of producer, shelf life, product standard code, storage conditions, the general name of the food additives used in the national standards and category number of food production license. Labels for staple and supplementary food exclusively for infants shall also contain information of main ingredients and components.

The PRC has established a food recall system in accordance with Food Safety Law and Implementing Rules on the Food Safety Law. Where a food producer finds that the food produced by it does not comply with the food safety standards, it shall immediately stop the production, recall the food on the market for sale, notify the relevant producers and traders, as well as consumers, and record the recall and notification. Where a food trader finds that the food traded by it does not comply with the food safety standards, it shall immediately stop the trading, notify the relevant producers and traders, as well as consumers, record the cessation of trading and the notification. Where the food producers consider that the food should be recalled, the food shall be recalled immediately. The food producers are required to take such measures as remedy, destruction and harmless treatment for the recalled food, and report the recalling and treatment of the recalled food to the quality supervision department at or above the county level. Where the food producers or traders fail to recall or stop trading of the food and thus fail to comply with the food safety standards in accordance with the provisions of this Article, the quality supervision, administration for industry and commerce, food and drug supervision and administration departments at and above the county level shall order them to recall or stop trading.

For any violation of Food Safety Law, competent authorities could confiscate the relevant illegal incomes and food products, issue warnings and impose orders of rectification or fines ranging from RMB2,000 to RMB50,000 (where the value of the illegal products is below RMB10,000) or fines ranging from two times to ten times of the value of the illegal products (where the value of the illegal products is RMB10,000 or more). Serious violation of Food Safety Law may also result in revocation of food safety certificate and criminal liabilities.

PRODUCT QUALITY AND CONSUMER PROTECTION

Manufacturers and vendors of defective products in the PRC may incur liability for loss and injury caused by such products. Under the General Principles of the Civil Laws of the PRC (中華人民共和國民法通則), which became effective on January 1, 1987, and amended on August 27, 2009 manufacturer or retailer of a defective product which causes property damage or physical injury to any person could be subject to civil liability for such damage or injury.

In accordance with the Product Quality Law of the PRC (中華人民共和國產品質量法) (the "**Product Quality Law**"), promulgated on February 22, 1993 and amended on July 8, 2000, Producers and sellers are responsible for the product quality according to the provisions of this law.

Under the Product Quality Law, responsibilities and obligations of producers for the products include: (i) be responsible for the quality of products they produce; (ii) description of the products or the package of products shall be true to the fact; (iii) not to produce products expressly phased out by State laws or decrees; (iv) not to forge the place of origin or forge or falsely use the names and addresses of other producers; (v) not to forge or falsely use product quality marks, such as authentication marks; (vi) not to mix impurities or imitations into the products, substitute a fake product for a genuine one, a defective product for a high-quality one, or pass off a substandard product as a qualified one in the production; (vii) to ensure that, for products that are fragile, inflammable, explosive, toxic, erosive or radioactive and products that cannot be handled up-side-down in the process of storage or transportation or for which there are other special requirements, the packaging thereof must meet the corresponding requirements, carrying warning marks or warning notes written in Chinese to highlight the way of handling that calls for attention. Responsibilities and obligations of sellers for the products include: (i) to adopt a check-for-acceptance system for stock replenishment to examine the quality certificates and other identifications of such stock; (ii) to take measures in maintaining good quality of the products for sale; (iii) not to sell defective or deteriorated products or products which have been publicly ordered to cease sales; (iv) to sell products with labels that comply with the relevant provisions; (v) not to forge the place of origin or forge or falsely use the names and addresses of other producers; (vi) not to forge or falsely use product quality marks, such as authentication marks; (vii) not to mix impurities or imitations into the products, substitute a fake product for a genuine one, a defective product for a high-quality one, or pass off a substandard product as a qualified one in the sale of products.

A producer or seller in breach of the above responsibilities and obligations shall be liable to civil compensation. If bodily injury is caused by the defect of a product, the producer or seller shall pay for medical expenses, nursing expenses during medical treatment and lost income due to absence from work to the victim; if the bodily injury has resulted in disability, the producer or seller shall also be responsible for the expenses for self-supporting equipment, living allowances, compensation of the disabled person and the living expenses necessary for those under the support of the disabled person; if death is resulted, the producer or seller shall pay for the funeral expenses, compensation and the living expenses necessary for those who were supported by the dead. If the defect of a product causes losses in property of the victims, the producer or seller shall be responsible for restoring or compensating and related major loss for it. The authorities shall order the suspension of production or sale, confiscate the products illegally produced or sold, impose a fine and confiscate the unlawful proceeds (if any) therefrom. Where the case is serious, business licenses shall be revoked. Where a criminal offense is constituted, the offenders will be pursued for criminal liabilities.

The Consumer Protection Law of the PRC (中華人民共和國消費者權益保護法) (the "**Consumer Protection Law**"), promulgated on October 13, 1993 and amended on October 25, 2013 and came into effect on March 15, 2014 sets out standards of behavior for business operators in their dealings with consumers, including, among others, (i) compliance of goods and services with the Product Quality Law and other relevant laws and regulations, such as requirements regarding personal safety and protection of property; (ii) accurate information and advertising concerning goods and services and the quality and use of such goods and services; (iii) issuance of receipts to consumers in accordance with relevant national regulations, business practices or upon customer request; (iv) ensuring the actual quality and functionality of goods or services are consistent with advertising materials, product descriptions or samples; (v) assumption of the responsibilities related to repairing, replacing, returning or other liability in accordance with national regulations or any agreements with the consumer; and (vi) not stipulating unreasonable or unfair terms for consumers and not excluding themselves from civil liability to undermine the legal rights and interests of consumers.

Any seller which violates the Consumer Protection Law may be subject to fines, suspension of its business operations or revocation of its business license. A seller which violates the Consumer Protection law may also be subject to criminal liabilities. According to the Consumer Protection Law, a consumer whose legal rights and interests are harmed during the purchase or use of goods may claim compensation from the seller. Where the liability lies with the manufacturer or supplier, the seller, after settling compensation with the consumer, has the right to recover such compensation from that manufacturer or the other seller. Consumers or other parties who suffer injury or property losses arising from product defects may claim compensation from the manufacturer or the seller. Where the liability lies with the manufacturer, the seller, after compensating the consumer, has the right to recover such compensation from the manufacturer, and vice versa.

PRODUCT STANDARDIZATION

The Standardisation Law of PRC (中華人民共和國標準化法), which came into effect on April 1, 1989, has formed the legal framework for the development of standard directives and their applications by all industries and sectors nationwide. The tasks of standardisation work include the formulation of standards, the implementation of the standards and the supervision over the implementation of the standards.

National standards and trade standards are classified into compulsory standards and voluntary standards. Those standards created for safeguarding human health and ensuring the safety of the person and of property as well as those standards for compulsory execution as prescribed by the laws and administrative rules and regulations shall be compulsory standards, while the others shall be voluntary standards.

According to the Regulations for the Implementation of the Standardization Law of the People's Republic of China (中華人民共和國標準化法實施條例) promulgated on April 4, 1990 (together with the Standardization Law of PRC, the Standardization Law and Regulations), the standards in the compulsory category include: (i) standards for pharmaceuticals, food hygiene and veterinary medicine; (ii) safety and hygiene standards for products and the production, storage and transportation and utilization of products; standards for the safety of labor and hygiene standards and safety standards for transportation; (iii) quality, safety and sanitation standards for project construction and other standards for project construction that must be controlled by the State; (iv) standards for the discharge of pollutants and standards for environmental quality; (v) important technical terms, symbols, codes and drafting methods in common use; (vi) standards on universal methods of experimentation and examination; (vii) standards for conversion and coordination; and (viii) quality standards for important products which need to be controlled by the State.

Enterprises producing, selling or importing products which do not conform with the compulsory standard may be ordered to stop operations. The authorities of the Industry and Commerce Administration may also confiscate non-standardized products and illegal gains derived thereunder.

Criminal liabilities may also be imposed for serious breach of the Standardization Law and Regulations. Standard certificates obtained by enterprises which are in breach of the Standardization Law and Regulations may be revoked.

TRADEMARK ADMINISTRATION

Overview of trademark administration

As required by the Trademark Law of the PRC (中華人民共和國商標法) (Order No. 59 of the President, effective from March 1, 1983 and amended on October 27, 2001 and August 30, 2013 and came into effect on May 1, 2014) and Regulation for the Implementation of Trademark Law of the PRC (中華人民共和國商標法實施條例) (Order No. 358 of the State Council, effective from September 15, 2002 and amend on April 29, 2014), The Trademark Office of the SAIC (the "**Trademark Office**") shall be responsible for the registration and administration of trademarks throughout the country. The Trademark Review and Adjudication Board of the State Administration for Industry and Commerce under the State Council shall be responsible for handling trademark disputes.

Registered trademarks refer to trademarks that have been approved and registered by the Trademark Office, which include commodity trademarks, service trademarks, collective marks and certification marks. The trademark registrant shall enjoy an exclusive right to use the trademark, which shall be protected by law. Any visible mark in the form of word, graphic, alphabet, number, 3D (three-dimension) mark, color combination or the combination of these elements that can distinguish the commodities of the natural person, legal person or other organizations from those of others can be registered as a trademark. Trademark for which an application is filed for registration shall be as distinctive as to be distinguishable, and shall not go against the legitimate right previously obtained by others. A trademark registrant is entitled to tag the words "Registered Trademark" or a sign indicating that it is registered.

A public announcement shall be made upon completion of a preliminary examination of the trademark pending for registration by the Trademark Office. Any person with pre-existing right or interests may, within three months from the date of the publication, file an opposition against the trademark that has been preliminarily approved upon examination. If no objection has been received upon expiry of the said period, the registration shall be approved, a certificate of trademark registration shall be issued and the trademark shall be published. The valid period of a registered trademark is ten years from the date of the approval for registration. Where the registrant intends to continue to use the registered trademark beyond the expiration of the period of validity, an application for renewal of the registration shall be made within twelve months before the said expiration. Where no application therefor has been filed within the said period, a grace period of six months may be allowed. If no application has been filed before the expiration of the grace period, the registered trademark shall be cancelled. The period of validity of each renewal of registration shall be ten years. Any renewal of registration shall be published after it has been approved.

Any trademark registrant may, by signing a trademark license contract, authorize other persons to use his registered trademark. The licensor shall supervise the quality of the goods in respect of which the licensee uses his registered trademark, and the licensee shall guarantee the quality of the goods in respect of which the registered trademark is used.

Any of the following acts shall be an infringement upon the right to exclusive use of a registered trademark: (1) using a trademark which is identical with a registered trademark on the same kind of commodities without a license from the registrant of the registered trademark; (2) using a trademark which is similar to a registered trademark on the same kind of commodities, or using a trademark that is identical with or similar to the registered trademark on similar goods without a license from the registrant of the registered trademark, which is likely to cause confusion; (3) selling commodities that infringe upon the right to exclusive use of a registered trademark; (4) counterfeit or unauthorized production of the label of another's registered trademark, or sale of any such label that is counterfeited or produced without authorization; (5) changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of the registered trademark; (6) providing, intentionally, convenience for activities infringing upon others' exclusive right of trademark use, and facilitating others to commit infringement on the exclusive right of trademark use; or (7) causing other damage to the right to exclusive use of a holder of a registered trademark.

Well-known trademark administration

As required by the Trademark Law of the PRC (2001 Revision), Provisions for the Determination and Protection of Well-known Trademarks (馳名商標認定和保護規定) (Order No. 5 of the State Administration for Industry and Commerce, effective from June 1, 2003 and amended on July 3, 2014) and Working Instructions of the State Administration for Industry and Commerce for the Determination of Well-known Trademarks (馳名商標認定工作細則) (No.81 [2009] of the State Administration for Industry and Commerce, effective from April 21, 2009). Well-known trademarks refer to reputable trademarks well known to the relevant public in China. The following factors shall be taken into consideration in the determination of a well-known trademark, on the premise that the trademark is not required to satisfy all of these factors: (1) the popularity of the trademark among the relevant public; (2) the duration in which the trademark is in continued use; (3) the duration, extent and geographical coverage of any advertisement of the trademark; (4) Records of the protection of the trademark as a well-known trademark; and (5) other factors contributing to the popularity of a trademark.

Having received an application for the protection of a well-known trademark during the course of the administration of trademarks, the Trademark Office shall make a decision within a period as stipulated by related provisions of Trademark Law of PRC.

If a trademark of identical or similar commodity for which an application for registration is filed is the copy, imitation or translation of a well-known trademark of others which has not been registered in China, and is likely to cause confusion, it shall not be registered and shall be prohibited from use. If a trademark of a different or dissimilar commodity for which an application for registration is filed is the copy, imitation or translation of a well-known trademark of others which has been registered in China, and is likely to mislead the public and lead to possible damage to the interests of the registrant of that well-known trademark, it shall not be registered and shall be prohibited from use.

Patent Law

Patents in the PRC are mainly protected under the Patent Law of the PRC (中華人民共和國專利法), which was promulgated by the Standing Committee of the NPC on March 12, 1984 and amended on September 4, 1992, August 25, 2000 and December 27, 2008, and its implementation rules (中華人民共和國專利法實施細則), which was promulgated by the State Council on June 15, 2001 and amended on December 28, 2002 and January 9, 2010. The Patent Law of the PRC and its implementation rules provide for three types of patents, "invention," "utility model" and "design." "Invention" refers to any new technical solution relating to a product, a process or improvement thereof; "utility model" refers to any new technical solution relating to the shape, structure, or their combination, of a product, which is suitable for practical use; and "design" refers to any new design of the shape, pattern, color or the combination of any two of them, of a product, which creates an aesthetic feeling and is suitable for industrial application. The duration of a patent right for "invention" is 20 years, and the duration of a patent right for "utility model" or "designs" is 10 years, from the date of application.

Domain names

The Measures for the Administration of Domain Names for the Chinese Internet (《中國互聯網絡域名管理辦法》) (the Domain Name Measures) were promulgated by the then existing Ministry of Information Industry on November 5, 2004, and came into effect on December 20, 2004. The Domain Name Measures regulate registrations of domain names with the Internet country code ".cn" and domain names in Chinese.

PRODUCTION SAFETY

Pursuant to the PRC Production Safety Law (中華人民共和國安全生產法) which was promulgated on June 29, 2002 and amended on August 27, 2009, the State Administration of Work Safety (國家安全生產監督管理總局) is in charge of the overall administration of production safety. The PRC Production Safety Law provides that any entity engaging in manufacturing must meet national or industry standards regarding safety production and provide qualified working conditions required by laws, administrative rules and the national or industry standards. The entity engaging in manufacturing must install prominent warning sign at or on the relevant dangerous operation site, facility and equipment. The design, production, installment, use, test, maintenance, upgrade and disposal of safety equipment must comply with national and industry standards.

FOREIGN EXCHANGE

Foreign exchange administration

The principal law governing foreign currency exchange in the PRC is the Foreign Exchange Administration Regulations (外匯管理條例). The Foreign Exchange Administration Regulations was enacted by the State Council on January 29, 1996 and implemented on April 1, 1996. On January 14, 1997 and August 5, 2008, the State Council amended the Foreign Exchange Administration Regulations. According to the Foreign Exchange Administration Regulations currently in effect, international payments in foreign currencies and transfer of foreign currencies under current items shall not be restricted. Foreign currency transactions under the capital account are still subject to limitations and require approvals from, or registration with, the SAFE and other relevant PRC governmental authorities.

On August 29, 2008, the SAFE promulgated the Notice of the General Affairs Department of the SAFE on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises (國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知) (the "**SAFE Circular 142**") regulating the conversion by a foreign-invested enterprise of its foreign currency registered capital into Renminbi. The SAFE Circular 142 provides that the Renminbi fund converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC. The use of such Renminbi fund may not be altered without approval, and such Renminbi fund may not in any case be used to repay any Renminbi loans that were taken out but that have not been utilized. Violations of the SAFE Circular 142 could result in severe monetary penalties.

Dividend distribution

The principal laws governing dividend distributions by our PRC Subsidiaries include the PRC Company Law (中華人民共和國公司法), which was promulgated on December 29, 1993 and became effective on July 1, 1994 and was subsequently amended on December 25, 1999, August 28, 2004 and October 27, 2005 and on December 28, 2013. Dividend distribution by wholly foreign-owned enterprises ("**WFOE**") and Sino-foreign equity joint ventures ("**EJV**") are further governed by the PRC Law Concerning Wholly Foreign-Owned Enterprises (中華人民共和國外資企業法), which was promulgated on April 12, 1986 and revised on October 31, 2000, and its Implementation Regulations (中華人民共和國外資企業法實施細則) promulgated on December 12, 1990 and revised on April 12, 2001 and February 19, 2014, the PRC Law on Sino-foreign Equity Joint Ventures (中華人民共和國中外合資經營企業法) promulgated on July 1, 1979 and revised on March 15, 2001 and the Implementation Regulations (中華人民共和國中外合資經營企業法實施條例) promulgated on September 20, 1983 and revised on July 22, 2001, January 8, 2011 and February 19, 2014.

Under these laws and regulations, PRC companies, including WFOEs and EJVs, may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting principles. In addition, PRC companies, including domestic companies, WFOEs and EJVs are required to set aside each year at least 10% of their after-tax profit based on PRC accounting principles to their statutory general reserves funds until the cumulative amount of such reserve fund reaches 50% of their registered capital. These reserves are not distributable as cash dividends. Furthermore, EJVs and WFOEs in the PRC may also be required to set aside individual funds for employee welfare, bonuses and development, at the discretion of such PRC companies and as stipulated in their articles of association. These reserves or funds are not distributable as dividends.

Circular No. 75 and Circular No. 37

On October 21, 2005, the SAFE promulgated the Notice of the SAFE on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investment via Overseas Special Purpose Companies (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the "**Circular No. 75**"). According to the Circular No. 75 and the following related regulations issued by the SAFE, if a PRC domestic resident wants to use an overseas special purpose vehicle ("**SPV**") (i.e., an overseas enterprise directly or indirectly controlled by the domestic resident for the purpose of overseas stock financing for the assets or interests held by him in a PRC domestic enterprise) to conduct return or direct investment in the PRC, the domestic resident shall bring the prescriptive materials to the local branch of SAFE to apply for foreign exchange registration of overseas investments.

All of Mr. Huang, Ms. Huang Cuihong, Ms. Huang Rujiao and Ms. Huang Rujun are residents of the PRC and are subject to the requirements under the Circular No. 75. The PRC Legal Advisers confirmed that all the necessary foreign exchange registration with local foreign exchange authority under the Circular No. 75 was completed on April 29, 2014.

On July 4, 2014, the SAFE promulgated the Circular on Issues concerning the Foreign Exchange Administration for the Offshore Financing and Round-trip Investments by Chinese Domestic Residents through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "Circular No. 37"), with effect from the date of promulgation, which replaced the Circular No. 75. The Circular No. 37 narrows the scope of registrable offshore SPVs, stating that only those (first level) offshore SPVs that are directly established or controlled by domestic residents shall be registered. The Circular No. 37 also cancels the original registration formalities for the establishment, financing and changes in financing of offshore SPVs, with the content of a change required to be registered simplified. In addition, the Circular broadens capital outflow channels by allowing Chinese domestic residents to purchase, convert, and remit foreign currencies for the purposes of establishing offshore SPVs and operating offshore, and removing the restrictions on the granting of loans by domestic companies to their offshore SPVs.

As confirmed by our PRC Legal Advisers, given that Mr. Huang, Ms. Huang Cuihong, Ms. Huang Rujiao and Ms. Huang Rujun have completed registration in accordance with relevant SAFE regulations before the issuance of the Circular No. 37, the Circular No. 37 does not cause any material adverse effect to the above mentioned registrations. Such registrations are not required to be renewed due to the promulgation of the Circular No. 37 and no further steps are required under the Circular No. 37 at the Latest Practicable Date, while updates of registered information for future changes, such as (i) change of shareholder(s), name of the SPV(s), or term of business, (ii) increase or reduction of capital, (iii) share transfer or swap, (iv) merger or split, and (v) change of other material information, are required to be done following the requirements under the Circular No. 37.

TAXATION

Enterprise income tax ("EIT")

According to the PRC EIT Law, which was promulgated on March 16, 2007 and became effective from January 1, 2008, the income tax for both domestic and foreign-invested enterprises is at a uniform rate of 25%. The Regulation on the Implementation of Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) (the **"EIT Rules"**) was promulgated on December 6, 2007 and became effective from January 1, 2008.

Pursuant to the PRC EIT Law and the EIT Rules, a resident enterprise is subject to enterprise income tax for the income derived from both inside and outside the PRC. An organization or establishment set up by a non-resident enterprise in the PRC is subject to enterprise income tax for the income derived in the PRC and the income derived from outside the PRC but with actual connection with such organization or establishment in the PRC. For a non-resident enterprise which has not set up an organization or establishment in the PRC, or has set up an organization or establishment in the PRC but the income it derives has no actual connection with such organization or establishment, only its income derived in the PRC will be subject to enterprise income tax.

The enterprise income tax is being levied at the rate of 25%. A non-resident enterprise without a permanent establishment in the PRC or a non-resident enterprise which has set up a permanent establishment in the PRC whose earning income is not connected with the abovementioned permanent establishment will only be subject to tax on its PRC-sourced income. The income for such enterprise will be taxed at the reduced rate of 10%.

Pursuant to the PRC EIT Law and the EIT Rules, income from equity investment between qualified resident enterprises such as dividends and bonuses, which refers to investment income derived by a resident enterprise from direct investment in another resident enterprise, is tax-exempt income.

Moreover, pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), a PRC resident enterprise which distributes dividends to its Hong Kong shareholders should pay income tax according to PRC law, however, if the beneficiary of the dividends is a Hong Kong resident enterprise, which directly holds no less than 25% equity interests of the aforesaid enterprise (i.e. the dividend distributor), the tax levied shall be 5% of the distributed dividends. If the beneficiary is a Hong Kong resident enterprise, which directly holds less than 25% equity interests of the aforesaid enterprise, the tax levied shall be 10% of the distributed dividends. Meanwhile, Circular of the State Administration of Taxation on the Interpretation and the Determination of the "Beneficial Owners" in the Tax Treaties (國家稅務局關於如何理解和認定稅收協定中"受益所有人"的通知) has stipulated some factors that are unfavorable to the determination of "beneficial owner".

In addition, pursuant to the Circular of the SAT on Relevant Issues Relating to the implementation of Dividend Clauses in Tax Treaty (國家稅務總局關於執行稅收協議股息條款有關問題的通知) issued by the SAT on February 20, 2009, all of the following requirements should be satisfied where a tax resident of the counterparty to the tax treaty needs to be entitled to such tax treatment specified in the tax treaty for the dividends paid to it by a Chinese resident company: (1) such a tax resident who obtains dividends should be a company as provided in the tax treaty; (2) the equity interests and voting shares of the Chinese resident company directly owned by such a tax resident reach a specified percentage; and (3) the capital ratio of the Chinese resident company directly owned by such a tax resident reaches the percentage specified in the tax treaty at any time within 12 months prior to acquiring the dividends.

Pursuant to the Administrative Measures for Non-residents to Enjoy Treatment under Tax Treaties (Trial) (非居民享受稅收協議待遇管理辦法(試行)) which came into effect on October 1, 2009, where a non-resident enterprise (as defined under the PRC tax laws) wishes to enjoy the preferential tax treatment under the tax treaty, it is required to apply for approval to or file with the competent tax authority for record because the preferential tax treatment is not automatically applied. Without approval or record filing, the non-resident enterprise will not enjoy the preferential tax treatment as stipulated in the tax treaty.

Value added tax ("VAT")

Provisional Regulations of the PRC on Value-added Tax (中華人民共和國增值稅暫行條例) were promulgated by the State Council on December 13, 1993 and came into effect on January 1, 1994. The Provisional Regulations were amended on November 10, 2008 and the amended Provisional Regulations came into effect on January 1, 2009. The Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (Revised in 2011) (中華人民共和國增值稅暫行條例實施細則(2011年修訂)) were promulgated by the Ministry of Finance (財政部) and the SAT on December 15, 2008 and were amended on October 28, 2011 and came into effect on November 1, 2011 (collectively, the "VAT Law"). According to the VAT Law, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC must pay value-added tax.

ENVIRONMENTAL PROTECTION

The Environmental Protection Law of the PRC (中華人民共和國環境保護法) (the "**Environmental Protection Law**"), which was promulgated by the Standing Committee of the NPC and amended on April 24, 2014, establishes the legal framework for environmental protection in the PRC. The environmental protection department of the State Council supervises and administers the environmental protection work in the PRC, and establishes national standards for the environmental quality and discharge of pollutants. Local environmental protection bureaus are in turn responsible for the environmental protection work within their respective jurisdictions.

The Law of the PRC on Prevention and Control of Water Pollution (中華人民共和國水污染防治法), which was amended by the Standing Committee of the NPC on February 28, 2008, the Law of the PRC on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), which was amended by the Standing Committee of the NPC on April 29, 2000, and the Law of the PRC on Prevention and Control of Environmental Noise Pollution (中華人民共和國環境噪聲污染防治法), which was promulgated by the Standing Committee of the NPC on October 29, 1996 and became effective on March 1, 1997, as well as the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes (中華人民共和國固體廢物污染環境防治法), which was amended by the Standing Committee of the NPC on December 29, 2004 and June 29, 2013, prescribe the details for the prevention and control of water pollution, atmospheric pollution, noise pollution and solid waste pollution.

The Environmental Impact Appraisal Law (中華人民共和國環境影響評價法), which was promulgated by the Standing Committee of the NPC on October 28, 2002 and became effective on September 1, 2003, the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例), which was promulgated by the State Council and became effective on November 29, 1998, and the Measures for the Administration of Examination and Approval of Environmental Protection Facilities of Construction Projects (建設項目竣工環境保護驗收管理辦法), which was promulgated by the State Environmental Protection Administration of the PRC (中華人民共和國國家環境保護總局) on December 27, 2001 and became effective on February 1, 2002, require enterprises planning construction projects to engage qualified professional institution to provide assessment reports on the environmental impact of such projects. The assessment report must be approved by the competent environmental protection authorities prior to commencement of any construction work. Enterprises shall file an application for examination and acceptance of the environmental protection facilities upon the completion of the construction project. A construction project may be formally put into production or use only if the corresponding environmental protection facilities have passed the acceptance examination.

EMPLOYMENT AND SOCIAL INSURANCE

The Labor Contract Law of the PRC (中華人民共和國勞動合同法) (the "**Labor Contract Law**"), which was promulgated by the Standing Committee of the NPC on June 29, 2007 and became effective on January 1, 2008 and whose amendments made on December 28, 2012 and came into effect on July 1, 2013, governs the relationship between employers and employees and provides for specific provisions in relation to the terms and conditions of an employment contract. The Labor Contract Law stipulates that employment contracts must be in writing and signed if labor relationships are to be or have been established between enterprise or entities on one hand and the laborers on the other hand. It imposes more stringent requirements on employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees.

As required under the Regulation of Insurance for Labor Injury (工傷保險條例), implemented on January 1, 2004, the Provisional Measures for Maternity Insurance of Employees of Corporations (企業職工生育保險試行辦法), implemented on January 1, 1995, the Decisions on the Establishment of a Unified Program for Old-Aged Pension Insurance of the State Council (國務院關於建立統一的企業職工基本養老保險制度的決定), issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (國務院關於建立城鎮職工基本醫療保險制度的決定), promulgated on December 14, 1998, the Unemployment Insurance Measures (失業保險條例), promulgated on January 22, 1999, and the Social Insurance Law of the PRC (中華人民共和國社會保險法), implemented on July 1, 2011, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. Enterprises must apply for social insurance registration with local social insurance agencies and pay premiums for their employees. If an enterprise fails to pay the required premiums on time or in full amount, the authorities in charge will demand the enterprise to settle the overdue amount within a stipulated time period and impose a 0.05% overdue fine. If the overdue amount is still not settled within the stipulated time period, an additional fine with an amount of three to five times of the overdue amount will be imposed.

According to the Regulation on Management of Housing Fund (住房公積金管理條例), which was promulgated by the State Council on April 3, 1999, became effective on the same day and was amended on March 24, 2002, enterprises must register with the competent managing center for housing funds and, upon the examination by such managing center of housing fund, complete procedures for opening an account at the relevant bank for the deposit of employees' housing funds. Employers are required to contribute, on behalf of their employees, to housing funds. The payment is required to be made to local administrative authorities. Any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

M&A RULES

Under the Rules on the Merger and Acquisition of Domestic Enterprises by Foreign Investors in the PRC (關於外國投資者併購境內企業的規定) (the "**M&A Rules**"), which was issued by the MOFCOM, SASAC, SAT, SAIC, CSRC and SAFE on August 8, 2006, effective on September 8, 2006 and further amended on June 22, 2009 by the MOFCOM, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchase and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. According to Article 11 of the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from MOFCOM is required.

OVERVIEW

We are a large-scale biscuit manufacturer with a long history and leading position in the biscuit market in the PRC. According to Euromonitor, among the biscuit manufacturers operated by PRC brand owners, we were the largest manufacturer in terms of retail sales value, retail sales volume and production volume in 2013. We were also the second largest manufacturer of biscuits in the PRC in terms of retail sales volume and production volume with a market share of 2.2% and 2.3%, respectively, in 2013, and the sixth largest manufacturer of biscuits in the PRC in terms of retail sales value with a market share of approximately 3.1% in 2013.

The following table outlines our key business development milestones:

1956	Kaiping C&P Factory was established as a joint state-private operative enterprise
1985	Kaiping C&P Factory was restructured into Jiashili Pastries and started using the brand name “Jiashili” (嘉士利) in its operation of pastries manufacturing
1989	“Jiashili” (嘉士利) brand was registered as a trademark
2005	Guangdong Jiashili, our wholly-owned operating subsidiary, was established and continued with the operation of biscuits manufacturing under the brand name “Jiashili” (嘉士利)
2007	Mr. Huang indirectly acquired controlling stake in Guangdong Jiashili and became our Controlling Shareholder
2008	Xingtai Jiashili, our wholly-owned operating subsidiary, was established
2009	Jiangsu Jiashili, our wholly-owned operating subsidiary, was established
2013	We deployed eight new production lines, with additional annual designed production capacity of 38,912 tonnes

The following is a summary of our key business awards:

1985	Orange sandwich biscuit was recognized as “Ministry of Light Industry Excellent Product (輕工部優質部優產品)”
1990	Wafers products were awarded the “National High Quality Award (國家優質產品獎)”
2006	“Jiashili” (嘉士利) biscuit was recognized as “China Top Brand Product (中國名牌產品)” by the AQSIQ
April 2009	“Jiashili” (嘉士利) brand was recognized as “China Well-known Trademark (中國馳名商標)” by the Trademark Office of SAIC

May 2009	Guangdong Jiashili was named as a "Top 100 Enterprises in China Bakery and Confectionary Industry (中國焙烤食品糖製品行業百強企業)"
November 2011	Guangdong Jiashili was named as a "Leading Enterprise in National Food Industry 2010-2011 (2010-2011年度全國食品工業優秀龍頭食品企業)"
October 2012	Guangdong Jiashili was accredited as a "Guangdong 2012 Modern Industrial Projects Top 500 (廣東2012現代產業500強項目)"
May 2013	Guangdong Jiashili was named as an "Enterprise with Outstanding Contribution in Chinese Bakery and Confectionary Industry (中國焙烤食品糖製品產業突出貢獻企業)"
December 2013	Guangdong Jiashili was conferred the "Guangdong Province Bakery Food (Jiashili) Engineering Research Center (廣東省焙烤食品(嘉士利)工程技術研究中心)"
February 2014	Guangdong Jiashili was conferred the "Guangdong Provincial Enterprise Technology Center (廣東省企業技術中心)"

CORPORATE AND BUSINESS DEVELOPMENT HISTORY

Early history of Guangdong Jiashili under the control of state-owned enterprises

The origin of our history of manufacturing biscuits can be traced back to 1956 when Kaiping C&P Factory was established as a joint state-private operative enterprise (公私合營企業), principally engaged in manufacturing of confectioneries and pastries. In January 1985, Kaiping C&P Factory was restructured into a state-owned enterprise, namely Jiashili Pastries and started using the brand name "Jiashili" (嘉士利) in its business of pastry manufacturing in Kaiping, the PRC.

In January 1993, Jiashili Pastries, being one of the promoters (發起人), established Jiashili Gufen as a joint stock limited liability company. The then entire net assets of Jiashili Pastries was capitalized and converted into the shareholding in Jiashili Gufen. Upon its establishment, Jiashili Gufen assumed the production of pastries under the brand name "Jiashili" (嘉士利), which was originally carried out by Jiashili Pastries, through the pastries production plant in Kaiping, the PRC.

Being part of Kaiping City's state-owned asset reorganization, on May 27, 2005, the Kaiping Asset Management Committee Office (開平市資產管理委員會辦公室) approved the establishment of Guangdong Jiashili by Kaiping Guo Hui Investment Company Limited (開平市國匯投資有限公司) ("**Guohui**") and Jiashili Pastries, both of which were state-owned enterprises and subsidiaries of Kaiping Industrial Asset Operative Company (開平市工業資產經營公司), which in turn was owned and managed by the Kaiping Asset Management Committee. Guangdong Jiashili was established on June 8, 2005, with a registered capital of RMB3,800,000, which was fully paid and owned as to 90% by Guohui and as to 10% by Jiashili Pastries. Since its establishment, Guangdong Jiashili replaced Jiashili Gufen to operate the pastries production plant in Kaiping and continued with the manufacturing of pastries under the brand name "Jiashili" (嘉士利).

Investment by existing Controlling Shareholder in Guangdong Jiashili through Zhongchen

Zhongchen is a limited liability company established in the PRC, with the approved business scope of wholesale of pre-packed food (excluding alcoholic beverages, dairy products), coal (subject to valid permits of operation of the aforementioned items); business investment with internal reserves; domestic trading (excluding goods prohibited or restricted by laws and regulations); import and export of goods and technology (excluding items prohibited by laws and administration regulations; items restricted by laws and administration regulations can only be carried out after obtaining permits); processing of kraft paper, aluminum flake, white plate, fiberboard, phenolic bottom board, cold-punching board. As of the Latest Practicable Date, Zhongchen was held by Mr. Huang as to 80% and by each of Ms. Huang Cuihong, Ms. Huang Rujun, Ms. Huang Rujiao and Ms. Huang Xianxian as to 5% respectively.

Acquisition of interests in Guangdong Jiashili by Zhongchen in 2007

On April 3, 2007, the Kaiping Asset Management Committee (開平市資產管理委員會) approved the sale of (i) 80% equity interest in Guangdong Jiashili held by Guohui; (ii) 10% equity interest in Guangdong Jiashili held by Jiashili Pastries; and (iii) the production assets, including the land use right, factory building and production facility and equipment which were owned by Guohui and used by Guangdong Jiashili in its business operation, through a public tender announced on April 5, 2007. Zhongchen and Guangdong Yongshun Color Printing Company Limited (廣東永順彩印有限公司) ("**Yongshun**"), an Independent Third Party, jointly participated in and won the bidding in the public tender and entered into a sale and purchase agreements with Guohui and Jiashili Pastries on May 11, 2007, pursuant to which Zhongchen and Yongshun agreed to respectively purchase 70% and 20% equity interest in Guangdong Jiashili and jointly purchased the production assets listed in the public tender and injected the production assets into Guangdong Jiashili by way of contribution to the increase of Guangdong Jiashili's registered capital. The considerations paid by Zhongchen and Yongshun for the aforementioned purchases are set out as below:

	Equity interest in Guangdong Jiashili	Consideration for purchase of equity interest in Guangdong Jiashili	Consideration for purchase of operation assets	Aggregate considerations paid by purchasers
		(RMB)	(RMB)	(RMB)
Zhongchen	70%	41,710,000	24,829,000	66,539,000
Yongshun	20%	11,917,000	7,094,000	19,011,000
Total:	90%	53,627,000	31,923,000	85,550,000

The abovementioned transactions were completed on June 14, 2007 and had been properly and legally settled, upon which Guangdong Jiashili was held as to 70% by Zhongchen, 20% by Yongshun and 10% by Guohui, with its registered capital increased to RMB39,270,000.

Further acquisition of interests in Guangdong Jiashili by Zhongchen

On November 17, 2008, Zhongchen and Yongshun entered into a sale and purchase agreement, pursuant to which Zhongchen agreed to purchase 20% equity interest in Guangdong Jiashili which was held by Yongshun at a consideration of RMB21,000,000, which was determined on an arms-length basis and with approximately 10% premium as compared to the relevant acquisition costs paid by Yongshun in 2007. The transaction was completed on November 19, 2008 and had been properly and legally settled, upon which Guangdong Jiashili was held as to 90% by Zhongchen and 10% by Guohui and Yongshun ceased to be a shareholder of Guangdong Jiashili.

In December 2008, the registered capital of Guangdong Jiashili increased to RMB52,000,000. The increased amount was paid by Zhongchen and Guohui by 90% and 10% respectively, which was consistent with their then shareholdings in Guangdong Jiashili.

On September 9, 2009, the 10% equity interest in Guangdong Jiashili which was held by Guohui was transferred to Kaiping Guofeng Electromechanical Industry Company Limited (開平市國豐機電實業有限公司) ("**Guofeng**"), which was a state-owned enterprise and an Independent Third Party.

On August 6, 2013, the Kaiping Asset Management Committee (開平市資產管理委員會) approved the sale of the 10% equity interest in Guangdong Jiashili which was held by Guofeng, through public tender, which was announced on August 16, 2013. Zhongchen participated in and won the bidding in the public tender and entered into a sale and purchase agreement with Guofeng on October 15, 2013, pursuant to which Zhongchen agreed to purchase the 10% equity interest in Guangdong Jiashili from Guofeng, at a consideration of RMB30,000,000. The transaction was completed on October 17, 2013 and had been properly and legally settled, upon which Guangdong Jiashili became Zhongchen's wholly-owned subsidiary.

In December 2013, the registered capital of Guangdong Jiashili further increased to RMB120,000,000. The increased amount had been fully paid by Zhongchen.

Our PRC Legal Advisers advised that the aforesaid acquisitions of interests in Guangdong Jiashili by Zhongchen during April 2007 to August 2013 had obtained all necessary approvals and complied with relevant PRC laws and regulations in all material aspects.

Relationship with Jiashili Pastries, Jiashili Gufen, Guohui and Guofeng

At all material times, Jiashili Pastries, Jiashili Gufen, Guohui and Guofeng were state-owned enterprises that were under common control by Kaiping Asset Management Committee (開平市資產管理委員會). From August 2005 to around September 2009, Guangdong Jiashili carried out production based on the land, factory buildings, production equipment and other affiliated productive assets that were rented from Guohui and Jiashili Gufen. Along with business development, such productive assets were subsequently acquired by Guangdong Jiashili. The following table sets out the acquisitions of material productive assets from Guohui, Jiashili Pastries and Jiashili Gufen, by Guangdong Jiashili since its establishment, which had been duly and legally settled:

Time of acquisition	**Assets**	**Seller**	**Basis of pricing**	**Aggregate consideration (RMB)**
August 2005	trademark ownership of "Jiashili" brand	Jiashili Pastries	arm's-length negotiation and approval by Kaiping Asset Management Committee (開平市資產管理委員會)	5,000,000
May 2007	(i) use right of the land where Guangdong Jiashili's production plant was situated, and one factory building thereon(Note 1); and (ii) production equipments	Guohui	public tender(Note 2)	31,923,000
March 2008	(i) nine factory buildings(Note 3); and (ii) two production lines	Jiashili Pastries Jiashili Gufen	public tender	7,000,000

Time of acquisition	Assets	Seller	Basis of pricing	Aggregate consideration (RMB)
September 2009	auxiliary buildings situated within the area of Guangdong Jiashili's production plant, including warehouses, bounding wall and bicycle shed	Jiashili Gufen	arm's-length negotiation based on independent valuation and approval by Kaiping Asset Management Committee Office (開平市資產管理委員會辦公室)	149,720

Notes:

1. *The factory building was one of the ten main factory buildings built on the land where Guangdong Jiashili's production plant was situated.*
2. *The productive assets were purchased by Zhongchen and Yongshun through public tender and subsequently injected into Guangdong Jiashili as capital contribution.*
3. *The nine factory buildings, being the remaining main factory buildings on the land that had yet been acquired by Guangdong Jiashili after the acquisition in May 2007 as disclosed above, were leased to Guangdong Jiashili by Jiashili Gufen before the acquisition.*

Since Zhongchen and Yongshun acquired aggregate 90% equity interest in Guangdong Jiashili in May 2007, the state-owned investor of Guangdong Jiashili, being a 10% shareholder, became a passive investor and no longer played a significant role in the management and decision-making process of Guangdong Jiashili. Upon Zhongchen's acquisition of 10% equity interest in Guangdong Jiashili from Guofeng in October 2013, state-owned capital completely exited from investment in Guangdong Jiashili.

As of the Latest Practicable Date, the business license of each of Jiashili Pastries and Jiashili Gufen had been revoked.

Expansion of pastry manufacturing business

After obtaining the controlling stake in Guangdong Jiashili in 2007 through Zhongchen, Mr. Huang decided to further expand our pastry manufacturing business by deploying production facilities in other provinces of China, for which purpose, Xingtai Jiashili and Jiangsu Jiashili were established by Guangdong Jiashili in 2008 and 2009 respectively.

Xingtai Jiashili

Xingtai Jiashili is our Company's indirectly wholly-owned operating subsidiary, with the business scope of manufacturing of biscuits (soft biscuits and hard biscuits). Xingtai Jiashili was established in the PRC on August 19, 2008, with a registered capital of RMB5,000,000, which was fully paid and owned by Guangdong Jiashili.

Jiangsu Jiashili

Jiangsu Jiashili is our Company's indirectly wholly-owned operating subsidiary, with the business scope of wholesale and retail of pre-packaged food and manufacturing of biscuits. Jiangsu Jiashili was established in the PRC on September 30, 2009, with a registered capital of RMB10,000,000, which was fully paid and owned by Guangdong Jiashili.

Dissolved subsidiary and investee

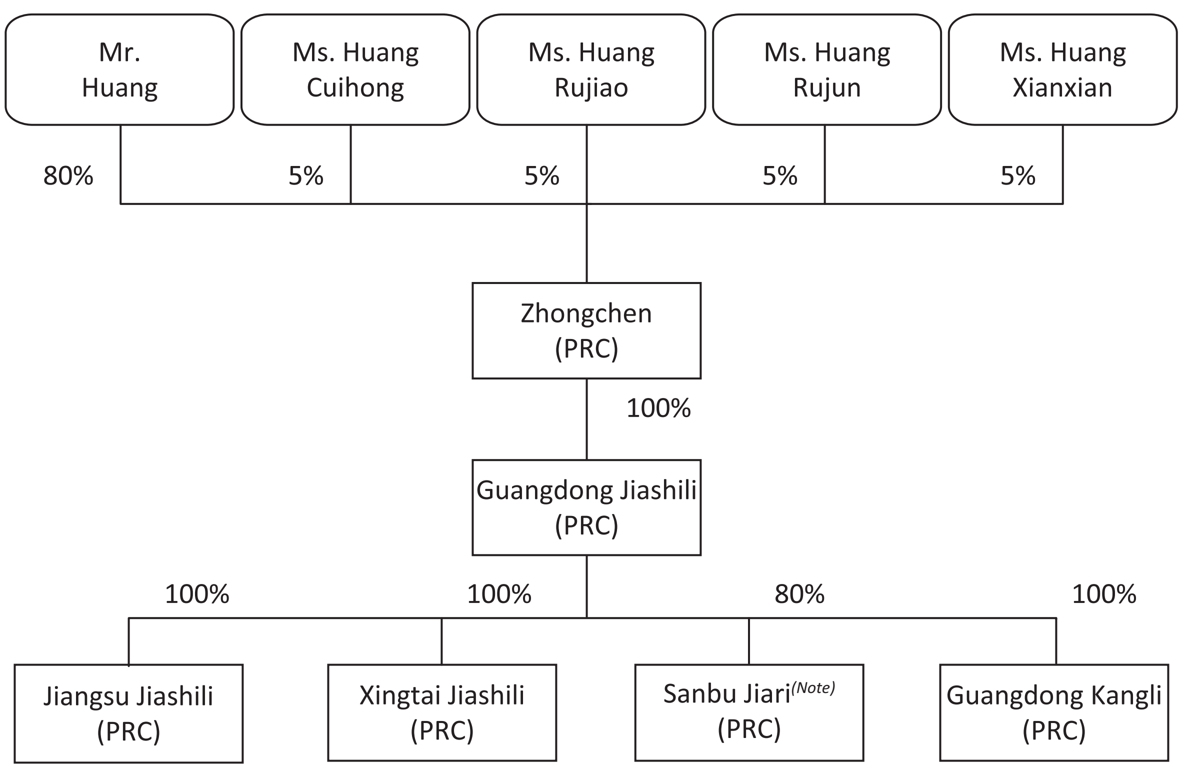
Kashi Food

In order to facilitate the expansion of our pastry manufacturing business to the western China, Guangdong Jiashili established Kashi Food on November 5, 2010, with the registered capital of RMB1,000,000. Due to changes in business environment, Guangdong Jiashili decided to withdraw from the investment in and apply for dissolution of Kashi Food in 2013. Kashi Food was dissolved on April 11, 2014. Kashi Food had not commenced operation and generated no revenue before dissolution.

Kashi Guoye

In order to further expand our business to production of pre-packaged dry fruits and nuts, Guangdong Jiashili and Kashi Heli Import and Export Trading Company Limited (喀什合荔進出口貿易有限公司), an Independent Third Party, set up Kashi Guoye on November 5, 2010, with the registered capital of RMB1,000,000, held as to 20% by Guangdong Jiashili and as to 80% by Kashi Heli Import and Export Trading Company Limited (喀什合荔進出口貿易有限公司). Due to changes in business environment, Guangdong Jiashili decided to withdraw from the investment in Kashi Guoye in 2013. Kashi Guoye was dissolved on May 29, 2013. Kashi Guoye had not commenced operation and generated no revenue before dissolution.

CORPORATE STRUCTURE PRIOR TO REORGANIZATION AND THE PRE-IPO INVESTMENTS



Note: Such equity investment is being accounted for as "Available-for-sale investment" and is recorded at cost in Accountants' Report in Appendix I to this prospectus. Details of the carrying value of such available-for-sale investment are set out in Notes 20 to the Accountants' Report in Appendix I to this prospectus.

REORGANIZATION

Incorporation of our Company and our offshore subsidiaries

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on December 19, 2013 to act as the holding company of our Group for the listing on the Stock Exchange. The initial authorized share capital of the Company was HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On December 19, 2013, one subscriber Share was issued and allotted to the initial subscriber, who on the same day transferred that one Share to Kaiyuan, our Controlling Shareholder. On April 15, 2014, our Company allotted 9,999 Shares to Kaiyuan, among which 993 Shares was transferred to Actis 151 on April 16, 2014.

Jiashili BVI was incorporated in the BVI on December 6, 2013 with limited liability, which is authorized to issue 50,000 shares with a par value of US$1.00 each. On December 19, 2013, Jiashili BVI allotted one subscriber share to our Company, pursuant to which Jiashili BVI became a wholly-owned subsidiary of our Company.

Jiashili HK was incorporated under the laws of Hong Kong on December 24, 2013 with limited liability. It is authorized to issue 10,000 shares of HK$1.00 each. On the same day, Jiashili HK allotted one subscriber share to Jiashili BVI, pursuant to which Jiashili HK became a wholly-owned subsidiary of Jiashili BVI.

Acquisition of Guangdong Jiashili

In order to broaden the financial channels of Guangdong Jiashili, Zhongchen decided to establish Guangdong Jiashili as a foreign-invested enterprise so as to allow for more accessible offshore financing opportunities and provide a financing platform to satisfy the Group's capital needs.

On January 21, 2014, Zhongchen and Prestige Choice, a limited company incorporated under the laws of Hong Kong and indirectly and beneficially wholly-owned by Ms. Huang Xianxian through Prestige Choice Overseas, entered into a sale and purchase agreement, pursuant to which Prestige Choice agreed to purchase 1% equity interest in Guangdong Jiashili from Zhongchen, at a consideration of RMB2,270,000, which was determined based on the valuation conducted by an independent valuer. The transaction was approved by the Guangdong Department of Foreign Trading and Economic Cooperation (廣東省對外貿易經濟合作廳) on February 11, 2014 and was completed on February 24, 2014 upon which Guangdong Jiashili became a sino-foreign equity joint venture and was owned by Zhongchen as to 99% and by Prestige Choice as to 1%. Such transfer had been fully settled by Prestige Choice using Ms. Huang Xianxian's own financial resources.

On March 28, 2014, Jiashili HK entered into an equity transfer agreement with each of Zhongchen and Prestige Choice whereby Jiashili HK agreed to acquire as to 99% and 1% entire equity interest in Guangdong Jiashili from Zhongchen and Prestige Choice respectively. The considerations of the transactions were RMB224,730,000 for Zhongchen and RMB2,270,000 for Prestige Choice, both of which were based on the valuation of the transferred equity interest in Guangdong Jiashili by an independent valuer, according to which the amounts of audited net assets value (owner's equity) and appraised value of Guangdong Jiashili as of December 31, 2013 were RMB151,716,000 and RMB226,849,200 respectively. The positive adjustment in the net assets value (owner's equity) under valuation amounted to RMB75,133,200, mainly represented the appreciation of trademarks, long-term equity investments and land use rights of RMB45,000,000, RMB15,998,700 and RMB11,139,040 respectively. Based on subsequent approvals by competent authorities, the transactions were completed on April 4, 2014, upon which Guangdong Jiashili became a wholly-owned subsidiary of Jiashili HK.

Excluded businesses

In accordance with our business strategy, we focus on biscuits manufacturing and are dedicated to offering diversified biscuit products that are targeted at different consumer groups. As hotel operation is different from biscuits manufacturing and does not fit in our overall development strategy, we excluded Sanbu Jiari and its hotel operation from our Group during Reorganization. For the same reason, Guangdong Kangli, which was engaged in pasta manufacturing, a different segment in the food industry, was also excluded from our Group during Reorganization.

(i) Sanbu Jiari

Sanbu Jiari was established by Guangdong Jiashili in the PRC on September 23, 2009, with a registered capital of RMB10,000,000 and was owned as to 80% by Guangdong Jiashili and as to 20% by Mr. Huang Rongda (黃榮達), who is an Independent Third Party, from August 26, 2010 to December 30, 2013. Sanbu Jiari was primarily engaged in the investment in and operation of Sanbu Jiari Hotel (三埠假日酒店), which is located in Kaiping City, Guangdong Province, the PRC.

On August 18, 2010, Guangdong Jiashili and Mr. Huang Rongda (黃榮達) entered into a cooperation agreement, under which, among others, (i) Guangdong Jiashili transferred 20% equity interest in Sanbu Jiari to Mr. Huang Rongda (黃榮達) at a consideration of RMB2,000,000; (ii) Mr. Huang Rongda (黃榮達) shall undertake and be responsible for the overall management of Sanbu Jiari, whilst Guangdong Jiashili generally shall not participate in operative decision-making of Sanbu Jiari; (iii) Mr. Huang Rongda (黃榮達) is entitled to the entire revenue and profit to be generated by Sanbu Jiari, in consideration of which, Guangdong Jiashili is entitled to receive approximately RMB1,600,000 per annum. Such arrangements were originally agreed with a term of 10 years, effective from January 1, 2011 to December 31, 2021, but upon the transfer of 80% equity interest in Sanbu Jiari from Guangdong Jiashili to Kaiping Lidajia Tickets Agent Company Limited (開平市利大家票務代理有限公司) ("**Lidajia**"), such arrangements were terminated. As of the Latest Practicable Date, all the outstanding amounts owed by Sanbu Jiari to Guangdong Jiashili have been fully repaid.

The investment of 80% equity interest in Sanbu Jiari by Guangdong Jiashili from August 2010 to December 2013 is being accounted for as "Available-for-sale investment" and is recorded at cost in Accountants' Report in Appendix I to this prospectus. Details of the carrying value of such available-for-sale investment are set out in Notes 20 to the Accountants' Report in Appendix I to this prospectus.

On December 26, 2013, Guangdong Jiashili entered into an equity transfer agreement with Lidajia whereby Guangdong Jiashili agreed to sell its 80% equity interest in Sanbu Jiari to Lidajia, at a consideration of RMB8,000,000, which was based on the valuation of the subject equity interest in Sanbu Jiari by an independent valuer. Lidajia is a limited liability company established in the PRC and wholly owned by Mr. Huang Zhijian (黃志堅), the father of Mr. Huang. The transaction was properly and legally settled and completed on December 30, 2013, upon which Guangdong Jiashili no longer held any interest in Sanbu Jiari. Sanbu Jiari was excluded from our Group prior to the Listing as it has the business of hotel operation, which is different from those our Group are pursuing.

(ii) Guangdong Kangli

Guangdong Kangli was a limited liability company primarily engaged in pasta manufacturing. On September 24, 1998, Guangdong Kangli was established in the PRC, with a registered capital of RMB500,000, which was fully paid and owned by 11 individuals, all of whom are Independent Third Parties.

On November 24, 2008, Guangdong Jiashili entered into sale and purchase agreements with 10 individual shareholders of Guangdong Kangli whom are all Independent Third Parties, pursuant to which Guangdong Jiashili agreed to purchase 94% equity interest in Guangdong Kangli from the 10 individual shareholders, for an aggregate consideration of RMB1,500,000, which was determined based on arms-length negotiation between Guangdong Jiashili and the vendors. The transaction was properly and legally settled and completed on December 4, 2008, upon which Guangdong Kangli was held as to 94% by Guangdong Jiashili and 6% by an independent individual shareholder who is an Independent Third Party.

On April 20, 2010, Guangdong Kangli's registered capital increased from RMB500,000 to RMB10,000,000, with the increase of capital of RMB9,500,000 contributed and paid by Guangdong Jiashili, upon which the total capital contribution in Guangdong Kangli by Guangdong Jiashili amounted to RMB9,970,000, representing 99.7% equity interest in Guangdong Kangli. With the RMB30,000 capital contribution in Guangdong Kangli, the equity interest in Guangdong Kangli held by the independent individual shareholder was diluted to 0.3%. On July 26, 2010, Guangdong Jiashili further entered into a sale and purchase agreement to acquire the remaining 0.3% equity interest in Guangdong Kangli from the independent individual shareholder, for a consideration of RMB30,000, which was equal to 0.3% of the then registered capital of Guangdong Kangli. The transaction was completed on July 29, 2010 and had been properly and legally settled, upon which Guangdong Kangli became a wholly owned subsidiary of Guangdong Jiashili.

On December 20, 2011, the registered capital of Guangdong Kangli increased to RMB20,000,000, with the increased amount of RMB10,000,000 fully paid by Guangdong Jiashili.

In order to focus on the biscuit business in PRC, on March 24, 2014, Guangdong Jiashili entered into an equity transfer agreement with Zhongchen, an entity controlled by Mr. Huang, whereby Guangdong Jiashili agreed to sell the entire equity interest in Guangdong Kangli to Zhongchen, at a consideration of RMB24,351,400, which was based on the valuation of the equity interest in Guangdong Kangli by an independent valuer. The transaction was completed on March 28, 2014, upon which Guangdong Kangli ceased being a subsidiary of Guangdong Jiashili and a member of our Group. The consideration of RMB24,351,400 had been settled by Zhongchen in May 2014. The following table sets out the revenue and profit after tax generated by Guangdong Kangli for each of the three years ended December 31, 2013:

	For the year ended December 31,			Three months ended March 31,
	2011	**2012**	**2013**	**2014**
	RMB ('000)	**RMB ('000)**	**RMB ('000)**	**RMB ('000)**
Revenue	46,367	34,781	44,739	10,701
Profit after tax	3,573	645	1,408	61

PRE-IPO INVESTMENT

On April 11, 2014, in view of the business prospects of our Group, Actis decided to invest in our Group by entering into the Investment Agreement with, among others, our Company, Mr. Huang and Kaiyuan, pursuant to which Actis, subject to customary conditions, agreed to:

(i) subscribe by Actis Ship 2,500 Series A Preferred Shares for aggregate consideration of US$26,700,000 which shall be convertible into our Ordinary Shares upon the completion of the Global Offering;

(ii) purchase by Actis 151 993 Ordinary Shares from Kaiyuan for aggregate consideration of US$10,600,000; and

(iii) subscribe and purchase by Actis 151 a convertible promissory note with a principal value of US$12,700,000.

Investment by Actis Ship

Pursuant to the Investment Agreement, our Company agreed to issue and allot and Actis Ship agreed to acquire and purchase 2,500 Series A Preferred Shares for aggregate consideration of US$26,700,000. The consideration for the subscription was determined based on arm's length negotiations with regard to our Group's financial condition and results of operations. The subscription was properly and legally settled and completed on April 16, 2014. Majority of the proceeds from the share subscription have been fully used by the Company for the acquisition of Guangdong Jiashili as part of our Reorganization. For more details of the acquisition of Guangdong Jiashili, please refer to the paragraph headed "Acquisition of Guangdong Jiashili" of this section.

Investment by Actis 151

Pursuant to the Investment Agreement, Actis 151 agreed to purchase 993 Ordinary Shares from Kaiyuan for aggregate consideration of US$10,600,000. The consideration for the purchase was determined based on arm's-length negotiations with regard to our Group's financial condition and results of operations. The purchase was properly and legally settled and completed on April 16, 2014. Further, Kaiyuan has the right to repurchase all or part of the abovementioned 993 Ordinary Shares from July 17, 2014 to October 15, 2015, at a price with premium sufficient to provide Actis 151 with an annualized effective return rate equal to 7% per annum, calculated on a compounded basis, with deduction of the amount representing 50% of any dividends or other distributions had then received by Actis 151 in relation to the repurchased Ordinary Shares (the "**Call Option**"). Such Call Option shall survive after the Listing but is subject to: (i) the total consideration of the Ordinary Shares to be acquired by Kaiyuan each time it exercises such right shall not be less than US$2 million; (ii) any limitations imposed by the Listing Rules and/or the Stock Exchange on exercising such Call Option or transfer of Shares pursuant to the exercise of such Call Option. The said 993 Ordinary Shares held by Actis 151 will be enlarged to 23,832,000 Shares upon Capitalization Issue, representing approximately 7.94% and 5.96% of our issued share capital upon Capitalization Issue and completion of the Global Offering respectively[*(Note)*]. If the Listing has not occurred by April 16, 2015, being the anniversary of the date when Actis 151 completed the purchase of the 993 Ordinary Shares, Kaiyuan is obligated to acquire at least 337 Ordinary Shares from Actis 151 by April 16, 2015. Such 337 Ordinary Shares will be enlarged to 8,088,000 Shares upon Capitalization Issue, representing approximately 2.70% and 2.02% of our issued share capital upon Capitalization Issue and completion of the Global Offering respectively[*(Note)*]. The Investment Agreement does not provide for Actis' right to put the 993 Ordinary Shares back to our Controlling Shareholders or the right to call for our Company's redemption of the 993 Ordinary Shares.

The following table summarizes the principal terms of the Investment Agreement and the incidental shareholders' agreement and memorandum and articles of our Company dated April 16, 2014:

Name of Pre-IPO Investors	Actis Investment Holdings Ship Limited Actis Investment Holdings No. 151 Limited (now known as Rich Tea Investments Limited)
Information of the Pre-IPO Investors	Each of Actis Ship and Actis 151 is a private company incorporated in Mauritius. Actis 151 is owned as to approximately 72.77% by Actis Global 4 LP, as to 23.36% by Actis Global 4 A LP and as to 3.87% by Actis 4 Co-Investment Scheme LP, whereas Actis Ship is wholly-owned by Actis 4 PCC, which is in turn wholly-

Note: Assuming the Over-allotment Option is not exercised and taking no account of the Shares which may be issued pursuant to the exercise of the options may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme.

	owned by Actis GP LLP. All of Actis Global 4 LP, Actis Global 4 A LP, Actis 4 Co-Investment Scheme LP and Actis 4 PCC are limited partnerships established in England or Guernsey under an investment scheme, whose general partner is Actis GP LLP, a limited partnership established in England and is registered with the Financial Conduct Authority of the United Kingdom, and are all Independent Third Parties. Actis Ship and Actis 151 are special purpose vehicles for investment holding. Prior to the pre-IPO investment, Actis was an Independent Third Party of our Group. As Actis will hold more than 10% of the total issued share capital of our Company immediately following the completion of the Global Offering, it will be a Substantial Shareholder upon Listing and hence a Connected Person of our Company. Accordingly, all shares held by Actis shall not be counted as part of the public float for the purpose of Rule 8.08 of the Listing Rules.	
Completion Date of the Pre-IPO Investment	April 16, 2014	
Number of Series A Preferred Shares purchased	Actis Ship	2,500
Number of Ordinary Shares purchased	Actis 151	993
Amount of consideration paid for purchase of Shares	Actis Ship	US$26,700,000
	Actis 151	US$10,600,000
Date of payment of consideration	April 24, 2014	
Number of Shares held by Pre-IPO Investors upon the Capitalization Issue	Actis Ship	60,000,000
	Actis 151	23,832,000
Cost per Share paid by Pre-IPO Investors (taking into account the Capitalization Issue)	Actis Ship	HK$3.449
	Actis 151	HK$3.447
Discount to the Offer Price (taking into account the Capitalization Issue)	Actis Ship	6.79%
	Actis 151	6.84%
Lock-up period	The shares held by all the Pre-IPO Investors are subject to a lock-up period of one year commencing from the Listing Date, saved for any share transfer to their affiliates and the repurchase of the Ordinary Shares by Kaiyuan from Actis 151 pursuant to the exercise of the Call Option.	

Shareholding in our Company upon the completion of the Pre-IPO Investment on a fully-diluted basis	Actis Ship	20%
	Actis 151	7.94%
	Total:	27.94%
Shareholding in our Company upon Listing (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon exercise of share options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme)	Actis Ship	15%
	Actis 151	5.96%
	Total:	20.96%

Voting rights

Series A Preferred Shares carry voting rights equal to such number of Ordinary Shares as convertible on the date the vote is to be taken.

Special rights

Series A Preferred Shares will be converted into Ordinary Shares upon the completion of the Global Offering. Together with such conversion, the following special rights, which have been granted to the Pre-IPO Investors, will be all terminated upon the completion of the Global Offering:

- *Liquidation Preference*. Prior and in preference to any distribution to holders of any other class or series of shares, holders of the Series A Preferred Shares shall be entitled to an amount equal to the sum of (i) 100% of the issue price of the Series A Preferred Shares, (ii) an amount of cash per share sufficient to provide such holder with a net internal rate of return equal to 8% per year, calculated on a compounded basis beginning on the date of issuance of such Series A Preferred Share, and (iii) any declared but unpaid dividends on such Series A Preferred Shares.

- *Conversion rights.* Series A Preferred Shares are convertible into Ordinary Shares with an initial conversion ratio of 1:1 at the completion of the Global Offering, which is subject to adjustments to be made to preserve the conversion rights against dilution in certain dilutive events.

- *Pre-emptive right*. Holders of Series A Preferred Shares have a pre-emptive right to purchase up to a pro rata share of any new securities that our Company may from time to time issue, other than certain excepted issuances, such as new securities issuance under employee stock ownership plan, conversion of Series A Preferred Shares and the Global Offering and other issuance as agreed among the contracting parties to the Investment Agreement.

- *Right of first refusal*. If Kaiyuan or any other person subject to the restriction proposes to transfer any equity securities of or interest in our Company ("Offered Shares"), Holders of Series A Preferred Shares have a right of first refusal to purchase all of the Offered Shares on the terms and conditions stated in the transfer notice given by the transferor, on a pro rata basis based on their respective shareholding.

- *Right of co-sale*. If holders of Series A Preferred Shares do not exercise their respective rights of first refusal as to the Offered Shares, they have the right to participate in the sale to the transferee identified in the transfer notice given by the transferor, and on the same terms and conditions as specified therein.

- *Drag-along right.* If our Company has not consummated a qualified IPO (as defined in the Investment Agreement) by December 31, 2018 and the Pre-IPO Investors propose to dispose of their interest in the Company, the Pre-IPO Investors have the right to cause the other Shareholders to sell, together with the Pre-IPO Investors, up to aggregate two-thirds of the equity securities of the Company.

- *Information and inspection rights*. Holders of Series A Preferred Shares have the rights to receive our Company's financial and operation information, annual budget and strategic plan, and to inspect facilities, properties, records and books of each Group member.

- *Director appointment and Board participation right*. The Pre-IPO Investors are entitled to appoint at least one Director to the Board and appoint one observer to attend all meetings of the Board and all subcommittees of the Board.*(Note)*

- *Veto rights*. Certain corporate actions of the Company require the approval of the Pre-IPO Investors or the Director appointed by them. Such actions include, among others, (i) action that creates or issues any class or series of equity securities; (ii) purchase, repurchase, redemption or retirement of any equity security of any Group member; (iii) declaration, set aside or payment of a dividend or other distribution by any Group member; (iv) liquidation, winding up, dissolution or reorganization of any of the Group member; (v) merger, amalgamation or consolidation of any Group member; (vi) authorization, creation, sale or issuance of debt securities and equity financing by any other Group member; (vii) approval of the annual budget of any Group member; (viii) adoption of or change to, a significant tax or accounting practice or policy; (ix) appointment or removal of the Auditors or the auditors for any other Group member; and (x) removal of, appointment of successor for, and approval of the remuneration package for the chief executive officer and the chief financial officer of any Group member.

Note: Mr. Lin Xiao (林曉), our non-executive Director, was appointed by the Pre-IPO Investors on April 16, 2014, who will be subject to the retirement and re-appointment requirements under the Articles of Association.

Convertible promissory note issued to Actis 151

Pursuant to the Investment Agreement, a convertible promissory note was issued by the Company and purchased by Actis 151 on April 16, 2014. The principal terms of the convertible promissory note are set out as below:

Issue price:	US$12,700,000, being the principal amount of the convertible promissory note
Issue date:	April 16, 2014
Maturity date:	the earlier of (i) October 15, 2015; or (ii) the Listing Date
Interest rate:	8% per annum on the outstanding principal amount compounded annually, accruing on a daily basis from the issue date
Payment of interest:	Interest is accrued and payable upon repayment or prepayment of the principal amount (in any event no later than the maturity date)
Default interest:	15% per annum on the outstanding amount compounded daily, accruing from the date of occurrence of event of default
Prepayment	Our Company may prepay any and all principal amount payable by it by delivery of prior written notice of no less than 10 business days to the holder of the convertible promissory note
Conversion	Any amount due and unpaid by our Company on the date falling 3 months after the maturity date is convertible into such number of Series A Preferred Shares, being the result of multiplying the then total number of shares of the Company (on a fully-diluted and as converted basis) by the ratio of the RMB equivalent of the unpaid amount to RMB800,000,000 *(Note)*

Guarantee	A guarantee was granted by Mr. Huang in favor of Actis 151 to guarantee the repayment obligations of the Company under the convertible promissory note. Such guarantee will lapse upon the Listing.
Share mortgage/charge	On April 16, 2014, each of Mr. Huang, Great Logistics, Kaiyuan and Jiashili HK entered into separate share mortgage/charge agreements with Actis 151, pursuant to which the following shares/equity interest are charged in favor of Actis 151 to secure the repayment obligations of the Company under the convertible promissory note: (i) Share mortgage over the shares of Great Logistics; (ii) Share mortgage over the shares of Kaiyuan which were held by Great Logistics; (iii) Share mortgage over the shares of the Company which were held by Kaiyuan; and (iv) Charge over the entire equity interest in Guangdong Jiashili which was held by Jiashili HK. The above mortgages/charge will be terminated and released upon the Listing.
Use of proceeds:	All of the proceeds of the convertible promissory note were used by the Company in the acquisition of Guangdong Jiashili as part of our Reorganization. The Company intends to repay the principal amount and the accrued interest using a portion of the net proceeds from the Global Offering. For more details on the repayment, please refer to the section headed "Future Plans and Use of Proceeds".

Note: As the convertible promissory note will mature on the Listing Date and the Company intends to repay the principal amount and the accrued interest thereof using a portion of the net proceeds from the Global Offering, we expect that the conversion will not take place after the completion of the Listing.

Lock-up undertakings

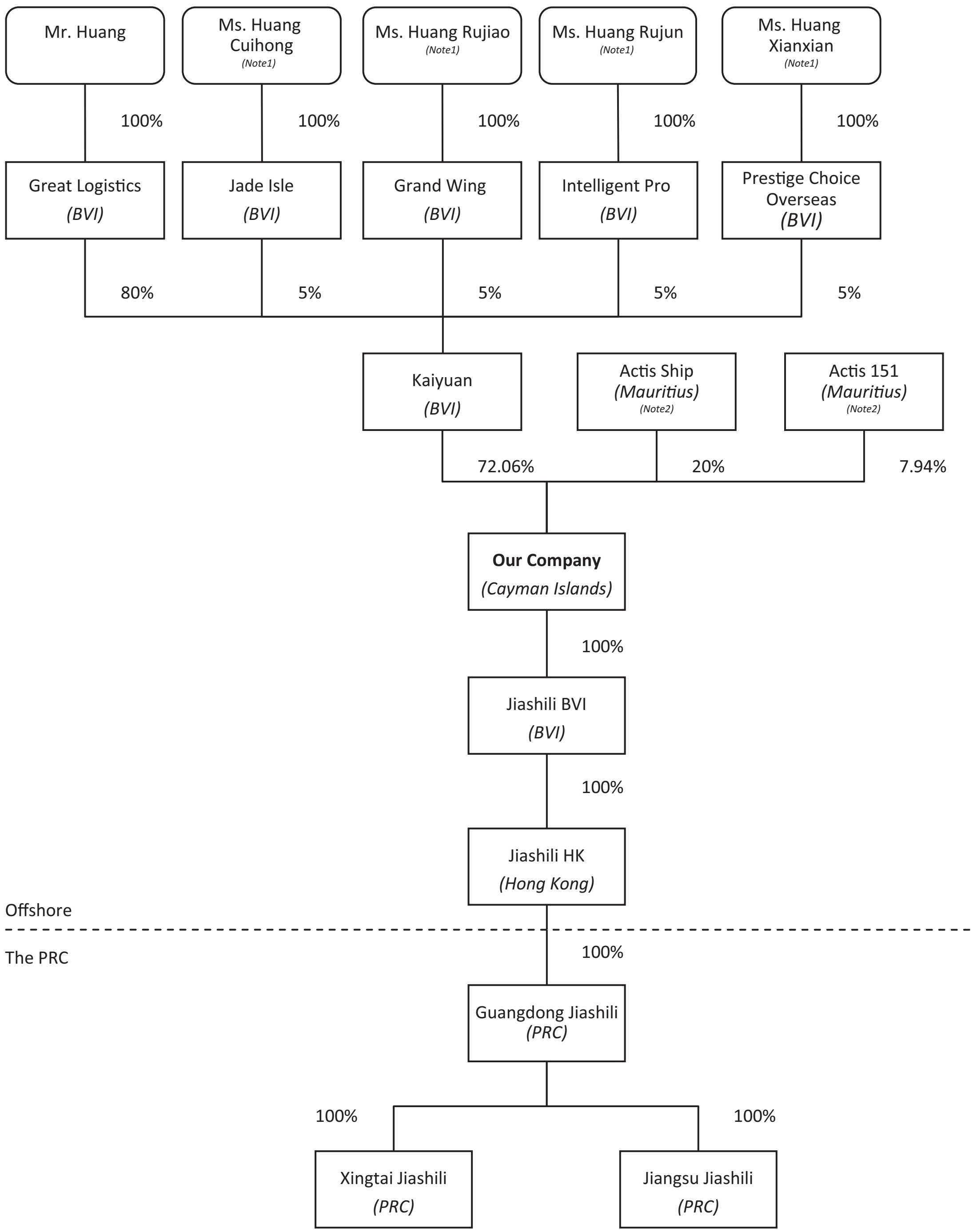
Pursuant to the Investment Agreement, undertakings are given Mr. Huang, Great Logistics, Kaiyuan and the Pre-IPO Investors that the Shares directly or indirectly held by each of them shall be subject to a lock-up period of one year commencing from the Listing Date.

Sole Sponsor's Confirmation

The Sole Sponsor is of the view that each of the pre-IPO investments mentioned above is in compliance with the Interim Guidance on Pre-IPO Investments announced by the Listing Committee on October 13, 2010 (as amended) and Guidance Letters HKEx-GL44-12 (issued in October 2012) and HKEx-GL43-12 (issued in October 2012 and updated in July 2013).

CORPORATE STRUCTURE AFTER REORGANIZATION AND THE PRE-IPO INVESTMENTS

The corporate structure of our Group after the Reorganization and the pre-IPO investments is set out as below:

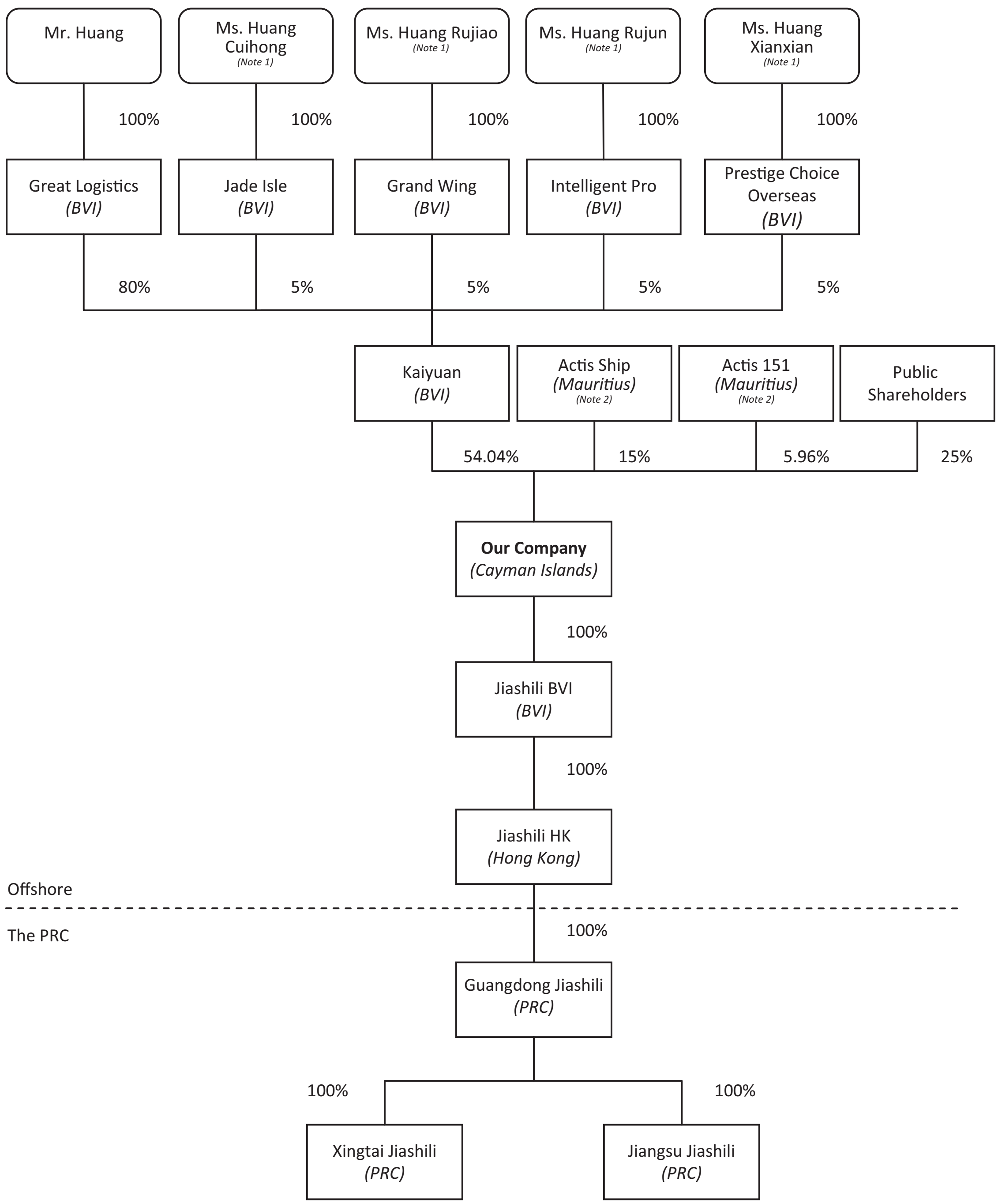


Note 1: Ms. Huang Cuihong is the spouse of Mr. Huang, and all of Ms. Huang Rujiao, Ms. Huang Rujun and Ms. Huang Xianxian are sisters of Mr. Huang, our executive Director and Controlling Shareholder, therefore all of them are Connected Person upon the Listing.

Note 2: Actis Ship and Actis 151 are the Pre-IPO Investors. Actis Ship is wholly-owned by Actis 4 PCC, whereas Actis 151 is held as to approximately 72.77% by Actis Global 4 LP, 23.36% by Actis Global 4 A LP and 3.87% by Actis 4 Co-Investment Scheme LP. All of them are limited partnerships formed under the laws of the England or Guernsey or is a protected cell company, and they are established under an investment scheme consists of various limited partnerships, with Actis GP LPP being the general manager.

CORPORATE STRUCTURE IMMEDIATELY AFTER THE COMPLETION OF THE GLOBAL OFFERING

The following chart sets out the corporate structure of our Group immediately after the Capitalization Issue and the completion of the Global Offering, assuming the Over-allotment Option is not exercised and there is no exercise of any options granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme:



Note 1: Ms. Huang Cuihong is the spouse of Mr. Huang, and all of Ms. Huang Rujiao, Ms. Huang Rujun and Ms. Huang Xianxian are sisters of Mr. Huang, our executive Director and Controlling Shareholder, therefore all of them are Connected Person upon the Listing.

Note 2: Actis Ship and Actis 151 are the Pre-IPO Investors. Actis Ship is wholly-owned by Actis 4 PCC, whereas Actis 151 is held as to approximately 72.77% by Actis Global 4 LP, 23.36% by Actis Global 4 A LP and 3.87% by Actis 4 Co-Investment Scheme LP. All of them are limited partnerships formed under the laws of the England or Guernsey or is a protected cell company, and they are established under an investment scheme consists of various limited partnerships, with Actis GP LPP being the general manager.

PRC LEGAL COMPLIANCE

Compliance with the M&A Rules

Under the M&A Rules, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. According to Article 11 of the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from MOFCOM is required.

Our PRC Legal Advisers advised that the acquisition of 1% equity interest in Guangdong Jiashili by Prestige Choice from Zhongchen (the "**1% Acquisition**"), details of which are set out in the paragraph headed "History, Reorganization and corporate structure — Reorganization — Acquisition of Guangdong Jiashili", is subject to the relevant approval and filing requirements set forth in the M&A Rules. As confirmed by our PRC Legal Advisers, all the requisite approvals, permits and licenses in relation to the 1% Acquisition had been obtained pursuant to the applicable laws and regulations in the PRC and the 1% Acquisition had been duly approved by competent governmental authorities in accordance with the M&A Rules and was in compliance with the M&A Rules in all material respects for the following reasons:

(i) at the time when the 1% Acquisition took place, Ms. Huang Xianxian was a citizen of the Republic of Singapore and was not a domestic natural person under the M&A Rules and thus the 1% Acquisition does not constitute and should not be deemed to be a transaction requiring approval from both the MOFCOM and the CSRC under the M&A Rules and the reporting requirement under Article 11 of the M&A Rules should not apply;

(ii) on February 11, 2014, the approval regarding the establishment of Guangdong Jiashili as a sino-foreign joint venture enterprise through the 1% Acquisition was issued by the Guangdong Department of Foreign Trading and Economic Cooperation (廣東省對外貿易經濟合作廳, the "**Guangdong MOFCOM**"), the local counterpart of MOFCOM in Guangdong Province, and the relevant approval certificate, stating Guangdong Jiashili's type of business (企業類型) as sino-foreign joint venture (ratio of foreign investment less than 25%) (中外合資企業（外資比例少於25%）), was granted by the People's Government of Guangdong Province (廣東省人民政府);

(iii) Guangdong MOFCOM is the competent authority for the approval of the 1% Acquisition under the M&A Rules; and

(iv) the revised business license of Guangdong Jiashili was issued by the Jiangmen Bureau of Administration Industry and Commerce (江門市工商行政管理局) on February 24, 2014, which stated that the nature of Guangdong Jiashili has then become a limited liability company (joint venture between entities of Taiwan, Hong Kong, Macau and entities of the PRC (ratio of foreign investment less than 25%)) (有限責任公司 (台港澳與境內合資) (外資比例少於25%)) and thus Guangdong Jiashili has then been considered as a foreign-invested enterprise.

According to the M&A Rules, if an enterprise is held by foreign investors as to less than 25%, such enterprise shall not be entitled to treatments available to FIEs ("該企業不享受外商投資企業待遇"). Our PRC Legal Advisers confirmed that such stipulation requires that an enterprise with less than 25% of its entire equity interest held by foreign investors shall not enjoy the preferential treatments available to FIEs, which mainly refer to the tax preferential treatments for FIEs, such as reduction or exemption of enterprise income tax. As such tax preferential treatments have been abolished upon the PRC Enterprise Income Tax Law's becoming effective on January 1, 2008, the aforementioned stipulation of the M&A Rules does not materially affect Guangdong Jiashili. Our PRC Legal Advisers further confirmed that, apart from the withholding of tax preferential treatments, the aforementioned stipulation of the M&A Rules does not deny the FIE identity of the enterprises with less than 25% foreign-invested shareholding. Although Guangdong Jiashili was held by Prestige Choice only as to 1% after the 1% Acquisition, Guangdong Jiashili should be, and had been, regarded as an FIE, and thus it was granted the business license which recognizes Guangdong Jiashili as a limited liability company (joint venture between entities of Taiwan, Hong Kong, Macau and entities of the PRC (ratio of foreign investment less than 25%)) (有限責任公司 (台港澳與境內合資) (外資比例少於25%)).

Our PRC Legal Advisers, accompanied by our Company, had conducted an interview with a responsible officer of Guangdong MOFCOM in November 2013. During the interview, the officer was provided with accurate and complete information of the 1% Acquisition and Jiashili HK's following acquisition of the entire equity interests in Guangdong Jiashili, including the relationship of Ms. Huang Xianxian with the other shareholders of Zhongchen, the full and ultimate shareholding structures of Zhongchen and Prestige Choice respectively and the plan of subsequent offshore fund raising and setting up the proposed listing structure of our Group and inclusion of Guangdong Jiashili therein. The officer verbally confirmed that (i) Article 11 of the M&A Rules should not be applicable to the 1% Acquisition; (ii) the Guangdong MOFCOM is the competent approving authority for the 1% Acquisition; and (iii) after the 1% Acquisition Guangdong Jiashili will be converted into a sino-foreign joint venture and further acquisition of its equity interest should be subject to the Rules on the Changes of Shareholding of Foreign-invested Enterprise Investor (外商投資企業投資者股權變更的若干規定, the "**FIE Rules**"), instead of the M&A Rules.

For the acquisition of 99% interests in Guangdong Jiashili by Jiashili HK from Zhongchen, details of which are set out in the paragraph headed "History, Reorganization and corporate structure — Reorganization — Acquisition of Guangdong Jiashili", our PRC Legal Advisers advised that since Zhongchen transferred its 99% equity interest in Guangdong Jiashili to Jiashili HK after the transformation of Guangdong Jiashili into a sino-foreign joint venture, the aforesaid acquisition is an acquisition of equity in a foreign invested enterprise, and as such, the M&A Rules is not applicable and approval from the MOFCOM and/or the CSRC is not required. Instead, the acquisition shall comply with the FIE Rules, which requires approval of the original approving authority, i.e. the Guangdong MOFCOM (or its authorized local counterpart).

Our PRC Legal Advisers advised that the aforesaid acquisitions have obtained approval from all relevant authorities and fully complied with the requirements under applicable PRC laws and regulations, including the M&A Rules and the FIE Rules.

Compliance with the Circular No. 75 and the Circular No. 37

According to Circular No. 75 and the following related regulations issued by the SAFE, if a PRC domestic resident wants to use a SPV (i.e., an overseas enterprise directly or indirectly controlled by the domestic resident for the purpose of overseas stock financing for the assets or interests held by him in a PRC domestic enterprise) to conduct return or direct investment in the PRC, the domestic resident shall bring the prescriptive materials to the local branch of SAFE to apply for foreign exchange registration of overseas investments.

All of Mr. Huang, Ms. Huang Cuihong, Ms. Huang Rujiao and Ms. Huang Rujun are residents of the PRC and are subject to the requirements under the Circular No. 75. The PRC Legal Advisers confirmed that all the necessary foreign exchange registration with local foreign exchange authority under the SAFE Circular No. 75 was completed on April 29, 2014.

The Circular No. 37, which took effect and replaced the Circular No. 75 on July 4, 2014, narrows the scope of registrable offshore SPVs, stating that only those (first level) offshore SPVs that are directly established or controlled by domestic residents shall be registered. The Circular No. 37 also cancels the original registration formalities for the establishment, financing and changes in financing of offshore SPVs, with the content of a change required to be registered simplified. In addition, the Circular broadens capital outflow channels by allowing Chinese domestic residents to purchase, convert, and remit foreign currencies for the purposes of establishing offshore SPVs and operating offshore, and removing the restrictions on the granting of loans by domestic companies to their offshore SPVs.

As confirmed by our PRC Legal Advisers, given that Mr. Huang, Ms. Huang Cuihong, Ms. Huang Rujiao and Ms. Huang Rujun have completed registration in accordance with relevant SAFE regulations before the issuance of the Circular No. 37, the Circular No. 37 does not cause any material adverse effect to the above mentioned registrations. Such registrations are not required to be renewed due to the promulgation of the Circular No. 37 and no further steps are required under the Circular No. 37 at the Latest Practicable Date, while updates of registered information for future changes, such as (i) change of shareholder(s), name of the SPV(s), or term of business; (ii) increase or reduction of capital; (iii) share transfer or swap; (iv) merger or split, and (v) change of other material information, are required to be done following the requirements under the Circular No. 37.

The PRC Legal Advisers further confirmed that all necessary approvals, permits and licenses required under the PRC laws and regulations in connection with the Reorganization have been obtained, and the Reorganization has complied with all applicable laws and regulations of the PRC.

OVERVIEW

We are a large-scale biscuit manufacturer with a long history and leading position in the biscuit market in the PRC. According to Euromonitor, among the biscuit manufacturers operated by PRC brand owners, we were the largest manufacturer in terms of retail sales value, retail sales volume and production volume in 2013. We were also the second largest manufacturer of biscuits in the PRC in terms of retail sales volume and production volume with a market share of 2.2% and 2.3%, respectively, in 2013, and the sixth largest manufacturer of biscuits in the PRC in terms of retail sales value with a market share of 3.1% in 2013.

Our products are primarily marketed under our core brand "Jiashili" (嘉士利). We have sought to build strong brand recognition for our "Jiashili" (嘉士利) brand by promoting it with our slogan "Jiashili, Liwanjia" (嘉士利，利萬家) which means "Jiashili" (嘉士利) is a brand that benefits tens of thousands of families. We have achieved a solid track record of consistent growth in revenue and profit. For the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, our revenue amounted to RMB565.3 million, RMB649.5 million, RMB747.8 million and RMB195.5 million, respectively, while our net profit were RMB28.5 million, RMB43.4 million, RMB69.3 million and RMB21.6 million, respectively, for the same periods, which represent a CAGR of 15.0% and 56.0% from 2011 to 2013, respectively.

Our history of manufacturing biscuits can be traced back to 1956, when our predecessor Kaiping C&P Factory first started manufacturing biscuits in Guangdong province. The long history and strong recognition of our brands are key factors in our success, for which we have received various awards and certifications for our "Jiashili" (嘉士利) brand including the "Famous Trademark in Guangdong Province" (廣東省著名商標) by the Guangdong Province Administration for Industry and Commerce (廣東省工商行政管理局) in 2010, the "China Well-Known Trademark" (中國馳名商標) by the SAIC in 2009, the "Top 10 Most Competitive Brands in China's Food Industry" (中國食品行業最具競爭力十大品牌) by The Chinese Academy of Management Science (中國管理科學研究院), China Committee for Competitiveness Promotion (中國企業競爭力促進會), Business Times (商務時報社) and China Brand Association (中國品牌協會) in 2009 and the "China Top Brand Product" (中國名牌產品) by AQSIQ in 2006. We have also been awarded the "Leading Enterprise in National Food Industry 2010–2011" (2010–2011 年度全國食品工業優秀龍頭食品企業) by the China National Food Industry Association (中國食品工業協會) in 2011.

We have an extensive nationwide distribution and sales network that spreads over 31 provinces, autonomous regions and municipalities in the PRC. We sell our products primarily through distributors in the PRC, which then on-sell our products to sub-distributors, retailers and online operators. To a lesser extent, we also sell some of our products directly to retailers, which include Superstores and convenience stores, and other direct customers. As of March 31, 2014, our products were sold in over 160,000 points of sale in the PRC, and can also be purchased by consumers via online platforms. For the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, 98.8%, 98.5%, 98.2% and 97.5% of our sales were generated by our distributors, respectively, while the remainder was generated from sales to retailers and our other direct customers.

To facilitate our nationwide distribution and sales, we have established three production plants located in Guangdong province, Jiangsu province and Hebei province in the PRC, housing 23 production lines. Our 23 production lines have a total designed production capacity of more than 120,000 tonnes of biscuits per year which have made us the second largest manufacturer of biscuits production in the PRC in 2013 in terms of production volume.

Our strong research and development team, which comprises a member of the expert committee of the China National Food Industry Association, together with the collaborative effort from institutions we have engaged in research and development, have allowed us to introduce new products and refine our existing products to tailor for the latest demand of consumers. We have also established our in-house research and development center in our production plant in Kaiping, Guangdong province for our biscuit products. Such in-house research and development center was awarded as a "Guangdong Provincial

Enterprise Technology Center" (廣東省級企業技術中心) by The Economic and Information Commission of Guangdong Province (廣東省經濟和信息化委員會), Department of Finance of Guangdong Province (廣東省財政廳), Guangdong Provincial Office of the State Administration of Taxation (廣東省國家稅務局), Guangdong Local Taxation Bureau (廣東省地方稅務局) and Guangdong Sub-administration of PRC Customs (中華人民共和國 海關總署廣東分署) in 2014 and a "Guangdong Province Bakery Food (Jiashili) Engineering Research Center" (廣東省焙烤食品（嘉士利）工程技術研究中心) by the Science and Technology Department of Guangdong Province (廣東省科學技術廳) in 2013. Further, we have been accredited with ISO 9001:2008 (quality management systems), ISO 22000:2005 (food safety management systems) and ISO 14001:2004 (environmental management systems) quality assurance certifications by Zhongjian Certification Co., Limited (中鑒認證有限責任公司) in respect of the production and sales of our products. We are committed to high standards of quality in all our products and follow stringent quality control procedures throughout our raw material sourcing and production processes. In recognition of our strong quality control capability, we were invited to participate in the drafting of the PRC National Standards (中華人民共和國國家標準) for biscuits (No. GB/T 20980-2007) for AQSIQ and the Standardization Administration of the PRC (中國國家標準化管理委員會) in 2007.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths have allowed us to achieve sustainable growth and profitability and maintain our leading position in the large biscuit market in the PRC:

Leading position in the biscuit market in the PRC with a long history that can be traced back to 1956, long-standing brand and large target consumer base

We have a long history of manufacturing biscuits which can be traced back to 1956. "Jiashili" (嘉士利), our long-standing and established brand, was first registered in the PRC in 1985.

According to Euromonitor, among the manufacturers of biscuits in the PRC operated by PRC brand owners, we were the largest manufacturer of biscuits in the PRC in terms of retail sales value, retail sales volume and production volume in 2013. Further, according to Euromonitor, we were the second largest manufacturer of biscuits in the PRC in terms of retail sales volume and production volume in 2013. Our market leading position and our strong brand recognition are not only evidenced by our strong sales performance, but also by the following awards and accreditations received:

Year of grant	Award/Accreditation	Awarding body
2011	Leading Enterprise in National Food Industry 2010 – 2011 (2010 – 2011 年度全國 食品工業優秀龍頭食品企業)	China National Food Industry Association (中國食品工業協會)
2010	Famous Trademark in Guangdong Province (廣東省 著名商標)	Guangdong Province Administration for Industry and Commerce (廣東省工商行政管理局)
2009	China Well-Known Trademark (中國馳名商標)	SAIC
2009	Top 10 Most Competitive Brands in China's Food Industry (中國食品行業最具競 爭力十大品牌)	The Chinese Academy of Management Science (中國管 理科學研究院) China Committee for Competitiveness Promotion (中國企業競爭力促進會) Business Times (商務時報社) China Brand Association (中國品牌協會)
2006	China Top Brand Product (中國名牌產品)	AQSIQ

For further details of our awards, please refer to the section headed “Business — Awards” in this prospectus.

We believe our long history in the biscuit industry has built up consumer recognition to our brands and products in the PRC market, a market with a total population of over 1.3 billion in 2013, and has been a significant factor in our sustainable growth. According to Euromonitor, we were the second largest manufacturer of biscuits in the PRC in 2013 in terms of retail sales volume and production volume. Our products are categorized into four major series. As of March 31, 2014, we offered more than 300 SKU of products with more than 60 different flavors. Our flagship and best-selling product, breakfast biscuits, has already become a familiar household food product for consumption at breakfast with sales accounted for 50.4%, 51.0%, 48.2% and 45.0% of our total sales and sales volume amounted to 31,253 tonnes, 35,596 tonnes, 36,451 tonnes and 8,454 tonnes for each of the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, respectively. We position our breakfast biscuits as a nutritious type of biscuits to meet the preferences of our health-conscious consumers. Our second best-selling product, crisp biscuits, has also become a familiar food product for daily consumption with sales accounted for 22.9%, 22.5%, 23.0% and 25.7% of our total sales and sales volume amounted to 13,336 tonnes, 15,075 tonnes, 17,219 tonnes and 4,976 tonnes for each of the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, respectively. We position our crisp biscuits as a type of healthy snack suitable for consumption anytime during the day. Apart from these two best-selling biscuit series, our fruit jam sandwich biscuits also recorded increasing sales since their launch in late 2012. For the two years ended December 31, 2012 and 2013, the revenue from the sales of our fruit jam sandwich biscuits were RMB19.8 million and RMB42.1 million, representing an increase of 113.1%. For the three months ended March 31, 2013 and 2014, the revenue from such products were RMB6.3 million and RMB17.4 million, respectively, representing an increase of 176.1%. Our well-known brand, together with these best-selling products, have laid down a solid foundation for our continuous development and the growth of sales of our new products offered to the market in recent years. This has also proven our ability in identifying market demands and bringing new products to the mass market.

According to Euromonitor, rapid urbanization in the PRC has led to continuous growth in the demand for biscuits. The retail sales value of biscuits in the PRC increased by 53.4% from RMB31.2 billion in 2009 to RMB47.8 billion in 2013. With a total population of over 1.3 billion in the PRC in 2013 and the fact that the biscuit consumption per capita in the PRC is approximately one seventh of the biscuit consumption per capita in North America, we believe there is significant market potential in the biscuit market in the PRC. We further believe the favorable reputation and strong recognition of our “Jiashili” () brand and our breakfast biscuits and crisp biscuits will continue to be a main factor driving our future success. We believe we are well positioned to leverage our leading position in the biscuit industry to capture future growth.

Nationwide and extensive distribution and sales network that allows nationwide efficient distribution of our products to consumers and close monitoring of market preferences

We sell our products primarily through distributors in the PRC, which then on-sell our products to sub-distributors, retailers and online operators. To a lesser extent, we also sell some of our products directly to retailers, which consist of Superstores and convenience stores, and other direct customers, which consist of institutions and consumers. As of December 31, 2011, 2012 and 2013 and March 31, 2014, we had 350, 354, 476 and 515 distributors, respectively. As of March 31, 2014, our distribution and sales network spreads over 31 provinces, autonomous regions and municipalities in the PRC, covering over 160,000 points of sales. Our extensive distribution and sales network allows us to distribute our products at all levels, from cities and urban centers to counties and towns across the PRC. This extensive distribution and sales network allows us to benefit from our distributors’ established distribution channels and resources, save costs that would otherwise be required to build up an extensive logistic network across the PRC, increase the effectiveness of the penetration of our products and the launch of our new products to the market within a short period of time.

We believe we have established an effective channel management system. Our extensive nationwide distribution and sales network is supported by our strong sales and marketing team. As of March 31, 2014, our sales and marketing department consisted of over 140 representatives, of which a majority have over four years of experience in selling food products. Our sales representatives work seamlessly with our distributors and retailers to market and promote our products in different regions across the PRC and provide support to these distributors and retailers. Our sales representatives also gather market intelligence from distributors and retailers and at various points of sales so as to monitor changing market trends, consumer preferences, sales performance of our products and of our competitors and providing feedback to us on a regular basis, which allows us to anticipate and respond to these changes in a timely manner as well as to facilitate our marketing strategies and the development of new products.

We believe our well-established and effectively-managed distribution and sales network will continue to allow us to successfully market and deliver products to consumers and support future growth.

Diverse product offerings, strong brand recognition and strong research and development capabilities with the ability to develop fast growing new products

We believe we have established distinctive brand recognition of our core brand "Jiashili" (嘉士利) in the biscuit market in the PRC. Taking advantage of our core brand and our diverse product offerings of more than 300 SKU of products with more than 60 different flavors as of March 31, 2014, including our breakfast biscuits and crisp biscuits, with their sales accounted for 73.3%, 73.5%, 71.2% and 70.7% of our total revenue for the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, respectively, we strategically focus our resources on developing new products and new flavors and refining our existing product quality to tailor for the latest demand of consumers.

We have a strong team of research and development personnel and advanced testing and analytical equipments. As of March 31, 2014, our research and development team comprised 10 members, including a member of the expert committee of the China National Food Industry Association. Apart from these 10 members, some of our employees in our other departments also participate in the research and development of our products. Our research and development team is responsible for expanding and diversifying our product ranges by identification of new products and introduction of new flavors and textures, enhancing our production technology and improving the quality of our raw materials and products. We have also established our in-house research and development center in our production plant in Kaiping, Guangdong province for our biscuit products. Such in-house research and development center was awarded as a "Guangdong Provincial Enterprise Technology Center" (廣東省級企業技術中心) by The Economic and Information Commission of Guangdong Province (廣東省經濟和信息化委員會), Department of Finance of Guangdong Province (廣東省財政廳), Guangdong Provincial Office of the State Administration of Taxation (廣東省國家稅務局), Guangdong Local Taxation Bureau (廣東省地方稅務局) and Guangdong Sub-administration of PRC Customs (中華人民共和國海關總署廣東分署) in 2014 and a "Guangdong Province Bakery Food (Jiashili) Engineering Research Center" (廣東省焙烤食品(嘉士利)工程技術研究中心) by the Science and Technology Department of Guangdong Province (廣東省科學技術廳) in 2013. Our in-house research and development center provides a platform for the development of new products, refinement of our current product offerings, enhancement of our production methods and techniques, cultivation of our research and development personnel, and sufficient testing of our newly developed products before they are introduced to the market. With the support of these resources, we were able to develop at least two new products each year during the Track Record Period. This has in turn supported the sustainable development of our brand.

Our product development process is quality-focused and market-oriented. By working closely with our sales and marketing team, we collect market intelligence regarding consumers' preferences and tastes. We attend various food exhibitions held in the PRC and overseas regularly to gather up-to-date information on market trends and consumer preferences, build up relationships with potential customers and learn about the latest food manufacturing and technological development. Together with our production team, our research and development team have a proven track record of continuously introducing new product varieties that gain wide-spread acceptance by consumers, including our fruit jam sandwich biscuits which were launched in late 2012 and experienced increasing sales during the Track Record Period. For the two years ended December 31, 2012 and 2013, the revenue from the sales of our fruit jam sandwich biscuits were RMB19.8 million and RMB42.1 million, representing an increase of 113.1%. For the three months ended March 31, 2013 and 2014, revenue from such products were RMB6.3 million and RMB17.4 million, respectively, representing an increase of 176.1%.

We also continuously introduce new ideas in our product development, including the introduction of new flavors and packaging and functional food products to provide consumers with a comprehensive range of products to tailor for the their different needs. As of the Latest Practicable Date, we have introduced seven types of breakfast biscuits under our best-selling breakfast biscuits series which come in a variety of flavors, including original, milk, vegetable, red jujube and wheat bran flavors, to satisfy the demand from different consumers including children. Our breakfast biscuits series has become our most successful product series, sales of which constituted the largest component of our total sales and accounted for 50.4%, 51.0%, 48.2% and 45.0% of our total sales for each of the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, respectively. We intend to continue to develop new products to meet our customers' changing needs and to respond to the trend of offering diverse products in the biscuit market in the PRC. The new products we intend to develop include biscuits with fruit and nut elements which are catered for our health-conscious consumers, breakfast biscuits fortified with calcium which are catered for children, oat bran breakfast biscuits which are catered for youngsters, low sugar and vegetable juice breakfast biscuits which are catered for elderlies. We have also introduced new packaging arrangements such as souvenir packs and packs designed to be used by consumers as "Door Gifts" during festival seasons such as the Chinese New Year.

Moreover, with the use of our in-house research and development center as a research and development platform, we are keen to explore cooperation opportunities with various research institutions and universities to jointly develop new products and enhance production techniques and preservation methods. For example, we entered into a cooperation joint research and development agreement in 2011 with South China University of Technology (華南理工大學) to jointly develop a preservation technology for biscuits. In 2012, we entered into another technology development agreement with the South China University of Technology to develop the technology of onion fermentation in biscuits. In January 2013, we cooperated with Guangdong Pharmaceutical University (廣東藥學院) to develop new formulae in the production of fruit jams for use in our sandwich biscuits and to improve its texture.

Our strong product development capabilities have enabled us to successfully anticipate market developments and trends, and promote and market our products in the PRC. We believe our strong brand recognition and leading position in the biscuit market in the PRC is partly contributed by our ability to continuously and quickly develop new products to meet the changing demands of consumers. We believe that our future product development activities will continue to contribute to our growth and profitability.

Strategically located production plants with recognized quality control system to achieve efficient production and distribution of our products and adhere to stringent quality control, food safety and environmental protection measures

To facilitate our nationwide distribution and sales and efficient production and distribution of our products, we have established three production plants in strategic areas, namely, Kaiping, Guangdong province, Suqian, Jiangsu province and Xingtai, Hebei province, giving us convenient access to our major suppliers and major markets in different regions in the PRC such as southern, eastern and central part of China, which allows us to decrease our transportation costs and delivery time. As of the Latest Practicable Date, these three production plants housed 23 production lines. For the two years ended December 31, 2012 and 2013, we had incurred capital expenditure on our production plant in Kaiping and Suqian for an aggregate of RMB139.3 million in order to increase our production capacity to satisfy the growing demand. We were the second largest manufacturer of biscuits in the PRC in 2013 in terms of production volume according to Euromonitor.

We source our production machineries not only from the PRC but also from other overseas countries including Italy and Japan. Such production machineries, which are integrated with expertise from overseas countries, have enhanced our product quality, production volume efficiency and flexibility which we believe have further supported our sustainable long term growth and future expansion. We endeavor to keep abreast of technological advances in our production facilities and regularly monitor and upgrade our production technology, equipment and processes. We believe our infrastructure capabilities have enabled us to increase our production volume to meet rising demand from the public and produce quality products to retain existing consumers and attract new consumers. As a result, we have been able to achieve a steady business growth.

In addition to our well-established and scalable production platform, our capability in production is further supported and supplemented by our stringent quality control measures. As of March 31, 2014, we had a dedicated quality control team to ensure that our internal quality procedures are duly followed. All our production facilities and procedures follow the relevant PRC laws and regulations in relation to food production. Our production plants are also equipped with machineries sourced from overseas, including raw materials testing machines, such as flour quality testing machines, and metal detectors, which help strengthening our quality control in different stages of production. We have been accredited with ISO:9001:2008 (quality management systems), ISO:22000:2005 (food safety management systems) and ISO 14001:2004 (environmental management systems) quality assurance certifications from Zhongjian Certification Co., Ltd (中鑒認證有限責任公司) in respect of the production and sales of our products. Our brand "Jiashili" (嘉士利) was also awarded the "China Well-Known Trademark" (中國馳名商標) by the SAIC in 2009. These certifications signify our commitment and active pursuit of high quality control standards and stringent food safety measures throughout our operational and production processes. Apart from these accreditations, we are also recognized as a market leader in quality control standards as we were invited to participate in the drafting of the PRC National Standards (中華人民共和國國家標準) for biscuits (No. GB/T 20980-2007) for AQSIQ and the Standardisation Administration of the PRC (中國國家標準化管理委員會) in 2007, setting out, among others, the technology requirements for biscuits production, quality inspection methods and quality testing criteria for biscuits.

We believe our commitment to high quality will support our continued expansion and market leadership by allowing us to generate consumer confidence and loyalty as well as increased brand recognition.

Experienced management team with a proven track record to lead our development

Our management team is composed of knowledgeable and experienced personnel with a proven track record in the biscuit industry. A majority of our senior management team members have extensive operational and management experience in the marketing and manufacture of biscuit products in the PRC. Our chairman and chief executive officer, Mr. Huang, and our vice chairman, Mr. Tan Chaojun, who have joined our Group since 2007 and 2008 respectively, have over 10 years and 25 years of experience in management position, respectively. Our executive Director, Mr. Chen Minghui, has over six years of relevant product development and marketing experiences in our Group; our another executive Director, Mr. Lu Jianxiong, has four years of relevant operational risk management and production cost management and control experiences in our Group; our director of sales, Mr. Xu Huayu, has 19 years of relevant sales and marketing experiences; our director of production, Mr. Chen Songhuan, has 26 years of relevant production technology and management experiences; and our sourcing director, Mr. Yang Zhiyong, has eight years of procurement management experiences. We believe our chairman together with our management team have led our Group through its growth and expansion.

In addition to the experienced senior management team, our management is well structured with eight departments overseeing different areas of our business, namely production, sales and marketing, research and development, procurement, quality control, inventory management and logistics, finance and accounting, and management and administration. Each of the departments is led by a departmental manager who oversees specific arm of operation of our Group's business and shall report to the Board chaired by our chairman. We believe our well structured management allows clear division of labor, effective overseeing of our Group's performance, and efficient implementation of our Group's strategies.

Our dedicated management team spearheads our business operations and drives our future growth plans. Their experience in, and knowledge of, the industries in which we operate also enables us to develop new products and identify new business opportunities. Our management team has played a key role in building a corporate culture which encourages consistent delivery of high quality products and continuous innovation. We believe our experienced management team is a key to our success in the past and will continue to contribute to our growth of our operations and profitability in the future.

STRATEGIES

We intend to capitalize on the fact that the biscuit consumption per capita in the PRC is approximately one seventh of the biscuit consumption per capita in North America and the increase in food consumption by PRC consumers in the coming years to achieve sustainable growth in sales and profit and further strengthen our leading position in the PRC biscuit manufacturing industry. We intend to achieve this goal through the implementation of the following strategies:

Increase recognition and awareness of our brands by increasing marketing and promotional activities

We believe successful branding is key to our business development and that the wide recognition and popularity of our core brand "Jiashili" (嘉士利) have been a major factor for our Group's success. To further strengthen our established reputation of "Jiashili" (嘉士利) brand, we plan to engage marketing consultants to assist us in product positioning, including organization of marketing activities and formulation of a television advertisement proposal for our fruit jam sandwich biscuit which recorded continuous sales growth in 2012 and 2013. We intend to advertise our fruit jam sandwich biscuit on television in the second half of 2014. Apart from advertisement on television, we also intend to advertise our fruit jam sandwich biscuit on the internet, public transport, in-store displays and printed media, such as outdoor billboards and newspapers. Through carrying out these advertising activities, we believe the awareness of our "Jiashili" (嘉士利) brand and our products, including our breakfast biscuit series and crisp biscuit series will increase.

We also plan to engage marketing consultants to assist us to improve the packaging of our products, such as developing smaller packages of biscuits with individual wrappings to target office workers for more convenient consumption. We believe improvement in packaging will add value to our products and thereby increase the awareness of our brands. Further, in order to cultivate a younger consumer base and raise the awareness of our brands among the young generation, we intend to devote more resources to organize marketing events that target the young generation. We have supplied biscuits at our costs to local primary schools during the Track Record period and intend to continue such activity in the coming future. In addition, we will continue to participate in various domestic and international trade shows and food exhibitions to make our products more visible to potential buyers, collect up-to-date information on market trends and consumer preferences, and seek other potential export opportunities. Through the implementation of these strategies, we aim to continue to promote our brands and products to a broader spectrum of consumers across different age groups to address the full range of consumer needs and further enhance our brand recognition.

Increase the sales and market share of our current offerings by increasing marketing activities, develop fast-growing products and new biscuit series of high profit margin to optimize our product mix and strengthen our competitiveness

We believe that continuous product innovation and improvement is an important factor for us to further strengthen our market position. We plan to invest in and strengthen our market-oriented product development effort to continuously provide new products that are tailored to the consumers' preferences. We believe that this can be achieved by collaborating with universities and research institutes to enhance the quality of our raw materials and explore new production methods. We also plan to acquire another production line for trial in research and development in Kaiping, Guangdong province. With a growing health awareness among consumers in their food consumption, we plan to refine our existing product offerings by introducing low-sugar content or low-oil content biscuits. We also plan to introduce new products that are competitive and profitable within the next three years. In view of the strong competitiveness of our fruit jam sandwich biscuits which recorded a sales increase of 113.1% from 2012 to 2013 since its launch in late 2012, we intend to continue to develop new fruit jam sandwich biscuit flavors and strive to achieve a leading position in the sandwich biscuit market in the PRC. We will also continue to develop a new biscuit series of high profit margin, such as biscuits with fruit and nut elements, to target our health-conscious consumers.

Further, by leveraging the high sales and market awareness of our breakfast biscuit and crisp biscuit series, we intend to develop new products and explore into the nutritious and convenient breakfast foods market. We intend to develop oat bran breakfast biscuits which are catered for youngsters, breakfast biscuits fortified with calcium which are catered for children, low sugar and vegetable juice breakfast biscuits which are catered for elderlies. With the introduction of these products into the market, we believe we will be able to maintain a leading position in the breakfast biscuit market. We will further optimize our product mix by removing low profit margin products from our product mix and focusing on the refinement of our best-selling products.

Expand the breadth and depth our distribution and sales network through enhancing the distribution efficiency and sales of our distributors, engaging more Superstores and expanding into the e-commerce market

We believe further expansion of our existing distribution and sales network is crucial to further increase our market share and coverage, which can be achieved by broadening and deepening our distribution and sales network. We plan to increase the number of distributors, retailers and sales representatives to assist us in the expansion of our network coverage, particularly in cities and regions in the PRC with growth potential, and to promote our products to the smaller towns and schools surrounding our existing markets.

For our more mature markets in the eastern, central, north-western and north-eastern regions in the PRC, in particular, the Liaoning province, Heilongjiang province, Shaanxi province, Hubei province, Hunan province and the north of Jiangsu province, we intend to further expand our distribution network by increasing in-store displays and in-store marketing and promotional activities such as discounts, free tasting and free gifts, and engaging more temporary salespersons to carry out such marketing and promotional activities. Building on our strong presence in these markets, we aim to increase the number of distributors, increase the market penetration of our current offerings and the number of our points of sale in the PRC. We will also launch our new products in these more matured markets first in order to assess the acceptance level of our new products among consumers.

For our less mature markets in Jilin province, Henan province, Guangdong province, Anhui province and Shanxi province, by leveraging our experience gained in developing our more mature markets, we intend to continue to support our distributors, in particular, distributors who have strong track records, to expand their distribution channels in these markets. We aim to develop these less mature markets into our more mature markets in the future.

For our relatively new markets in the southern part in Jiangsu province, Yunnan province and Chongqing, we aim to provide more support to our distributors who have greater potential to strengthen their distribution channels in these markets and thereby increase the market penetration of our current offerings in these markets.

We also plan to expand our direct sales to retailers, in particular, Superstores, as we believe this can enhance our brand profile in the local markets, improve in the overall sales performance of our distributors in the relevant markets and thereby enhance the market penetration and sales of our products.

Furthermore, by hiring more sales representatives, we can provide better support to our distributors, monitor our distributors' performance on a more regular basis and make more frequent inspections at our distributors and retailers to ensure that our products are marketed and sold to consumers in an effective manner.

Further, we believe with the development of e-commerce business in the PRC, there is significant market potential for the sales of biscuit products through online operators. We intend to capture opportunities in the e-commerce market through establishing cooperative relationships with online operators. We believe, by well-positioning ourselves in these potential markets, we will be able to interact with consumers more readily and capitalize on the increase in food consumption by PRC consumers in the coming years. As of the Latest Practicable Date, we have not identified any target for our cooperation.

Acquire advanced production and quality control machineries to ensure high quality and safety of our products, increase operation efficiency and reduce the cost of human resources

As of the Latest Practicable Date, we had three production plants with a total gross floor area of approximately 79,739.8 sq.m. As of the Latest Practicable Date, these three production plants housed 23 production lines which have a total designed production capacity of more than 120,000 tonnes of biscuits per year. Amongst the 23 production lines, 15 were located at our production plant in Kaiping, Guangdong province, six were located at our production plant in Suqian, Jiangsu province and two were located at our production plant in Xingtai, Hebei province.

We plan to purchase more advanced and automated machineries to improve production efficiency and lower our labor costs. For details of the types of additional machineries we plan to purchase, please refer to the section headed "Business — Production — Production facilities" in this prospectus.

In addition, we also plan to enter into long-term machinery development and renewal agreements with our machinery providers, with the aim to upgrade our existing production lines, improve our production process, take advantage of latest available technologies and automate our production operation, in order to improve production efficiency, lower production costs, improve quality and food safety control capabilities and minimize the percentage of defective and over weight products.

We plan to upgrade our existing production lines to further increase our operation efficiency, reduce our production cost and improve the effectiveness of our production, so that we can be more equipped to meet the growing market demand for biscuits in the PRC against the background of the increase in food consumption in the PRC in the coming years. We also plan to continue to expand the list of suppliers who can provide high quality raw materials at competitive prices, so that we can reduce our procurement cost and increase our profit margin.

OUR PRODUCTS

We offer a range of products to the market primarily under our core brand "Jiashili" (嘉士利). The following table sets out our sales by product categories for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
Revenue	**2011**		**2012**		**2013**		**2013**		**2014**	
	RMB ('000)	**% of total revenue**	**RMB ('000)**	**% of total revenue**	**RMB ('000)**	**% of total revenue**	**RMB ('000)** *(unaudited)*	**% of total revenue**	**RMB ('000)**	**% of total revenue**
Breakfast biscuits series	284,764	50.4	330,926	51.0	360,315	48.2	91,260	49.3	87,904	45.0
Crisp biscuits series	129,492	22.9	146,034	22.5	171,596	23.0	49,061	26.5	50,231	25.7
Sandwich biscuits series	18,838	3.3	32,974	5.1	52,955	7.1	9,658	5.2	19,778	10.1
Wafers series	19,957	3.5	28,788	4.4	43,678	5.8	8,044	4.4	12,993	6.6
Others	112,225	19.9	110,766	17.0	119,227	15.9	27,062	14.6	24,571	12.6
Total:	**565,276**	**100.0**	**649,488**	**100.0**	**747,771**	**100.0**	**185,085**	**100.0**	**195,477**	**100.0**

The following table sets out details of our products offered in the market as of March 31, 2014:

Product category	Brand(s)	Number of flavors	Recommended retail price range (RMB)	Typical shelf life (months)
Breakfast biscuits series	“Jiashili”()	7	2.3 – 29.0	12
Crisp biscuits series	“Jiashili” ()	14	2.5 – 39.0	12
Sandwich biscuits series	“Jiashili” ()	12	2.5 – 20.9	12
Wafers series	“Jiashili” ()	6	2.0 – 19.8	10
Other products	“Jiashili” () “Kiuxiu” ()	27	1.7 – 19.5	12(1)

Note:

(1) Except for moon cakes which have a typical shelf life of two months.

We are principally engaged in the manufacturing and sales of biscuits. We currently produce a variety of biscuits with different flavors and textures. Our four major series of products in terms of sales are breakfast biscuits, crisp biscuits, sandwich biscuits and wafers. Other products we offered as of the Latest Practicable Date include soda biscuits, cookies, short biscuits and moon cakes.

In order to cater for different buying habits of our consumers, our biscuit products come in a variety of packaging, including stick plastic packets, rectangular plastic packets and cartons. Stick plastic packets typically contain approximately 80 to 200 grams of biscuits. Rectangular plastic packets typically contain approximately 100 to 450 grams of biscuits. Cartons typically contain several stick plastic packets of biscuits with approximately 700 to 1,300 grams of biscuits in total. We also produce a range of gift packs of assorted biscuits targeting the market for major Chinese festivals, especially the Chinese New Year, and occasions in which consumers purchase them as “Door Gifts”. Furthermore, we have designed souvenir packs containing our biscuit products which we market and sell as souvenirs of Kaiping city. For our moon cakes, we typically package them in red colored hard cover gift boxes. Such diversification in packaging has allowed us to target different consumer segments and different festive seasons.

Below are details of the four major series of our products:

Breakfast biscuits series

With a background of selling similar biscuit products in the PRC, we first launched our breakfast biscuits series in 1993. Our breakfast biscuits series is our most successful product series during the Track Record Period, sales of which constituted the largest component of our total sales and accounted for 50.4%, 51.0%, 48.2% and 45.0% of our total sales for each of the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, respectively. As of March 31, 2014, we offered more than 60 SKU of breakfast biscuits in seven types of flavors, including original, milk, vegetable, red jujube and wheat bran flavors. The original flavor breakfast biscuit is our best selling breakfast biscuit and accounted for 29.8%, 28.5%, 28.2% and 25.8% of our total sales for each of the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, respectively.

Our breakfast biscuits are marketed as biscuits to be served with milk at breakfast as part of a balanced diet. We position them as a nutritious type of biscuits that are rich in cereals and as a source of fiber. We have also introduced milk breakfast biscuits that are fortified with DHA, and sugar-free breakfast biscuits to meet the preferences of our health-conscious consumers. Moreover, we have successfully promoted our breakfast biscuits as a kind of biscuit for daily consumption and not just for consumption at breakfast.

The following are photos of some of our breakfast biscuits:

Brand	Name of product	product photo
“Jiashili” (嘉士利)	Original flavored breakfast biscuit (早餐餅乾(原味))	
“Jiashili” (嘉士利)	Vegetable flavored breakfast biscuit (果蔬汁早餐餅乾)	
“Jiashili” (嘉士利)	Wheat bran flavored breakfast biscuit (早餐餅乾(麥纖味))	
“Jiashili” (嘉士利)	Red jujube flavored breakfast biscuit (早餐餅乾(紅棗味))	
“Jiashili” (嘉士利)	Breakfast biscuit (gift pack package) (早餐餅乾(禮盒裝))	
“Jiashili” (嘉士利)	Mini breakfast biscuit (children pack) (小早餐餅(兒童裝))	

Crisp biscuits series

We first launched our crisp biscuits series in 1987. Sales of our crisp biscuits series accounted for 22.9%, 22.5%, 23.0% and 25.7% of our total sales for each of the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, respectively. As of March 31, 2014, we offered more than 50 SKU of crisp biscuits in 14 types of flavors, including original, sugar-coated, green bean, red jujube, savory, shallot, sesame and chocolate. The sesame flavored crisp biscuit is our best selling crisp biscuit and accounted for 14.6%, 15.1%, 14.7% and 19.6% of our total sales for each of the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, respectively.

We market our crisp biscuits based on their thin and crispy texture, and their nutritious ingredients such as green bean, red jujube and sesame, which are rich in various types of vitamins and minerals. We position them as a type of healthy snack suitable for consumption anytime during the day.

The following are photos of some of our crisp biscuits:

Brand	Name of product	product photo
“Jiashili” (嘉士利)	Sesame flavored crisp biscuit (甜薄脆餅乾(芝麻口味))	
“Jiashili” (嘉士利)	Shallot flavored crisp biscuit (蔥油薄脆餅乾)	
“Jiashili” (嘉士利)	Chocolate flavored crisp biscuit (甜薄脆餅乾(巧克力味))	
“Jiashili” (嘉士利)	Red jujube flavored crisp biscuit (甜薄脆餅乾(紅棗味))	
“Jiashili” (嘉士利)	Original flavored crisp biscuit (香薄趣)	

Sandwich biscuits series

We first launched our sandwich biscuits in 1985. Sales of our sandwich biscuits series accounted for 3.3%, 5.1%, 7.1% and 10.1% of our total sales for each of the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, respectively. As of March 31, 2014, we offered more than 40 SKU of sandwich biscuits in 12 types of flavors, including pineapple, strawberry, blueberry, lemon and chocolate. The chocolate flavored sandwich biscuit was our best selling sandwich biscuit for the two years ended December 31, 2011 and 2012. To expand our product offerings under this series, we introduced and launched our fruit jam sandwich biscuits in late 2012 which experienced increasing sales during the Track Record Period. For the two years ended December 31, 2012 and 2013, revenue from the sales of our fruit jam sandwich biscuits were RMB19.8 million and RMB42.1 million, representing an increase of 113.1%. For the three months ended March 31, 2013 and 2014, the revenue from such products were RMB6.3 million and RMB17.4 million, respectively, representing an increase of 176.1%. The pineapple flavored fruit jam sandwich biscuit quickly became our best selling sandwich biscuit for the year ended December 31, 2013.

The following are photos of some of our sandwich biscuits:

Brand	Name of product	product photo
“Jiashili” (嘉士利)	Chocolate flavored sandwich biscuit (巧克力味夾心餅乾)	
“Jiashili” (嘉士利)	Pineapple flavored fruit jam sandwich biscuit (果樂果香果醬味夾心餅乾(鳳梨味))	
“Jiashili” (嘉士利)	Blueberry flavored fruit jam sandwich biscuit (果樂果香果醬味夾心餅乾(藍莓味))	
“Jiashili” (嘉士利)	Strawberry flavored fruit jam sandwich biscuit (果樂果香果醬味夾心餅乾(草莓味))	

Wafers series

We first launched our wafers series in 1990. Sales of our wafers series accounted for 3.5%, 4.4%, 5.8% and 6.6% of our total sales for each of the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, respectively. As of March 31, 2014, we offered more than 20 SKU of wafers in six types of flavors, including sesame, chocolate, coconut and strawberry. The sesame flavored wafer is our best selling wafer during the Track Record Period. While our wafer series is one of our long-standing series, we continued to concentrate our effort in the marketing and promotion of our wafer series during the Track Record Period.

The following are photos of some of our wafers:

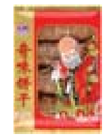
Brand	Name of product	product photo
"Jiashili" (嘉士利)	Chocolate flavored wafer (威化餅乾 (巧克力味))	
"Jiashili" (嘉士利)	Strawberry flavored wafer (威化餅乾 (士多啤梨味))	
"Jiashili" (嘉士利)	Coconut flavored wafer (威化餅乾 (椰味))	
"Jiashili" (嘉士利)	Peanut flavored wafer (威化餅乾(花生味))	
"Jiashili" (嘉士利)	Sesame flavored wafer (威化餅乾(麻香味))	

Other products

Apart from the four major series of products mentioned above, we also manufacture and sell a wide range of other products, including soda biscuits, cookies, short biscuits and moon cakes. Sales of our other products accounted for 19.9%, 17.0%, 15.9% and 12.6% of our total sales for each of the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, respectively. As of March 31, 2014, we offered more than 140 SKU of other products in 27 types of flavors, including soda biscuits in shallot, milk and, sesame flavors, cookies in hazelnut, tiramisu and, sweet potato flavors and short biscuits in walnut and, red jujube flavors. In addition, we have also launched biscuits that are fortified with extra minerals such as calcium. Such product is aimed at more health-conscious consumers as calcium is widely believed to be an essential mineral in maintaining strong bones.

We manufacture moon cakes for sale during the Chinese Mid-Autumn Festival season every year. As of the last Chinese Mid-Autumn Festival season in 2013, we offered 15 types of moon cakes in the market that come in a variety of flavors, including lotus seed paste, sweetened bean paste, winter melon paste, red beans paste and, mixed nuts with ham, shark fins and abalone.

The following are photos of some of our other products:

Brand	Name of product	product photo
“Kiuxiu” (“ ”)	Shallot flavored biscuit (奇味蔥油餅乾)	
“Jiashili” ( )	Milk and salt flavored soda biscuit (梳打餅乾 (奶鹽味))	
“Kiuxiu” (“ ”)	Sesame flavored cookie (芝麻曲奇餅乾)	
“Jiashili” ( )	Mooncake (月餅)	

DISTRIBUTION AND SALES NETWORK

Our geographical coverage

We have an extensive nationwide distribution and sales network in the PRC consisting primarily of distribution channels operated by our distributors. As of March 31, 2014, our products were sold in over 160,000 points of sale covering over 31 provinces, autonomous regions and municipalities across the PRC.

The following table sets out our sales by geographical regions for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2011		2012		2013		2013		2014	
	RMB ('000)	% of total revenue	RMB ('000)	% of total revenue	RMB ('000)	% of total revenue	RMB ('000) *(unaudited)*	% of total revenue	RMB ('000)	% of total revenue
Central China	133,927	23.7	139,252	21.4	161,019	21.5	39,343	21.3	38,319	19.6
North-western China	126,526	22.4	142,246	21.9	152,069	20.3	38,055	20.6	41,130	21.0
North-eastern China	122,409	21.7	154,617	23.8	168,751	22.6	40,745	22.0	35,390	18.1
Eastern China	83,310	14.7	97,012	14.9	118,873	15.9	33,430	18.1	33,020	16.9
South-western China	36,964	6.5	38,949	6.0	48,063	6.4	11,315	6.1	12,202	6.2
Southern China	35,652	6.3	39,176	6.0	46,004	6.2	10,730	5.8	16,470	8.4
Northern China	26,488	4.7	38,011	5.9	51,849	6.9	11,224	6.1	18,689	9.6
Others	-	-	225	0.0	1,143	0.2	243	0.1	257	0.1
Total:	**565,276**	**100.0**	**649,488**	**100.0**	**747,771**	**100.0**	**185,085**	**100.0**	**195,477**	**100.0**

Note:

- *North-eastern China represents Jilin, Heilongjiang, Inner Mongolia and Liaoning provinces/autonomous region*
- *North-western China represents Shanxi, Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang provinces/autonomous regions*
- *Central China represents Jiangxi, Hunan and Hubei provinces*
- *Eastern China represents Shandong, Anhui, Zhejiang, Jiangsu and Shanghai provinces/municipality*
- *Northern China represents Henan, Hebei, Tianjin and Beijing provinces/municipalities*
- *South-western China represents Yunnan, Sichuan, Guizhou, Chongqing and Tibet provinces/municipality/autonomous region*
- *Southern China represents Hainan, Guangdong, Guangxi and Fujian provinces/autonomous region*

The following map shows the coverage of our points of sale in the PRC as of March 31, 2014:

Note:

- *North-eastern China represents Jilin, Heilongjiang, Inner Mongolia and Liaoning provinces/autonomous region*
- *North-western China represents Shanxi, Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang provinces/autonomous regions*
- *Central China represents Jiangxi, Hunan and Hubei provinces*
- *Eastern China represents Shandong, Anhui, Zhejiang, Jiangsu and Shanghai provinces/municipality*
- *Northern China represents Henan, Hebei, Tianjin and Beijing provinces/municipalities*
- *South-western China represents Yunnan, Sichuan, Guizhou, Chongqing and Tibet provinces/municipality/autonomous region*
- *Southern China represents Hainan, Guangdong, Guangxi and Fujian provinces/autonomous region*

Apart from domestic sales in the PRC, we also export some of our products to overseas markets in U.S., Canada, Hong Kong and other countries via our overseas distributors. For the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, our export sales amounted to nil, RMB0.2 million, RMB1.1 million and RMB0.3 million, respectively, representing nil, 0.0%, 0.2% and 0.1% of our total sales during the same periods, respectively. According to our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we had in all material respects complied with all laws and regulations relevant to our export sales and applicable to us in the PRC, by completing all necessary procedures to obtain all relevant health and food safety approvals, certificates, registrations or any other legally required documentation from the relevant government authorities in the PRC.

Our customers

Consistent with market practice, we sell our products primarily through distributors in the PRC, which then on-sell our products to sub-distributors, retailers and online operators. To a lesser extent, we also sell some of our products directly to retailers and other direct customers, which consist of institutions and consumers. As of March 31, 2014, out of the leading 18 supermarkets and the leading 20 hypermarkets in the PRC in terms of retail sales value identified by Euromonitor, our products were sold, either directly by us or through our distributors, to 12 and 18 of these supermarkets and hypermarkets, respectively.

The table below sets out our sales generated from our distributors, retailers and other direct customers for the periods indicated:

Revenue contributed by sales to:	For the year ended December 31,						For the three months ended March 31,	
	2011		2012		2013		2014	
	RMB ('000)	% of total revenue	RMB ('000)	% of total revenue	RMB ('000)	% of total revenue	RMB ('000)	% of total revenue
Distributors	558,631	98.8	639,704	98.5	734,338	98.2	190,610	97.5
Retailers	5,911	1.1	9,197	1.4	12,748	1.7	4,469	2.3
Direct customers[(1)]	734	0.1	587	0.1	685	0.1	398	0.2
Total:	**565,276**	**100.0**	**649,488**	**100.0**	**747,771**	**100.0**	**195,477**	**100.0**

Note:

(1) These consist of institutions and consumers.

Our five largest customers contributed in aggregate less than 30% of sales for each of the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014. As of the Latest Practicable Date, our five largest customers during the Track Record Period have maintained a working relationship with us for at least five years. During the Track Record Period and up to the Latest Practicable Date, we did not have any material dispute with our customers.

Distributors

Our distributors are our major customers which on-sell our products to sub-distributors, retailers and online operators. For the three years ended December 31, 2011, 2012 and 2013 and for the three months ended March 31, 2014, sales to our distributors amounted to RMB558.6 million, RMB639.7 million, RMB734.3 million and RMB190.6 million, respectively, representing 98.8%, 98.5%, 98.2% and 97.5% of our total sales during the same periods, respectively.

We have established an extensive nationwide distribution network. As of December 31, 2011, 2012 and 2013 and March 31, 2014, we had 350, 354, 476 and 515 distributors, respectively.

We believe that this extensive distribution network allows us to benefit from our distributors' established distribution channels and resources, save costs that would otherwise be required to build up an extensive logistics network across the PRC, increase the effectiveness of the penetration of our products and the launch of our new products to the market within a short period of time.

We select our distributors on the basis of a number of factors, including their coverage of distribution channels, recent sales performance of other products, warehousing facilities, delivery capabilities, operating and business management capabilities, creditworthiness and compatibility with our business strategies. We typically select distributors that have experience in distributing food products to supermarkets or hypermarkets in the PRC.

The following table sets out the changes in the number of our distributors for the periods indicated:

	For the year ended December 31,			For the three months ended March 31,
	2011	**2012**	**2013**	**2014**
Number of distributors at the beginning of the period	319	350	354	476
Number of new distributors added during the period	95	45	178	75
Number of existing distributors terminated during the period	64	41	56	36
Net increase (decrease) in the number of distributors during the period	31	4	122	39
Number of distributors at the end of the period	**350**	**354**	**476**	**515**

In line with our strategy to expand our distribution network and strengthen our leading market position in the PRC, we strive to increase the geographical coverage of our products and the quality and capability of our distributors. In order to improve the quality of our distribution network, we added 95, 45,178 and 75 new distributors in the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, respectively and terminated our contractual relationship with 64, 41, 56 and 36 distributors who (i) had less competitive distribution coverage, (ii) failed to reach the sales target as stipulated in their distribution agreements and/or (iii) had unsatisfactory business operation capabilities, for the same periods. In 2011, there was a net increase in the number of our distributors as we actively expanded our distribution network in the eastern, central, northern and north-western regions in the PRC and engaged 63 new distributors in these regions. In 2012, we further improved the quality of our distribution network by replacing some of our distributors with those that had better track record or more competitive distribution coverage. For the year ended December 31, 2013 and the three months ended March 31, 2014, the number of our distributors increased significantly primarily because we continued to expand our distribution network in the eastern, central, northern and north-western regions in the PRC and engaged 133 and 49 new distributors in these regions, respectively.

To the best knowledge of our Directors, during the Track Record Period and as of the Latest Practicable Date, all of our distributors were Independent Third Parties, and none of our distributors was wholly-owned or majority controlled by our current or ex-employees. To the best knowledge of our Directors, our distributors are primarily engaged in the business of distributing food products in the PRC.

Standard distribution agreement

We generally enter into standard distribution agreement with our distributors. All of our distributors purchase our products as principals who place purchase orders with us from time to time with specification on the type and quantity of products. We are entitled to reject purchase orders at our discretion based on our level of stock, the quantity of products ordered and the creditworthiness of the distributor. After we accept the purchase orders, we arrange delivery of our products to our distributors. The delivery costs for delivering the products ordered to our distributors are borne by us. Our distributors are responsible for providing sufficient storage capacity for our products. Upon termination of the distribution agreements, we are not obligated to accept any return of products that have not been sold by our terminated distributors. The terminated distributors would bear the loss for the unsold products. During the Track Record Period, we did not accept any return of unsold products from our terminated distributors.

The table below sets out a summary of the principal terms of our standard distribution agreement with our distributors as of the Latest Practicable Date:

Principal terms	Summary
Term of agreement	12 months[(1)]
Termination	The distribution agreement is terminable by either party upon the giving of one month's notice to the other party in the event that the other party fails to perform any of the obligations or violates any of the terms stipulated in the agreement. Either party may also terminate the agreement without giving any notice to the other party if the other party is in liquidation. We are also entitled to terminate the agreement without giving notice to the distributor concerned if it is in breach of certain provisions stipulated in the agreement, including distribution restrictions, confidentiality and non-competition undertakings.
Distribution within a designated geographical area[(2)] (yes/no)	Yes
Recommended price ranges for on-sell of products and recommended retail price[(3)] (yes/no)	Yes
Minimum purchase amount (yes/no)	No
Delivery costs	We bear the costs
Sales target[(4)] (yes/no)	Yes

Principal terms	Summary
Rebates[4] (yes/no)	No (apart from the distribution agreements for our moon cakes), but rebates of up to 20% of purchase amount and/or reimbursement of marketing expenses incurred are provided to some of our distributors who have attained certain sales targets stipulated under separate agreements entered into with us
Return or exchange of defective products [5] (yes/no)	Yes
Return of unsold products [5] (yes/no)	No
Confidentiality undertaking (yes/no)	Yes
Non-competition undertaking (yes/no)	Yes

Notes:

(1) Apart from the distribution agreements for our moon cakes which usually have a term of seven months.

(2) For further details, please refer to the section headed "Business — Distribution and sales network — Our customers — Distributors — Designated geographical region" in this prospectus.

(3) For further details, please refer to the section headed "Business — Distribution and sales network — Pricing policy" in this prospectus.

(4) For further details, please refer to the section headed "Business — Distribution and sales network — Our customers — Distributors — Sales targets, rebates and reimbursement of marketing expenses" in this prospectus.

(5) For further details, please refer to the section headed "Business — Distribution and sales network — Product return policy" in this prospectus.

Designated geographical region

We typically grant our distributors distribution rights to distribute our products within a designated geographical area to avoid cannibalization among themselves. Pursuant to the standard distribution agreements, our distributors are prohibited from selling our products and/or setting up branches in other areas beyond those designated by us. Our distributors are required to pay us liquidated damages if they are in breach of such restriction. Our distributors are also required to ensure that the sub-distributors and retailers to which they on-sell our products abide by such restriction. Any breach of such restriction by their sub-distributors or retailers will be treated as a breach by them. In this way, we can rely on our distributors to monitor other sub-distributors and retailers who have no contractual relationship with us. Our products are also printed with designated bar codes which allow our sales representatives to keep track of any product being sold to other regions beyond those designated by us. If we discover that our products are sold to other regions beyond those designated by us, our distributors are required to buy back such products, which include products that are distributed by the sub-distributors or retailers of our distributors.

Further, we require our sales representatives to conduct regular on-site inspections on our distributors and sub-distributors of our distributors and keep track of any potential cannibalization or competition among our distributors and sub-distributors of our distributors. During the Track Record Period, we were not aware of any material cannibalization or competition among our distributors and sub-distributors of our distributors in the same region.

Sales targets, rebates and reimbursement of marketing expenses

We set monthly or annual sales targets in the standard distribution agreements which are negotiated and determined with reference to various criteria, including the past performance of the distributor, the market conditions, our plan in launching new products and our own annual sales targets. Our distributors are encouraged to attain such targets. If they fail to meet such targets, we have the discretion not to renew the relevant distribution agreement with them the following year.

In order to encourage our distributors to extend their distribution coverage so as to increase the market share of our products, we also provide incentives to our distributors in the form of rebates or reimbursement of their marketing expenses if they achieve certain sales targets. We also enter into separate agreements with our distributors from time to time pursuant to which our distributors undertake to attain certain sales targets over a certain period of time. During the Track Record Period, we agreed to provide incentives to our distributors in the form of rebates of up to 20% of their purchase amount and/or reimbursement of their marketing expenses incurred if they achieve the sales targets stipulated in such agreements. Such rebates will be deducted from the purchase amount to be paid by our distributors to us in their next purchase. In respect of distributors of our moon cakes, we also provide incentives in the form of rebates ranging from 3% to 10% of the purchase amount for achieving certain sales targets as stipulated in the distribution agreements. Such rebates will be paid to these distributors within one month of the end of the Mid-Autumn Festival season.

Management of our distributors

We require our sales representatives to conduct regular inspections on our distributors, and sub-distributors and retailers of our distributors to collect information about their sales volumes, selling prices, inventory levels and sales returns of our products, ensure that our products are distributed by our distributors within the agreed geographical region, monitor the number of distributors in any given area and keep track of any potential competition among our distributors. Through these inspections, we seek to ensure that the terms and conditions of the distribution agreements are being complied with throughout our distribution network. As soon as we discover any violating activity, we will inform the relevant distributor and request the distributor to cease the violating activities within a certain period of time. Our distributors are also liable for breaches of the relevant distribution agreements and are required to pay us liquidated damages for the relevant breaches. We are entitled to terminate the distribution agreements if our distributors breach certain provisions stipulated in the agreements, including distribution restrictions, confidentiality and non-competition undertakings.

We also closely monitor the performance of our distributors by requesting them to provide us with their inventory levels of our products every month and checking their inventory records during on-site visits by our sales representatives. If we notice that our distributors have excessive inventories or if their sales volume drops significantly, we will inquire into the situation and may initiate marketing and promotional events when necessary and reimburse our distributors their marketing expenses incurred in carrying out such activities. For further details regarding our marketing and promotional activities, please refer to the section headed "Business – Our brands and marketing and promotional activities" in this prospectus. We also arrange sales representatives to assist our distributors with their sales and marketing efforts. We believe this would help to nurture mutually beneficial and long-term relationships between our distributors and us. These procedures, combined with our general requirement for payment of purchase prices from our distributors before delivery of our products to them and our policy of no return or exchange of products other than defective or damaged products, are designed to ensure that our sales to our distributors reflect genuine market demand rather than accumulation of inventory at distributors' level. For further details regarding our credit control and product return policy, please refer to the sections headed "Business — Distribution and sales network — Credit control" and "Business — Distribution and sales network — Product return policy" respectively in this prospectus. During the Track Record Period, we were not aware of any material accumulation of stock by our distributors.

We regularly evaluate the performance of our distributors based primarily on the following factors:

- expansion of distribution channels;
- improvement in the overall sales performance;
- improvement in warehousing facilities;
- improvement in delivery capabilities;
- meeting or exceeding our sales target;
- participation in marketing and promotional events;
- improvement in operating and business management capabilities; and
- maintenance of their creditworthiness.

We normally renew the relevant distribution agreements with the distributors who pass our performance evaluation.

For further details regarding our pricing policy applied to our distributors, please refer to the sections headed "Business — Distribution and sales network — Pricing policy" in this prospectus.

Sub-distributors

We do not have direct contractual relationship with sub-distributors of our distributors. We rely on our distributors to manage their sub-distributors and to ensure that their sub-distributors comply with our policies. Our Directors are not aware any of the sub-distributors of our distributors was not an Independent Third Party during the Track Record Period and as of the Latest Practicable Date. To the best knowledge of our Directors, the sub-distributors of our distributors are primarily engaged in the business of distributing food products at a regional scale in the PRC. To ensure that there is no accumulation of inventory at the sub-distributors' level, we also require our sales representatives to conduct monthly on-site visits at the sub-distributors of our distributors to check their inventory records and whether products are expired or closed to expiry. In case we notice that the sub-distributors of our distributors have excessive inventories, we will inform the relevant distributors and request the relevant distributors to provide assistance to their sub-distributors to reduce their inventory levels. If the situation persists, we will request the relevant distributors to terminate their relationship with the sub-distributors. During the Track Record Period and up to the Latest Practicable Date, we did not identify any material negative finding as a result of our on-site visits at the sub-distributors of our distributors.

Retailers

Apart from the sales channel described above, we also sell some of our products directly to retailers, which consist of Superstores and convenience stores. Our retailers then on-sell our products to consumers. For the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, sales to our retailers amounted to RMB5.9 million, RMB9.2 million, RMB12.7 million and RMB4.5 million, respectively, representing 1.1%, 1.4%, 1.7% and 2.3% of our total sales during the same periods, respectively.

As of December 31, 2011, 2012 and 2013 and March 31, 2014, we had one, two, three and two retailers as our direct customers, respectively. During the Track Record Period and as of the Latest Practicable Date, all of our retailers were Independent Third Parties.

We generally enter into merchandise contracts with our retailers for a term of 12 months which are renewable annually. For the merchandise contracts entered into with Superstores, they are terminable by either party upon the giving of one month's notice to the other party. They are also terminable by the Superstores if we enter into liquidation or when the sales performance of our products is unsatisfactory. For the merchandise contracts entered into with convenience stores, they are terminable by either party upon the occurrence of certain specified events, with written notice to the other party. These termination events include when a party is prevented from performing its obligation by reasons of force majeure, when a party enters into liquidation or when the relevant production or sales permit of a party has expired.

Our retailers place purchase orders with us from time to time with specification as to the type and quantity of products, packaging specifications, delivery time and venue. We are required to pay our retailers liquidated damages if we breach of the terms of the purchase orders. If we expect that we will be out of stock for a certain period of time in the future, we are required to notify our retailers in advance. We will arrange delivery of our products to our retailers and the delivery costs for delivering the products ordered to our retailers are borne by us.

Under the terms of the merchandise contracts, we are required to reimburse our retailers their fees incurred in carrying out promotional events for our products that have been agreed with us in advance, such as product displays, printing of posters, advertisements, promotional campaigns and engagement of temporary salespersons. We are also required to pay our retailers delivery fee, which is based on a percentage of the purchase amount, for delivering our products to different retail stores of our retailers.

Further, we provide incentives in the form of rebates ranging from 2% to 11% of the purchase amount to our retailers for achieving the purchase targets stipulated in the merchandise contracts. Such rebates will be paid by cheques or bank transfers to our retailers or deducted from the purchase amount to be paid by our retailers to us in their purchase the following month.

Management of our retailers

We require our sales representatives to conduct regular inspections on our retailers to collect information about their sales volumes, selling prices, inventory levels and sales returns of our products. Through these inspections, we seek to ensure that the terms and conditions of the merchandise contracts with our retailers are being complied with. We also closely monitor the performance of our retailers by requesting them to provide us with their inventory levels of our products every month and through our access to their inventory management systems.

During the Track Record Period, we were not aware of any material accumulation of stock by our retailers.

We regularly evaluate the performance of our retailers based primarily on the following factors:

- increase in the number of points of sale;
- improvement in the overall sales performance;
- improvement in warehousing facilities;
- meeting or exceeding annual purchase targets;
- participation in marketing and promotional events;
- improvement in operating and business management capabilities; and
- maintenance of their creditworthiness.

We normally renew the relevant merchandise contracts with the retailers who pass our performance evaluation.

Other direct customers

We also sell a small portion of our products directly to certain customers, which consist of institutions and consumers. For the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, sales to other direct customers amounted to RMB0.7 million, RMB0.6 million, RMB0.7 million and RMB0.4 million, respectively, representing 0.1%, 0.1%, 0.1% and 0.2% of our total sales during the same periods, respectively. To the best knowledge of our Directors, during the Track Record Period and as of the Latest Practicable Date, all of our other direct customers (other than consumers) were Independent Third Parties.

Institutions

We sell some of our products to different institutions on bulk purchase basis. During the Track Record Period, a substantial portion of our sales to institutions was generated from the education bureau of the Xinning county in Hunan province of the PRC.

Following the PRC central government policy to improve the health of students studying in rural areas (國務院辦公廳關於實施農村義務教育學生營養改善計畫的意見), education bureaus of different counties in the PRC are encouraged to source food manufacturers to supply nutritious food to local schools through tender processes. Pursuant to these tender processes, food manufacturers of relevant products are invited to submit their bids to the relevant education bureau or its designated institution that runs the tender process. These tender processes are normally conducted at least once a year across different counties in the PRC. A bid evaluation committee of the relevant education bureau or its designated institution selects the winning bids to supply particular types of food. The selection is conducted on the basis of several factors, including the bidding price, the capability in food quality control and timely delivery, quality of after-sales service, the food manufacturer's reputation, financial condition and business scale. The winning food manufacturer must also show that it has no records of material violation of any laws or regulations during the three years before the relevant tender process and has obtained all the relevant licenses, permits and certificates required for its operation.

During the Track Record Period, we participated in five tender processes conducted by the relevant education bureaus and won the tender process conducted by the education bureau of the Xinning county in Hunan province in March 2012. We entered into a procurement agreement with the education bureau of the Xinning county after we were selected as the winning bidder (the "**Procurement Agreement**"). The Procurement Agreement set out the estimated procurement amount with reference to the estimated number of students studying in the Xinning county for two semesters in the school year of 2012 to 2013 and the timing of delivery of our products. It also set out the purchase prices and delivery costs to be borne by the education bureau of the Xinning county. Delivery of our products to local schools in the Xinning county was carried out by a third party logistics company (the "**Logistics Company**") engaged by us. The education bureau of the Xinning county was required to settle the purchase prices of our products with the Logistics Company which collected such payment on our behalf. In circumstances where we were in breach of the Procurement Agreement due to failure of the Logistics Company in performing its obligations under the delivery agreement entered into with us, the Logistics Company would be required to indemnify our loss.

The above food supply arrangement to local schools in the Xinning county was extended for one semester in the school year of 2013 to 2014 pursuant to the renewal of the Procurement Agreement in 2013.

Consumers

To a lesser extent, we also directly sell some of our products to the general public through and our only retail store in Kaiping. This retail store mainly serves as a showroom displaying our latest products.

Pricing policy

We sell our products to our distributors, retailers and other direct customers at a range of discounts from our recommended nationwide uniform retail prices. We sell our products to our distributors at approximately 50% to 60% of our recommended nationwide uniform retail prices. We also set up recommended price ranges for our distributors to on-sell our products to sub-distributors and retailers. As stipulated in our standard distribution agreement, our distributors are required to, and additionally must ensure that their sub-distributors and retailers, on-sell our products at a price within the recommended price ranges or at recommended nationwide uniform retail prices for our products, as applicable. As of March 31, 2014, the recommended nationwide uniform retail prices for our products ranged from RMB1.7 to RMB39.0. For details of recommended nationwide uniform retail price range for each category of our products, please refer to the section headed "Business — Our products" in this prospectus. For details of the historical and future price trends of biscuits in the PRC, please refer to the section headed "Industry overview — The PRC biscuit market — Historical and future price trends of biscuits in the PRC" in this prospectus.

In determining our pricing strategies, we take into account the market demand and supply of our products, the anticipated market trends, costs of our raw materials, production costs, product type, the retail prices of our competitors' products, historical sales data of our products and expected profit margins to be enjoyed by our distributors, our retailers and us. We review and adjust these prices periodically based on these factors and other general market conditions.

We require our sales representatives to conduct inspection from time to time at our distributors, customers of our distributors, our retailers and our points of sale in the PRC to ensure that our products are on sold in accordance with our recommended price ranges or recommended nationwide uniform retail prices, as applicable. The bar codes and production dates printed on our products also help our sales representatives to check if the selling price of a certain product is consistent with our recommended price. If we discover that our products are sold at prices different from our recommended prices, we have the discretion not to renew the distribution agreement with the relevant distributor.

We have limited control over the prices at which our distributors, retailers or other direct customers are willing to purchase our products as prices are driven mainly by economic factors such as demand and supply. Our PRC Legal Advisers are of the view that our requirement for our distributors to on-sell our products within the recommended price ranges and ensure that their sub-distributors and retailers, on-sell our products at a price within the recommended price ranges or at recommended nationwide uniform retail prices for our products, as applicable, would not constitute a breach of the PRC Anti-monopoly Law.

Credit control

We generally require our distributors to make payment to us before our products are delivered to them. We may grant a credit period of up to 60 days and a credit amount of up to an aggregate of RMB2.0 million for a year to a few distributors on a case-by-case basis depending on their credit history, historical sales performance, estimated future purchases, relationship history with us, business scale, whether they are able to provide security and whether they are able to provide a guarantee pursuant to which payment of the credit amount and the corresponding interests payable by the distributor are guaranteed by a guarantor.

We generally grant a credit period of up to 60 days to our retailers depending on their credit history, historical sales performance, estimated future purchases, relationship history with us and the size and number of their retail outlets.

As of December 31, 2011, 2012 and 2013 and March 31, 2014, our trade and bills receivables turnover days were 4.6 days, 6.5 days, 10.2 days and 11.6 days, respectively. Our finance and accounting department carries out monthly reconciliation exercise of all outstanding accounts receivables and produces receivables reconciliation reports monthly. If a distributor does not settle its outstanding receivables when they are due, we will consider suspending our delivery of products to such distributor until its outstanding receivables have been settled. Our management team monitors our receivable balances on an ongoing basis and considers whether bad or doubtful debt provisions are necessary. As of December 31, 2011, 2012 and 2013 and March 31, 2014, allowance for doubtful debts amounted to RMB626,000, RMB470,000, RMB38,000 and RMB38,000, respectively. For these reasons, our Directors do not consider there is any material liquidity risk associated with our credit policy. For further details regarding our credit control policy, please refer to the section headed "Financial information — Certain items of combined statements of financial position — Trade, bills and other receivables — Trade and bills receivables" in this prospectus.

Product return policy

We accept return or exchange of any defective product or damaged product during delivery from our customers after our examination and approval. We will refund our customers the relevant purchase amount for any defective or damaged product returned to us or exchange the defective or damaged products for new products. The liability of defects of our products is borne by us solely. There is no allocation of liability for product defects between our suppliers and us.

Apart from product quality issues, our retailers are also allowed to return or exchange any unsold product, expired product or product that is getting close to expiry with us. Apart from our retailers, we do not accept return or exchange of any unsold products, expired product or product that is getting close to expiry from our other customers. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material product return of any unsold product, expired product or product that is getting close to expiry from our retailers. We also do not expect any return of unsold product, expired product or product that is getting close to expiry from our retailers in the foreseeable future.

For the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, the amount of sales returns from our customers amounted to RMB0.3 million, RMB1.2 million, RMB0.1 million and RMB5,600, respectively, and were mainly due to defects in product packaging caused during delivery. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material product return or made any product recall due to product quality defects or damages during delivery.

Seasonality

Sales of some of our products are subject to seasonality. For example, we normally experience higher sales of our biscuit gift packs in advance of traditional Chinese festival and holiday seasons, including the Chinese New Year and Mid-Autumn Festival seasons. Our moon cakes are also subject to seasonality as they are sold only in advance of and during the traditional Mid-Autumn Festival season each year. We normally experience lower sales of our products in the first quarter of the year during and after the Chinese New Year. Sales of our products also fluctuate due to other reasons. For example, we generally experience higher sales during and after our advertising and promotional campaigns or the period of new product launches.

However, given the diversity of our product offerings, we do not believe that seasonality has any material effect on our results of operations as a whole.

After-sales service

To better serve our customers and collect market information in a timely manner, it is our policy that all complaints, feedback and enquiries from our customers or consumers shall be handled and answered promptly upon receipt. We have customer service hotlines through which our customers or consumers may reach us if they have any complaints, feedback or enquiries in relation to our products. In addition, our sales and marketing team pays regular visits to our customers to assist them in solving any sales-related issues.

OUR BRANDS AND MARKETING AND PROMOTIONAL ACTIVITIES

Currently a majority of our products are marketed and sold under our core brand "Jiashili" (嘉士利).

Our "Jiashili" (嘉士利) brand was recognized as a "China Well-Known Trademark" (中國馳名商標) by the SAIC in 2009. We have sought to build strong brand recognition for our "Jiashili" (嘉士利) brand by promoting it with our slogan "Jiashili, Liwanjia" (嘉士利，利萬家) which means "Jiashili" (嘉士利) is a brand that benefits tens of thousands of families. Such slogan is also used to build up our socially responsible corporate image.

To promote our brand recognition, enhance the visibility and marketability of our products and avoid any accumulation of stock at our points of sale, we engage in a variety of marketing and promotional activities, including trade shows and food exhibitions. We also collaborate with our distributors and retailers to arrange in-store displays and in-store marketing and promotional activities such as discounts, free tasting and free gifts, and engage temporary salespersons to carry out such marketing and promotional activities. We reimburse our distributors and retailers the costs incurred in carrying out the marketing and promotional activities that have been agreed with us in advance.

Going forward, we intend to engage in other advertising channels, including advertisements on the internet, television, public transport and printed media, such as outdoor billboards and newspapers, to increase the awareness of our brands and products in both domestic and overseas markets. Moreover, we plan to engage marketing consultants to assist us in product positioning, including the formulation of a television advertisement proposal for our fruit jam sandwich biscuit which recorded continuous sales growth in 2012 and 2013. This will allow us to further enhance our brand recognition and attract more media and public attention to our brands and products. We also plan to engage marketing consultants to assist us to improve the packaging of our products, such as developing smaller packages of biscuits with individual wrappings to target office workers for more convenient consumption. We believe improvement in packaging will add value to our products and thereby increase the awareness of our brands. Further, in order to cultivate a younger consumer base and raise the awareness of our brands among the young generation, we intend to devote more resources to organize marketing events that target the young generation. We have supplied biscuits at our costs to local primary schools during the Track Record period and intend to continue such activity in the coming future. In addition, we will continue to participate in various domestic and international trade shows and food exhibitions to make our products more visible to potential buyers, collect up-to-date information on market trends and consumer preferences, and seek other potential export opportunities.

For the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, our advertising and promotional expenses were RMB12.0 million, RMB11.6 million, RMB24.8 million and RMB7.1 million, respectively, representing 2.1%, 1.8%, 3.3% and 3.6% of our total sales during the same periods, respectively.

Sales and marketing team

As of March 31, 2014, our sales and marketing department consisted of over 140 representatives who are grouped into teams according to different geographical regions in which our distributors, retailers and other direct customers are located. A majority of our sales representatives have over 4 years of experience in selling food products. They are primarily responsible for approaching potential customers, liaising with our existing customers, assisting with the provision of after-sales services to our customers, implementing our marketing strategies, supervising marketing and promotional activities, assisting our distributors to expand the coverage of their distribution network in the PRC, gathering market intelligence including sales performance of our competitors, providing feedback to us on a regular basis, conducting regular inspections on our distributors, and sub-distributors and retailers other sales channels of our distributors and our retailers, and monitoring the performance of our distributors and our retailers. For further details regarding the role of our sales representatives in management of our distributors and retailers, please also refer to the sections headed "Business — Distribution and sales network — Our customers — Distributors — Management of our distributors" and "Business — Distribution and sales network — Our customers — Retailers — Management of our retailers" in this prospectus.

PRODUCTION

Production process

The entire production process of our biscuit products i.e. from the commencement of production upon our confirmation of purchase orders placed by our customers to the completion of production, take approximately seven days, depending on the number of different type of moulds that need to be applied and the changing time of moulds during the production process of different products.

We set out below the typical production process for our major biscuit products:

Raw materials

- The primary raw materials for our major biscuit products are flour, palm oil and sugar.

Measuring

- Primary raw materials and other ingredients are precisely measured according to the recipes for the biscuits.

Mixing and stirring

- Raw materials are thoroughly mixed and stirred.

For production of fermented biscuits such as savory crisp biscuits, yeast and solid or liquid fat are added in and mixed together with other raw materials.

Dough making

- For production of fermented biscuits such as savory crisp biscuits, the dough is given time to ferment.

Rolling and kneading

- The dough is pressed into sheets of desired thickness for shaping.

Shaping and molding

- The dough is further cut into appropriate sizes and shapes.

Baking

- The shaped dough is then baked at a pre-set temperature for a pre-set period of time.

Glazing

- A coat of glaze is applied to some of our baked biscuits to add shine.

Cooling

- Baked biscuits are allowed to cool off to room temperature.

Packaging

- The finished biscuits are packed.

Production facilities

We manufacture most of our products internally in Kaiping, Guangdong province, Suqian, Jiangsu province and Xingtai, Hebei province. As of the Latest Practicable Date, we had three production plants with a total gross floor area of approximately 79,739.8 sq.m. As of the Latest Practicable Date, these three production plants housed 23 production lines in operation. Amongst the 23 production lines, 15 were located at our production plant in Kaiping, Guangdong province, six were located at our production plant in Suqian, Jiangsu province and two were located at our production plant in Xingtai, Hebei province. In determining the location of our production plants, we take into account governmental policies, human resources, and the location of the plantation and manufacturing bases of our raw materials so as to facilitate their delivery and lower transportation costs.

The table below sets out the number of production lines for our products and their designed production capacity, production volume and utilization rate for the periods indicated:

			For the year ended December 31,	
			2011	
Location of production plant	Production lines	Designed production capacity(1)(2)(3) (tonnes)	Production volume (tonnes)	Utilization rate (%)(5)(6)
Kaiping	10	39,711	35,232	88.7
Xingtai	2	14,000	8,818	63.0
Suqian	2	9,943	7,132	71.7
Total:	14	63,654	51,182	80.4

			For the year ended December 31,	
			2012	
Location of production plant	Production lines	Designed production capacity(1)(2)(3) (tonnes)	Production volume (tonnes)	Utilization rate (%)(5)(6)
Kaiping	10	40,061	36,419	90.9
Xingtai	2	14,000	9,998	71.4
Suqian	3	18,049	11,222	62.2
Total:	15	72,110	57,639	79.9

			For the year ended December 31,	
			2013	
Location of production plant	Production lines	Designed production capacity(1)(2)(3) (tonnes)	Production volume (tonnes)	Utilization rate (%)(5)(6)
Kaiping	15(7)	48,184	40,644	84.4
Xingtai	2	14,000	12,238	87.4
Suqian	6(8)	31,116	14,749	47.4
Total:	23	93,300	67,631	72.5

Location of production plant	Production lines	Designed production capacity(3)(4) (tonnes)	For the three months ended March 31, 2014 Production volume (tonnes)	Utilization rate(5)(9)
Kaiping	15(7)	14,877	10,262	69.0
Xingtai	2	3,619	2,190	60.5
Suqian	6(8)	10,135	4,053	40.0
Total:	23	28,631	16,505	57.6

Notes:

(1) The designed production capacity for a production line is computed on the basis of 298 days for each of the three years ended December 31, 2011, 2012 and 2013 and 23.5 hours (with two work shifts) per day.

(2) The designed production capacity for new production lines added during a year/period is calculated on a pro-rata basis.

(3) The designed production capacities of the production lines are determined with reference to the capacity of the machineries used in the baking process, being our core production process of biscuits.

(4) The designed production capacity for a production line is computed on the basis of 70 days for the three months ended March 31, 2014 and 23.5 hours (with two work shifts) per day.

(5) Utilization rate is computed by dividing the production volume by the designed production capacity during the same period.

(6) The decrease in the total utilization rate from 80.4% for the year ended December 31, 2011 to 72.5% for the year ended December 31, 2013 was primarily due to the expansion of our designed production capacity in Kaiping and Suqian in 2012 and 2013 in anticipation of an increase in demand for our products for the coming two years. At the early stage after the acquisition of additional production lines in 2012 and 2013, the rate of increase in demand of our products, as shown by the increase in our production volume, was slower than the rate of increase of our production capacity. As a result, the utilization rate decreased from 2011 to 2013.

(7) These do not include the production line for trial in research and development.

(8) These include a production line which was installed in December 2013 but has not commenced operation since it was undergoing trials. This production line is capable of producing up to 6,700 tonnes of biscuits per year.

(9) The decrease in the total utilization rate from 72.5% for the year ended December 31, 2013 to 57.6% for the three months ended March 31, 2014 was primarily due to the low season in the first quarter of 2014 during and after the Chinese New Year.

The table below sets out the number of production lines for our products and their designed production capacity on an annualized basis as of the Latest Practicable Date:

Location of production plant	Production lines	Designed production capacity(1)(2) (tonnes)
Kaiping	15(3)	63,385
Xingtai	2	14,000
Suqian	6	42,645
Total:	23	120,030

Notes:

(1) The designed production capacity for a production line is computed on the basis of 298 days for the year ending December 31, 2014 and 23.5 hours (with two work shifts) per day.

(2) The designed production capacities of the production lines are determined with reference to the capacity of the machineries used in the baking process, being our core production process of biscuits.

(3) These do not include the production line for trial in research and development.

Our production lines generally operate 23.5 hours per day and six days a week. Our production lines are operated in two work shifts per day. As of March 31, 2014, we employed over 1,600 production workers to operate and manage our production lines.

Our production plants are equipped with automated production machineries sourced from the PRC and other overseas countries, including Italy, Austria and Japan. All of these production machineries are owned by us. A number of our production machineries were specifically designed and made to meet our requirements for specific functions, and achieve better product quality and higher cost efficiency. We also endeavor to keep abreast of technological advances in our production facilities and regularly monitor and upgrade our production technology, equipment and processes. We had incurred capital expenditure on our production plant in Kaiping and Suqian for an aggregate of RMB139.3 million for the two years ended December 31, 2012 and 2013, in order to increase our production capacity to satisfy the growing demand. In 2013, we acquired eight additional production lines that are capable of producing up to 37,392 tonnes of biscuits per year. We plan to purchase more advanced and automated machineries to improve production efficiency and lower our labor costs. The following table sets forth details of the types of additional machineries we plan to purchase:

Type of machineries to be purchased	Location of production plant	Number of machineries to be purchased	Expected date of purchase
Automated machineries for packaging	Kaiping	5	By end of 2016
	Xingtai	2	By end of 2016
	Suqian	3	By end of 2016
Automated machineries for sandwich biscuit production	Kaiping	1	By end of 2014
	Suqian	1	By first half of 2015
Automatic biscuits weight testing equipment	Kaiping	2	By end of 2016
	Xingtai	2	By end of 2016
	Suqian	2	By end of 2016

These additional machineries we plan to purchase will not increase the designed production capacity of our production lines as the designed production capacities of our production lines are determined with reference to the capacity of the machineries used in the baking process, being our core production process of biscuits.

Equipment Maintenance

We have implemented a comprehensive maintenance system for our equipment and facilities to prolong their useful life. As of March 31, 2014, our maintenance team consisted of 71 employees. They are responsible for carrying out daily, weekly and monthly inspections and routine daily cleaning and maintenance of our production equipment. Major maintenance and repair work is conducted annually. For the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, the average scheduled downtime for maintenance and repair of each of our production lines was 4 days, 4.5 days, 3.8 days and 5 days, respectively. Manufacturers of our equipment also provide equipment maintenance services during warranty period for the equipment. The following table sets forth the age of our production lines as of March 31, 2014:

Location of production line	Number of production lines	Age range
Kaiping	15	1 to 26 years
Xingtai	2	6 years
Suqian	6	1 to 4 years

We did not experience any material or prolonged interruptions to our production process due to equipment or machinery failure during the Track Record Period.

Outsourcing

During the Track Record Period, there were peak seasons when we reached full utilization and therefore we outsourced a small portion of our production to our manufacturing partners. Sales of products manufactured by our manufacturing partners accounted for 7.2%, 10.8%, 3.8% and 0.4% of our total sales for each of the three years ended December 31, 2011, 2012 and 2013 and for the three months ended March 31, 2014, respectively. During the Track Record Period, we had three manufacturing partners who had maintained a working relationship with us for at least three years. As of the Latest Practicable Date, we ceased to engage these manufacturing partners as following the expansion of our production capacity in 2012 and 2013, we have more production resources which allow us to adjust our production schedules more flexibly to meet the demand during peak seasons.

We select our manufacturing partners on the basis of a set of criteria, which includes requiring our manufacturing partners to obtain all requisite production and operation licenses and permits, including the production license for industrial products (全國工業產品生產許可證), meet the relevant PRC laws and regulations in relation to product hygiene and safety and pass our internal quality assessment procedure that involves assessment of the quality of raw materials supplied, production technique, on-site inspection of the production process, production scale and quality control process carried out by our manufacturing partners, and evaluation of the quality of finished products.

We generally enter into framework processing agreements with a term ranging from three months to 13 months with our manufacturing partners. The framework processing agreements are renewable and terminable by either party upon the giving of 30 days' notice in writing to the other party. We place orders with our manufacturing partners according to our business needs throughout the contractual period. The types of products, specifications, purchase prices and target purchase volume during the contractual period are stipulated in the framework processing agreements. Our manufacturing partners are required to produce products in accordance with our specifications and standards set by the PRC government. The purchase prices are dependent on a number of factors, including the production costs and the type of products to be manufactured. We will be required to pay our manufacturing partners a penalty if we fail to meet the target purchase volume specified in the framework processing agreements. Under the framework processing agreements, we are required to provide raw materials and packaging materials to our manufacturing partners. We conduct regular on-site inspection of the production process and quality control process carried out by our manufacturing partners and evaluation of the quality of each batch of finished products produced by our manufacturing partners. For further details regarding our quality control measures on production process and finished products, please refer to the section headed "Business — Quality control" in this prospectus. If there are product quality issues, we have the right to request return of the defective products within one week of receipt of products and request compensation from our manufacturing partners for all losses suffered. During the Track Record Period and up to the Latest Practicable Date, we did not have any material dispute with our manufacturing partners.

During the Track Record Period and as of the Latest Practicable Date, all of our manufacturing partners were Independent Third Parties.

For the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, our outsourcing expenses were RMB5.9 million, RMB8.8 million, RMB3.4 million and nil respectively.

RAW MATERIALS AND SUPPLIERS

Raw Materials

The primary raw materials (excluding packaging materials) we use in the production of our products are flour, palm oil and sugar. Apart from these, we also use milk powder, fruit jams and eggs in manufacturing our products. The following table sets out the costs of flour, palm oil, sugar and packaging materials and their percentage to our total cost of sales for the periods indicated:

Costs	For the year ended December 31,						For the three months ended March 31,	
	2011		2012		2013		2014	
	RMB ('000)	% of total cost of sales	RMB ('000)	% of total cost of sales	RMB ('000)	% of total cost of sales	RMB ('000)	% of total cost of sales
Raw Materials								
Flour	93,034	21.5	103,641	21.4	120,159	23.0	30,645	23.1
Palm oil	83,642	19.3	87,632	18.1	79,515	15.2	19,849	15.0
Sugar	63,169	14.6	70,251	14.5	65,965	12.6	15,613	11.8
Others	37,392	8.6	34,647	7.2	43,498	8.4	11,782	8.9
Sub-total:	277,237	64.0	296,171	61.2	309,137	59.2	77,889	58.8
Packaging materials	89,228	20.6	99,266	20.5	106,709	20.4	25,960	19.6
Total:	**366,465**	**84.6**	**395,437**	**81.7**	**415,846**	**79.6**	**103,849**	**78.4**

Our Directors believe that the fluctuation of the prices of the primary raw materials we used in the production of our products during the Track Record Period are dependent on a number of factors, including the weather, crop production, transportation and processing costs, foreign exchange rates, government regulations and policies, and the supply and demand for such raw materials in the PRC during the relevant period. For further details of the historical price trends of the primary raw materials we used in the production of our products during the Track Record Period, please refer to the section headed "Industry overview — The PRC biscuit market — Historical price trends of raw materials in the PRC" in this prospectus.

Fluctuation of market price for our raw materials did not have a material impact on our costs of raw material during the Track Record Period as the increase in prices of certain raw materials was partially offset by the decrease in prices of certain other raw materials during the same period. We are also generally able to pass on increases in cost of raw materials of our products to our customers. During the Track Record Period, we have increased our recommended price ranges for our distributors to on-sell our products and our recommended nationwide uniform retail prices to cater for the increase in the cost of raw materials of our products. To manage fluctuation of raw material prices, we generally enter into supply contracts with our suppliers with agreed prices stipulated under such supply contracts for procuring our raw materials regardless of any subsequent changes in the market price of the raw materials during the term of contract. For further details of the sensitivity of our net profit during the Track Record Period in relation to movements in our costs of flour, palm oil and sugar, please refer to the section headed "Financial information — Principal income statement components — Cost of sales" in this prospectus.

We have a dedicated procurement team who are responsible for carrying out the following cost control measures: (i) monitoring the market prices of our raw materials on a regular basis, (ii) conducting analysis to anticipate potential changes in the market prices of our raw materials (iii) negotiating and determining the purchase prices of raw materials with our suppliers, with reference to the market data obtained during the regular monitoring of and analysis on the market prices of our raw materials, and (iv) identifying alternative raw materials suppliers who provide the most competitive prices. Our Directors believe that adopting these cost control measures enable us to have a more comprehensive and better understanding of the fluctuation of prices of our raw materials, increase our bargaining power, and allow us to obtain more competitive prices when negotiating the supply contracts with our suppliers.

Our raw material procurement is determined by our production schedule. Our production and sales departments determine the expected production and sales volume at a particular time to formulate our procurement plan. Our procurement department then contacts suppliers with our raw materials requirements. We centralize the procurement of our raw materials for different products to take advantage of our economies of scale and to increase our negotiation leverage with suppliers. We believe this centralized procurement system enables us to obtain more competitive prices.

Flour

We procure two main types of flour, namely, soft flour and all-purpose flour, for manufacturing our products.

Our flours are sourced from various domestic suppliers. We generally enter into short term supply contracts with a term ranging from six months to one year with our suppliers. The price and the purchase volume are fixed under the contracts and cannot be changed under any circumstances. If we fail to meet the purchase volume specified in the contracts, we will be required to pay our suppliers liquidated damages of up to 5% of the price of the volume not purchased by us. During the Track Record Period, we also made bulk purchase of flour from a major supplier. All flours provided by our suppliers are required to meet our quality standards and the standards set by the PRC government, including the PRC National Standards (中華人民共和國國家標準) for flour (No. GB/T 1355-1986).

Palm oil

We procure two types of palm oil, namely, 10 degrees palm oil and 24 degrees palm oil, for our production. Both types of palm oil originate from Malaysia and Indonesia.

Our palm oil is sourced from various domestic suppliers. We enter into supply contracts with our suppliers for each of our purchase depending on our production schedule. The price and the purchase volume are fixed under the contracts and cannot be changed under any circumstances. We will not be subject to any penalty if we fail to meet the purchase volume specified in the contracts. Our suppliers are usually required to deliver the agreed total purchase volume within ten months of the date of contract. All palm oil provided by our suppliers are required to meet our standards and the standards set by the PRC government, including the PRC National Standards (中華人民共和國國家標準) for palm oil (No. GB/T 15680-2009).

Sugar

The major type of sugar that we procure for our production is white granulated sugar.

Our sugar is sourced from various domestic suppliers. We generally enter into short term supply contracts with a term ranging from one month to four months with our suppliers. The price and the purchase volume are fixed under the contracts and cannot be changed under any circumstances. We will not be subject to any penalty if we fail to meet the purchase volume specified in the contracts. During the Track Record Period, we also had prepayment arrangement with certain suppliers of sugar as we tried to fix the purchase price before our anticipated increase in the price of sugar. All sugar provided by our suppliers is required to meet our standards and the standards set by the PRC government, including the PRC National Standards (中華人民共和國國家標準) for white granulated sugar (No. GB/T 317-2006).

Packaging materials

Our packaging materials are largely tapes, labels, paper cards, transparent films, packets, cartons, polyester bags and composite packaging materials which are all sourced from domestic suppliers.

We generally enter into framework supply contracts with a term of one year with various suppliers of our packaging materials. These framework contracts specify the price of various packaging materials but do not contain any annual target purchase volumes. Instead, the purchase volume is determined by the purchase orders that we send to our suppliers from time to time. All packaging materials provided by our suppliers are required to meet our standards and the standards set by the PRC government, including the PRC National Standards (中華人民共和國國家標準) for packaging materials (No. GB/T 10004-2008 & No.GB9683-1988).

Suppliers

We choose our suppliers on the basis of the quality and price of the raw materials supplied. Each new supplier is required to pass our internal quality assessment procedure, which involves assessment of the quality of raw materials supplied, on-site inspection of its production process, production scale and quality control process, inspection of its qualification certificates and inspection reports issued by provincial food quality supervision and inspection centers of the PRC and other testing institutes in respect of the quality of their raw materials supplied. We will only appoint suppliers who can satisfy all our internal selection criteria. Each of our suppliers is subject to our annual evaluation of quality and prices of the raw materials supplied. They are also required to submit to us at least once a year reports issued by provincial food quality supervision and inspection centers of the PRC in respect of the quality of their raw materials supplied. During the Track Record Period, we did not experience any significant problems with the quality of raw materials provided by our suppliers.

We have at least two suppliers for each type of our primary raw materials to reduce dependence on any single supplier. During the Track Record Period, we did not encounter any shortage of supply of our raw materials.

All of our suppliers are domestic suppliers, with a majority of them located in the Guangdong province. They are responsible for arranging delivery of the raw materials to our factories at their own costs. During the Track Record Period, we did not encounter any delay in delivery of raw materials by our suppliers that significantly affected our manufacturing operations. After we have received the raw materials, we will perform quality checks and are entitled to return the raw materials which fail to meet our quality standards or the standards set by the PRC government to our suppliers. For further details of our quality control measures on our raw materials, please refer to the section headed “Business — Quality control — Raw materials quality control” in this prospectus.

Our suppliers usually provide us with a credit term of 7 to 45 days and we usually settle our trade payables by telegraphic transfers or letters of credit.

For the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, our aggregate purchases from our five largest suppliers represented 26.0%, 25.6%, 32.3% and 36.4% of our total purchases, respectively and purchases from our largest supplier represented 7.9%, 6.2%, 11.0% and 11.7%, respectively, of our total purchases for the same periods. As of the Latest Practicable Date, our five largest suppliers during the Track Record Period have maintained a working relationship with us for at least five years.

During the Track Record Period and up to the Latest Practicable Date, none of our Directors or their respective associates and none of our existing Shareholders who (to the best knowledge of our Directors) owned more than five percent of the issued share capital of our Company had any interest in any of our five largest suppliers. During the Track Record Period, Yihai (Guangzhou) Oils & Grains Industries Co., Ltd. (益海（廣州）糧油工業有限 公司), Yihai (Lianyungang) Oils & Grains Industries Co., Ltd. (益海（連雲港）糧油工業有限公司) and Dongguan Yihai Kerry Oils, Grains & Foodstuffs Industries Co., Ltd (東莞益海嘉里糧油食品工業有限公司), which are the subsidiaries of one of our cornerstone investors, Wii Pte. Ltd., were our suppliers of palm oil, edible oil and biscuits powder, among which Yihai (Guangzhou) Oils & Grains Industries Co., Ltd. (益海（廣州）糧油工業有限公司) was one of our five largest suppliers for each of the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014. Please refer to the section headed "Cornerstone Investors — Wii Pte. Ltd." in this prospectus for further details. During the Track Record Period and as of the Latest Practicable Date, all of our suppliers were Independent Third Parties.

During the Track Record Period, we did not have any material disputes with our suppliers.

QUALITY CONTROL

We place great emphasis on the quality of our products and adhere to stringent quality control measures over our entire production process, from selection of suppliers and sourcing of raw materials to our manufacturing process, inspection of finished goods and inventory storage. As of March 31, 2014, our quality control team comprised 36 members and was headed by our quality control director, Mr. Chen Qiang, who has over 11 years of relevant quality control experiences.

Our quality control team is responsible for formulating our quality control system in accordance with the relevant PRC laws and regulations, and monitoring our entire production process. In addition, to ensure continuous improvement in the quality of our products, our quality control team reviews the implementation of our quality control system on a regular basis and submits to the management product quality inspection reports which set out the quality inspection results of our raw materials and finished products, quality control conditions in our manufacturing process, product acceptance rate, details of complaints received from customers on quality of our products (if any), details of product recalls (if any), compliance with the relevant national standards on product quality and food safety and recommended improvement procedures.

We have been accredited with ISO 9001:2008 and ISO 22000:2005 quality assurance certifications from Zhongjian Certification Co., Limited (中鑒認證有限責任公司) in respect of the production and sales of our products. These certifications signify our commitment and active pursuit of high quality control standards throughout our operational and production processes. ISO 9001 is a standard and guideline relating to quality management systems, and represents an international consensus on good quality management practices. ISO 9001 is maintained by the International Organization for Standardization, or ISO, and is administered by accreditation and certification organizations. ISO 22000 is a management system which addresses food safety through the analysis and control of biological, chemical and physical hazards from raw material production, procurement and handling to manufacturing, distribution and consumption of finished products.

We have also obtained the production license for industrial products (全國工業產品生產許可證) for the manufacturing of our products from the provincial-level Bureau of Quality and Technical Supervision

(質量技術監督局) for all of our production plants. For our export sales, we have obtained the registration certificate of manufacturing enterprises on export food (出口食品生產企業備案證明) issued by the Guangdong Entry-Exit Inspection and Quarantine Bureau (廣東出入境檢驗檢疫局). In order to obtain and maintain the production license for industrial products and the sanitary registration certificate of export commodities, we have to meet the quality and hygiene standards set by the PRC government, covering different stages of the production process from raw material procurement, manufacturing, maintenance of production facilities, finished products and storage. Moreover, we are subject to annual inspection from the relevant PRC government authorities. During the Track Record Period and up to the Latest Practicable Date, we did not fail to pass any such inspection from the relevant PRC government authorities.

Below is an overview of our quality control procedures applicable to our raw material sourcing, production process and our finished products.

Raw materials quality control

We have stringent procedures in place in the selection of our new suppliers. Please refer to the section headed "Business — Raw materials and suppliers — Suppliers" in this prospectus for further details. We also conduct annual evaluations on each of our existing suppliers.

Besides, we have implemented a raw material control system whereby each batch of raw materials delivered to our production plants are sampled for testing for both physical and chemical properties, such as appearance, hygiene standards and chemical content, before they are accepted. Testing is conducted in accordance with the testing required by the standards set by the PRC government. These standards include, for our primary raw materials and packing materials, the PRC National Standards (中華人民共和國國家標準) for flour (No. GB/T 1355-1986), the PRC National Standards (中華人民共和國國家標準) for palm oil (No. GB/T 15680-2009), and the PRC National Standards (中華人民共和國國家標準) for white granulated sugar (No. GB/T 317-2006) and the PRC National Standards (中華人民共和國國家標準) for packaging materials (No. GB/T 10004-2008 & No. GB 9683-1988). These standards set out the required nutrient content, water content, hygiene standards and maximum permitted levels of contamination in these raw materials. We have also implemented policies in relation to the storage of raw materials, including shelf life, storage temperature, and ventilation humidity requirements.

Production process quality control

We strictly follow the relevant industry standards throughout our production process. Each stage of our production process is closely monitored by our quality control team who conducts quality sample testing and inspection on our semi-finished products at various stages of our production process. Our quality control team is responsible for ensuring that (i) our production procedures, including the use of ingredients, follow our internal production guidelines, (ii) our products are consistent in taste, size, weight, appearance and water content, (iii) there is no contamination in our products, and (iv) our products meet our quality and hygiene standards and the standards set by the PRC government. Only those products which pass our quality checks can proceed to the next stage of production.

In addition, we adopt strict hygiene and safety standards at all of our production plants. Our employees are required to follow strict sanitizing procedures, wear caps, masks, uniforms and overshoes before they are allowed to enter our production plants.

Finished products quality control

Each batch of our finished products is sample-tested and inspected to ensure that they are consistent in labeling and packaging and the relevant quality standards have been met. These standards include the PRC National Standards (中華人民共和國國家標準) for biscuits (No. GB/T 20980-2007). We have implemented policies in relation to the storage of our finished products, including shelf life, storage temperature, humidity and ventilation requirements. Products in storage are also subject to regular quality audits depending on their shelf lives.

We have also engaged an independent laboratory, Guangdong Testing Institute of Product Quality Supervision (廣東產品質量監督檢驗研究院) to conduct product quality and food safety testing on our finished products in accordance with the relevant standards set by the PRC government on an annual basis.

Further, it is our policy that all complaints from our customers or consumers are handled promptly upon receipt. We have 24-hour customer service hotlines and a customer services team responsible for handling complaints from our customers or consumers and answering their enquiries in relation to our products. Complaints are collected, processed and provided to relevant departments for their analysis with a view to improving and resolving any deficiency promptly so as to enhance customer satisfaction. The responsible department is also required to prepare a quality improvement report detailing the reasons of complaints in question, how the complaints were handled and preventive measures to prevent recurrence of similar incidents. During the Track Record Period, we did not encounter any material complaints on product quality or any material product return or product recall due to product quality defects.

To better serve our customers and collect market information in a timely manner, we have established a customer service center in Kaiping, Guangdong province, Suqian, Jiangsu province and Xingtai, Hebei province to answer queries from our customers or consumers and receive and resolve their complaints.

INVENTORY AND LOGISTICS

Inventory management

Our inventory comprises of raw materials, semi-finished products and finished products. We maintain a computerized enterprise resource planning system to track the in-coming and out-going inventory. This system enables us to monitor levels of inventory on a timely basis so as to maintain an optimum level of raw materials and finished products. We also monitor the inventory levels of our distributors and our retailers by requesting them to provide us with their inventory levels of our products every month, checking their inventory records during on-site visits by our sales representatives and/or through our access to their inventory management systems. We review and analyze such information and reports from our sales representatives to assess the market demand for our products and adjust our marketing strategies accordingly. For further details regarding the role of our sales representatives in monitoring the levels of inventory of our products of our distributors and retailers, please refer to the section headed "Business — Distribution and sales network — Our customers — Distributors — Management of our distributors" and "Business — Distribution and sales network — Our customers — Retailers — Management of our retailers" in this prospectus.

We also regularly conduct stock take of our inventories. Our warehouse employees are required to prepare monthly, semi-annual and annual reports on our inventory levels. During the Track Record Period, we did not experience any shortage of inventory.

All of our raw materials and finished products are respectively consumed and sold on a first-in-first-out basis. Once our finished goods are produced, we endeavor to deliver them to our customers at the earliest possible time, and in any event no later than two months after their date of production of our products (except for our moon cakes which are delivered to our customers within one week of their production).

We manage our inventory levels principally based on the expected demand patterns and volume of sales orders from our customers, the inventory levels of our distributors and retailers, and our sales and marketing strategies. Since the sales of some of our products are subject to seasonal influences, we stockpile our raw materials when necessary to ensure sufficient supplies of raw materials for our anticipated production in peak seasons.

We have warehouses in each of our production plants to store our inventories. Our finished products are stored in designated zones within our warehouses according to their manufacturing dates and product categories. To maintain their freshness, our finished products are stored in well-ventilated, and temperature and humidity controlled warehouses. Moreover, we undertake pest control regularly to ensure our warehouses are pest-free. We also undertake safety measures to minimize fire hazards and contamination to our finished products.

Logistics

We outsource all of our product transportation to logistics companies. As of March 31, 2014, we had 10 logistics providers. We select our logistics providers on the basis of their transportation efficiency, transportation capability, service fee, service quality and track records. We enter into service contracts with our logistics providers with a term of one to two years. We review and assess their performance on a monthly basis according to a list of key performance indicators, including transportation efficiency, transportation capability, service quality and the frequency of causing damages to our products during transportation. We discuss with our logistics providers the results of our assessment and the areas that they may need to improve. Under the terms of the service contracts, we are entitled to terminate the contracts with our logistics providers if they fail to meet our standards and requirements.

During the Track Record Period and as of the Latest Practicable Date, all of our logistics providers were Independent Third Parties.

Our products are either delivered by trucks or ships to our customers. Our logistics providers are required to transport our products to the location designated by us in our delivery orders. We require our logistics providers to follow certain transportation procedures to ensure that our products are transported under proper conditions. Our logistics providers are liable for any delay of delivery, spoilage, damage or loss of products which arises during transportation. For export sales, we are responsible for handling the export customs clearance procedures. We have obtained the registration certificate for consignors and consignees for import and export of goods (進出口收發貨人報關註冊登記證書) issued by the General Administration of Customs of Kaiping of the PRC (中華人民共和國開平海關).

We believe the above outsourcing arrangements allow us to reduce our capital investment and transfer the risks associated with delivery of our products, including those arising from delay of delivery, spoilage, damage or loss of products during transportation. During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant delay in delivery that materially affected our business operations. We believe that there are sufficient alternative logistics providers who provide transportation services based on terms similar to those from the logistics providers we engaged during the Track Record Period.

For the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, our transportation expenses for delivery of our products were RMB35.7 million, RMB41.5 million, RMB45.2 million and RMB11.4 million, respectively, representing 6.3%, 6.4%, 6.0% and 5.8% of our total revenue during the same periods, respectively.

RESEARCH AND DEVELOPMENT

We have a dedicated research and development team responsible for expanding and diversifying our product ranges by identification of new products and introduction of new flavors and textures, enhancing our production technology and improving the quality of our raw materials and products. As of March 31, 2014, our research and development team comprised 10 members, one of them is a member of the expert committee of the China National Food Industry Association. Apart from these 10 members, some of our employees in our other departments also participate in the research and development of our products. The China National Food Industry Association was approved by the State Council of the PRC and established in 1981, which functions include promoting and developing the food industry in the PRC and assisting with the enactment of relevant regulations and establishment of national standards. We have also established our in-house research and development center in our production plant in Kaiping, Guangdong province for our biscuit products. Such in-house research and development center was awarded as a "Guangdong Provincial Enterprise Technology Center" (廣東省級企業技術中心) by The Economic and Information Commission of Guangdong Province (廣東省經濟和信息化委員會), Department of Finance of Guangdong Province (廣東省財政廳), Guangdong Provincial Office of the State Administration of Taxation (廣東省國家稅務局), Guangdong Local Taxation Bureau (廣東省地方稅務局) and Guangdong Sub-administration of PRC Customs (中華人民共和國海關總署廣東分署) in 2014 and "Guangdong Province Bakery Food (Jiashili) Engineering Research Center" (廣東省焙烤食品(嘉士利)工程技術研究中心) by the Science and Technology Department of Guangdong Province (廣東省科學技術廳) in 2013. In 2013, we also acquired a production line for trial in research and development in Kaiping, Guangdong province.

Our product development process is quality-focused and market-oriented. Our research and development team relies on the market research reports regularly submitted by our sales and marketing team who visits our customers and carries out market research from time to time in order to gather first-hand market information about our products and consumer needs prior to formulating our plans for new product launches. Our research and development team also relies on sales reports submitted by our distributors to analyze the market demands of our products. We also attend various food exhibitions held in the PRC and overseas regularly to gather up-to-date information on market trends and consumer preferences, and learn about the latest food manufacturing and technological development.

Based on the market analysis, our research and development team formulates our plans for new product launches and communicates such plans and the product formulae for such new product to our production team. Our production team will then manufacture the new product based on such product formulae. We test and refine the new product before we formally launch them into the market. The whole product development process, from submission of a new product proposal to product launch, typically takes three to twelve months.

Collaboration with external research partners

Apart from our in-house research and development, we are keen to explore cooperation opportunities with various research institutions and universities in the PRC to jointly develop new products and enhancement of production techniques and preservation methods.

The following table sets out details of the research we jointly carried out with our research partners during the Track Record Period:

Year	Research partners	Research items	Research fees paid to research partners/funds contributed to the research project by us	Intellectual property rights arising out of the research project
2011	South China University of Technology (華南理工大學)	• to jointly develop a preservation technology for biscuits through researching on the gradual change in the quality of biscuits during their production process and the effect of preservation of biscuits by nanocomposite films; and • to formulate the standards of the production process and safety use of nanocomposite films.	RMB4.0 million was required to contribute to the research project	We are provided with an option to retain all intellectual property rights.
2012	South China University of Technology (華南理工大學)	• to jointly develop a technology in enhancing and controlling the onion fermentation process; and • to jointly develop a technology in improving the taste of onion in biscuits.	RMB0.1 million was paid to our research partner	Intellectual property rights are jointly owned by both parties. We are not required to pay the research partners for the use of the intellectual property rights.
2013	Guangdong Pharmaceutical University (廣東藥學院)	• to jointly develop a new formulae in the production of fruit jams for use in our sandwich biscuits; and • to jointly develop a new formulae to improve the texture of our sandwich biscuits	RMB60,000 was paid to our research partner	Intellectual property rights are jointly owned by both parties. We are not required to pay the research partners for the use of the intellectual property rights.

The terms of the joint research and development agreements we entered into with our research partners normally provide that we are responsible for all financial and physical resources and are required to pay research fees to our research partners, while our research partners are responsible for developing new techniques, formulae or products according to our specifications and provide technical support and training to our staff.

We aim to continually innovate and improve our products to cater to changing consumer preferences, focusing particularly on product tastes, textures and packaging, while maintaining our cost of production at acceptable levels. Our product innovation efforts have led to the introduction of new flavors for our biscuit products, including red jujube, scallion and various fruit flavors. We typically launch a number of new products or flavors every year. In addition, we have expanded our product offerings to include biscuits with minerals content, for example, biscuits fortified with extra calcium and DHA. We intend to continue to focus our research and development efforts on improving the quality of our products and introducing new products such as biscuits with fruit and nut elements which are catered for our health-conscious consumers, breakfast biscuits fortified with calcium which are catered for children, oat bran breakfast biscuits which are catered for youngsters, low sugar and vegetable juice breakfast biscuits which are catered for elderlies.

For the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, our research and development expenses were RMB18.3 million, RMB21.3 million, RMB24.4 million and RMB5.2 million, respectively. For details of the nature of research and development expenses incurred during the Track Record Period, please refer to the section headed "Financial information — Principal income statement components — other expenses and loss" in this prospectus. For details as to when the research and development expenses are expensed or capitalized, please refer to the section headed "Financial information — Critical accounting policies, estimates and judgments — Research and development expenditure" in this prospectus.

AWARDS

We have been granted a number of awards and certificates in recognition of our business development, details of which are set out as follows:

Year of grant	Award/ Accreditation	Awarding Body
2014	Guangdong Provincial Enterprise Technology Center (廣東省級企業技術中心)	The Economic and Information Commission of Guangdong Province (廣東省經濟和信息化委員會) Department of Finance of Guangdong Province (廣東省財政廳) Guangdong Provincial Office of the State Administration of Taxation (廣東省國家税務局) Guangdong Local Taxation Bureau (廣東省地方税務局) Guangdong Sub-administration of PRC Customs 中華人民共和國海關總署廣東分署)
2013	Guangdong Province Bakery Food (Jiashili) Engineering Research Center (廣東省焙烤食品（嘉士利）工程技術研究中心)	Science and Technology Department of Guangdong Province (廣東省科學技術廳)

Year of grant	Award/ Accreditation	Awarding Body
2013	Enterprise with Outstanding Contribution in Chinese Bakery and Confectionery Industry (中國焙烤食品糖製品產業突出貢獻企業)	China Association of Bakery & Confectionery Industry (中國焙烤食品糖製品工業協會)
From 1993 to 2013	Guangdong Province Enterprise of Observing Contract and Valuing Credit (廣東省守合同重信用企業)	Guangdong Province Administration for Industry and Commerce (廣東省工商行政管理局)
2012	Guangdong 2012 Modern Industrial Projects Top 500 (廣東2012現代產業500強項目)	Development and Reform Commission of Guangdong Province (廣東省發展和改革委員會)
From 2009 to 2012	High-Tech New Enterprise (高新技術企業)	Guangdong Provincial Department of Science and Technology (廣東省科學技術廳) Department of Finance of Guangdong Province (廣東省財政廳) Guangdong Provincial Office of the State Administration of Taxation (廣東省國家稅務局) Guangdong Local Taxation Bureau (廣東省地方稅務局)
2011	Leading Enterprise in National Food Industry 2010- 2011 (2010- 2011年度全國食品工業優秀龍頭食品企業)	China National Food Industry Association (中國食品工業協會)
2011	Adopting International Standard Product Marking (採用國際標準產品標誌)	Standardization Administration of the People's Republic of China (中國國家標準化管理委員會) Administration of Quality and Technology Supervision of Guangdong Province (廣東省品質技術監督局)
2011	Demonstration Enterprise of Upgrading and Restructuring in Competitive Traditional Industries in the Guangdong Province (廣東省優勢傳統產業轉型升級示範企業)	The Economic and Information Commission of the Guangdong Province (廣東省經濟和信息化委員會)
2010	Famous Trademark in Guangdong Province (廣東省著名商標)	Guangdong Province Administration for Industry and Commerce (廣東省工商行政管理局)
2009	Top 10 Most Competitive Brands in China's Food Industry (中國食品行業最具競爭力十大品牌)	The Chinese Academy of Management Science (中國管理科學研究院) China Committee for Competitiveness Promotion (中國企業競爭力促進會) Business Times (商務時報社) China Brand Association (中國品牌協會)

Year of grant	Award/ Accreditation	Awarding Body
2009	Top 100 Enterprises in China Bakery & Confectionary Industry (中國焙烤食品糖製品行業百強企業)	The China Association of Bakery & Confectionary Industry (中國焙烤食品糖製品工業協會)
2009	China Well-known Trademark (中國馳名商標)	Trademark Office of the State Administration For Industry & Commerce of the People's Republic of China (中華人民共和國國家工商行政管理總局商標局)
2006	China Top Brand Product (中國名牌產品)	AQSIQ
1996	Famous Brand Product of Guangdong Province (廣東省名牌產品)	The Economic Commission of Guangdong Province (廣東省經濟委員會) Famous Brand Product Committee of Guangdong Province (廣東省名牌產品認定委員會)
1990	National High Quality Award (國家優質產品獎)	State Quality Awards Assessment Council (國家質量獎審定委員會)
1985	National Light Industry Excellent Product (全國輕工業優質產品)	Ministry of Light Industry of the PRC (中華人民共和國輕工業部)

INTELLECTUAL PROPERTIES

Our intellectual properties are crucial to us as we rely on consumers' recognition of our brands and products.

As of the Latest Practicable Date, we had 46 registered trademarks, five applications for trademark registration, 37 registered patents and 12 applications for patent in the PRC and two registered trademarks in Hong Kong. "Jiashili" (嘉士利) is one of our key registered trademarks and was designated as a "China Well-Known Trademark" (中國馳名商標) by the SAIC in 2009. Please refer to the paragraph headed "Statutory and general information — Further information about our business — Our intellectual property rights" in Appendix V in this prospectus for details of our trademarks and patents portfolio.

We rely on intellectual property laws in the PRC and other jurisdictions to protect our intellectual property rights. We also rely on a combination of trade secrets, confidentiality procedures and contractual provisions to protect our intellectual property rights. Our employees are generally required to enter into confidentiality agreements with us, pursuant to which our employees undertake to keep our trade secrets confidential during and after the termination of their employment with us. In addition, some of the formulae of our products and our research information are password-protected to prevent information leakage. Passwords are only given to a limited number of employees on a need-to-know basis.

We also undertake a pro-active approach to the management of our intellectual property portfolio. We make timely registration of marks we intend to use as trademarks in relevant jurisdictions, monitor the market for potential infringement activities, and communicate with our customers frequently to respond to potential infringement activities they have identified in their respective areas. We take action immediately upon becoming aware of a potential infringement of our trademarks or patents. Where appropriate, we inform and cooperate with relevant PRC government authorities of the existence of counterfeit products bearing our brands and request appropriate actions to be taken to protect us. During the Track Record Period, we discovered incidents of possible infringements and made report to relevant PRC government authorities on two of such incidents. Appropriate actions were taken by the relevant PRC government authorities, including the confiscation of counterfeit productions and imposition of fines. We continue to take appropriate actions to defend our intellectual property rights and our products against possible infringements. During the Track Record Period and up to the Latest Practicable Date, we did not experience any infringement of our intellectual property rights having a material adverse effect on our business.

EMPLOYEES

As of March 31, 2014, we had 2,073 full-time employees. Most of them were based in Kaiping, Guangdong province. None of them was hired through employment agencies. The table below sets out a breakdown of our employees by function as of March 31, 2014:

	Number of employees
Production	1,732
Sales and marketing	148
Quality control	36
Inventory management and logistics	25
Research and development	10
Procurement	8
Finance and accounting	32
Management and administration	82
Total:	**2,073**

When we make hiring decisions, we take into account factors such as our business strategies, our development plans, industry trends and the competitive environment. We recruit our employees based on a number of factors such as their work experience, educational background and vacancy needs. All of our employees are paid a fixed salary and may be granted other allowances and commissions based on their position and performance. We utilize a periodic employee evaluation program whereby our employees receive feedback on their performance. We also have an incentive scheme for all our employees. For the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, our total staff costs were RMB51.9 million, RMB72.4 million, RMB89.3 million and RMB20.9 million, respectively.

We provide continuing education and training programs to our employees on a regular basis to enhance their skills and knowledge in various areas, including sales and marketing, product knowledge, sanitary requirements, production safety and quality management. We also provide induction programs and team-building training. These training programs are either delivered internally or by external trainers.

We believe that our working environment and the support and benefits provided to our employees have contributed to maintaining good working relationships with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any strikes or labor disputes with our employees which have had a material effect on our business.

Social welfare schemes

As required under the Regulation of Insurance for Labor Injury (工傷保險條例), the Provisional Insurance Measures for Maternity of Employees (企業職工生育保險試行辦法), the Interim Regulation on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) and the Interim Provisions on Registration of Social Insurance (社會保險登記管理暫行辦法), we are obliged to provide our employees in the PRC with the social welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance and medical insurance. Please refer to the section headed "Business — Non-compliance — Social welfare schemes" in this prospectus for further details.

Housing provident fund

We are also required under the applicable PRC laws and regulations to provide our employees in the PRC with the social welfare schemes covering housing provident funds and housing benefits. Please refer to the section headed "Business — Non-compliance — Housing provident fund" in this prospectus for further details.

PROPERTIES

As of the Latest Practicable Date, we held the land use rights to five parcels of land housing our production plants in Kaiping, Guangdong province and Suqian, Jiangsu province with an aggregate site area of approximately 92,844.0 sq.m. and 15 building ownership certificates to various buildings and units in Kaiping, Guangdong province and Suqian, Jiangsu province with a total gross floor area of approximately 67,043.2 sq.m., which were used as production plants, ancillary facilities, offices, employee quarters, dormitories and canteens.

As of the Latest Practicable Date, we had one building that was recently completed with a total gross floor area of approximately 31,859.9 sq.m.. We have obtained the construction project planning acceptance certificate (建設工程規劃驗收合格證) and the land use rights certificate for such building. We have also received the confirmation letter dated December 2, 2013 from the Environmental Department of Kaiping (開平市環境保護局) stating that such building has passed the environmental protection acceptance check. Our PRC Legal Advisers have confirmed that there should be no material legal impediment for us to obtain the building ownership certificate for such building after all acceptance procedures are completed and related certificates are obtained.

Our PRC Legal Advisers have confirmed that, as of the Latest Practicable Date, other than disclosed above, we had obtained all necessary land use rights certificates and building ownership certificates for our properties.

As of the Latest Practicable Date, we also leased two properties with a total gross floor area of approximately 16,853.1 sq.m. in Suqian, Jiangsu province and in Xingtai, Hebei province. Our leased property in Suqian, Jiangsu province houses our dormitories. We have not obtained the registration certificate for the lease agreement for such property as the lessor of such property could not provide us with the relevant building ownership certificate despite our request. As advised by our PRC Legal Advisers, this does not affect the validity and enforceability of the lease agreement, but we may be subject to fines of up to RMB10,000 for failure to register the lease agreement. In the event that the need for relocation arises, we do not anticipate any material practical difficulty in looking for comparable alternative premises for relocation from such property. As such property is merely used as our dormitories and not crucial to our operation, our Directors believe that relocation from such property will not have a material adverse effect on our business, results of operation and financial position.

In respect of our leased property in Xingtai, Hebei province, it is a mortgaged property housing our production plant. As advised by our PRC Legal Advisers, we may be forced to relocate from such property in case the lessor defaults and the mortgagee forecloses such property. Our PRC Legal Advisers have confirmed that the requisite registration and filing formalities in relation to the lease of such property were duly conducted. As (i) the designed production capacity of our production plant in Xingtai, Hebei province merely accounted for 22.0%, 19.4%, 15.0% and 12.6% of our total designed production capacity for the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, respectively, and (ii) products produced in our production plant in Xingtai, Hebei province can also be produced by comparable machineries in our other production plants, our Directors believe that in case we are required to relocate, short suspension of our production pursuant to such relocation will not have a material adverse effect on our business, results of operation and financial position. If such case arises, our Directors expect that we will need approximately six months to look for and lease alternative premises for our production plant in Xingtai, Hebei province. Our Directors do not anticipate any material practical difficulty in looking for comparable alternative premises for relocation. The cost of relocation is expected to amount to approximately RMB4 million.

As of the Latest Practicable Date, we had one building that are under construction, with an aggregate planned gross floor area of approximately 8,343 sq.m. We intend to use this building mainly for production, storage, quality control and other logistic purposes. Our PRC Legal Advisers have confirmed that we have obtained the land use rights certificate for such building under construction. We are also in the course of applying other relevant planning and construction certificates and completion inspection and acceptance documents for such building under construction.

For further details of the property interests owned or leased by us, please refer to Appendix III to this prospectus.

ENVIRONMENTAL PROTECTION

We recognize the importance of environmental protection and therefore have controlled our pollutant emissions and ensured compliance with the PRC environmental laws and regulations during the course of production. Our operations are subject to national, provincial and local environmental laws, rules and regulations which, among other things, require manufacturers to conduct an environmental impact assessment before engaging in new construction projects, pay fees in connection with activities that discharge waste materials, properly manage and dispose of hazardous substances, and impose fines and other penalties on activities that threaten the environment. For further information on the environmental laws, rules and regulations governing our operations, please refer to the section headed "The laws and regulations relating to the industry — Environmental protection" in this prospectus.

The primary wastes generated from our production process are waste water, dust and noise, which are treated in compliance with all applicable environmental laws, regulations and rules. For instance, we have installed waste water treatment systems in all of our production plants and dust removal equipment in some of our production plants. Moreover, our production plants are carefully zoned, established with the consideration of noise pollution prevention. In addition, we conduct annual inspection of our production facilities to ensure the compliance of relevant laws and regulations on environmental protection. Our effective environmental management system is also evidenced by our ISO 14001 certification accredited by Zhongjian Certification Co., Limited (中鑒認證有限責任公司).

We have received the respective confirmation letters dated May 12, 2014, April 30, 2014 and February 2, 2013 issued by the Bureau of Environmental Protection of Kaiping (開平市環境保護局), the Bureau of Environmental Protection of Suqian Development Zone (宿遷市環境保護局開發區分局) and the Bureau of Environmental Protection of Longyao County (隆堯縣環境保護局) (the respective competent and responsible authorities in Kaiping, Guangdong province, Suqian, Jiangsu province and Xingtai, Hebei province in charge of environmental protection matters as confirmed by our PRC Legal Advisers), stating that we have not been subject to any punishment as a result of any breach of the applicable PRC environmental laws and regulations. Our cost of compliance with applicable PRC environmental laws, regulations and policies which comprised sewage treatment fee, for the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014 were approximately RMB29,000, RMB11,000, RMB0.7 million and nil, respectively. We expect our annual cost of compliance with applicable PRC environmental laws, regulations and policies will not experience significant change from that of the Track Record Period for the two years ending December 31, 2014 and 2015.

During the Track Record Period, we were not subject to fines or legal actions resulting from non-compliance with any relevant environmental regulations in the PRC and there was no threatened or pending action by any PRC environmental regulatory authority.

OCCUPATIONAL SAFETY

Our operations are subject to a number of PRC laws and regulations with respect to employee health and safety. Based on such regulations, we have implemented safety guidelines in relation to safety control procedures and standards, including procedures for handling safety issues, accident investigation procedures, protective and remedial measures, accident reporting procedures, and procedures for arranging health examination and establishing occupational health records for our employees. We require all of our employees to strictly comply with such guidelines. We carry out regular safety checks on our production equipment to ensure that such equipment is thoroughly tested and safe for use. We also require operators of our production equipment to attend training sessions on the required safety standards. Furthermore, all of our employees are provided with regular work place safety trainings and an internal health and safety manual.

Our PRC Legal Advisers have confirmed that during the Track Record Period and up to the Latest Practicable Date, we had complied with all material applicable PRC laws and regulations in relation to employee health and safety. During the Track Record Period, we recorded one major workplace injury of one of our employees in which case her hand was amputated during the course of operating our machineries due to her violation of our standard operating procedures. Our PRC Legal Advisers also confirmed that we have no liability towards such employee as we have fully compensated the injured employee as required by applicable PRC laws and regulations. In addition, the injured employee received compensation in accordance with the insurance policy we provided. Such employee is a current employee of our Group and worked in our production department as of the Latest Practicable Date. We have required all employees to strictly adhere to the procedures for operations of machineries since such incident. During the Track Record Period and up to the Latest Practicable Date, there has been no penalty imposed upon us on account of such incident and no litigation or proceeding relating to any employees' compensation claim has been initiated against us. We believe that such incident has not had any material adverse impact on our financial condition and results of operations. Save as disclosed above, during the Track Record Period, we did not experience any major accidents that resulted in the death or serious injury of our employees.

INSURANCE

Our insurance coverage includes social insurance for all of our employees, property insurance, vehicle insurance, group accident insurance and product liability insurance. We consider our current insurance coverage to be adequate as we have maintained insurance policies which are mandatory under the relevant PRC laws and regulations and in accordance with the industry practice.

During the Track Record Period, we did not make, neither were we the subject of, any insurance claims which are of a material nature to the Group.

NON-COMPLIANCE

Social welfare schemes

We have contributed to the employee social welfare schemes based on the amount of wages approved by the relevant social insurance authorities in Kaiping, Guangdong province, Suqian, Jiangsu province and Xingtai, Hebei province, whereas under the applicable PRC laws and regulations such contribution should instead be calculated based on the actual wages of employees.

As advised by our PRC Legal Advisers, in the event that the relevant social insurance authorities demand our Group to pay (i) the difference in social insurance contribution based on the actual wages of employees as stated above and (ii) an additional late payment at a daily rate of 0.05% of the total amount of the difference (for the difference in social insurance contribution incurred prior to July 1, 2011, late payment calculated from the effectiveness date of July 1, 2011 for the Social insurance Law of the PRC (中華人民共和國社會保險法); for the difference incurred on or after July 1, 2011, late payment calculated from the actual due date), we shall be required to make such payments, and if our Group does not do so within the prescribed time limit, the relevant social insurance authorities may impose a fine on us of one to three times of the total amount of the difference.

We have received the respective confirmation letters dated May 13, 2014, April 30, 2014 and April 30, 2014 issued by the Human Resources and Social Security Bureau of Kaiping (開平市人力資源和社會保障局), the Human Resources and Social Security Bureau of Suqian (宿遷市人力資源和社會保障局) and the Labor and Social Security Bureau of Longyao County (隆堯縣勞動和社會保障局) (the respective competent and responsible authorities in Kaiping, Guangdong province, Suqian, Jiangsu province and Xingtai, Hebei province in respect of our social welfare schemes as confirmed by our PRC Legal Advisers) stating that, (i) the social insurance coverage, the standards and basis we used for social insurance contribution were in compliance with applicable laws and regulations; and (ii) we have not been subject to administrative any punishment as a result of any breach of the applicable PRC social insurance laws and regulations. Furthermore, as of the Latest Practicable Date, we have not received any notice from the relevant social insurance authorities ordering us to make payments in respect of difference in social insurance contributions, nor were we aware of any employees' complaints or demands for payment of social insurance contributions, nor had we received any legal documentation from the labor arbitration tribunals or the People's Courts regarding disputes of social insurance contributions.

As advised by our PRC Legal Advisers, the likelihood that the relevant social insurance authorities will order us to pay the difference in social insurance contribution based on the actual wages of employees as stated above or impose any late payment or penalty on us is remote. Based on such advice, we have not made any provision for the difference in social insurance contribution based on the actual wages of employees. Nevertheless, we will pay the difference in social insurance contributions if requested by and in accordance with such request of the relevant social insurance authorities based on the actual wages of employees. For the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, the amounts of the difference in social insurance contribution based on the actual wages of employees were approximately RMB2.5 million, RMB2.6 million, RMB3.2 million and RMB1.0 million, respectively. We believe that such amounts of the difference in social insurance contribution will not have material adverse impact on our Group's business and operations.

As an annual compliance measure following the Listing, we will continue to communicate with our employees with regard to the employee social welfare schemes and contribute to the employee social welfare schemes for our employees in line with the standards stipulated under the applicable PRC laws and regulations or the standards set by the social insurance authorities in Kaiping, Guangdong province, Suqian, Jiangsu province and Xingtai, Hebei province. We will make relevant disclosure in the annual reports after the Listing. Furthermore, in the event that the local authorities require us to pay the difference in social insurance contribution, our Controlling Shareholders have also provided an indemnity against all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines suffered or incurred by us in any member of our Group in this regard.

Housing provident fund

We did not register with the relevant housing provident fund authority and make housing provident fund contributions for all of our employees during the Track Record Period due to different levels of acceptance of the housing fund system by employees and the fact that certain employees did not ordinarily reside in Kaiping, Suqian or Xingtai. According to the Regulations on Management of Housing Provident Fund (住房公積金管理條例), if an employer fails to register and establish an account for housing provident fund contribution for its employees, the relevant housing provident fund authority is entitled to order the employer to do so within a prescribed time limit. If the employer fails to do so within such prescribed time limit, a fine in the range of RMB10,000 to RMB50,000 will be imposed. The housing provident fund authority may also order the employer to pay the outstanding provident housing fund within a prescribed time limit. If it fails to do so within such prescribed time limit, the housing provident fund authority may seek an order for payment from the relevant PRC court. As advised by our PRC Legal Advisers, our Company has not complied with the Regulations on Management of Housing Provident Fund (住房公積金管理條例). Our Group has since December 2013 started making housing provident fund contributions for our employees based on the amount of wages approved by the relevant housing provident fund authorities in Kaiping, Guangdong province, Suqian, Jiangsu province and Xingtai, Hebei province, whereas under the applicable PRC laws and regulations such contribution should instead be calculated based on the actual wages of employees.

As advised by our PRC Legal Advisers, in the event that the relevant housing provident fund authorities demand our Group to pay the unpaid housing provident fund contribution and/or the difference in housing provident fund contribution based on the actual wages of employees (together, the "**Outstanding Housing Provident Fund Contribution**") and if our Group does not do so within the prescribed time limit, the relevant housing provident fund authorities may apply for an order for payment from the relevant PRC court.

We have received the respective confirmation letters dated May 12, 2014, April 30, 2014 and April 30, 2014 issued by the Housing Provident Fund Administration Department of Kaiping (開平市住房公積金管理部), the Housing Provident Fund Administration Center of Suqian (宿遷市住房公積金管理中心) and the Housing Provident Fund Administration Center of Xingtai, Longyao County (邢臺市住房公積金管理中心隆堯縣管理部), (the respective competent and responsible authorities in Kaiping, Guangdong province, Suqian, Jiangsu province and Xingtai, Hebei province in respect of our housing provident fund contribution as confirmed by our PRC Legal Advisers) stating that we have not been subject to administrative any punishment as a result of any breach of the applicable PRC housing funds laws and regulations. Furthermore, as of the Latest Practicable Date, we have not received any notice from the relevant housing provident fund authorities ordering us to make payments in respect of outstanding contributions, nor were we aware of any employees' complaints or demands for payment of housing fund contributions, nor had we received any legal documentation from the labor arbitration tribunals or the People's Courts regarding disputes of housing fund contributions.

As advised by our PRC Legal Advisers, the likelihood that the relevant housing provident fund authorities will order us to pay the Outstanding Housing Provident Fund Contribution or apply for a court order from the relevant PRC court is remote. Based on such advice, we have not made any provision for the Outstanding Housing Provident Fund Contribution. Nevertheless, we will pay the Outstanding Housing Provident Fund Contribution if requested by and in accordance with such request of the relevant housing provident fund authorities. For the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, the amounts of the maximum Outstanding Housing Provident

Fund Contribution were approximately RMB1.1 million, RMB1.4 million, RMB1.6 million and RMB0.3 million, respectively. We believe that the Outstanding Housing Provident Fund Contribution will not have material adverse impacts on our Group's business and operations.

As an on-going compliance measure following the Listing, we will continue to communicate with our employees with regard to the housing provident fund contributions and contribute to the housing provident fund for our employees in line with the standards stipulated under the applicable PRC laws and regulations or the standards set by the relevant housing provident fund authorities in Kaiping, Guangdong province, Suqian, Jiangsu province and Xingtai, Hebei province. We will make relevant disclosure in the annual reports after the Listing. Furthermore, in the event that the local authorities require us to pay the Outstanding Housing Provident Fund Contribution, our Controlling Shareholders have also provided an indemnity against all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines suffered or incurred by us in any member of our Group in this regard.

Having considered the facts and circumstances leading to the non-compliance incidents in relation to the employee social welfare schemes and housing provident fund contributions, the advices given by our PRC Legal Advisers, the relevant rectification and on-going compliance measures mentioned above, our Directors are of the view that our Group has adequate internal control procedures in place and that these past non-compliance incidents do not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules, and the suitability for listing of our Company under Rule 8.04 of the Listing Rules. The Sole Sponsor concurred with such view of our Directors on the same basis as described above.

Advances to related parties and Independent Third Parties

During the Track Record Period, we made several advances to related parties and Independent Third Parties (the "**Advances**"). The table below sets forth details of the Advances:

Details of advances	Repayment status
In 2011, we made an advance to an Independent Third Party which is a company for hotel operations in the amount of RMB2.0 million.	RMB0.4 million was received at the end of the contracted term in 2012. The remaining amount was fully settled in August 2013.
During the Track Record Period, we made advances to Sanbu Jiari, our former subsidiary, in the amount of RMB27.7 million in aggregate to finance its working capital.	The advance was settled in full in December 2013.
During the Track Record Period, we made advances to Guangdong Kangli, our former subsidiary, in the amount of RMB22.5 million in aggregate to finance its capital expenditure.	The advance was fully settled in May 2014.
In 2011, we made an advance to Zhongchen, our former immediate holding company, in the amount of RMB43.0 million for its investment purposes.	The advance was fully settled in January 2012.
Before the Track Record Period, we made an advance to Kashi Guoye, our former subsidiary, in the amount of RMB50,000, our former subsidiary, to finance its establishment.	The advance was fully settled in 2013.

All of the Advances were non-interest bearing. For further details, please refer to the sections headed "Financial Information — Certain items of combined statements of financial position — Trade bills and other receivables — Other receivables", "Financial information — Principal income statement components — Other income" and "Financial information — Related party transactions" in this prospectus.

According to the General Lending Provisions, a 'lender' must be a financial institution. As we are not a financial institution, the Advances were not in compliance with the General Lending Provisions. The PBOC may impose fines equivalent to one to five times of the income generated (being interests charged) from loan advancing activities between enterprises. However, as the Advances were non-interest bearing, we did not generate any income from the Advances, and accordingly, as advised by our PRC Legal Advisers, it is unlikely that we will be subject to any fines or penalties in respect of the Advances. The General Lending Provisions do not impose any other penalties or punishment on enterprises which make such advances. Therefore, we do not expect the Advances to have any material adverse impact on our financial results going forward. Save for the Advances, we have not made any other similar advances which would lead to non-compliance of the General Lending Provisions.

We have implemented a number of internal control procedures to prevent recurrence of the above non-compliance incidents in relation to the Advances.

- we have adopted an internal policy, which prohibits all lending to third parties outside our Group, including Controlling Shareholders, by any members of our Group at any amount. Our Board will not approve any lending to third party going forward;

- we provide regular trainings in respect of our borrowing procedures and policies, and lending policies to third parties to our finance staff on a regular basis to ensure that, among other things, no lending to third party will occur again going forward;

- our audit committee will monitor and assess the effectiveness of the internal control measures implemented by our Company on a regular basis to prevent recurrence of similar non-compliance incidents and our compliance committee will review to ensure compliance of applicable laws.

Having considered the facts and circumstances leading to the non-compliance incidents in relation to the Advances, the advices given by our PRC Legal Advisers, the relevant rectification and on-going compliance measures mentioned above, our Directors are of the view that our Group has adequate internal control procedures in place and that these past non-compliance incidents do not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules, and the suitability for listing of our Company under Rule 8.04 of the Listing Rules. The Sole Sponsor concurred with such view of our Directors on the same basis as described above.

Permits, licenses and approvals

We are subject to laws, regulations and supervision by different levels of regulatory authorities and are required to maintain various licenses, permits and approvals in order to operate our facilities and conduct our business. A summary of such relevant PRC laws and regulations which our business operations are subject to is set out in the section headed "The laws and regulations relating to the industry" in this prospectus. Our PRC Legal Advisers have confirmed that we have obtained all necessary licenses, permits and approvals for our business operations in the PRC and such licenses, permits and approvals are valid and remain in effect as of the Latest Practicable Date. The following table sets out details of our material licenses and permits for our operation:

Licenses and permits	Effective period	Issuing authorities
Production license for industrial products (biscuit) (全國工業產品生產許可證 (餅乾))	For production facilities at: • Kaiping, Guangdong province – December 2013 to September 2017 • Suqian, Jiangsu province – October 2013 to December 2016 • Xingtai, Hebei province – December 2011 to October 2014	• Quality and Technical Supervision Bureau of Jiangmen in Guangdong province (廣東省江門市質量技術監督局) • Administration for Food and Drug of Jiangsu province (江蘇省食品藥品監督管理局) • Quality and Technical Supervision Bureau of Hebei province (河北省質量技術監督局)
Production license for industrial products (pastry) (全國工業產品生產許可證 (糕點))	For production facility at: • Kaiping, Guangdong province – March 2013 to July 2016	• Quality and Technical Supervision Bureau of Jiangmen in Guangdong province (廣東省江門市質量技術監督局)
Registration certificate of manufacturing enterprises on export food (出口食品生產企業備案證明)	October 2011 to October 2015	Guangdong Entry – Exit Inspection and Quarantine Bureau (廣東出入境檢驗檢疫局)
Registration certificate for consignors and consignees for import and export of goods (進出口貨物收發貨人報關註冊登記證書)	March 2009 to March 2015	General Administration of Customs of Kaiping of the PRC (中華人民共和國開平海關)

Legal proceedings

During the Track Record Period, we were not involved in any litigation, arbitration or administrative proceedings which had a material adverse effect on our financial condition or results of operations. As of the Latest Practicable Date, we were not aware of any pending or threatened litigation, arbitration or administrative proceedings against our Group that could be expected to have a material adverse effect on our business, financial condition or results of operations.

INTERNAL CONTROL

The Company has, as is commonly the case, in preparation for the Listing, engaged an external advisory firm to carry out an internal control review according to the agreed scope, which covers (i) entity-level controls and business process controls over financial closing and reporting, sales, purchases, inventory, treasury, and general information technology controls; and (ii) report to the Company on factual findings and recommendations for improvement on internal controls over the abovementioned processes and procedures. This internal control review does not constitute either an audit or review in accordance with the International Standards of Auditing or any other auditing standards and, consequently, no such assurance has been or will be expressed on the Company's internal controls. The internal control review has been carried out in accordance with the agreed scope as stated above.

The external advisory firm's key findings and recommendations for improvement on internal controls over the abovementioned processes and procedures are related to (i) the formalization of certain policies and procedures for the above mentioned processes and procedures; and (ii) the establishment and implementation of independent review and/or approval of transactions of purchases, inventory, and financial closing and reporting. The same external advisory firm issued a final report in May 2014, and there is no statement on finding of material weakness or material insufficiency in that report.

RISK MANAGEMENT

The ultimate goal of our risk management process is to bring focus and effort to the issues in our business operations that create impediments to our success. We have implemented various policies and procedures to ensure effective risk management. Our Directors are responsible for overseeing the overall risk management and assessing and updating our risk management policies and procedures regularly.

The following table sets out some of the primary risks we face and our existing risk management measures:

Risks indentified	Our risk management measures and procedures
Limited control over our distributors, and sub-distributors, retailers and online operators of our distributors	• We select and evaluate the performance of our distributors based on a number of factors, including their coverage of distribution channels, recent sales performance of other products, warehousing facilities, delivery capabilities, operating and business management capabilities, creditworthiness and compatibility with our business strategies.
	• We require our sales representatives to conduct regular inspections on our distributors, and sub-distributors and retailers of our distributors.
	• We only grant credit period or credit amount to our distributors on a case-by-case basis and we monitor our receivable balances on an ongoing basis.
Protection of our intellectual property rights	• We enter into confidentiality agreements with our employees who undertake to keep our trade secrets confidential during and after the termination of their employment with us.
	• We inform and cooperate with relevant PRC government authorities of the existence of counterfeit products bearing our brands and request appropriate actions to be taken to protect us.
Occupational safety	• We have implemented safety guidelines based on such regulations and require all of our employees to strictly comply with such guidelines.
	• We carry out regular safety checks on our production equipment to ensure that it is thoroughly tested and safe for use.
	• We require operators of our production equipment to attend training sessions on the required safety standards.
	• We provide our employees with regular work place safety trainings and an internal health and safety manual.

There are various other risks to our business and industry. For further details, please refer to the section headed "Risk factors" in this prospectus.

CORPORATE GOVERNANCE

Our Company recognizes the importance of good corporate governance in management and internal control procedures and will adopt the following measures to safeguard the interests of our Shareholders:

- the Articles provide that, except in certain limited circumstances, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his associates have a material interest, nor shall such Director be counted in the quorum present at the meeting. As such, our Controlling Shareholders shall not vote or be counted in the quorum in respect of any proposals involving the Controlling Shareholders or any of their affiliates;

- we are committed to the principle that our Board should include a balanced composition of executive and independent non-executive Directors. We believe our independent non-executive Directors are of sufficient caliber, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our Shareholders;

- we have established an audit committee to review and supervise the financial reporting process and internal control system of our Group. The audit committee consists of three members, namely Mr. Kam Robert, Mr. Wu I-ting and Ms. Ho Man Kay. Mr. Kam Robert will serve as chairman of the committee. For the qualifications and experience of these committee members, please refer to the section headed "Directors and senior management" in this prospectus. We have prepared written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules;

- we intend to ensure that any transaction that is proposed between us and connected persons will comply with Chapter 14A of the Listing Rules including, where applicable, the announcement, reporting and independent shareholders' approval requirements of those rules;

- if our independent non-executive Directors consider it necessary or desirable, they may engage professional advisers at the cost of our Company to advise them on matters relating to any non-competition agreement or on any business opportunities which may be referred to us by our Controlling Shareholders; and

- we intend to appoint Optima Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Please refer to the section headed "Directors and senior management" in this prospectus for further details.

COMPETITION

The biscuit industry in the PRC is highly competitive. We compete on a product by product basis with other large international and PRC manufacturers of biscuits. We also face competition when we expand into other markets, and from new entrants entering into our existing markets. The biscuit industry in the PRC is also impacted by various other factors including economic and market conditions, demographic trends and regulatory developments.

The biscuit market in the PRC is a fragmented market with a large number of players. While there were around 1,600 qualified biscuit manufacturers in the PRC by the end of September 2013 according to AQSIQ, according to Euromonitor, the top 10 biscuit manufacturers in the PRC, in aggregate, accounted for approximately 40.1% of the total biscuit market share in the PRC in terms of retail sales value in 2013. According to Euromonitor, among the biscuit manufacturers operated by PRC brand owners, we were the largest manufacturer in terms of retail sales value, retail sales volume and production volume in 2013. We were also the second largest biscuit manufacturer in the PRC in terms of retail sales volume and production volume in 2013, and the sixth largest biscuit manufacturer in the PRC in terms of retail sales value in 2013, according to Euromonitor.

We believe that, over the forecast period from 2014 to 2018, market shares of top biscuit manufacturers in the PRC will consolidate following rising brand awareness from consumers, and the development of small biscuit manufacturers in the PRC will be impeded by the increasing cost of sales. Moreover, owing to the relatively mature and saturated biscuit market in the PRC, we believe that biscuit manufacturers in the PRC may have to focus more on improving existing product lines and investing more into marketing events to grow their share of the market.

The entry barriers to set up and operate a biscuit manufacturing business in the PRC are considered by our Directors to be high as substantial capital investment, extensive distribution and sales network and strong product development capability are required. Increased investment in stringent quality and hygiene control measures is also required in order to meet the tightened regulatory requirements on food quality and environment protection by the PRC authorities following various contamination and food safety scandals in recent years.

We believe that market participants in the biscuit industry in the PRC generally differentiate themselves through, among other things, product portfolio, product quality, product innovation, pricing, brand recognition, market positioning, marketing and promotion, distribution network, production technology and the ability to appeal to changing consumer tastes and preferences.

We are aware that some of our competitors, in particular the international brands, may have substantially greater financial, product development and other resources than we have. We believe, however, that we have a competitive advantage over our competitors in the biscuit industry in the PRC through our widely recognized "Jiashili" (嘉士利) brand, extensive distribution network, well-established and scalable production platform, stringent quality control measures, and diverse product offerings. Please refer to the sections headed "Industry overview — The PRC biscuit market — Competitive landscape" and "Business — Competitive strengths" in this prospectus for further details.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of the Global Offering, on the assumption that the Over-allotment Option and any option which may be granted under the Pre-IPO Share Option Scheme and Share Option Scheme are not exercised, approximately 54.04% of the issued share capital of our Company will be owned by Kaiyuan, which is in turned indirectly owned as to 80% by Mr. Huang, 5% by Ms. Huang Cuihong, 5% by Ms. Huang Xianxian, 5% by Ms. Huang Rujiao and 5% by Ms. Huang Rujun, through their respective investment holding companies incorporated in the BVI. Ms. Huang Cuihong is the spouse of Mr. Huang, while Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun are sisters (i.e. siblings) of Mr. Huang. In view of the above, Mr. Huang, Ms. Huang Cuihong, Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun, together with Kaiyuan, are parties acting in concert regarding the control of our Company under the meaning of the Takeovers Code and therefore are the Controlling Shareholders of our Company within the meaning of the Listing Rules.

Our Controlling Shareholders and Directors confirm that they do not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules. During the Track Record Period, Sanbu Jiari and Guangdong Kangli, which were principally engaged in hotel operation and pasta manufacturing respectively, were excluded from our Group. None of Guangdong Kangli and Sanbu Jiari was engaged in business that compete with our business.

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from the Controlling Shareholders and their respective associates after the Global Offering.

Management Independence

The Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors. Each of our Directors is aware of his/her fiduciary duties as a director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests. The Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her associates has a material interest.

Although Mr. Huang, being our Controlling Shareholder and executive Director, also holds directorship in the board of director of Kaiyuan, being our Controlling Shareholder, our Board functions independently of the boards of directors of Kaiyuan and other companies involving in the private investments which Mr. Huang may have apart from the investment in our Company. Since Kaiyuan is an investment holding company with no operative business and that Mr. Huang does not involve in any other business that is in competition with our business, our Directors believe that the independence of management of our Group will not be affected or compromised by the dual roles of Mr. Huang on our Board and his interests in Kaiyuan and his other private investments. In the circumstances where our executive Directors are required to abstain from voting due to potential conflict of interest, it will fall to our independent non-executive Directors to employ their business judgment to make decision in our Board. Given the experience of our independent non-executive Directors, details of which are set out in the section headed "Directors and senior management" of this prospectus, we believe that the remaining Board can still function properly in the event that our executive Directors are required to abstain from voting.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team are able to perform the managerial role in our Group independently.

Operational Independence

All our operating subsidiaries hold all relevant licenses and patents that are material in relation to our business operations in their own names. We have sufficient operational capacity in terms of capital, plants and machinery equipments, facilities, premises and employees to operate our business independently. We also have independent access to suppliers and customers and an independent management team to handle our day-to-day operations.

We are led by a management team with extensive experience and technical expertise in the biscuit industry. Most of our senior management team have been serving our Group since 2008. Please refer to ''Directors and senior management'' for further details.

Based on the above, our Directors are satisfied that we have been operating independently from our Controlling Shareholders during the Track Record Period and will continue to operate independently.

Financial Independence

As of December 31, 2011, 2012 and 2013, Zhongchen and Mr. Huang had provided corporate guarantee and personal guarantee, respectively, and Zhongchen and Mr. Huang together, had provided a joint guarantee to our Group for obtaining certain banking facilities from the banks. As of December 31, 2011, 2012 and 2013, total bank loans of RMB2.0 million, RMB4.5 million and RMB1.5 million, respectively, and issued letters of credit of nil, nil and RMB33.9 million, respectively, were drawn down from these facilities. Such guarantees have been released in February 2014.

As at the Latest Practicable Date, there was no outstanding loan granted by our Controlling Shareholders or any of its associates to us and there was no guarantee provided for our benefit by our Controlling Shareholders or any of its associates. We have sufficient capital and banking facilities to operate our business independently.

We have our own accounting systems, accounting and finance department, independent treasury function for cash receipts and payments and we make financial decisions according to our own business needs. Our Directors believe that we are capable of obtaining financing from external sources without reliance on our Controlling Shareholders.

Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders.

NON-COMPETITION UNDERTAKINGS

Each of our Controlling Shareholders (collectively, the "**Covenantors**"), has given certain non-competition undertakings in favor of our Company (for itself and as trustee for each of our subsidiaries) under the Deed of Non-competition, pursuant to which each of the Covenantors, jointly and severally, warrants and undertakes with our Company that, from the Listing Date and ending on the occurrence of the earlier of,

(a) any of the Covenantors, and his/her/its associates and/or successor, individually and/or collectively, cease to own 30% (or such percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as our Controlling Shareholder; or

(b) the Shares cease to be listed on the Stock Exchange (except for temporary suspension of the Shares due to any reason), he/she/it will not, and will procure any of his/her/its associates and any company directly or indirectly controlled by he/she/it (which for the purpose of the Deed of Non-competition, shall not include any member of our Group) not to either on his/her/its own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistance to any person, firm or company (except members of our Group) to conduct any business which, directly or indirectly, competes or may compete with the business presently carried on by our Company or any of our subsidiaries or any other business that may be carried on by any of them from time to time during the term of the Deed of Non-competition, in Hong Kong or the PRC and such other places as our Company or any of our subsidiaries may conduct or carry on business from time to time, including the production of pastries, biscuits and other pre-packaged food for instant consumption (the "**Restricted Business**"). Such non-competition undertakings do not apply to:

(i) the holding of Shares or other securities issued by our Company or any of our subsidiaries from time to time;

(ii) the holding of shares or other securities in any company which has an involvement in the Restricted Business, provided that such shares or securities are listed on a recognized stock exchange and the aggregate interest of the Covenantor and his/her/its associates (as "interest" is construed in accordance with the provisions contained in Part XV of the SFO) does not amount to more than 5% of the relevant share capital of the company in question;

(iii) the contracts and other agreements entered into between our Group and the Covenantor and/or his/her/its associates; and

(iv) the involvement, participation or engagement of the Covenantor and/or his/her/its associates in the Restricted Business in relation to which our Company has agreed in writing to such involvement, participation or engagement, following a decision by our independent non-executive Directors to allow such involvement, participation or engagement subject to any conditions our independent non-executive Directors may require to be imposed.

New business opportunity

The Covenantors have further undertaken to procure that, any business investment or other commercial opportunity relating to the Restricted Business (the "**New Opportunity**") identified by or offered to the Covenantors and/or any of their associates (other than members of our Group) (the "**Offeror**") is first referred to us in the following manner:

(a) the Covenantors are required to, and shall procure their associates (other than members of our Group) to, refer, or procure the referral of, the New Opportunity to us, and shall give written notice to us of any New Opportunity containing all information reasonably necessary for us to consider whether (i) the New Opportunity would constitute competition with our core business and/or any other new business which our Group may undertake at the relevant time, and (ii) it is in the interest of our Group to pursue the New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs (the "Offer Notice"); and

(b) the Offeror will be entitled to pursue the New Opportunity only if (i) the Offeror has received a written notice from us declining the New Opportunity and confirming that the New Opportunity would not constitute competition with our core business, or (ii) the Offeror has not received the notice from us within 10 Business Days from our receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Opportunity pursued by the Offeror, the Offeror will refer to the New Opportunity as so revised to us in the manner as set out above.

Upon receipt of the Offer Notice, we will seek opinions and decisions from a committee of our Board consisting of Directors who do not have a material interest in the matter (the "**Independent Board Committee**") as to whether (a) such New Opportunity would constitute competition with our core business, and (b) it is in the interest of our Company and our Shareholders as a whole to pursue the New Opportunity.

General undertakings

To ensure the performance of the above non-competition undertakings given under the Deed of Non-competition, each of the Covenantors shall, among others:

(a) when required by our Company, provide all information necessary for the Independent Board committee to conduct annual examination with regard to the compliance of the terms of the Deed of Non-competition and the enforcement thereof; and

(b) where the Independent Board Committee has rejected the New Business Opportunity referred to by the Offeror as stipulated above regardless of whether the Offeror would thereafter invest or participate in such New Business Opportunity, procure our Company to disclose to the public either in the annual or interim report of our Company or an announcement the decision of the Independent Board Committee regarding the decision on the New Business Opportunity and the basis thereof.

In respect of the above undertakings, our Company confirms that, if the Independent Board Committee has rejected the New Business Opportunity referred to by the Offeror as stipulated above regardless of whether the Offeror would thereafter invest or participate in such New Business Opportunity, it will disclose to the public either in the annual or interim report of our Company or an announcement the decision of the Independent Board Committee regarding the decision on the New Business Opportunity and the basis thereof.

BOARD OF DIRECTORS

Our Board of Directors consists of nine Directors, comprising four executive Directors, two non-executive Directors and three independent non-executive Directors. Our Directors are appointed for a term of three years, after which they may be re-elected. The power and duties of our Directors include:

(i) convening Shareholders' meetings and reporting our Board's work at the Shareholders' meetings;

(ii) implementing resolutions passed at Shareholders' meetings;

(iii) determining our business plans and investment plans;

(iv) formulating our annual budget and final accounts;

(v) formulating our proposals for profit distributions and for the increase or reduction of registered capital; and

(vi) exercising other powers, functions and duties as conferred by our Articles of Association.

The following table sets forth certain information regarding members of our Board of Directors:

Name	Age	Position/Title in our Company	Date of joining our Group	Date of appointment	Roles and responsibilities in our Group	Relationship with the other Directors
Mr. Huang Xianming (黃銑銘)	42	Chairman, chief executive officer and executive Director	May 2007	December 19, 2013	Supervising the overall operation and management, strategic planning and business development Chairman of Nomination Committee and member of Remuneration Committee	N/A
Mr. Tan Chaojun (譚朝均)	48	Vice chairman, and executive Director	August 2008	April 16, 2014	Supervising the overall operation and management, strategic planning and business development	N/A

Name	Age	Position/Title in our Company	Date of joining our Group	Date of appointment	Roles and responsibilities in our Group	Relationship with the other Directors
Mr. Chen Minghui (陳明輝)	45	Executive Director	May 2008	April 16, 2014	Overseeing marketing and distribution	N/A
Mr. Lu Jianxiong (盧健雄)	44	Executive Director	January 2010	May 22, 2014	Overseeing operation and production	N/A
Mr. Lee Ping Nam (李炳南)	56	Non-executive Director	May 2014	May 22, 2014	Supervising the overall management and strategic planning	N/A
Mr. Lin Xiao (林曉)	46	Non-executive Director	April 2014	April 16, 2014	Supervising the overall management and strategic planning	N/A
Mr. Wu I-ting (吳一挺)	55	Independent non-executive Director	August 2014	August 21, 2014	Supervising and providing independent judgment to our Board Member of Audit Committee, Remuneration Committee and Nomination Committee	N/A
Mr. Kam Robert (甘廷仲) (alias 甘定滔)	56	Independent non-executive Director	August 2014	August 21, 2014	Supervising and providing independent judgment to our Board Chairman of Audit Committee, member of Remuneration Committee and Nomination Committee	N/A

Name	Age	Position/Title in our Company	Date of joining our Group	Date of appointment	Roles and responsibilities in our Group	Relationship with the other Directors
Ms. Ho Man Kay (何文琪)	52	Independent non-executive Director	August 2014	August 21, 2014	Supervising and providing independent judgment to our Board Chairman of Remuneration Committee, member of Audit Committee and Nomination Committee	N/A

Executive Directors

Mr. Huang Xianming (黃銑銘), aged 42, is the chairman of the Board and the chief executive officer of our Company and was appointed as an executive Director of our Company on December 19, 2013. Mr. Huang became Controlling Shareholder and was appointed as chairman and chief executive officer of our Group in May 2007 and has been primarily responsible for overall operation and management, strategic planning and business development. Mr. Huang serves as the chairman of the board and a director of each of our subsidiaries. In August 2004, Mr. Huang founded Zhongchen, one of his major investment holding companies and the controlling shareholder of Guangdong Jiashili before Reorganization, and has been a director and the chairman of Zhongchen since its establishment. Since his acquisition of controlling stake in Guangdong Jiashili through Zhongchen in May 2007, he has been focusing on the management and business development of our Group and had directed our business expansion from Guangdong province to other parts of China. Mr. Huang obtained a diploma of EMBA program from Hong Kong International Business College (香港國際商學院) in January 2004. Mr. Huang is a vice chairman of the 4th Session of China Association of Bakery and Confectionary Industry (中國焙烤食品糖製品工業協會第四屆理事會副理事長) and a vice chairman of the Federation of Industry and Commerce of Jiangmen (江門市工商業聯合會副主席). Mr. Huang was also elected the chairman of Kaiping Association of Food Industry (開平市食品行業協會) in May 2013.

Mr. Tan Chaojun (譚朝均), aged 48, is the vice chairman of our Company and was appointed as an executive Director on April 16, 2014. Mr. Tan joined the management of our Group in August 2008 and has been primarily responsible for overall management, strategic planning and business development. Since joining our Group, Mr. Tan has been overseeing the overall operation of our operative subsidiaries and held various management positions such as chief financial officer, executive director and legal representative. Prior to joining our Group, Mr. Tan worked at Bank of China from August 1988 to July 2008, holding positions of officer and business manager of Kaiping sub-branch and seconded to Kaiping Tanjiang Bandao Hotel (開平潭江半島酒店), acting as the executive director and general manager. When working for Bank of China, Mr. Tan was recognized as economist and assistant accountant. Mr. Tan graduated from Electronic Engineering Department of Wuyi University (五邑大學) located in Guangdong, the PRC, majoring in computer application and obtained a diploma in July 1988 and completed a course in business administration at Sun Yat-sen University (中山大學) located in Guangzhou, the PRC in November 2003. Mr. Tan obtained the National Qualification of Senior Baking Worker (高級烘焙烘烤工國家職業資格) in July 2011.

Mr. Chen Minghui (陳明輝), aged 45, joined our Group in May 2008 and was appointed as an executive Director on April 16, 2014. He also served as the deputy general manager of Guangdong

Jiashili. He was the executive director and general manager of Guangdong Kangli and resigned from Guangdong Kangli during Reorganization, as Guangdong Kangli and its pasta business was excluded from our Group. Prior to joining our Group, Mr. Chen worked at Jiangmen Xinhui Pharmaceutical Co. Ltd (江門市新會醫藥有限公司) from March 1992 to April 2008, in various positions, such as sales representative, sales manager and sales director. Mr. Chen joined the army after graduation from high school in 1987 and retired from the army in March 1991.

Mr. Lu Jianxiong (盧健雄), aged 44, joined our Group in January 2010 and was appointed as an executive Director on May 22, 2014. He also serves as senior strategy officer of our Group, responsible for operation risk control and production cost management and control. Prior to joining our Group, Mr. Lu worked as general manager and executive director at Kaiping Xinhua Printing Company Limited (開平市新華印刷有限公司) from July 1992 to June 2001 and as a chief senior designer at Kaiping Dingcheng Advertising Design Studio (開平市鼎城廣告設計工作室) from July 2001 to February 2008. He served as general director and executive director at Jiangmen Jiashi Packing and Printing Technology Company Limited (江門嘉士包裝印刷科技有限公司) from March 2008 to April 2009. Mr. Lu graduated from high school in July 1990.

Non-executive Directors

Mr. Lee Ping Nam (李炳南), aged 56, joined our Group and was appointed as a non-executive Director on May 22, 2014. Mr. Lee was invited to join our Group due to his extensive experience in food and bakery industry. Prior to joining our Group, Mr. Lee worked as supervisor and manager at the Garden Company Limited (嘉頓有限公司) from March 1985 to December 1993, and appointed as senior manager at Fairwood Fast Food Limited (大快活快餐有限公司) in January 1994. Mr. Lee was appointed as general manager of Shanghai Danone Biscuits Foods Company Limited (上海達能餅乾食品有限公司) in July 1996. Mr. Lee worked at Zhenghang (Qingdao) Food Company Limited (正航(青島)食品有限公司) from February 2006 to July 2008 and worked as the vice president of supply department at Kellogg (Qingdao) Food Co., Ltd (家樂氏（青島）食品有限公司) from July 2008 to June 2009. Mr. Lee served as the general manager of Shanghai McVolf Food Co., Ltd. Company (上海麥寶食品有限公司) from September 2009 to August 2011. Mr. Lee graduated from National Cheng Kung University (國立成功大學) located in Taiwan, majoring in management science and was granted a bachelor degree in June 1983. He completed the executive programs courses and was granted the certificate in EMBA studies at Rotman School of Management, University of Toronto, in January 2011.

Mr. Lin Xiao (林曉), age 46, joined our Group and was appointed as a non-executive Director on April 16, 2014. Mr. Lin was appointed as a Director pursuant to Actis Ship's special right as the holder of Series A Preferred Shares. Upon the Listing, Mr. Lin will be subject to re-election procedures as provided in the Articles of Association (and subject to the requirements of the Listing Rules) at the annual general meeting of our Company. He joined Actis (Beijing) Investment Consulting Centre (L.P.) in September 2012, where he focused on private equity investments. Mr. Lin graduated from University of Canberra located in Australia, majoring in commerce in accounting and was granted a bachelor degree in April 1995. Mr. Lin is a member of the Institute of Chartered Accountants in Australia.

Independent non-executive Directors

Mr. Wu I-ting (吳一挺), age 55, was appointed as independent non-executive Director on August 21, 2014. Mr. Wu worked at Uni-President Enterprise (China) Investment Co., Ltd. (統一企業（中國）投資有限公司) from August 1998 to August 2008, in various positions, such as general manager of food business division and a general manager of Guangzhou Uni-President. During August 2012 to October 2013, Mr. Wu was appointed as the president of Black Cattle Food Co., Ltd. (黑牛食品股份有限公司). Mr. Wu graduated from National Taiwan Ocean University (臺灣海洋大學) (formerly known as 國立臺灣海洋學院) located in Keelung, Taiwan, majoring in ocean science and was granted a bachelor degree in January 1984.

Mr. Kam Robert (甘廷仲) (alias 甘定滔), age 56, was appointed as independent non-executive Director on August 21, 2014. Mr. Kam started his career with one of the international accounting firms and is currently a partner of a chartered accountancy firm, Kam & Beadman, based in Sydney, Australia. He has many years of experience in providing audit services. Mr. Kam graduated with a bachelor of commerce degree from the University of Western Australia. Mr. Kam is a chartered accountant and a member of the Institute of Chartered Accountants in Australia and a Registered Auditor of the Australian Securities and Investments Commission. Mr. Kam is also a Justice of the Peace in the State of New South Wales in Australia. Mr. Kam is currently acting as an independent non-executive director of Vinda International Holdings Limited.

Ms. Ho Man Kay (何文琪), age 52, was appointed as independent non-executive Director on August 21, 2014. Ms. Ho is a founding partner of Angela Ho & Associates. Prior to founding Angela Ho & Associates, she was a partner of the Messrs. P. C. Woo & Co. Solicitors & Notaries. She has been a practicing lawyer in Hong Kong since 1989, specializing in corporate commercial law and is also admitted as a solicitor in England, the Australian Capital Territory, Queensland, New South Wales, Victoria of Australia and Singapore. Ms. Ho acted as an independent non-executive director of TC Orient Lighting Holdings Limited (formerly known as TC Interconnect Holdings Limited) from June 2006 to February 2012. Ms. Ho was the president of the Hong Kong Federation of Women Lawyers from 2002 to 2005.

Save as disclosed herein, there is no other matter in respect of our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules and there are no material matters relating to our Directors that need to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

The senior management team of our Group, in addition to the executive Directors listed above, is comprised of the following:

Name	Age	Date of joining our Group	Date of appointment	Position/Title
Mr. Yau Chung Hang (邱仲珩)	42	March 2014	May 2014	Chief financial officer and company secretary
Mr. Xu Huayu (許華裕)	40	June 2005	May 2014	Director of sales
Mr. Chen Songhuan (陳松浣)	47	June 2005	May 2014	Director of production
Mr. Yang Zhiyong (楊志勇)	41	June 2012	May 2014	Vice president

Mr. Yau Chung Hang (邱仲珩), age 42, joined our Group in March 2014 and was appointed as chief financial officer of our Group responsible for accounting and financial management of our Group. Mr. Yau obtained the Bachelor of Arts in Accounting from the University of Bolton, the United Kingdom. Mr. Yau has more than 18 years of experience in finance and accounting. Prior to joining the Group, Mr. Yau had worked as financial controller for three listed companies in Hong Kong and had previously worked in an international accounting firm. Mr. Yau is currently acting as an independent non-executive director of ABC Communications (Holdings) Limited (Stock code: 00030). He is a fellow member of the Association of Chartered Certified Accountants and a certified public accountant of HKICPA.

Mr. Xu Huayu (許華裕), age 40, joined our Group in June 2005 and was appointed as director of sales of our Group responsible for sales management. Mr. Xu worked as a business officer at Jiashili Pastries during July 1995 to August 2004. Mr. Xu has been working in Jiashili Pastries and Guangdong

Jiashili for more than 19 years. Mr. Xu graduated from South China Agricultural University (華南農業大學) located in Guangzhou, the PRC, majoring in trading economy, in June 1995 and completed the study of EMBA courses and obtained the certificate from Peking University on May 26, 2013.

Mr. Chen Songhuan (陳松浣), age 47, joined our Group when Guangdong Jiashili was established in June 2005 and was appointed as director of production of our Group responsible for overall management of production facilities and production planning and control. Prior to joining our Group, Mr. Chen worked at Jiashili Pastries and Guangdong Jiashili for 25 years, starting as a quality controller, and was promoted to senior management positions such as workshop manager, research and development officer and deputy general manager. Mr. Chen graduated from high school in 1986.

Mr. Yang Zhiyong (楊志勇), age 41, joined our Group in June 2012 and was appointed as vice president of our Group responsible for management of production system and material sourcing and supply. Prior to joining our Group, Mr. Yang worked as accounting supervisor at Zheng Da Kang Di (Panyu) Ltd. (正大康地(番禺)有限公司) from June 1996 to August 2001 and as senior manager of Fuda (China) Investment Co., Ltd. (福達(中國)投資有限公司) from August 2001 to March 2009. During March 2009 to March 2012, Mr. Yang served as general manager at Zhong Yi Heng (Dalian) Agricultural Products Co., Ltd. (中益恒(大連)農產品有限公司). Mr. Yang graduated from Guangdong Jiaying College of Education (廣東嘉應教育學院), majoring in accounting, in July 1996.

COMPANY SECRETARY

Mr. Yau Chung Hang (邱仲珩) has been appointed as the company secretary of our Company on May 22, 2014. Please refer to the sub-section headed "Senior management" in this section for Mr. Yau's biography.

BOARD COMMITTEES

We have established the following three committees in our Board of Directors: an audit committee, a remuneration committee and a nomination committee. The committees operate in accordance with the terms of reference established by our Board of Directors.

Audit Committee

The Company has established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The audit committee consists of three members, namely Mr. Kam Robert (甘廷仲), Mr. Wu I-ting (吳一挺) and Ms. Ho Man Kay (何文琪), all being our independent non-executive Directors. Mr. Kam Robert (甘廷仲) has been appointed as the chairman of the audit committee and is our independent non-executive Director with the appropriate professional qualifications. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group, oversee the audit process and perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

The Company has established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The remuneration committee has four members, namely Ms. Ho Man Kay (何文琪), Mr. Kam Robert (甘廷仲), Mr. Wu I-ting (吳一挺) and Mr. Huang Xianming (黃銑銘). Ms. Ho Man Kay (何文琪) has been appointed as the chairman of the remuneration committee. The primary duties of the remuneration committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations on employee benefit arrangement.

Nomination Committee

The Company has established a nomination committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The nomination committee consists of Mr. Huang Xianming (黃銑銘), Mr. Kam Robert (甘廷仲), Mr. Wu I-ting (吳一挺) and Ms. Ho Man Kay (何文琪). Mr. Huang Xianming (黃銑銘) has been appointed as the chairman of the nomination committee. The primary duties of the nomination committee are to make recommendations to our Board on the appointment and removal of Directors of our Company.

Corporate Governance

Our Company intends to comply with all code provisions under the Principles of Good Governance, Code Provisions and Recommended Best Practices in Appendix 14 to the Listing Rules (the "**Code**") after the Listing except for the paragraph A.2.1 of the Code, which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The role of chairman and chief executive officer of our Company are both performed by Mr. Huang since May 2007. We consider that having Mr. Huang acting as both our chairman and chief executive officer will provide a strong and consistent leadership to our Group and allow for more effective strategic planning and management of our Group. Further in view of Mr. Huang's experience in the industry, personal profile and role in our Group and historical development of our Group as mentioned in the section headed "History, Reorganization and corporate structure" in this Prospectus, we consider it is to the benefit of our Group in the business prospects that Mr. Huang continues to act as both our chairman and chief executive officer after the Listing. Therefore, our Company currently has no intention to separate the functions of chairman and chief executive officer.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our directors and senior management receive compensation in the form of salaries, allowances, discretionary bonuses, share options, contributions to retirement benefits schemes and other benefits in kind subject to applicable laws, regulations and rules. The aggregate amount of compensation (including salaries, allowances, discretionary bonuses, contributions to retirement benefits schemes and other benefits in kind) paid to the Directors and senior management for the three years ended December 31, 2013 and the three months ended March 31, 2014 were RMB1,072,000, RMB982,000, RMB1,136,000 and RMB178,000, respectively. The aggregate amount of compensation and benefits in kind paid to the five highest paid individuals of our Group, including directors, for the three years ended December 31, 2013 and the three months ended March 31, 2014 were RMB717,000, RMB676,000, RMB808,000 and RMB110,000, respectively.

Under the arrangements currently in force, the estimated aggregate remunerations, excluding discretionary bonus and share-based payments expense, if any, of the Directors for the year ending December 31, 2014 is approximately RMB1,438,000.

The independent non-executive Directors receive fees from the Company. All Directors receive reimbursements from the Company for expenses which are necessary and reasonably incurred for providing services to the Company or executing matters in relation to the operations of the Company and are paid out of the funds of the Company by way of fees for their services as directors, such sums (if any) as the Directors may from time to time determine (not exceeding in aggregate an annual sum excluding other amounts payable (e.g. expenses as remuneration for employment) or such larger amount as the Company may by ordinary resolution determine). Save as disclosed above, the Directors are not entitled to receive any other special benefits from the Company. The compensation of the Directors is determined by the Board which, following the Listing, will receive recommendation from the Remuneration Committee which will take into account applicable laws, regulations and rules.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past Directors for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

We have granted share options to some of our Directors, senior management and other employees under the Pre-IPO Share Option Scheme and have adopted the Share Option Scheme. Please refer to the sections headed “Statutory and General Information — Pre-IPO Share Option Scheme” and “Statutory and General Information — Share Option Scheme” in Appendix V to this prospectus for details.

COMPLIANCE ADVISOR

We have appointed Optima Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

So far as our Directors are aware, immediately after the Capitalization Issue and prior to the completion of the Global Offering, the following persons will have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or who is directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name of shareholder	Nature of interest	Shares held immediately after the Capitalization Issue and prior to the completion of the Global Offering	
		Number	Percentage
Mr. Huang	Interest in controlled corporation(1); interest in family member(2)	216,168,000	72.06%
Ms. Huang Cuihong	Interest in controlled corporation(1); interest in family member(2)	216,168,000	72.06%
Ms. Huang Xianxian	Interest in controlled corporation(1); interest in family member(2)	216,168,000	72.06%
Ms. Huang Rujiao	Interest in controlled corporation(1); interest in family member(2)	216,168,000	72.06%
Ms. Huang Rujun	Interest in controlled corporation(1); interest in family member(2)	216,168,000	72.06%
Great Logistics	Interest in controlled corporation(1); interest in family member(2)	216,168,000	72.06%
Jade Isle	Interest in controlled corporation(1); interest in family member(2)	216,168,000	72.06%
Prestige Choice Overseas	Interest in controlled corporation(1); interest in family member(2)	216,168,000	72.06%
Grand Wing	Interest in controlled corporation(1); interest in family member(2)	216,168,000	72.06%

Name of shareholder	Nature of interest	Shares held immediately after the Capitalization Issue and prior to the completion of the Global Offering	
		Number	Percentage
Intelligent Pro	Interest in controlled corporation[(1)]; interest in family member[(2)]	216,168,000	72.06%
Kaiyuan	Beneficial interest	216,168,000[(4)]	72.06%[(4)]
Actis Ship	Beneficial interest[(3)]	83,832,000	27.94%
Actis 151	Beneficial interest[(3)]	83,832,000[(4)]	27.94%[(4)]

Notes:

(1) Kaiyuan was held as to 80% by Mr. Huang (through his investment holding company Great Logistics) and as to 5% by each of Ms. Huang Cuihong, Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun, through their investment holding companies, namely Jade Isle, Prestige Choice Overseas, Grand Wing and Intelligent Pro respectively.;

(2) In addition to Mr. Huang, Huang's Family consist of Ms. Huang Cuihong, Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun. Ms. Huang Cuihong is the spouse of Mr. Huang, while Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun are the sisters of Mr. Huang, and therefore they are deemed to be parties acting in concert with Mr. Huang and are deemed to be interested in the Shares in our Company in which Mr. Huang is interested, and Mr. Huang is deemed to be interested in the Shares in which Huang's Family is interested, and vice versa.

(3) Actis Ship and Actis 151 are the Pre-IPO Investors owned and controlled by a group of limited partnerships and protected cell companies, and are parties acting in concert with each other, and therefore they are deemed to be interested in the Shares held by each other.

(4) Kaiyuan was granted the Call Option on April 16, 2014, in relation to the 993 Shares then held by Actis 151, which will be enlarged to 23,832,000 Shares upon Capitalization Issue, representing approximately 7.94% our issued share capital prior to the completion of the Global Offering. The Call Option shall survive after the Listing but subject to the relevant rules under the Listing Rules or otherwise imposed by the Stock Exchange. For details of the Call Option, please refer to the section headed "History, Reorganization and corporate structure — Pre-IPO Investment — Investment by Actis 151" in this prospectus.

So far as our Directors are aware, immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised and taking no account of the Shares which may be issued pursuant to the exercise of the options may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, the following persons will have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO:

Name of shareholder	Nature of interest	Shares held immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)	
		Number	Percentage
Mr. Huang	Interest in controlled corporation(1); interest in family member(2)	216,168,000	54.04%
Ms. Huang Cuihong	Interest in controlled corporation(1); interest in family member(2)	216,168,000	54.04%
Ms. Huang Xianxian	Interest in controlled corporation(1); interest in family member(2)	216,168,000	54.04%
Ms. Huang Rujiao	Interest in controlled corporation(1); interest in family member(2)	216,168,000	54.04%
Ms. Huang Rujun	Interest in controlled corporation(1); interest in family member(2)	216,168,000	54.04%
Great Logistics	Interest in controlled corporation(1); interest in family member(2)	216,168,000	54.04%
Jade Isle	Interest in controlled corporation(1); interest in family member(2)	216,168,000	54.04%
Prestige Choice Overseas	Interest in controlled corporation(1); interest in family member(2)	216,168,000	54.04%
Grand Wing	Interest in controlled corporation(1); interest in family member(2)	216,168,000	54.04%

Name of shareholder	Nature of interest	Shares held immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)	
		Number	Percentage
Intelligent Pro	Interest in controlled corporation[(1)]; interest in family member[(2)]	216,168,000	54.04%
Kaiyuan	Beneficial interest	216,168,000[(4)]	54.04%[(4)]
Actis Ship	Beneficial interest[(3)]	83,832,000	20.96%
Actis 151	Beneficial interest[(3)]	83,832,000[(4)]	20.96%[(4)]

Notes:

(1) Kaiyuan was held as to 80% by Mr. Huang (through his investment holding company Great Logistics) and as to 5% by each of Ms. Huang Cuihong, Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun, through their investment holding companies, namely Jade Isle, Prestige Choice Overseas, Grand Wing and Intelligent Pro respectively.;

(2) In addition to Mr. Huang, Huang's Family consist of Ms. Huang Cuihong, Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun. Ms. Huang Cuihong is the spouse of Mr. Huang, while Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun are the sisters of Mr. Huang, and therefore they are deemed to be parties acting in concert with Mr. Huang and are deemed to be interested in the Shares in our Company in which Mr. Huang is interested, and Mr. Huang is deemed to be interested in the Shares in which Huang's Family is interested, and vice versa.

(3) Actis Ship and Actis 151 are the Pre-IPO Investors owned and controlled by a group of limited partnerships and protected cell companies, and are parties acting in concert with each other, and therefore they are deemed to be interested in the Shares held by each other.

(4) Kaiyuan was granted the Call Option on April 16, 2014, in relation to the 993 Shares then held by Actis 151, which will be enlarged to 23,832,000 Shares upon Capitalization Issue, representing approximately 5.96% of our issued share capital immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised). The Call Option shall survive after the Listing but subject to the relevant rules under the Listing Rules or otherwise imposed by the Stock Exchange. For details of the Call Option, please refer to the section headed "History, Reorganization and corporate structure — Pre-IPO Investment — Investment by Actis 151" in this prospectus.

So far as our Directors are aware, immediately following the completion of the Global Offering, assuming the Over-allotment Option is exercised in full and taking no account of the Shares which may be issued pursuant to the exercise of the options may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, the following persons will have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO:

Name of shareholder	Nature of interest	Shares held immediately following the completion of the Global Offering (assuming the Over-allotment Option is fully exercised)	
		Number	Percentage
Mr. Huang	Interest in controlled corporation(1); interest in family member(2)	216,168,000	52.09%
Ms. Huang Cuihong	Interest in controlled corporation(1); interest in family member(2)	216,168,000	52.09%
Ms. Huang Xianxian	Interest in controlled corporation(1); interest in family member(2)	216,168,000	52.09%
Ms. Huang Rujiao	Interest in controlled corporation(1); interest in family member(2)	216,168,000	52.09%
Ms. Huang Rujun	Interest in controlled corporation(1); interest in family member(2)	216,168,000	52.09%
Great Logistics	Interest in controlled corporation(1); interest in family member(2)	216,168,000	52.09%
Jade Isle	Interest in controlled corporation(1); interest in family member(2)	216,168,000	52.09%
Prestige Choice Overseas	Interest in controlled corporation(1); interest in family member(2)	216,168,000	52.09%
Grand Wing	Interest in controlled corporation(1); interest in family member(2)	216,168,000	52.09%

Name of shareholder	Nature of interest	Shares held immediately following the completion of the Global Offering (assuming the Over-allotment Option is fully exercised)	
		Number	Percentage
Intelligent Pro	Interest in controlled corporation[1]; interest in family member[2]	216,168,000	52.09%
Kaiyuan	Beneficial interest	216,168,000[4]	52.09%[4]
Actis Ship	Beneficial interest[3]	83,832,000	20.20%
Actis 151	Beneficial interest[3]	83,832,000[4]	20.20%[4]

Notes:

(1) Kaiyuan was held as to 80% by Mr. Huang (through his investment holding company Great Logistics) and as to 5% by each of Ms. Huang Cuihong, Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun, through their investment holding companies, namely Jade Isle, Prestige Choice Overseas, Grand Wing and Intelligent Pro respectively.;

(2) In addition to Mr. Huang, Huang's Family consist of Ms. Huang Cuihong, Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun. Ms. Huang Cuihong is the spouse of Mr. Huang, while Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun are the sisters of Mr. Huang, and therefore they are deemed to be parties acting in concert with Mr. Huang and are deemed to be interested in the Shares in our Company in which Mr. Huang is interested, and Mr. Huang is deemed to be interested in the Shares in which Huang's Family is interested, and vice versa.

(3) Actis Ship and Actis 151 are the Pre-IPO Investors owned and controlled by a group of limited partnerships and protected cell companies, and are parties acting in concert with each other, and therefore they are deemed to be interested in the Shares held by each other.

(4) Kaiyuan was granted the Call Option on April 16, 2014, in relation to the 993 Shares then held by Actis 151, which will be enlarged to 23,832,000 Shares upon Capitalization Issue, representing approximately 5.74% of our issued Share capital immediately following the completion of the Global Offering (assuming the Over-allotment Option is fully exercised). The Call Option shall survive after the Listing but subject to the relevant rules under the Listing Rules or otherwise imposed by the Stock Exchange. For details of the Call Option, please refer to the section headed "History, Reorganization and corporate structure — Pre-IPO Investment — Investment by Actis 151" in this prospectus.

Save as disclosed above and in the section "Statutory and General Information — Disclosure of Interests of Directors and chief executive" in Appendix V, our Directors are not aware of any person who will, immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised and taking no account of Shares which may be granted under the Pre-IPO Share Option Scheme and Share Option Scheme, have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or who is directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

THE CORNERSTONE PLACING

We have entered into cornerstone placing agreements (the "**Cornerstone Placing Agreements**", each a "**Cornerstone Placing Agreement**") with the following cornerstone investors (the "**Cornerstone Investors**"), who have agreed to subscribe at the Offer Price for such number of Shares that may be purchased with an aggregate amount of approximately HK$180.90 million). Based on the Offer Price, the total number of Shares to be subscribed for by the Cornerstone Investors would be 48,889,000 Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares), representing approximately 48.89% of our Offer Shares initially available under the Global Offering and approximately 12.22% of our total issued share capital immediately upon the completion of the Global Offering (assuming that the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme are not exercised). Each of the Cornerstone Investors and their ultimate beneficial owners is an Independent Third Party. The Cornerstone Investors will not subscribe for any Shares under the Global Offering other than pursuant to the relevant Cornerstone Placing Agreements. Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any board representation in our Company, nor will the Cornerstone Investors become substantial Shareholders of our Company. The shareholdings of the Cornerstone Investors will be counted towards the public float of our Shares.

The cornerstone placing forms part of the International Offering. The Shares to be purchased by the Cornerstone Investors will not be affected by any reallocation of the Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure and conditions of the Global Offering — Hong Kong Public Offering" in this prospectus. Details of the allocations of Offer Shares to the Cornerstone Investors will be disclosed in the announcement of allotment results to be issued by our Company on or around September 24, 2014.

OUR CORNERSTONE INVESTORS

Details of our Cornerstone Investors are set out below:

Wii Pte. Ltd.

Wii Pte. Ltd. has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased with an aggregate amount of US$5 million (equivalent to approximately HK$38.75 million) (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) at the Offer Price. Based on the Offer Price, Wii Pte. Ltd. will subscribe for 10,472,000 Offer Shares, representing approximately 10.47% of our Offer Shares initially available under the Global Offering and approximately 2.62% of our total issued share capital immediately upon the completion of the Global Offering (assuming that the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme are not exercised).

Wii Pte. Ltd. is a company incorporated in Singapore with limited liability, and is wholly owned by Wilmar International Limited ("**WIL**"). WIL, founded in 1991 and headquartered in Singapore, is today Asia's leading agribusiness group. WIL is ranked amongst the largest listed companies by market capitalization on the Singapore Exchange. WIL's business activities include oil palm cultivation, oilseed crushing, edible oil refining, sugar milling and refining, specialty fat, oleochemical, biodiesel and fertilizer manufacturing and grain processing. WIL and its subsidiaries have over 450 manufacturing plants and an extensive distribution network covering China, India, Indonesia and some 50 other countries.

During the Track Record Period, Yihai (Guangzhou) Oils & Grains Industries Co., Ltd. (益海（廣州）糧油工業有限公司), Yihai (Lianyungang) Oils & Grains Industries Co., Ltd. (益海（連雲港）糧油工業有限公司) and Dongguan Yihai Kerry Oils, Grains & Foodstuffs Industries Co., Ltd (東莞益海嘉里糧油食品工業有限公司) (collectively, the "**WIL Subsidiaries**"), being subsidiaries of WIL, were our suppliers of palm oil, edible oil and biscuits powder, among which Yihai (Guangzhou) Oils & Grains Industries Co., Ltd. was one of our five largest suppliers for each of the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014. For the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, our aggregate purchases from the WIL Subsidiaries amounted RMB44.4 million, RMB44.2 million, RMB46.0 million and RMB13.4 million respectively, representing 14.2%, 10.8%, 10.1% and 12.2% of our total purchases and 10.2%, 9.1%, 8.8% and 10.1% of our total cost of sales, respectively.

Success Creation Investments Ltd.

Success Creation Investments Ltd. ("**Success Creation**") has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased with an aggregate amount of US$10 million (equivalent to approximately HK$77.5 million) (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) at the Offer Price. Based on the Offer Price, Success Creation will subscribe for 20,945,000 Offer Shares, representing approximately 20.95% of our Offer Shares initially available under the Global Offering and approximately 5.24% of our total issued share capital immediately upon the completion of the Global Offering (assuming that the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme are not exercised).

Success Creation is a company incorporated in the BVI, which is wholly owned by Dong Yin Development (Holdings) Limited (東銀發展(控股)有限公司) ("**Dong Yin**"). Dong Yin is a limited company incorporated in Hong Kong for investment holding and wholly owned by China Orient Asset Management Corporation (中國東方資產管理公司), which is a state-owned financial institution established in the PRC.

LTV Limited

LTV Limited has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased with an aggregate amount of US$5 million (equivalent to approximately HK$38.75 million) (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) at the Offer Price. Based on the Offer Price, LTV Limited will subscribe for 10,472,000 Offer Shares, representing approximately 10.47% of our Offer Shares initially available under the Global Offering and approximately 2.62% of our total issued share capital immediately upon the completion of the Global Offering (assuming that the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme are not exercised).

LTV Limited is a company incorporated in Hong Kong with limited liability, and is wholly owned by Aurec Capital Ltd. Aurec Capital Ltd. is a company incorporated in the State of Israel and is principally engaged in financing investments.

Fu An International Investments Limited

Fu An International Investments Limited ("**Fu An**") has agreed to subscribe for 7,000,000 Offer Shares with an aggregate amount of HK$25.90 million) (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) at the Offer Price. Such Shares to be subscribed by Fu An represent approximately 7% of our Offer Shares initially available under the Global Offering and 1.75% of our total issued share capital immediately upon the completion of the Global Offering (assuming that the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme are not exercised).

Fu An is a company incorporated in Hong Kong. At the Latest Practicable Date, Mr. Li Chao Wang, being the controlling shareholder of Fu An, was a director and substantial shareholder of Vinda International Holdings Limited, a company listed on the Main Board (stock code: 3331).

CONDITIONS PRECEDENT

The subscription obligation of each of the Cornerstone Investors is subject to, among other things, the following conditions precedent being satisfied or waived in accordance with the terms of the respective Cornerstone Placing Agreement:

(1) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and having become unconditional and not having been terminated (in accordance with their respective original terms or as subsequently waived or varied by agreement of the relevant parties) by no later than the time and date specified in such agreements or as subsequently varied by agreement of the parties thereto;

(2) the Listing Committee of the Stock Exchange having granted approval for the listing of, and permission to deal in, the Shares and such approval or permission not having been revoked;

(3) the respective representations, warranties, undertakings, confirmation, agreements and acknowledgements of the respective Cornerstone Investor and our Company are accurate and true in all material respects and not misleading and there is no material breach of the respective Cornerstone Placing Agreement on the part of the respective Cornerstone Investor and our Company; and

(4) no laws shall have been enacted or promulgated by any governmental authority, which prohibit the consummation of the transactions contemplated in the relevant Cornerstone Placing Agreement and no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions.

RESTRICTIONS ON THE CORNERSTONE INVESTORS' INVESTMENT

Each of Cornerstone Investors has agreed that, without the prior written consent of our Company and the Sole Global Coordinator, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of (as defined in the relevant Cornerstone Placing Agreement) any of the Shares subscribed for by it pursuant to the relevant Cornerstone Placing Agreement, other than transfers to any wholly-owned subsidiary of such Cornerstone Investor provided that such wholly-owned subsidiary undertakes in writing in favor of our Company and the Sole Global Coordinator to, and such Cornerstone Investor undertakes to procure that such wholly-owned subsidiary will, abide by the terms and restrictions on disposals imposed on such Cornerstone Investor.

The authorized share capital of our Company immediately before the Capitalization Issue and Global Offering was HK$380,000 divided into (a) 37,995,630 Ordinary Shares of par value HK$0.01 each, and (b) 4,370 Series A Preferred Shares of par value HK$0.01 each.

Assuming the Over-allotment Option is not exercised and without taking into account of any Shares to be issued upon the exercise of share options granted under the Pre-IPO Share Option Scheme and any Shares which may be issued under the Share Option Scheme, the share capital of our Company upon completion of the Global Offering will be as follows:

Authorized share capital	**Number of Shares**	**Nominal value (HK$)**
Authorized share capital	8,000,000,000 Shares of HK$0.01 each	**80,000,000**
Shares in issue or to be issue, fully paid or credit as fully paid:		
Ordinary Shares (Note)	12,500	125
Shares to be issued under the Capitalization Issue	299,987,500 Shares	2,999,875
Shares to be issued under the Global Offering	100,000,000 Shares	1,000,000
Total issued Shares on completion of the Global Offering	**400,000,000 of HK$0.01 each**	4,000,000

Note: It includes 10,000 Shares in issue and 2,500 Shares to be issued upon conversion of all Series A Preferred Shares on a one-for-one basis.

ASSUMPTIONS

The table above assumes that the Global Offering has become unconditional and the issue of Shares pursuant thereto is made as described herein. It takes into no account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, the Pre-IPO Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchases of Shares granted to our Directors as referred to in the paragraphs headed 'General mandate to issue Shares' and 'General mandate to repurchase Shares' in this sections.

RANKING

The Offer Shares, together with the Shares which may be issued upon exercise of any options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, will rank pari passu in all respects with all Ordinary Shares in issue or to be issued as mentioned herein, and will qualify for all dividends or other distributions declared, made or paid after the date of this Prospectus save for entitlements under the Capitalization Issue.

For the Series A Preferred Shares, based on the terms of the Investment Agreement, all Series A Preferred Shares shall be converted into Ordinary Shares of the Company at the completion of the Global Offering (i.e. prior to the Listing Date) and shall rank pari passu in all respects with the then existing issued Ordinary Shares, and our Company shall cease to have more than one class of Shares thereafter.

CAPITALIZATION ISSUE

Pursuant to the written resolutions of our Shareholders passed on August 21, 2014, subject to the share premium account of the Company being credited as a result of the Global Offering, the Directors were authorized to allot and issue a total of 299,987,500 Shares credited as fully paid at par by way of capitalization of the sum of HK$2,999,875 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued Ordinary Shares.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the terms of our Company's memorandum and articles of association, our Company may from time to time by ordinary shareholders' resolution (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may reduce or redeem its share capital by shareholders' special resolution. For details, see "Summary of the Constitution of our Company and Cayman Islands Company Law — 2. Articles of Association — (c) Alteration of capital" in Appendix IV to this prospectus.

Further, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For details, please refer to "Summary of the Constitution of our Company and Cayman Islands Company Law — 2. Articles of Association — (d) Variation of rights of existing shares or classes of shares" in Appendix IV to this prospectus.

PRE-IPO SHARE OPTION SCHEME

The Company has conditionally adopted the Pre-IPO Share Option Scheme. The principal terms of the Pre-IPO Share Option Scheme are summarized in the paragraph headed "8. Pre-IPO Share Option Scheme" in Appendix V to this prospectus.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarized in the paragraph headed "9. Share Option Scheme" in Appendix V to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed "Structure and conditions of the Global Offering" in this prospectus being fulfilled, the Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirements that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by the Shareholders) shall not exceed:

(a) 20% of the aggregate nominal value of the share capital of the Company in issue immediately following the completion of the Capitalization Issue and the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme); and

(b) the aggregate nominal value of the share capital of the Company repurchased pursuant to the authority granted to the Directors as referred to in the paragraph headed "General mandate to repurchase Shares" in this section.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of the options which may be granted under the Pre-IPO Share Option Scheme and Share Option Scheme. This general mandate to issue Shares will remain in effect until whichever is the earliest of:

(1) the conclusion of the next annual general meeting of our Company;

(2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable laws of Cayman Islands; and

(3) the passing of an ordinary resolution of the shareholders of our Company in a general meeting revoking, varying or renewing such mandate.

For further details of this general mandate, please refer to the paragraph headed "1. Further Information — Written resolutions of our Shareholders passed on August 21, 2014" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on conditions as stated in the section headed "Structure and conditions of the Global Offering" in this prospectus being fulfilled, the Directors have been granted a general unconditional mandate to exercise all the powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognized by the SFC and the Stock Exchange for this purpose) with an aggregate nominal value of not more than 10% of the aggregate nominal value of the Company's share capital in issue immediately following the completion of the Capitalization Issue and the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed "4. Repurchase by our Company of our own securities" in Appendix V to this prospectus.

The general mandate to repurchase Shares will remain in effect until whichever is the earliest of:

(1) the conclusion of the next annual general meeting of our Company;

(2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable laws of Cayman Islands; and

(3) the passing of an ordinary resolution of the shareholders of our Company in a general meeting revoking, varying or renewing such mandate.

For further details of this general mandate, please refer to the paragraph headed "1. Further Information — Written resolutions of our Shareholders passed on August 21, 2014" in Appendix V to this prospectus.

You should read the following discussion and analysis in conjunction with our combined financial information, including the accompanying notes thereto, set out in Appendix I to this prospectus. Our combined financial information has been prepared in accordance with IFRS. The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depend on a number of risks and uncertainties over which we do not have control. Please also see the sections headed "Risk factors" and "Forward-looking statements" in this prospectus.

OVERVIEW

We are a large-scale biscuit manufacturer with a long history and leading position in the biscuit market in the PRC. According to Euromonitor, among the biscuit manufacturers operated by PRC brand owners, we were the largest manufacturer in terms of retail sales value, retail sales volume and production volume in 2013. We were also the second largest manufacturer of biscuits in the PRC in terms of retail sales volume and production volume with a market share of 2.2% and 2.3%, respectively, in 2013, and the sixth largest manufacturer of biscuits in the PRC in terms of retail sales value with a market share of 3.1% in 2013.

Our products are primarily marketed under our core brand "Jiashili" ( ) and are categorized into four major series, namely, breakfast biscuits series, crisp biscuits series, sandwich biscuits series and wafers series. As of March 31, 2014, we offered more than 300 SKU of products with more than 60 different flavors.

We sell our products primarily through distributors in the PRC, which then on-sell our products to sub-distributors, retailers and online operators. To a lesser extent, we also sell some of our products directly to retailers, which consist of Superstores and convenience stores, and other direct customers. As of March 31, 2014, our products were sold in over 160,000 points of sale in the PRC, and can also be purchased by consumers via online platforms. For the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, 98.8%, 98.5%, 98.2% and 97.5% of our sales were generated by our distributors, respectively, while the remainder was generated from sales to retailers and our other direct customers. To facilitate our nationwide sales, we have established three production plants located in Guangdong province, Jiangsu province and Hebei province in the PRC, housing 23 production lines.

We have achieved a solid track record of consistent growth in revenue and profit. For the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, we recorded a total revenue of approximately RMB565.3 million, RMB649.5 million, RMB747.8 million and RMB195.5 million, respectively, while our net profit for the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014 were approximately RMB28.5 million, RMB43.4 million, RMB69.3 million and RMB21.6 million, respectively. Our total revenue and net profit grew at a CAGR of 15.0% and 56.0% from 2011 to 2013, respectively.

BASIS OF PRESENTATION

As part of the Reorganization, on March 28, 2014, Jiashili HK entered into an equity transfer agreement with each of Zhongchen and Prestige Choice whereby Jiashili HK agreed to acquire 99% and 1% equity interest in Guangdong Jiashili from Zhongchen and Prestige Choice with the consideration of RMB224.7 million and RMB2.3 million, respectively, representing an aggregate of RMB227.0 million.

Based on subsequent approvals by the competent authorities, the Guangdong Jiashili Acquisition was completed on April 4, 2014. Please refer to the section headed "History, Reorganization and corporate structure — Reorganization — Acquisition of Guangdong Jiashili" in this prospectus for further details.

Pursuant to the Reorganization, our Company became the holding company of the companies comprising our Group. The Reorganization mainly involved interspersing Kaiyuan, our Company, Jiashili BVI and Jiashili HK between the ultimate individual shareholders of Guangdong Jiashili and Guangdong Jiashili. The group resulting from the Reorganization is regarded as a continuing entity. Accordingly, Guangdong Jiashili is accounted for as a subsidiary of our Group throughout the Track Record Period. The financial information relating to the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the companies now comprising our Group as set out in Appendix I to this prospectus has been prepared as if the current group structure had been in existence and remained unchanged throughout the Track Record Period or since their respective dates of incorporation or establishment where this is a shorter period (except for those dissolved or disposed of during the Track Record Period). The combined statements of financial position of our Group as of December 31, 2011, 2012 and 2013 and March 31, 2014 have been prepared to present the assets and liabilities of the companies now comprising our Group as if the current group structure had been in existence as at the respective dates, taking into account the respective dates of incorporation and establishment (except for those dissolved or disposed of during the Track Record Period). All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of our Group are eliminated in full on combination.

After the completion of the Guangdong Jiashili Acquisition, our Group paid RMB227.0 million to our Controlling Shareholders in May 2014, resulting in a reduction of net assets of our Group, which was accounted for as a deemed distribution recognized in equity directly. The funding of the RMB227.0 million was sourced from the proceeds from the issue of 2,500 Series A Preferred Shares to Actis Ship amounting to US$26.7 million (equivalent to RMB164.8 million) and part of the proceeds from the issue of the convertible promissory note to Actis 151 with a principal value of US$12.7 million pursuant to the Investment Agreement by our Company in April 2014. The deemed distribution and the proceeds from the issue of Series A Preferred Shares would result in a net decrease of RMB62.2 million on our Group's net tangible asset value before the Global Offering.

Upon completion of the Guangdong Jiashili Acquisition, Guangdong Jiashili became a wholly-owned subsidiary of Jiashili HK, a company incorporated in Hong Kong. Pursuant to the PRC EIT Law and its implementation rules and the Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (Trial) (非居民享受稅收協定待遇管理辦法(試行)), dividends payable from Guangdong Jiashili to Jiashili HK after completion of the Guangdong Jiashili Acquisition would be subject to a 10% withholding tax, unless Jiashili HK has obtained an approval to enjoy a favorable withholding tax rate of 5% thereon. As of the Latest Practicable Date, Jiashili HK has not applied for the favorable withholding tax treatment. Our PRC Legal Advisers confirm that other than the withholding tax implications, the Guangdong Jiashili Acquisition has no other material effect on our Group's tax exposure going forward, according to the current applicable PRC laws and regulations. Please refer to the section headed "Risk factors — Risks relating to conducting business in the PRC — Dividends from our PRC subsidiaries and dividends on our Shares and gains on the sales of our Shares may be subject to PRC withholding taxes" in this prospectus for further details of the relevant risks associated therewith.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of external factors, some of which are beyond our control:

Consumer demand for biscuits in the PRC

Consumer demand for biscuits in the PRC is one of the key drivers of our revenue and depends on the economic growth, urbanization and rising individual income in the PRC, changing consumer demands and favorable government policies. Stable GDP growth and improved purchasing power in the PRC have raised the demand for biscuits in recent years. Besides, the demand for biscuits has continued to increase as consumers in the PRC look for meal replacements and affordable indulgence snacks. According to Euromonitor, the PRC biscuit market in terms of retail sales value grew by 53.4% from RMB31.2 billion in 2009 to RMB47.8 billion in 2013, and is expected to grow by 33.3% from 2014 to 2018 and reach RMB68.2 billion in 2018. The rising demand for biscuits may positively affect our results of operations.

The prevailing trend in the PRC biscuit market is to develop more nutritious and generally healthier product offerings that are lower in sugar content, less calorie-bearing and richer in fiber. One expected focus will be savory biscuits, digestive crackers and fruit-jam based sandwich biscuits. Changes in consumer demands for biscuits in the PRC may affect our financial condition and results of operations.

Cost of raw materials and packaging materials

Our cost of sales primarily consists of cost of raw materials, which include flour, palm oil and sugar, and cost of packaging materials. For the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, the costs of flour, palm oil and sugar represented 55.4%, 54.0%, 50.8% and 49.9% of our cost of sales, and the cost of packaging materials represented 20.6%, 20.5%, 20.4% and 19.6% of our cost of sales, respectively. In addition, the prices of flour, palm oil, sugar and packaging materials are subject to volatility caused by external conditions, such as market supply and demand, climate, commodity price fluctuations and changes in governmental policies. In particular, the average purchase price of flour has generally increased in recent years while the average purchase prices of palm oil and sugar have decreased, following the market price trend. According to Euromonitor, the price of flour is expected to continue to rise and the prices of palm oil and sugar are expected to be remain relatively stable or may slightly decrease in the recent future. Such trend may have an impact on our profitability.

Our ability to maintain our competitive advantages that differentiate us from our competitors

The biscuit industry in the PRC is highly competitive. We compete on a product by product basis with other large international and PRC manufacturers of biscuits. We also face competition when we expand into other markets, and from new entrants entering into our existing markets. The biscuit industry in the PRC is also impacted by various other factors including economic and market conditions, demographic trends and regulatory developments.

The biscuit market in the PRC is a fragmented market with a large number of players . While there were around 1,600 qualified biscuit manufacturers in the PRC by the end of September 2013 according to AQSIQ, according to Euromonitor, the top 10 biscuit manufacturers in the PRC, in aggregate, accounted for approximately 40.1% of the total biscuit market share in the PRC in terms of retail sales value in 2013. We believe that, over the forecast period of 2014 to 2018, market shares of top biscuit manufacturers in the PRC will consolidate following rising brand awareness from consumers, and the development of small biscuit manufacturers in the PRC will be impeded by the increasing cost of sales. We believe, however, that we have a competitive advantage over our competitors in the biscuit industry in the PRC through our widely recognized "Jiashili" (嘉士利) brand, extensive distribution network, well-established and scalable production platform, stringent quality control measures, and diverse product offerings.

Distribution network

Our sales volume is and will continue to be affected by the size of our distribution network. We sell our products primarily through distributors in the PRC. To a lesser extent, we also sell some of our products directly to retailers, which consist of Superstores and convenience stores, and other direct customers. As of December 31, 2011, 2012 and 2013, and March 31, 2014, we had 350, 354, 476 and 515 distributors, respectively. As of March 31, 2014, our distribution network spreads over 31 provinces, autonomous regions and municipalities in the PRC, and our products were sold in over 160,000 points of sales in the PRC mostly through our distributors. Our products can also be purchased by consumers via online platforms. Our extensive distribution network allows us to distribute our products at all levels, from cities and urban centers to counties and towns across the PRC. Our extensive nationwide distribution channel is supported by our strong sales and marketing team. As of March 31, 2014, our sales and marketing department consisted of over 140 representatives.

For the three years ended December 31, 2011, 2012 and 2013, and the three months ended March 31, 2014, the increase in our revenue from the sales of our products, mainly breakfast biscuits series and crisp biscuits series, was in part due to our expanded distribution network.

Building on our strong presence in our more mature markets in the eastern, central, north-western and north-eastern regions in the PRC, we intend to further expand our distribution network with an aim to increase the market penetration of our current product offerings and promote our newly introduced products to these mature markets. For our less mature markets, we intend to continue to support our distributors, in particular, distributors who have strong track records, to expand their distribution channels in these markets. For our relatively new markets, we aim to provide more support to our distributors who have greater potential to strengthen their distribution channels in these markets.

Product offering

While we currently offer four main categories of biscuits, our revenue and our overall gross profit margin was largely affected by the sales of our breakfast biscuits series and crisp biscuits series which in aggregate accounted for 73.3%, 73.5%, 71.2% and 70.7% of our revenue for the three years ended December 31, 2011, 2012 and 2013, and the three months ended March 31, 2014, respectively. Going forward, we will continue to modify our product portfolio from time to time to focus on products with higher demand from consumers and higher gross profit margins and divert from those with lower growth rates or lower gross profit margins.

Introduction of new products

In addition to the continuing growth of sales of our four main categories of biscuits, our future results of operations will also depend on our ability to develop new products. We have a proven track record of introducing new product varieties that gain wide-spread acceptance by consumers, including our fruit jam sandwich biscuits which recorded increasing sales since their launch in late 2012. For the two years ended December 31, 2012 and 2013, the revenue from the sales of our fruit jam sandwich biscuits were RMB19.8 million and RMB42.1 million, representing an increase of 113.1%. For the three months ended March 31, 2013 and 2014, the revenue from such products were RMB6.3 million and RMB17.4 million, respectively, representing an increase of 176.1%.

As of March 31, 2014, we offered more than 60 SKU of our best-selling breakfast biscuits in seven types of flavors. We intend to continue introducing new flavors each year to meet our customers' changing needs and to respond to new biscuit flavor trends. We have also introduced new packaging arrangements such as souvenir packs and packs designed to be used by consumers as "Door Gifts" during festival seasons such as the Chinese New Year.

Seasonality

Sales of some of our products are subject to seasonality. For example, we normally experience higher sales of our biscuit gift packs in advance of traditional Chinese festival and holiday seasons, including the Chinese New Year and Mid-Autumn Festival seasons. Our moon cakes are also subject to seasonality as they are sold only in advance of and during the traditional Chinese Mid-Autumn Festival season each year. We normally experience lower sales of our products in the first quarter of the year during and after the Chinese New Year. Sales of our products also fluctuate due to other reasons. For example, we generally experience higher sales during and after our advertising and promotional campaigns or the period of new product launches. However, given the diversity of our product offerings, we do not believe that seasonality has any material effect on our results of operations as a whole. Nevertheless, comparisons of our sales and operating results over any interim period are not necessarily meaningful and cannot be relied on as indicators of our performance.

Taxation

Our profitability and financial performance are affected by the level of taxation that we pay on our profit and the preferential tax treatment we enjoy. Under the PRC EIT Law, enterprises in the PRC are generally subject to an uniform 25% enterprise income tax rate on their worldwide income. Guangdong Jiashili was subject to 15% enterprise income tax rate during the Track Record Period as a result of its accreditation as a "High and New Technology Enterprise" by the Science and Technology Bureau of Guangdong Province and relevant authorities in the PRC. Termination of, or changes in, Guangdong Jiashili's preferential or applicable tax rate that may result from changes in the PRC's tax policy, will impact on our results of operations and financial position. Please also refer to the section headed "Risk Factors — Risks relating to conducting business in the PRC — We may be affected by the changes in or cessation of income tax incentives and financial subsidies" in this prospectus.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The preparation of our financial statements requires us to make judgments in selecting the appropriate estimates and assumptions that affect the amounts reported in our financial statements. Actual results may differ from these estimates under different assumptions and conditions. The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our combined financial information. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on, among other things, our experience, our observance of trends in the industry, and information available from outside sources, as appropriate. There can be no assurance that our judgments will prove correct or that actual results reported in future periods will not differ from our expectations reflected in our accounting treatment of certain items. Our significant accounting policies and critical accounting estimates and judgments are set out in detail in notes 4 and 5 to our combined financial statements included in accountants' report in Appendix I to this prospectus.

We believe the following accounting policies involve the more significant judgments and estimates used in the preparation of our financial statements.

Revenue recognition

We measure our revenue at the fair value of the consideration received or receivable and represents amount receivable for goods sold in the normal course of business, net of discounts and sales related taxes. We recognize our revenue when the goods are delivered and titles have passed, when all of the following conditions are satisfied: (i) our Group has transferred to the buyer the significant risks and rewards of ownership of the goods; (ii) our Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (iii) the amount of revenue can be measured reliably; (iv) it is probable that the economic benefits associated with the transaction will flow to our Group; and (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the rate which discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. These expenditures are capitalized as an asset if, and only if, all of certain conditions set out in note 4 to our combined financial statements included in accountants' report in Appendix 1 to this prospectus can be demonstrated, which include the technical feasibility of completing the intangible asset so that it will be available for use or sale, the ability to use or sell the intangible asset etc. Where the research and development expenditure cannot be recognized, such expenditure is charged to profit or loss in the period in which it is incurred.

Impairment of financial assets

We assess whether there is any indicator of impairment for financial assets at the end of the reporting period. Financial assets are to considered to be impaired where there is objective evidence that its estimated future cash flows have been affected. If any such indication exists, any impairment loss is determined and recognized on the following basis: (i) for financial assets carried at amortized cost, the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the assets' original effective interest rate; (ii) for financial assets that carried at cost, the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in the income statements. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the income statements.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through the income statements to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Inventories

We measure inventories at the lower of cost and net realizable value. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Our management reviews the inventory aging list on a periodic basis for those aged inventories, which involves a comparison of carrying value of the aged inventory items with the respective net realizable value, in order to ascertain whether impairment is required to be made for any obsolete and slow moving items.

Property, plant and equipment

We measure buildings held for use in production or supply of goods or services, or for administrative purposes, at cost less subsequent accumulated depreciation and subsequent accumulated impartment losses, if any.

We measure construction in progress at cost, which include professional fees and for qualifying assets, borrowing costs capitalized in accordance with our Group's accounting policy, less any recognized impairment loss. Such items are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use, at which time depreciation commences.

Depreciation is recognized to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives, using straight-line method. The estimated useful lives, residual values and depreciation methods are determined by our management and are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. For the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, our property, plant and equipment (other than construction in progress) were depreciated over the following years after taking into account the residual values:

Buildings	20 years
Plant and machinery	5 to 10 years
Office equipment	5 years
Motor vehicles	5 years

Prepaid lease payments

We charge payments for obtaining land use rights to the income statements as prepaid lease payments on a straight-line basis over the lease terms stated in the relevant land use rights certificates. Prepaid lease payments which are to be charged to the income statements in the next twelve months are classified as current assets.

RESULTS OF OPERATIONS

The following table sets forth selected items of our income statement for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2011	2012	2013	2013	2014
				(Unaudited)	
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
CONTINUING OPERATION					
Revenue	565,276	649,488	747,771	185,085	195,477
Cost of sales	(433,243)	(483,707)	(522,120)	(133,925)	(132,716)
Gross profit	132,033	165,781	225,651	51,160	62,761
Other income	3,023	11,004	6,919	1,290	597
Selling and distribution expenses	(60,127)	(69,191)	(87,932)	(22,080)	(22,578)
Administrative expenses	(20,820)	(29,470)	(29,595)	(7,096)	(5,926)
Finance costs	(1,191)	(606)	(2,448)	(485)	(955)
Other expenses and loss	(18,508)	(22,970)	(30,466)	(4,804)	(7,801)
Profit before tax	34,410	54,548	82,129	17,985	26,098
Income tax expense	(9,508)	(11,745)	(14,268)	(3,170)	(4,512)
Profit for the year/period from continuing operation	24,902	42,803	67,861	14,815	21,586
DISCONTINUED OPERATION					
Profit (loss) from discontinued operation	3,573	645	1,408	(154)	61
Profit and total comprehensive income for the year/period attributable to the owners of our Company	**28,475**	**43,448**	**69,269**	**14,661**	**21,647**

PRINCIPAL INCOME STATEMENT COMPONENTS

Revenue

During the Track Record Period, we derived all of our revenue from the manufacture and sales of our products, which experienced strong growth in sales primarily due to increase in sales volume and average selling price of our then existing products and introduction of new products. We expect to continue to modify the product mix of our product portfolio to focus on products with higher consumer demand and profit margins.

The table below sets out our revenue by product category for the periods indicated:

Revenue	For the year ended December 31,						For the three months ended March 31,			
	2011		2012		2013		2013		2014	
	RMB ('000)	% of total revenue	RMB ('000)	% of total revenue	RMB ('000)	% of total revenue	RMB ('000) *(unaudited)*	% of total revenue	RMB ('000)	% of total revenue
Breakfast biscuits series	284,764	50.4	330,926	51.0	360,315	48.2	91,260	49.3	87,904	45.0
Crisp biscuits series	129,492	22.9	146,034	22.5	171,596	23.0	49,061	26.5	50,231	25.7
Sandwich biscuits series	18,838	3.3	32,974	5.1	52,955	7.1	9,658	5.2	19,778	10.1
Wafers series	19,957	3.5	28,788	4.4	43,678	5.8	8,044	4.4	12,993	6.6
Others	112,225	19.9	110,766	17.0	119,227	15.9	27,062	14.6	24,571	12.6
Total:	**565,276**	**100.0**	**649,488**	**100.0**	**747,771**	**100.0**	**185,085**	**100.0**	**195,477**	**100.0**

The table below sets out our sales volume and average unit selling price by product category for the periods indicated:

Sales volume and average selling price	For the year ended December 31,						For the three months ended March 31,			
	2011		2012		2013		2013		2014	
	Tonne	Average selling price/tonne (RMB)	Tonne	Average selling price/tonne (RMB)	Tonne	Average selling price/tonne (RMB)	Tonne	Average selling price/tonne (RMB)	Tonne	Average selling price/tonne (RMB)
Breakfast biscuits series	31,253	9,111.5	35,596	9,296.7	36,451	9,884.9	9,614	9,492.7	8,454	10,397.4
Crisp biscuits series	13,336	9,710.1	15,075	9,687.3	17,219	9,965.7	5,005	9,802.7	4,976	10,094.4
Sandwich biscuits series	1,687	11,169.6	2,638	12,501.2	3,883	13,637.8	765	12,630.0	1,408	14,050.9
Wafers series	1,429	13,961.3	2,058	13,989.0	2,970	14,705.1	549	14,662.2	866	15,004.3
Others	8,953	12,534.9	9,084	12,193.0	9,656	12,347.8	2,293	11,803.7	2,100	11,700.4
Total/overall:	**56,658**	**9,977.0**	**64,451**	**10,077.3**	**70,179**	**10,655.2**	**18,225**	**10,155.8**	**17,804**	**10,979.3**

Our revenue increased from RMB565.3 million for the year ended December 31, 2011 to RMB649.5 million for the year ended December 31, 2012, and further to RMB747.8 million for the year ended December 31, 2013, representing a CAGR of 15.0% over the period. Our revenue also increased from RMB185.1 million for the three months ended March 31, 2013 to RMB195.5 million for the three months ended March 31, 2014. The increase in our revenue during the Track Record Period was primarily due to the increase in sales of our products, especially our breakfast biscuits series and crisp biscuits series, accompanied by the general increase of their average selling prices, either directly by increasing their selling prices or indirectly by changing the packaging and reducing their unit size without lowering their original selling prices.

The revenue contributed by the sales of our breakfast biscuits series amounted to 50.4%, 51.0%, 48.2% and 45.0% of our total revenue for the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, respectively. Breakfast biscuits series are our flagship products, among which breakfast biscuits with the original flavor was our best seller during the Track Record Period, followed by those with milk and red jujube flavors. The sales volume of our breakfast biscuits series increased from 31,253 tonnes in 2011 to 36,451 tonnes in 2013, representing a CAGR of 8.0% over the period, and was 8,454 tonnes for the three months ended March 31, 2014. The average selling prices of our breakfast biscuits series also increased from RMB9,111.5 per tonne in 2011 to RMB9,884.9 per tonne in 2013, representing a CAGR of 4.2% over the period, and increased further to RMB10,397.4 for the three months ended March 31, 2014.

The revenue contributed by the sales of our crisp biscuits series amounted to 22.9%, 22.5%, 23.0% and 25.7% of our total revenue for the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, respectively. Our crisp biscuits series was our second best selling series during the Track Record Period, among which the sesame flavor was the most popular. The sales volume of our crisp biscuits series increased from 13,336 tonnes in 2011 to 17,219 tonnes in 2013, representing a CAGR of 13.6% over the period, and was 4,976 tonnes for the three months ended March 31, 2014. The average selling prices of our crisp biscuits series also increased from RMB9,710.1 per tonne in 2011 to RMB9,965.7 per tonne in 2013, representing a CAGR of 1.3% over the period, and increased further to RMB10,094.4 for the three months ended March 31, 2014.

The increase in sales volume of our breakfast biscuits series and crisp biscuits series was primarily the result of (i) our expansion of distribution network in the PRC; (ii) our investment of resources in the marketing and promotion of these products; (iii) our success in promoting our breakfast biscuits series as a kind of biscuit for daily consumption and not just for consumption at breakfast; (iv) our introduction of milk breakfast biscuits that are fortified with DHA in 2011 to meet the preferences of our health-conscious consumers; (v) our offering of various flavors of breakfast biscuits series and crisp biscuits series; and (vi) the increase in overall market demand for biscuits in the PRC driven by rising individual income and demand for higher-quality consumer goods, diversity of consumer demands in modern social life and the favorable government policies.

In addition, the revenue generated from the sales of our sandwich biscuits series increased from RMB18.8 million for the year ended December 31, 2011 to RMB33.0 million for the year ended December 31, 2012, and further to RMB53.0 million for the year ended December 31, 2013, representing a CAGR of 67.7% over the period and 3.3%, 5.1% and 7.1% of our total revenue for the same periods. The revenue generated from the sales of such series also increased from RMB9.7 million for the three months ended March 31, 2013 to RMB19.8 million for the three months ended March 31, 2014, representing an increase of 104.8% over the period, and 5.2% and 10.1% of our total revenue for the same periods, respectively. The significant increase in the revenue generated from the sales of sandwich biscuits series was primarily attributable to the launch of fruit jam sandwich biscuits in late 2012 which became popular within a short period of time after their launch and contributed a majority of revenue among the sandwich biscuits series for the two years ended December 31, 2012 and 2013 and the three months ended March 31, 2013 and 2014. In particular, the pineapple, strawberry and blueberry were the most popular flavors of the fruit jam sandwich biscuits. The increase in revenue generated from this series was also attributable to the general increase of their average selling prices over the period, primarily as a result of the higher selling prices commanded by the fruit jam sandwich biscuits.

Revenue generated from the sales of our wafers series increased from RMB20.0 million for the year ended December 31, 2011 to RMB28.8 million for the year ended December 31, 2012, and further to RMB43.7 million for the year ended December 31, 2013, representing a CAGR of 47.9% over the period and 3.5%, 4.4% and 5.8% of our total revenue for the same periods, respectively. The revenue generated from the sales of such series also increased from RMB8.0 million for the three months ended March 31, 2013 to RMB13.0 million for the three months ended March 31, 2014, representing an increase of 61.5% over the period, and 4.4% and 6.6% of our total revenue for the same periods. The increase in sales of our wafers series was primarily driven by the increase in sales of wafers in chocolate, strawberry, coconut and mango flavors.

The remaining revenue was derived from the sales of a wide range of our other products, which include soda biscuits, cookies, short biscuits, moon cakes and peanuts. We have ceased selling our peanuts since February 2014.

We sell our products primarily through distributors in the PRC, which on-sell our products to sub-distributors, retailers and other sales channels. To a lesser extent, we also sell some of our products directly to retailers and other direct customers. The table below sets out our sales generated by distributors, retailers and other direct customers for the periods indicated:

Revenue contributed by sales to:	For the year ended December 31,						For the three months ended March 31,			
	2011		2012		2013		2013		2014	
	RMB ('000)	% of total revenue	RMB ('000)	% of total revenue	RMB ('000)	% of total revenue	RMB ('000) (unaudited)	% of total revenue	RMB ('000)	% of total revenue
Distributors	558,631	98.8	639,704	98.5	734,338	98.2	181,308	98.0	190,610	97.5
Retailers	5,911	1.1	9,197	1.4	12,748	1.7	3,404	1.8	4,469	2.3
Direct customers	734	0.1	587	0.1	685	0.1	373	0.2	398	0.2
Total:	**565,276**	**100.0**	**649,488**	**100.0**	**747,771**	**100.0**	**185,085**	**100.0**	**195,477**	**100.0**

A majority of our products are sold to customers in the PRC during the Track Record Period. For the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, revenue contributed from the sale of products to customers outside the PRC were nil, RMB0.2 million, RMB1.1 million and RMB0.3 million only.

Cost of sales

Our cost of sales primarily consists of raw materials, packaging materials, direct labor, manufacturing overheads, and fuel and power. Raw materials primarily include flour, palm oil and sugar. Packaging materials primarily include tapes, labels, paper cards, transparent films, packets, cartons, polyester bags and composite packaging materials. Direct labor comprises salaries and benefits for employees directly involved in production activities. Manufacturing overheads primarily represent depreciation of plant and machinery, utilities, and other miscellaneous production costs. Fuel and power are those used in the production process.

The following table sets out a breakdown of our cost of sales for the periods indicated:

Cost of sales	For the year ended December 31,						For the three months ended March 31,			
	2011		2012		2013		2013		2014	
	RMB ('000)	% of total cost of sales	RMB ('000)	% of total cost of sales	RMB ('000)	% of total cost of sales	RMB ('000) *(unaudited)*	% of total cost of sales	RMB ('000)	% of total cost of sales
Raw materials										
Flour	93,034	21.5	103,641	21.4	120,159	23.0	31,000	23.1	30,645	23.1
Palm oil	83,642	19.3	87,632	18.1	79,515	15.2	20,513	15.3	19,849	15.0
Sugar	63,169	14.6	70,251	14.5	65,965	12.6	18,225	13.6	15,613	11.8
Others	37,392	8.6	34,647	7.2	43,498	8.4	11,189	8.4	11,782	8.9
Sub-total	277,237	64.0	296,171	61.2	309,137	59.2	80,927	60.4	77,889	58.8
Packaging materials	89,228	20.6	99,266	20.5	106,709	20.4	26,111	19.5	25,960	19.6
Direct labor	29,243	6.8	40,140	8.3	47,691	9.1	11,550	8.6	11,506	8.6
Manufacturing overhead	15,268	3.5	20,960	4.4	30,543	5.9	8,539	6.4	9,504	7.2
Fuel and power	22,267	5.1	27,170	5.6	28,040	5.4	6,798	5.1	7,857	5.8
Total:	**433,243**	**100.0**	**483,707**	**100.0**	**522,120**	**100.0**	**133,925**	**100.0**	**132,716**	**100.0**

We experienced significant increase in cost of sales primarily due to increased production volume driven by increased demand and sales during the Track Record Period. For the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, our cost of sales were RMB433.2 million, RMB483.7 million, RMB522.1 million and RMB132.7 million, representing 76.6%, 74.5%, 69.8% and 67.9%, respectively, of our revenue for the same periods.

The cost of raw materials was the largest component of our cost of sales and accounted for 64.0%, 61.2%, 59.2% and 58.8% of the total cost of sales for the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, respectively. The cost of packaging materials was the second largest component of our cost of sales and accounted for 20.6%, 20.5%, 20.4% and 19.6% of the total cost of sales for the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, respectively. The increase in the cost of raw materials and packaging materials during the Track Record Period was primarily due to increased production volume driven by increased demand and sales, coupled with the general increase of our average purchase price of flour. Flour was the largest component of our cost of raw materials and accounted for 33.6%, 35.0%, 38.9% and 39.3% of our total cost of raw materials for the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, respectively. According to Euromonitor, price of flour in the PRC had a flat price increase over the period from 2011 to 2013 and continued to increase in the three months ended March 31, 2014. Euromonitor expects the price of flour in the PRC to continue to rise. Despite the increasing market trend of the flour price in the PRC, we managed to control our purchase price of flour in 2012 and 2014 by making bulk purchase of flour from a major supplier when the flour price was relatively low. The general increase in the average purchase price of flour was partially offset by the decrease of our average purchase prices of palm oil and sugar, which were the second largest and third largest component of our cost of raw materials during the Track Record Period, primarily reflecting the general descending trend of the prices of palm oil and sugar in the PRC over the period.

The following sensitivity analyzes illustrate the impact of hypothetical fluctuations in the average unit purchase price of our major raw materials, flour, palm oil and sugar, on our net profit for the Track Record Period, assuming all other factors affecting our profit remain unchanged.

(a) Hypothetical fluctuations on average unit purchase price of flour

	Increase/ decrease by 10%	Increase/ decrease by 15%	Increase/ decrease by 20%
Change in net profit (RMB million)			
Year ended December 31, 2011	-/+7.9	-/+11.9	-/+15.8
Year ended December 31, 2012	-/+8.8	-/+13.2	-/+17.6
Year ended December 31, 2013	-/+10.2	-/+15.3	-/+20.4
Three months ended March 31, 2014	-/+2.6	-/+3.9	-/+5.2

Note:

The maximum fluctuation in the average unit purchase price of flour on a year-on-year (or three months period-on-period basis, where applicable) during the Track Record Period was 11.0%. Given that the maximum fluctuation of the same is within the range of 20%, our Directors are of the view that it is prudent to use 10%, 15% and 20% in the above sensitivity analysis.

(b) Hypothetical fluctuations on average unit purchase price of palm oil

	Increase/ decrease by 10%	Increase/ decrease by 15%	Increase/ decrease by 20%
Change in net profit (RMB million)			
Year ended December 31, 2011	-/+7.1	-/+10.7	-/+14.2
Year ended December 31, 2012	-/+7.4	-/+11.2	-/+14.9
Year ended December 31, 2013	-/+6.8	-/+10.1	-/+13.5
Three months ended March 31, 2014	-/+1.7	-/+2.5	-/+3.4

Note:

The maximum fluctuation in the average unit purchase price of palm oil on a year-on-year (or three months period-on-period basis, where applicable) during the Track Record Period was 16.7%. Given that the maximum fluctuation of the same is within the range of 20%, our Directors are of the view that it is prudent to use 10%, 15% and 20% in the above sensitivity analysis.

(c) Hypothetical fluctuations on average unit purchase price of sugar

	Increase/ decrease by 10%	Increase/ decrease by 15%	Increase/ decrease by 20%
Change in net profit (RMB million)			
Year ended December 31, 2011	-/+5.4	-/+8.1	-/+10.7
Year ended December 31, 2012	-/+6.0	-/+9.0	-/+11.9
Year ended December 31, 2013	-/+5.6	-/+8.4	-/+11.2
Three months ended March 31, 2014	-/+1.3	-/+2.0	-/+2.7

Note:

The maximum fluctuation in the average unit purchase price of sugar on a year-on-year (or three months period-on-period basis, where applicable) during the Track Record Period was 11.3%. Given that the maximum fluctuation of the same is within the range of 20%, our Directors are of the view that it is prudent to use 10%, 15% and 20% in the above sensitivity analysis.

The increase in cost of sales over the Track Record Period was also attributable to the increase in the cost of packaging materials due to higher consumption of packaging materials as a result of (i) increased sales; (ii) the gradual change of packaging to a smaller unit size for our breakfast biscuits series and our crisp biscuits series since 2011; and (iii) the introduction and continuous growth of sales of our fruit jam sandwich biscuits which are packaged in small packs in 2012 and 2013. Further, the increase in cost of sales over the Track Record Period can also be attributable to the increase in direct labor cost due to the increase in the general level of salaries and employee benefits for, and the number of, employees engaged in production activities over the Track Record Period, and the increase in our manufacturing overhead as we expanded our production, in particular the addition of production lines for our production plants in Kaiping, Guangdong province and Suqian, Jiangsu province.

The following table sets out our cost of sales by product category for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
Cost of sales	**2011**		**2012**		**2013**		**2013**		**2014**	
	RMB ('000)	**% of total cost of sales**	**RMB ('000)**	**% of total cost of sales**	**RMB ('000)**	**% of total cost of sales**	**RMB ('000)** *(unaudited)*	**% of total cost of sales**	**RMB ('000)**	**% of total cost of sales**
Breakfast biscuits series	214,432	49.5	243,770	50.4	248,556	47.6	65,641	49.0	58,155	43.8
Crisp biscuits series	102,981	23.7	108,505	22.4	120,838	23.2	35,055	26.2	34,219	25.8
Sandwich biscuits series	13,340	3.1	23,157	4.8	33,942	6.5	6,831	5.1	12,823	9.7
Wafers series	16,045	3.7	22,035	4.6	31,923	6.1	6,016	4.5	9,476	7.1
Others	86,445	20.0	86,240	17.8	86,861	16.6	20,382	15.2	18,043	13.6
Total:	**433,243**	**100.0**	**483,707**	**100.0**	**522,120**	**100.0**	**133,925**	**100.0**	**132,716**	**100.0**

During the Track Record Period, the cost of sales of our products by product category as a percentage of our total cost of sales were largely in line with their respective percentage contribution to our revenue.

Gross profit and gross profit margin

The following table sets out the gross profit and gross profit margin by product category for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
Gross profit/ gross profit margin	**2011**		**2012**		**2013**		**2013**		**2014**	
	RMB ('000)	**%**	**RMB ('000)**	**%**	**RMB ('000)**	**%**	**RMB ('000)** *(unaudited)*	**%**	**RMB ('000)**	**%**
Breakfast biscuits series	70,332	24.7	87,156	26.3	111,759	31.0	25,619	28.1	29,749	33.8
Crisp biscuits series	26,511	20.5	37,529	25.7	50,758	29.6	14,006	28.5	16,012	31.9
Sandwich biscuits series	5,498	29.2	9,817	29.8	19,013	35.9	2,827	29.3	6,955	35.2
Wafers series	3,912	19.6	6,753	23.5	11,755	26.9	2,028	25.2	3,517	27.1
Others	25,780	23.0	24,526	22.1	32,366	27.1	6,680	24.7	6,528	26.6
Total/ Overall:	**132,033**	**23.4**	**165,781**	**25.5**	**225,651**	**30.2**	**51,160**	**27.6**	**62,761**	**32.1**

Our gross profit increased from RMB132.0 million for the year ended December 31, 2011 to RMB165.8 million for the year ended December 31, 2012 and further to RMB225.7 million for the year ended December 31, 2013, representing a CAGR of 30.7% over the period. Our gross profit also increased from RMB51.2 million for the three months ended March 31, 2013 to RMB62.8 million for the three months ended March 31, 2014, representing an increase of 22.7%. Such increases were primarily the result of an increase in the sales volume of our products and the general increase in their average selling prices during the Track Record Period, either directly by increasing their selling prices or indirectly by changing the packaging and reducing their unit size without lowering their original selling prices.

For the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, our gross profit margin were 23.4%, 25.5%, 30.2% and 32.1%, respectively, which was primarily due to the fact that the growth rate of our revenue was faster than that of our cost of sales for the corresponding period, primarily as a result of the general increase in the average selling prices of our products, our efforts to control our cost of sales by increasing our bargaining position to obtain better pricing from our suppliers, and by reducing the wastage of our packaging materials with better coordination of our production. Such increase in our gross profit margin was partially offset by the increase in the price of flour, our major raw material and the increased labor cost.

For the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, our gross profit margin for our breakfast biscuits series were 24.7%, 26.3%, 31.0% and 33.8%, respectively, and the gross profit margin for our crisp biscuits series were 20.5%, 25.7%, 29.6% and 31.9%, respectively. The increases during the Track Record Period were primarily due to the increase in average selling prices of these products. For the same periods, our gross profit margin for our sandwich biscuits series and our wafers series also increased as a result of the introduction of fruit jam sandwich biscuits in late 2012, which have higher selling prices and therefore higher profit margins than the other sandwich biscuits, and as a result of the general increase in their average selling prices, respectively.

For the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, our gross profit margin for our other products were 23.0%, 22.1%, 27.1% and 26.6%, respectively. The gross profit margin of our other products decreased from 2011 to 2012 as a result of the gradual cessation of sales of a series of pop biscuits which had higher gross profit margins, as a result of its relatively weak demand, and increased from 2012 to 2013 as a result of the increase of sales of soda biscuits which have higher gross profit margins and the increase in selling prices of our moon cakes. The gross profit margin for our other products decreased to 26.6% for the three months ended March 31, 2014, primarily due to the lack of sale of our moon cakes, which command higher selling prices and have higher profit margins, during the same period.

Other income

Other income primarily consists of government grants, imputed interest income, interest income on bank deposits and other non-operating income. The following table sets out a breakdown of our other income for the periods indicated:

Other income	For the year ended December 31,						For the three months ended March 31,			
	2011		2012		2013		2013		2014	
	RMB ('000)	% of total revenue	RMB ('000)	% of total revenue	RMB ('000)	% of total revenue	RMB ('000) *(unaudited)*	% of total revenue	RMB ('000)	% of total revenue
Bank interest income	440	0.1	346	0.0	667	0.0	112	0.0	102	0.0
Imputed interest income	1,282	0.2	1,282	0.2	1,281	0.2	320	0.2	-	-
Government grants	1,269	0.2	8,973	1.4	4,282	0.6	740	0.4	387	0.2
Other non-operating income	32	0.0	403	0.1	689	0.1	118	0.1	108	0.1
Total:	**3,023**	**0.5**	**11,004**	**1.7**	**6,919**	**0.9**	**1,290**	**0.7**	**597**	**0.3**

Government grants include (i) subsidies received by Jiangsu Jiashili from the local government for its investments in Suqian, Jiangsu province (pursuant to the agreement for investment in the Suqian Economic Development Zone, Jiangsu Jiashili can apply to the local government authority for refund of income tax and other taxes paid, the amount of such refund would be determined by the tax paid by Jiangsu Jiashili); (ii) a one-off subsidy received in 2012 for subsidizing our promotion expenses incurred for marketing of our branded products to enhance our competitiveness in the industry; and (iii) incentive subsidies from the local government for improvement of working capital and compensation of research and development expenses incurred. The grants are non-recurring in nature and the amounts are subject to the government's discretion. There are no unfulfilled conditions or other contingencies attached to the grants.

Imputed interest income arose from a long term advance of approximately RMB27.7 million from our Group to Sanbu Jiari, our former subsidiary, which was settled in December 2013. Please refer to the section headed "Business — Non-compliance — Advances to related parties and Independent Third Parties" in this prospectus for legal implications of this advance. Imputed interest income of RMB1.3 million was credited to our income statements for each of the three years ended December 31, 2011, 2012 and 2013, respectively.

Selling and distribution expenses

Selling and distribution expenses primarily consist of transportation expenses for the delivery of our products, advertising and promotion expenses which include rebates given to our distributors, salaries and employee benefit expenses for employees engaging in the sales and marketing activities, travelling and entertainment expenses, and other expenses which include depreciation of property, plant and equipment, consumables and other miscellaneous expenses.

The following table sets out a breakdown of our selling and distribution expenses for the periods indicated:

Selling and distribution expenses	For the year ended December 31,						For the three months ended March 31,			
	2011		2012		2013		2013		2014	
	RMB ('000)	% of total revenue	RMB ('000)	% of total revenue	RMB ('000)	% of total revenue	RMB ('000) *(unaudited)*	% of total revenue	RMB ('000)	% of total revenue
Transportation expenses	35,740	6.3	41,509	6.4	45,199	6.1	10,960	5.9	11,416	5.8
Advertising and promotion expenses	11,962	2.1	11,558	1.8	24,791	3.3	7,255	3.9	7,132	3.7
Salaries and employee benefits	6,944	1.2	9,800	1.5	11,283	1.5	2,679	1.5	3,030	1.6
Travelling and entertainment expenses	3,098	0.6	3,561	0.6	3,605	0.5	792	0.4	577	0.3
Others	2,383	0.4	2,763	0.4	3,054	0.4	394	0.2	423	0.2
Total:	**60,127**	**10.6**	**69,191**	**10.7**	**87,932**	**11.8**	**22,080**	**11.9**	**22,578**	**11.6**

For the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, our selling and distribution expenses amounted to RMB60.1 million, RMB69.2 million, RMB87.9 million and RMB22.6 million, respectively. During the same periods, as a percentage of our revenue, our selling and distribution expenses were 10.6%, 10.7%, 11.8% and 11.6%, respectively. We managed to largely maintain the proportion of our selling and distribution expenses to our revenue during the Track Record Period as a result of our efforts in maintaining our control over transportation and marketing and distribution costs.

Transportation expenses were the largest component of our selling and distribution expenses during the Track Record Period, as we engaged logistic providers for product delivery to our customers, which spread across different regions across the PRC. Advertising and promotional expenses were the second largest component of our selling and distribution expenses during the Track Record Period, which represents costs incurred in our marketing and promotional activities, including, trade shows and food exhibitions, in-store displays, free taste samples and free gifts, and the engagement of temporary salespersons to carry out such marketing and promotional activities.

Administrative expenses

Administrative expenses primarily consist of salaries and employee benefit expenses for employees engaging in administrative activities, tax expenses, office expenses, operational expenses, and other expenses which include depreciation of property, plant and equipment, transportation expenses, consumables, directors' and supervisors' remuneration and expenses and other miscellaneous expenses.

The following table sets out a breakdown of our administrative expenses for the periods indicated:

Administrative expenses	For the year ended December 31,						For the three months ended March 31,			
	2011		2012		2013		2013		2014	
	RMB ('000)	% of total revenue	RMB ('000)	% of total revenue	RMB ('000)	% of total revenue	RMB ('000) *(unaudited)*	% of total revenue	RMB ('000)	% of total revenue
Salaries and employee benefits	7,297	1.3	11,903	1.8	14,333	1.9	1,974	1.0	2,161	1.1
Tax expenses	5,867	1.0	6,971	1.1	6,648	0.9	1,530	0.8	1,858	0.9
Office expenses	2,258	0.4	4,285	0.6	2,982	0.4	1,993	1.1	519	0.3
Operational expenses	2,341	0.4	2,431	0.4	3,128	0.4	344	0.2	227	0.1
Others	3,057	0.6	3,880	0.6	2,504	0.4	1,255	0.7	1,161	0.6
Total:	**20,820**	**3.7**	**29,470**	**4.5**	**29,595**	**4.0**	**7,096**	**3.8**	**5,926**	**3.0**

Despite our business growth, we managed to maintain our administrative expenses at a relatively stable level during the Track Record Period due to our efforts in maintaining operating efficiency. For the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, our administrative expenses were RMB20.8 million, RMB29.5 million, RMB29.6 million and RMB5.9 million, respectively. During the same periods, as a percentage of our revenue, our administrative expenses were 3.7%, 4.5%, 4.0% and 3.0%, respectively. Salaries and employee benefits were the largest component of our administrative expenses, and accounted for 35.0%, 40.4%, 48.4% and 36.5% of our administrative expenses for the same periods. The increase in salaries and employee benefits was primarily the result of the general level of salaries and employee benefits for, and the number of, employees engaged in the administrative activities.

Finance costs

Our finance costs represent interest on bank borrowings which are wholly repayable within five years. Our finance costs were RMB1.2 million, RMB0.6 million, RMB2.4 million and RMB1.0 million for the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, respectively.

Other expenses and loss

The following table sets out a breakdown of our other expenses and loss for the periods indicated:

Other expense and loss	For the year ended December 31,						For the three months ended March 31,			
	2011		2012		2013		2013		2014	
	RMB ('000)	% of total revenue	RMB ('000)	% of total revenue	RMB ('000)	% of total revenue	RMB ('000) *(unaudited)*	% of total revenue	RMB ('000)	% of total revenue
Research and development expenses	18,306	3.3	21,334	3.3	24,372	3.3	4,650	2.5	5,172	2.6
Donation expenses	202	0.0	1,201	0.2	586	0.1	140	0.1	129	0.1
Loss on disposal of property, plant and equipment	-	-	423	0.0	228	0.0	11	0.0	49	0.0
Listing expenses	-	-	-	-	5,246	0.7	-	-	2,248	1.2
Other non-operating expenses	-	-	12	0.0	34	0.0	3	0.0	203	0.1
Total:	**18,508**	**3.3**	**22,970**	**3.5**	**30,466**	**4.1**	**4,804**	**2.6**	**7,801**	**4.0**

Our other expenses and loss primarily include research and development expenses, listing expenses, donation expenses and loss on disposal of property, plant and equipment. Research and development expenses were the largest component of our other expenses and loss and amounted to RMB18.3 million, RMB21.3 million, RMB24.4 million and RMB5.2 million, which accounted for 98.9%, 92.9%, 80.0% and 66.3% of our other expenses and loss for the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, respectively. A majority of our research and development expenses was spent on the raw materials used during our research and development processes. Our research and development expenses for the Track Record Period were primarily spent on the application of onion fermentation in food production and baking and production techniques. Our research and development expenses for the two years ended December 31, 2012 also related to the research and development on the integration of chocolate and biscuits and breakfast biscuits. We started the research and development of fruit juice sandwich biscuits in 2012, and incurred considerable amount of research and development expenses on it for the same year. In 2013, we continued to invest a substantial amount of efforts in the research and development of fruit juice sandwich biscuits and incurred expenses in the research and development of healthy products such as products with vegetables and biscuits which are catered for children. In the three months ended March 31, 2014, we continued our research and development of fruit juice sandwich biscuits and healthy products.

Since 2013, in preparation of the Listing, we also incurred listing expenses for the year ended December 31, 2013 and the three months ended March 31, 2014. Such listing expenses amounted to RMB5.2 million and RMB2.2 million, representing 17.2% and 28.8% of our other expenses and loss for the same periods, respectively.

Income tax expense

Under the Cayman Islands and the BVI law, we are not subject to any income tax in the Cayman Islands and the BVI. We were not liable for income tax in Hong Kong as our income neither arises in, nor is derived from, Hong Kong.

Our income tax expense consists of enterprise income tax we paid in the PRC and deferred tax charge (credit).

Guangdong Jiashili was accredited as a "High and New Technology Enterprise" by the Science and Technology Bureau of Guangdong Province and relevant authorities in the PRC with effect from January 2009 for a term of three years, and was registered with the local tax authority to be eligible to the reduced 15% enterprise income tax rate from 2009 to 2011. The "High and New Technology Enterprise" qualification has been renewed in 2012, which entitled Guangdong Jiashili to enjoy such reduced tax rate for another three years until December 31, 2014. Accordingly, Guangdong Jiashili was subject to 15% enterprise income tax rate during the Track Record Period.

For other subsidiaries, under the PRC EIT Law and its implementation regulations, the standard tax rate of the PRC entities was 25% during the Track Record Period.

Please also refer to notes 10 and 32 to our combined financial statements included in accountants' report in Appendix I to this prospectus for a more detailed discussion on our income tax.

Discontinued operation

During the period from January 1, 2011 to March 24, 2014, we also engaged in the manufacture and sales of pasta products through Guangdong Kangli. In order to focus on the biscuit business in the PRC, we entered into an equity transfer agreement with Zhongchen on March 24, 2014, pursuant to which we transferred all of our equity interests in Guangdong Kangli, our then subsidiary for the manufacturing of pasta products of our Group, to Zhongchen at a consideration of RMB24.4 million. Such disposal was completed on March 28, 2014, on which date the control of Guangdong Kangli was passed to Zhongchen. Accordingly, the results of our pasta operations during the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014 have been separately presented as discontinued operation in the combined statement of profit or loss and other comprehensive income. Please also refer to note 12 to our combined financial statements included in accountants' report in Appendix I to this prospectus for a more detailed discussion on our discontinued operation.

During the Track Record Period, sales proceeds from certain customers of Guangdong Kangli (the "**Subject Customers**"), who were our distributors and restaurant customers and were Independent Third Parties, for our discontinued operation were collected by way of cash deposits, either directly or through sales representatives of Guangdong Kangli, to bank accounts (the "**Subject Bank Accounts**") opened under the name of the then legal representative of Guangdong Kangli (the "**Arrangement**"), Mr. Tan Chaojun, our Director ("**Mr. Tan**") and Mr. Liang Dongcai ("**Mr. Liang**"), during December 2008 to August 2013. Our Directors confirm that the Arrangement commenced before our acquisition of Guangdong Kangli in December 2008, and we continued to adopt the Arrangement after our acquisition.

We adopted the Arrangement for convenience and efficiency purposes as corporate bank accounts generally have less flexibility in the PRC. For instance, a depositing party can only deposit cash directly to corporate bank accounts at bank branches which are of the same local bank as the recipient's. Further, cash deposit service to corporate bank accounts is only available during office hours of bank branches, while a depositing party can deposit cash to personal bank accounts through ATM located in any area in the PRC at any time.

Under the Arrangement, transfer of funds from the Subject Bank Accounts could only be effected by the cashiers (出納) of Guangdong Kangli and Guangdong Jiashili attending bank branches in person, who were responsible for keeping the passbook and password of the Subject Bank Accounts, respectively.

The ATM and online banking function of the Subject Bank Accounts were not activated to ensure strict control on the transfer of funds from the Subject Bank Accounts. The accountants of Guangdong Kangli and Guangdong Jiashili would check if any cash had been deposited by the Subject Customers and the sales representatives of Guangdong Kangli to the relevant Subject Bank Account daily. The accountant of Guangdong Kangli would also check at the end of every month if the transfer of funds from the relevant Subject Bank Account to Guangdong Kangli's corporate bank accounts reconciled with the sales invoices issued to the Subject Customers. As Guangdong Kangli was our subsidiary at the relevant time, officers from Guangdong Jiashili were only involved in the management of the Subject Bank Accounts for ensuring strict control of the Subject Bank Accounts and safeguarding our Group's assets. The businesses of Guangdong Jiashili and Guangdong Kangli were clearly delineated and after our disposal of Guangdong Kangli, they are managed by a separate management team.

During the three years ended December 31, 2011, 2012 and 2013, the total amount received under the Arrangement were RMB24.9 million, RMB19.4 million and RMB15.6 million, respectively. As of December 31, 2011 and 2012, RMB385,000 and RMB851,000 kept in the Subject Bank Accounts were included in the bank balances and cash of Guangdong Kangli. Guangdong Kangli ceased the Arrangement in August 2013, and by that time the Subject Bank Accounts were all closed and Guangdong Kangli settled all outstanding amounts with each of Mr. Tan and Mr. Liang under the Arrangement. We had also taken necessary internal control measures to prevent the recurrence of the Arrangement. In August 2013, Guangdong Kangli sent notices to the Subject Customers which stated that all payment must be remitted into Guangdong Kangli's corporate bank accounts. Besides, sales representatives of Guangdong Kangli are required to direct these customers to pay directly to Guangdong Kangli's corporate bank accounts since August 2013. Since January 2014, all agreements entered into with distributors of Guangdong Kangli prescribed the specific corporate bank accounts of Guangdong Kangli for receiving sales proceeds.

Our Directors have confirmed that, during the period from December 2008 to August 2013, (i) the Subject Bank Accounts were solely used for Guangdong Kangli's operation; (ii) no personal money of Mr. Tan or Mr. Liang was deposited into the Subject Bank Accounts; and (iii) no fund in the Subject Bank Accounts was taken out for personal use.

Our Directors confirm that (a) the purpose of setting up the Arrangement was to receive sales proceeds on behalf of Guangdong Kangli; (b) there was no dispute between Mr. Tan or Mr. Liang, and Guangdong Kangli as to whom the balances in the Subject Bank Accounts belonged to; and (c) the Arrangement did not involve any fraud, money laundering or other illegal activities. On March 18, 2014, our PRC Legal Advisers conducted an interview with an officer from Kaiping branch of the PBOC (the "**Kaiping PBOC**") (the competent authority as confirmed by our PRC Legal Advisers), which is in charge of supervising bank account issues. According to such officer, the Arrangement (a) was an internal arrangement of Guangdong Kangli and Guangdong Jiashili; (b) did not violate relevant PRC laws and regulations, including the Measures for the Administration of RMB Bank Settlement Accounts (人民幣銀行結算帳戶管理辦法) and the PRC Company Law; and (c) will not result in any penalty from the Kaiping PBOC.

Based on the above confirmation provided by our Company and the result of the interview with the Kaiping PBOC, our PRC Legal Advisers are of the view that (a) the Arrangement did not violate the relevant PRC laws and regulations; and (b) the likelihood of being subject to any liability or penalty by virtual of the Arrangement is remote.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Three months ended March 31, 2014 compared with three months ended March 31, 2013

Revenue

The Chinese New Year for 2014 was in late January, while the Chinese New Year for 2013 was in mid February. As a result, our peak season before the Chinese New Year for 2014 was shortened for the three months ended March 31, 2014 when compared to 2013.

Notwithstanding the shortening of our peak season before the Chinese New Year in 2014, our revenue increased by 5.6%, from RMB185.1 million for the three months ended March 31, 2013 to RMB195.5 million for the three months ended March 31, 2014, primarily as a result of increased sales of our sandwich biscuits series and wafers series, accompanied by the general increase of their average selling prices. Our increased sales was largely driven by the growth of sales of our sandwich biscuits series of 104.8% from RMB9.7 million for the three months ended March 31, 2013 to RMB19.8 million for the three months ended March 31, 2014, which was primarily driven by an increase in sales volume of our sandwich biscuits series of 84.1% from 765 tonnes for the three months ended March 31, 2013 to 1,408 tonnes for the three months ended March 31, 2014, particularly from the sales of our fruit jam sandwich biscuits, and an increase in average selling price per tonne of 11.3% from RMB12,630.0 to RMB14,050.9. The increase in sales volume of our sandwich biscuits series was mainly due to the continuous growth of sales of our fruit jam sandwich biscuits which became more and more popular since their launch in late 2012.

Our increased sales was also driven by the growth of sales of our wafers series of 61.5% from RMB8.0 million for the three months ended March 31, 2013 to RMB13.0 million for the three months ended March 31, 2014, which was primarily driven by an increase in sales volume of our wafers series of 57.8% from 549 tonnes for the three months ended March 31, 2013 to 866 tonnes for the three months ended March 31, 2014, particularly from the sales of our wafers with chocolate and coconut flavors, and an increase in average selling price per tonne of 2.3% from RMB14,662.2 to RMB15,004.3.

Cost of sales

Our cost of sales decreased by 0.9% from RMB133.9 million for the three months ended March 31, 2013 to RMB132.7 million for the three months ended March 31, 2014, notwithstanding our growth of revenue, due to our efforts to control our cost of sales by increasing our bargaining position to obtain better pricing from our suppliers, and by reducing the wastage of our packaging materials with better coordination of our production.

The decrease in our cost of sales was primarily the result of a decrease of our cost of raw materials by 3.7% from RMB80.9 million for the three months ended March 31, 2013 to RMB77.9 million for the three months ended March 31, 2014, mainly as a result of the decrease in our average purchase price of palm oil and sugar in 2014. Such decrease in our cost of raw materials was partially offset by the increase in the average purchase price of flour from RMB3.1 per kilogram for the three months ended March 31, 2013 to RMB3.2 per kilogram for the three months ended March 31, 2014, despite our efforts to make bulk purchase of flour from a major supplier when the flour price was relatively lower. The decrease in our cost of sales can also be attributable to the decrease in the cost of packaging materials of 0.4% from RMB26.1 million for the three months ended March 31, 2013 to RMB26.0 million for the three months ended March 31, 2014 as a result of the decrease in our average purchase price of packaging materials.

The decrease in our cost of sales were partially offset by the increase in manufacturing overhead and fuel and power costs of 11.3% and 15.6%, respectively, as we expanded our production, in particular the addition of production lines for our production plants in Kaiping, Guangdong province and Suqian, Jiangsu province in second half of 2013.

Gross profit and gross profit margin

Our gross profit increased by 22.7% from RMB51.2 million for the three months ended March 31, 2013 to RMB62.8 million for the three months ended March 31, 2014, primarily as a result of the increase in the sales of our products and the general increase in their average selling prices, with the growth rate faster than our sales growth rate for the period as we managed to reduce our cost of sales.

Gross profit generated from the sales of our breakfast biscuits series and our crisp biscuits series increased by 16.1% and 14.3%, respectively, from RMB25.6 million and RMB14.0 million, respectively, for the three months ended March 31, 2013 to RMB29.7 million and RMB16.0 million, respectively, for the three months ended March 31, 2014, mainly attributable to the decrease in cost of sales for these two series by 11.4% and 2.4%, respectively. Such decreases was mainly due to the decrease of average purchase prices of sugar and palm oil for the three months ended March 31, 2014.

The increase in our gross profit can also be attributable to the increase in gross profit generated from the sales of our sandwich biscuits series and wafers series of 146.0% and 73.5%, respectively, from RMB2.8 million and RMB2.0 million, respectively, for the three months ended March 31, 2013 to RMB7.0 million and RMB3.5 million, respectively, for the three months ended March 31, 2014, mainly attributable to the increasing market acceptance of our fruit jam sandwich biscuits and an increase of average selling prices of our wafers series, respectively, and, as we continued to modify our product mix with an increasing focus on the sales of our sandwich biscuits and wafers.

All our products experienced a substantial increase in gross profit margin in 2014. Our overall gross profit margin increased from 27.6% for the three months ended March 31, 2013 to 32.1% for the three months ended March 31, 2014, due to the factors above.

Other income

Our other income decreased by 53.7% from RMB1.3 million for the three months ended March 31, 2013 to RMB0.6 million for the three months ended March 31, 2014. This was mainly due to the decrease in subsidies in the form of tax refund received by Jiangsu Jiashili from the local government for its investments in Suqian, Jiangsu province pursuant to the agreement for investment in the Suqian Economic Development Zone from RMB0.7 million for the three months ended March 31, 2013 to RMB0.4 million for the three months ended March 31, 2014, and the absence of imputed interest income of RMB0.3 million like the one we received for the three months ended March 31, 2013.

Selling and distribution expenses

Our selling and distribution expenses increased by 2.3% from RMB22.1 million for the three months ended March 31, 2013 to RMB22.6 million for the three months ended March 31, 2014, primarily as a result of the increase in transportation expenses of 4.2% from RMB11.0 million for the three months ended March 31, 2013 to RMB11.4 million for the three months ended March 31, 2014, as we continued to expand and deepen our distribution network and as our business continued to grow. Such increase was partially offset by the decrease in travelling and entertainment expenses of 27.1% as a result of our more stringent control over the travelling and entertainment expenses incurred by our sales representatives. Notwithstanding the above, and due to the increase in our revenue, our selling and distribution expenses as a percentage of our revenue decreased from 11.9% for the three months ended March 31, 2013 to 11.6% for the three months ended March 31, 2014.

Administrative expenses

Administrative expenses decreased by 16.5% from RMB7.1 million for the three months ended March 31, 2013 to RMB5.9 million for the three months ended March 31, 2014, which was primarily due to the decrease in office expenses and other administrative expenses. Our administrative expenses as a percentage of our revenue decreased from 3.8% for the three months ended March 31, 2013 to 3.0% for the three months ended March 31, 2014, as we continued to improve operating efficiency as a result of economies of scale. Such increase was partially offset by the increase in salaries and employee benefits of our employees engaged in administrative activities of 9.5%, and the increase in tax expenses of 21.5%, as we continued to grow.

Finance costs

Our finance costs increased by 96.9% from RMB0.5 million for the three months ended March 31, 2013 to RMB1.0 million for the three months ended March 31, 2014, primarily as a result of the increase of bank borrowings for the three months ended March 31, 2014.

Other expenses and loss

Our other expenses and loss increased by 62.4% from RMB4.8 million for the three months ended March 31, 2013 to RMB7.8 million for the three months ended March 31, 2014, which was primarily the result of the listing expenses of RMB2.2 million incurred in 2014. The increase in other expenses and loss was also attributable to the increase of our research and development expenses of 11.2%, which were incurred primarily for the research and development of the application of onion fermentation in food production, baking and production techniques, the fruit juice sandwich biscuits and healthy products such as products with vegetables and biscuits which are catered for children in 2014.

Income tax expense

Our income tax expense increased by 42.3% from RMB3.2 million for the three months ended March 31, 2013 to RMB4.5 million for the three months ended March 31, 2014. Our effective tax rate slightly decreased from 17.6% for the three months ended March 31, 2013 to 17.3% for the three months ended March 31, 2014. The increase in income tax expense was primarily the result of an increase in profit before tax. The decrease in effective tax rate was mainly due to the increased proportion of income contributed by Guangdong Jiashili, our PRC subsidiary that enjoyed preferential tax treatment.

Discontinued operation

Profits from our discontinued operation increased by RMB0.3 million from a loss of RMB 0.2 million for the three months ended March 31, 2013 to a profit of RMB0.1 million for the three months ended March 31, 2014.

Profit for the period

Due to the factors described above, our profit for the period increased by 47.6% from RMB14.7 million for the three months ended March 31, 2013 to RMB21.6 million for the three months ended March 31, 2014.

Year ended December 31, 2013 compared with year ended December 31, 2012

Revenue

Our revenue increased by 15.1%, from RMB649.5 million for the year ended December 31, 2012 to RMB747.8 million for the year ended December 31, 2013, primarily as a result of increased sales of our products, especially our breakfast biscuits series and crisp biscuit series, accompanied by the general increase of their average selling prices. Our increased sales was largely driven by the growth of sales of our breakfast biscuits series of 8.9% from RMB330.9 million for the year ended December 31, 2012 to RMB360.3 million for the year ended December 31, 2013, which was primarily driven by an increase in sales volume of our breakfast biscuits series of 2.4% from 35,596 tonnes for the year ended December 31, 2012 to 36,451 tonnes for the year ended December 31, 2013, particularly from the sales of our breakfast biscuits with original flavor, and an increase in average selling price per tonne of 6.3% from RMB9,296.7 to RMB9,884.9, either directly by increasing their selling prices or indirectly by changing the packaging and reducing their unit size without lowering their original selling prices.

Our increased sales was also driven by the growth of sales of our crisp biscuits series of 17.5% from RMB146.0 million for the year ended December 31, 2012 to RMB171.6 million for the year ended December 31, 2013, which was primarily driven by an increase in sales volume of our crisp biscuits series of 14.2% from 15,075 tonnes for the year ended December 31, 2012 to 17,219 tonnes for the year ended December 31, 2013, particularly from the sales of our crisp biscuits with sesame flavor, and an increase in average selling price per tonne of 2.9% from RMB9,687.3 to RMB9,965.7, either directly by increasing their selling prices or indirectly by changing the packaging and reducing their unit size without lowering their original selling prices.

The increase in sales volume of our breakfast biscuits series and our crisp biscuits series was primarily the result of (i) our expansion and deepening of distribution network, mainly in the eastern and central regions of the PRC; (ii) our investment of resources in the marketing and promotion of these products; (iii) our success in promoting our breakfast biscuits series as a kind of biscuit for daily consumption and not just for consumption at breakfast; (iv) our introduction of milk breakfast biscuits that are fortified with DHA in 2011 to meet the preferences of our health conscious consumers; (v) our offering of various flavors of breakfast biscuits series and crisp biscuit series; and (vi) the increase in overall market demand for biscuits in the PRC driven by rising individual income and demand for higher-quality consumer goods, diversity of consumer demands in modern social life and the favorable government policies.

The increase in the sales of our sandwich biscuits series and wafers series also contributed to the increased sales. The sales of our sandwich biscuits series increased by 60.6% from RMB33.0 million for the year ended December 31, 2012 to RMB53.0 million for the year ended December 31, 2013. Our sandwich biscuits series' contribution to the total revenue also increased from 5.1% for the year ended December 31, 2012 to 7.1% for the year ended December 31, 2013. This was mainly due to the increased sales of our fruit jam sandwich biscuits following their launch in late 2012, in particular, fruit jam sandwich biscuits with pineapple, strawberry and blueberry flavors, as a result of their increase in popularity. The sales of our wafers series increased by 51.7% from RMB28.8 million for the year ended

December 31, 2012 to RMB43.7 million for the year ended December 31, 2013. Our wafers series' contribution to the total revenue also increased from 4.4% for the year ended December 31, 2012 to 5.8% for the year ended December 31, 2013. This was mainly due to the increased sales of our wafers with coconut, strawberry and chocolate flavors, which was partially offset by the decreased sales of our wafers with mango flavor.

Sales of other products also increased slightly by 7.6% from RMB110.8 million for the year ended December 31, 2012 to RMB119.2 million for the year ended December 31, 2013, which was largely driven by increased sales of our soda biscuits and our gift pack of assorted biscuits.

Cost of sales

Our cost of sales increased by 7.9% from RMB483.7 million for the year ended December 31, 2012 to RMB522.1 million for the year ended December 31, 2013, with a growth rate slower than our sales growth for the year due to our efforts to control our cost of sales by increasing our bargaining position to obtain better pricing from our suppliers, and by reducing the wastage of our packaging materials with better coordination of our production.

The increase in our cost of sales was primarily the result of an increase of our cost of raw materials by 4.4% from RMB296.2 million for the year ended December 31, 2012 to RMB309.1 million for the year ended December 31, 2013, mainly as a result of an increase in production volume driven by increased demand and sales. Such increase in our cost of raw materials was also attributable to the increase in the average purchase price of flour from RMB2.9 per kilogram in 2012 to RMB3.2 per kilogram in 2013. The increase in our cost of sales can also be attributable to the increase in the cost of packaging materials of 7.5% from RMB99.3 million for the year ended December 31, 2012 to RMB106.7 million for the year ended December 31, 2013 as a result of higher consumption of packaging materials as a result of increased sales and the continuous growth of sales of our fruit jam sandwich biscuits which are packaged in small packs in 2013.

The increase in our cost of sales was also attributable to the increase in the direct labor cost due to the increase in the hours of production as a result of the gradual change of packaging to a smaller unit size for our breakfast biscuits series and our crisp biscuits series, the increase in the general level of salaries and employee benefits for employees engaged in production activities in 2013 and the increase of our manufacturing overhead and fuel and power costs as we expanded our production, in particular the addition of production lines for our production plants in Kaiping, Guangdong province and Suqian, Jiangsu province in second half of 2013.

Gross profit and gross profit margin

Our gross profit increased by 36.1% from RMB165.8 million for the year ended December 31, 2012 to RMB225.7 million for the year ended December 31, 2013, primarily as a result of the increase in the sales of our products and the general increase in their average selling prices, with the growth rate faster than our sales growth rate for the year as we managed to maintain our cost of sales at a slower growth rate.

Gross profit generated from the sales of our breakfast biscuits series and our crisp biscuits series increased by 28.2% and 35.3%, respectively, from RMB87.2 million and RMB37.5 million, respectively, for the year ended December 31, 2012 to RMB111.8 million and RMB50.8 million, respectively, for the year ended December 31, 2013, mainly attributable to the increased sales of the breakfast biscuits with original flavor and the crisp biscuits with sesame flavor, mainly due to our investment of resources in the marketing and promotion of these products, and the increase in prices of these series in 2013, either directly by increasing their selling prices or indirectly by changing the packaging and reducing their unit size without lowering their original selling prices. These increases were accompanied by the increase in gross profit generated from the continued increase in sales of our sandwich biscuits series by 93.7%, our wafers series by 74.1% and our other products by 32.1%, as we continued to modify our product mix with an increasing focus on the sales of our sandwich biscuits series and wafers series.

All our products experienced a substantial increase in gross profit margin in 2013. Our overall gross profit margin increased from 25.5% for the year ended December 31, 2012 to 30.2% for the year ended December 31, 2013, due to the factors above.

Other income

Our other income decreased by 37.1% from RMB11.0 million for the year ended December 31, 2012 to RMB6.9 million for the year ended December 31, 2013. This was mainly due to the absence of the one-off government subsidy of RMB3.6 million like the one we received in 2012 for subsidizing our promotion expenses incurred for marketing of our branded products to enhance our competitiveness in the industry.

Selling and distribution expenses

Our selling and distribution expenses increased by 27.1% from RMB69.2 million for the year ended December 31, 2012 to RMB87.9 million for the year ended December 31, 2013, primarily as a result of the increase in advertising and promotion expenses of 114.5% from RMB11.6 million for the year ended December 31, 2012 to RMB24.8 million for the year ended December 31, 2013, which is mainly related to the promotion and marketing of our fruit jam sandwich biscuits from our sandwich biscuits series and the brand marketing activities. Such marketing and promotional activities include trade shows and food exhibitions, in-store displays, free taste samples and free gifts, and the engagement of temporary salespersons to carry out such marketing and promotional activities. To a lesser extent, the increase in our selling and distribution expenses was also attributable to the increase in our transportation expenses of 8.9% as we continued to expand and deepen our distribution network, mainly in the eastern, central and western regions of the PRC and as our business continued to grow. Such increase was also contributed by the increase in salaries and employee benefits of employees who engaged in selling and distribution activities of 15.1%. As a result of the above, our selling and distribution expenses as a percentage of our revenue increased from 10.7% for the year ended December 31, 2012 to 11.8% for the year ended December 31, 2013.

Administrative expenses

Administrative expenses increased by 0.4% from RMB29.5 million for the year ended December 31, 2012 to RMB29.6 million for the year ended December 31, 2013, which was primarily due to the increase in the salaries and employee benefits of 20.4%, as a result of the increase in the general level of salaries and employee benefits for, and the number of, employees engaged in administrative activities, which was partially offset by decrease in office expenses and other administrative expenses. Our administrative expenses as a percentage of our revenue decreased from 4.5% for the year ended December 31, 2012 to 4.0% for the year ended December 31, 2013, as we continued to improve operating efficiency as a result of economies of scale.

Finance costs

Our finance costs increased by 304.0% from RMB0.6 million for the year ended December 31, 2012 to RMB2.4 million for the year ended December 31, 2013, primarily as a result of the increase of bank borrowings for the year ended December 31, 2013.

Other expenses and loss

Our other expenses and loss increased by 32.6% from RMB23.0 million for the year ended December 31, 2012 to RMB30.5 million for the year ended December 31, 2013, which was primarily the result of the listing expenses of RMB5.2 million incurred in 2013 and the increase of our research and development expenses of 14.2%, which were incurred primarily for the research and development of the application of onion fermentation in food production, baking and production techniques, the fruit juice sandwich biscuits and healthy products such as products with vegetables and biscuits which are catered for children in 2013.

Income tax expense

Our income tax expense increased by 21.5% from RMB11.7 million for the year ended December 31, 2012 to RMB14.2 million for the year ended December 31, 2013. Our effective tax rate decreased from 21.5% for the year ended December 31, 2012 to 17.4% for the year ended December 31, 2013. The increase in income tax expense was primarily the result of an increase in profit before tax. The decrease in effective tax rate was mainly due to the increased proportion of income contributed by Guangdong Jiashili, our PRC subsidiary that enjoyed preferential tax treatment.

Discontinued operation

Profits from our discontinued operation increased by 118.3% from RMB0.6 million for the year ended December 31, 2012 to RMB1.4 million for the year ended December 31, 2013.

Profit for the year

Due to the factors described above, our profit for the year increased by 59.4% from RMB43.4 million for the year ended December 31, 2012 to RMB69.3 million for the year ended December 31, 2013.

Year ended December 31, 2012 compared with year ended December 31, 2011

Revenue

Our revenue increased by 14.9%, from RMB565.3 million for the year ended December 31, 2011 to RMB649.5 million for the year ended December 31, 2012, primarily as a result of increased sales of most of our products, especially our breakfast biscuits series and crisp biscuits series. Our increased sales was largely driven by growth of sales of our breakfast biscuits series of 16.2% from RMB284.8 million for the year ended December 31, 2011 to RMB330.9 million for the year ended December 31, 2012, which was primarily driven by an increase in sales volume of our breakfast biscuits series of 13.9% from 31,253 tonnes for the year ended December 31, 2011 to 35,596 tonnes for the year ended December 31, 2012, particularly from the sales of our breakfast biscuits with original flavor, and an increase in average selling price per tonne of 2.0% from RMB9,111.5 to RMB9,296.7, either directly by increasing their selling prices or indirectly by changing the packaging and reducing their unit size without lowering their original selling prices.

Our increase sales was also driven by the growth of sales of our crisp biscuits series of 12.8% from RMB129.5 million for the year ended December 31, 2011 to RMB146.0 million for the year ended December 31, 2012, which was primarily driven by an increase in sales volume of our crisp biscuits series of 13.0% from 13,336 tonnes for the year ended December 31, 2011 to 15,075 tonnes for the year ended December 31, 2012, particularly from the sales of the crisp biscuits with sesame flavor which was partially offset by the slight decrease in average selling price per tonne of 0.2% from RMB9,710.1 to RMB9,687.3. Such decrease in average selling price of our crisp biscuits was mainly as a result of the increase of sales of one of our crisp biscuits which had a lower selling price.

The increase in sales volume of our breakfast biscuits series and our crisp biscuits series was primarily the result of (i) our increase in sales performance in the north-eastern, eastern and north-western regions of the PRC; (ii) our investment of resources in the marketing and promotion of our breakfast biscuits series; (iii) our success in promoting our breakfast biscuits series as a kind of biscuit for daily consumption and not just for consumption at breakfast; (iv) our introduction of milk breakfast biscuits that are fortified with DHA in 2011 to meet the preferences of our health-conscious consumers; (v) our offering of various flavors of breakfast biscuits series and crisp biscuits series; and (vi) the increase in overall market demand for biscuits in the PRC driven by rising individual income and demand for higher-quality consumer goods, diversity of consumer demands in modern social life and the favorable government policies.

The increase in the sales of our sandwich biscuits series and wafers series also contributed to the increased sales. The sales of our sandwich biscuits series increased by 75.0% from RMB18.8 million for the year ended December 31, 2011 to RMB33.0 million for the year ended December 31, 2012. Our sandwich biscuits series' contribution to the total revenue also increased from 3.3% for the year ended December 31, 2011 to 5.1% for the year ended December 31, 2012. This was mainly due to the launch of our fruit jam sandwich biscuits during the year ended December 31, 2012, which was accompanied by the increase in sales of other sandwich biscuits and partially offset by the decrease in sales of sandwich biscuits with chocolate favors. The sales of our wafers series increased by 44.3% from RMB20.0 million for the year ended December 31, 2011 to RMB28.8 million for the year ended December 31, 2012. Our wafers series' contribution to the total revenue also increased from 3.5% for the year ended December 31, 2011 to 4.4% for the year ended December 31, 2012. This was mainly due to the increased sales of our wafers with coconut, strawberry, chocolate and mango flavors.

Sales of other products decreased slightly by 1.3% from RMB112.2 million for the year ended December 31, 2011 to RMB110.8 million for the year ended December 31, 2012, which was mainly due to the decreased sales of our cookies and the gradual cessation of sales of a series of pop biscuits as a result of its relatively weak demand and our modification of product portfolio. Such decrease was partially offset by the increased sales of our soda biscuits.

Cost of sales

Our cost of sales increased by 11.6% from RMB433.2 million for the year ended December 31, 2011 to RMB483.7 million for the year ended December 31, 2012, with a growth rate slower than our sales growth for the year due to our efforts to control our cost of sales by increasing our bargaining position to obtain better pricing from our suppliers, and by reducing the wastage of our packaging materials with better coordination of our production.

The increase in our cost of sales was primarily the result of the increase of our cost of raw materials by 6.8% from RMB277.2 million for the year ended December 31, 2011 to RMB296.2 million for the year ended December 31, 2012, mainly as a result of an increase in production volume driven by increased demand and sales. The increase in our cost of sales is also attributable to the increase in cost of packaging materials of 11.3% from RMB89.2 million for the year ended December 31, 2011 to RMB99.3 million for the year ended December 31, 2012 as a result of higher consumption of the packaging materials due to increased sales and the gradual change of packaging to a smaller unit size for our breakfast biscuits series and our crisp biscuits series since 2011. The increase in our cost of sales can also be attributable to the increase in direct labor cost of 37.3% from RMB29.2 million for the year ended December 31, 2011 to RMB40.1 million for the year ended December 31, 2012, which was primarily the result of the increase in the general level of salaries and employee benefits for, and the increase in the number of, employees engaged in the production activities, partly due to the introduction of fruit jam sandwich biscuits, which involves more production steps, and the increase in overhead costs of 37.3% from RMB15.3 million for the year ended December 31, 2011 to RMB21.0 million for the year ended December 31, 2012 due to the higher depreciation expenses as a result of the addition of production facilities in Suqian in 2012.

Gross profit and gross profit margin

Our gross profit increased by 25.6% from RMB132.0 million for the year ended December 31, 2011 to RMB165.8 million for the year ended December 31, 2012, primarily as a result of the increase in the sales of our products and the general increase in their average selling prices, with the growth rate faster than our sales growth rate for the year as we managed to maintain our cost of sales at a slower growth rate.

Gross profit generated from the sales of our breakfast biscuits series and our crisp biscuits series increased by 23.9% and 41.6%, respectively, from RMB70.3 million and RMB26.5 million, respectively, for the year ended December 31, 2011 to RMB87.2 million and RMB37.5 million, respectively, for the year ended December 31, 2012, mainly attributable to the increased sales of the breakfast biscuits with original flavor and the crisp biscuits with sesame flavor. These increases were accompanied by the increase in gross profit generated from the sales of our sandwich biscuits series by 78.6% and our wafers series by 72.6% as we increased our focus on the sales of these series.

All of our main series of products experienced an increase in gross profit margin in 2012. Our overall gross profit margin increased from 23.4% for the year ended December 31, 2011 to 25.5% for the year ended December 31, 2012, due to the factors above.

Other income

Our other income increased by 264.0% from RMB3.0 million for the year ended December 31, 2011 to RMB11.0 million for the year ended December 31, 2012. This was mainly due to the one-off government subsidy of RMB3.6 million received in 2012 for subsidizing our promotion expenses incurred for marketing of our branded products to enhance our competitiveness in the industry, and the increase in subsidies in the form of tax refund received by Jiangsu Jiashili from the local government for its investments in Suqian, Jiangsu province pursuant to the agreement for investment in the Suqian Economic Development Zone from RMB0.9 million for the year ended December 31, 2011 to RMB4.6 million for the year ended December 31, 2012.

Selling and distribution expenses

Our selling and distribution expenses increased by 15.1% from RMB60.1 million for the year ended December 31, 2011 to RMB69.2 million for the year ended December 31, 2012, primarily as a result of the increase in transportation expenses of 16.1% from RMB35.7 million for the year ended December 31, 2011 to RMB41.5 million for the year ended December 31, 2012, as we continued to expand and deepen our distribution network, mainly in north-eastern, eastern and north-western regions of the PRC and as our business continued to grow. The increase in our selling and distribution expenses can also be attributable to the increase in the salaries and employee benefits for employees engaged in the sales and marketing activities of 41.1% from RMB6.9 million for the year ended December 31, 2011 to RMB9.8 million for the year ended December 31, 2012. These increases were partially offset by the decrease in our advertising and promotion expenses as we no longer used television advertisements as a means for promotion since 2012. We were able to maintain our selling and distribution expenses as a percentage of our revenue at a stable level of 10.6% and 10.7% for the year ended December 31, 2011 and the year ended December 31, 2012, respectively.

Administrative expenses

Administrative expenses increased by 41.5% from RMB20.8 million for the year ended December 31, 2011 to RMB29.5 million for the year ended December 31, 2012, which was primarily due to the increase in the salaries and employee benefits of 63.1%, as a result of the increase in general level of salaries and employee benefits for, and the number of, employees engaged in administrative activities, increase in office expenses of 89.8% and increase in tax expenses of 18.8% as our business continued to expand. As a result, our administrative expenses as a percentage of our revenue increased from 3.7% for the year ended December 31, 2011 to 4.5% for the year ended December 31, 2012.

Finance costs

Our finance costs decreased by 49.1% from RMB1.2 million for the year ended December 31, 2011 to RMB0.6 million for the year ended December 31, 2012, primarily as a result of our repayment of bank borrowings during the year ended December 31, 2012.

Other expenses and loss

Our other expenses and loss increased by 24.1% from RMB18.5 million for the year ended December 31, 2011 to RMB23.0 million for the year ended December 31, 2012, primarily reflecting the increase of our research and development expenses of 16.5% from RMB18.3 million for the year ended December 31, 2011 to RMB21.3 million for the year ended December 31, 2012, which were incurred primarily for the research and development of the application of onion fermentation in food production, baking and production techniques, the integration of chocolate and biscuits, breakfast biscuits and the fruit juice sandwich biscuits in 2012.

Income tax expense

Our income tax expense increased by 23.5% from RMB9.5 million for the year ended December 31, 2011 to RMB11.7 million for the year ended December 31, 2012. Our effective tax rate decreased from 27.6% for the year ended December 31, 2011 to 21.5% for the year ended December 31, 2012. The increase in income tax expense was primarily the result of an increase in profit before tax. The decrease in effective tax rate was mainly due to the increased proportion of income contributed by Guangdong Jiashili, our PRC subsidiary that enjoyed preferential tax treatment in 2012.

Discontinued operation

Profits from our discontinued operation decreased by 81.9% from RMB3.6 million for the year ended December 31, 2011 to RMB0.6 million for the year ended December 31, 2012.

Profit for the year

Due to the factors described above, our profit for the year increased by 52.6% from RMB28.5 million for the year ended December 31, 2011 to RMB43.4 million for the year ended December 31, 2012.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

The following is a summary of our cash flow data for the periods indicated:

	For the year ended December 31,			For the three months ended March 31,	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB ('000)	**RMB ('000)**	**RMB ('000)**	**RMB ('000)** *(Unaudited)*	**RMB ('000)**
Net cash generated from (used in) operating activities	82,797	65,344	93,134	19,979	(29,276)
Net cash used in investing activities	(69,467)	(21,489)	(49,598)	(28,949)	(26,460)
Net cash (used in) from financing activities	(33,328)	(11,304)	(24,243)	8,924	52,194
Net (decrease)/increase in cash and cash equivalents	(19,998)	32,551	19,293	(46)	(3,542)
Cash and cash equivalents at the beginning of the year/period	38,062	18,064	50,615	50,615	69,908
Cash and cash equivalents at the end of the year/period, comprising bank balances and cash	18,064	50,615	69,908	50,569	66,366

Cash flows generated from (used in) operating activities

We derive our cash inflow from operating activities principally from the receipt of payments for the sale of our products. Our cash outflow from operating activities is principally for purchases of raw materials and packaging materials and income tax payment.

For the three months ended March 31, 2014, we had net cash used in operating activities of RMB29.3 million, which was primarily contributed by a decrease in advances from customers of RMB27.3 million, an increase in trade, bills and other receivables of RMB18.5 million and a decrease in trade, bills and other payables of RMB14.0 million. These cash outflows were partially offset by profit for the period of RMB21.6 million. The decrease in advances from customers was primarily due to (i) the delivery in the first quarter of 2014 of our products ordered by our customers at the annual ordering conference we hosted in the fourth quarter in 2013, which we did not have in the fourth quarter of previous years as the 2013 conference was held after the expansion of our production facilities in Jiangsu and Guangdong provinces and for promotion of our fruit jam sandwich biscuits; and (ii) the lower sales level when compared to the fourth quarter of the year especially when our peak season before the Chinese New Year in 2014 was shorter than 2013 as the Chinese New Year for 2014 was in late January while that for 2013 was in mid February. The increase in our trade, bills and receivables was primarily due to the prepayment arrangement we had with a major supplier using letter of credit, which is to be settled within six months from its issue date. Such purchase amounts were recorded as trade, bills and other receivables before actual delivery of flour, and recorded as trade, bills and other payables after delivery of flour but before the settlement of the letter of credit. The increase in our trade, bills and receivables was also due to our prepayment arrangement with certain suppliers of sugar as we tried to fix the purchase price before our anticipated increase in the price of sugar. The decrease in our trade, bills and other payables was due to lower purchase level when compared to the fourth quarter of the year and the settlement of our trade payables and construction cost payable during the three months ended March 31, 2014. Our Group had net cash generated from its operating activities of RMB20.0 million for the three months ended March 31, 2013, instead of net cash used in operating activities, primarily because (i) there was an increase rather than a decrease in advances from customers as our annual ordering conference was held in the third quarter of 2012, rather than the fourth quarter as we did in 2013, and accordingly delivery of such products were made during the second half of 2012; and (ii) there was an increase rather than a decrease in our trade, bills and other payables due to the timing of the settlement of our trade payables for the three months ended March 31, 2013.

For the year ended December 31, 2013, we had net cash generated from operating activities of RMB93.1 million, which was primarily contributed by profit for the year of RMB69.3 million and an increase in trade, bills and other payables of RMB33.1 million. These cash inflows were partially offset by an increase in trade, bills and other receivables of RMB22.5 million and an increase in inventories of RMB7.4 million. The increase in our trade, bills and other payables was primarily due to our increased purchase of raw materials and packaging materials as a result of an increase in volume of production and sales. The increase in our trade, bills and other receivables was primarily the result of our sales growth and an increase in our sales to our distributors whom we had granted credit period to.

For the year ended December 31, 2012, we had net cash generated from operating activities of RMB65.3 million, which was primarily contributed by profit for the year of RMB43.4 million and an increase in trade, bills and other payables of RMB22.2 million. These cash inflows were partially offset by the payment of income tax of RMB13.4 million. The increase in our trade, bills and other payables was primarily due to our increased purchase of raw materials and packaging materials as a result of an increase in volume of production and increased sales.

For the year ended December 31, 2011, we had net cash generated from operating activities of RMB82.8 million, which was primarily contributed by an increase in trade, bills and other payables of RMB40.2 million and profit for the year of RMB28.5 million. These cash inflows were partially offset by an increase in trade, bills and other receivables of RMB9.2 million. The increase in our trade, bills and other payables was primarily due to our increased purchase of raw materials and packaging materials as a result of an increase in volume of production and sales. The increase in trade, bills and other receivables was primarily the result of our sales growth and the increase in our sales to our distributors whom we had granted credit period to.

Cash flows used in investing activities

Our cash outflow for investing activities primarily consisted of payment for the purchase of property, plant and equipment, increase in pledged bank deposit and advance to Zhongchen, our former immediate holding company. Our cash inflow for investing activities primarily consisted of the release from pledged bank deposit, collection of long-term receivables from Sanbu Jiari and repayment from Zhongchen.

For the three months ended March 31, 2014, our net cash used in investing activities amounted to RMB26.5 million, which was primarily due to increase in pledged bank deposits of RMB17.0 million for the purpose of securing banking facility and bills payable for our purchases of raw materials and our purchase of property, plant and equipment of RMB5.9 million which were mainly for the renovation of our research and development center and administrative tower in the production plant in Kaiping, Guangdong province. These cash outflows were partially offset by the release of pledged bank deposits of RMB11.4 million.

For the year ended December 31, 2013, our net cash used in investing activities amounted to RMB49.6 million, which was primarily due to purchase of property, plant and equipment of RMB76.6 million which were mainly related to the new production lines for our production plants in Kaiping, Guangdong province and Suqian, Jiangsu province and our research and development center in Kaiping, Guangdong province, and our investment in the production facilities for Guangdong Kangli, which was then a member of our Group, and increase in pledged bank deposits of RMB32.9 million for the purpose of securing banking facility and bills payable for our purchases of raw materials. These cash outflows were partially offset by the release of pledged bank deposits of RMB33.7 million and the collection of long-term receivables of RMB26.9 million from Sanbu Jiari in relation to an advance made to Sanbu Jiari in 2010.

For the year ended December 31, 2012, our net cash used in investing activities amounted to RMB21.5 million, which was primarily due to purchase of property, plant and equipment of RMB62.7 million which were mainly related to the expansion and replacement of production facilities in our production plants in Kaiping, Guangdong province and Suqian, Jiangsu province and our investment in the production facilities for Guangdong Kangli, and increase in pledged bank deposits of RMB15.8 million for the purpose of securing banking facility and bills payable for our purchases of raw materials. These cash outflows were partially offset by the receipt from Zhongchen of a repayment of a loan of RMB43.0 million and the release of pledged bank deposits of RMB8.7 million.

For the year ended December 31, 2011, our net cash used in investing activities amounted to RMB69.5 million, which was primarily due to purchase of property, plant and equipment of RMB18.0 million which were mainly related to the expansion and acquisition of production facilities in our production plants in Kaiping, Guangdong province and Suqian, Jiangsu province and an advance to Zhongchen of RMB43.0 million for its investment purposes.

Cash flows (used in) from financing activities

Our cash outflow for financing activities primarily consisted of dividend payment and repayment of bank borrowings. Our cash inflow for financing activities primarily consisted of new bank borrowings and capital injection.

For the three months ended March 31, 2014, our net cash from financing activities amounted to RMB52.2 million, which was primarily related to new bank borrowings raised of RMB55.6 million. These cash inflows were partially offset by the repayment of bank borrowings of RMB2.4 million.

For the year ended December 31, 2013, our net cash used in financing activities amounted to RMB24.2 million, which was primarily related to dividends payment of RMB123.1 million during the year, which represented our dividends payable of RMB32.3 million as of December 31, 2012 and our dividends declared of RMB90.7 million as of December 31, 2013, and repayment of bank borrowings of RMB66.0 million. These cash outflows were partially offset by the new bank borrowings raised of RMB106.5 million and the capital injection by Zhongchen of RMB60.7 million.

For the year ended December 31, 2012, our net cash used in financing activities amounted to RMB11.3 million, which was primarily related to dividends payment of RMB11.9 million during the year and repayment of bank borrowings of RMB39.0 million. These cash outflows were partially offset by the new bank borrowings raised of RMB42.8 million.

For the year ended December 31, 2011, our net cash used in financing activities amounted to RMB33.3 million, which was primarily related to dividends payment of RMB15.8 million during the year and repayment of bank borrowings of RMB39.4 million. These cash outflows were partially offset by the new bank borrowings raised of RMB23.4 million.

Cash flow and cash position in relation to convertible promissory note issued to Actis 151

Pursuant to the Investment Agreement, Actis 151 agreed to subscribe and purchase a convertible promissory note issued by our Company with a principal value of US$12,700,000, which will mature on the earlier of (i) October 15, 2015 or (ii) the Listing Date. As we plan to use part of our net proceeds from the Global Offering to settle the outstanding amount of the convertible promissory note, there will be no effect on our cash flow and cash position upon settlement on or after the Listing Date. Please refer to the section headed “History, Reorganization and corporate structure — Pre-IPO investment” in this prospectus for further details.

Current assets and liabilities

The following table sets out details of our current assets and liabilities as of the dates indicated:

	As of December 31,			As of March 31,	As of July 31,
	2011	2012	2013	2014	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000) (unaudited)
Current assets					
Inventories	33,186	36,500	43,443	36,835	40,487
Prepaid lease payments	472	472	472	433	517
Trade, bills and other receivables	31,837	34,927	44,022	59,914	42,931
Amounts due from related companies	43,017	13	-	44,412	-
Structured deposits	1,000	1,000	-	-	-
Pledged bank deposits	4,560	11,618	10,845	16,493	4,943
Bank balances and cash	18,064	50,615	69,908	66,366	83,584
	132,136	135,145	168,690	224,453	172,462
Current liabilities					
Trade, bills and other payables	87,845	114,120	160,538	140,128	99,803
Amount due to a related company	2,587	-	-	-	-
Advances from customers	47,006	43,308	49,750	22,363	16,543
Dividends payable	-	32,341	-	-	25,592
Bank borrowings due within one year	2,000	7,823	35,300	43,232	13,683
Convertible promissory notes	-	-	-	-	80,713
Income tax payables	4,430	2,689	1,957	1,655	2,342
	143,868	200,281	247,545	207,378	238,676
Net current (liabilities)/ assets	(11,732)	(65,136)	(78,855)	17,075	(66,214)

As of December 31, 2011, 2012 and 2013, our net current liabilities were RMB11.7 million, RMB65.1 million and RMB78.9 million respectively. Our Directors consider that the net current liabilities recorded as of December 31, 2011, 2012 and 2013 were mainly due to our significant investments made for the expansion and improvement of our production facilities in our production plants in Kaiping, Guangdong province and Suqian, Jiangsu province, and our investment in the production facilities of Guangdong Kangli, which was then a member of our Group, with an aim to increase our production capacity to satisfy the growing demand. We primarily financed our investments and purchase of property, plant and equipment through our cash generated from our operating activities and short-term borrowings. Although we had strong operating cash flows for the two years ended December 31, 2012 and 2013, our investment in our property, plant and equipment used up a significant portion of cash generated from our operating activities and our bank borrowings for the same year. Our net current liabilities as of

December 31, 2011, 2012 and 2013 were also attributable to the payment of dividends of RMB15.8 million, RMB11.9 million and RMB123.1 million for the three years ended December 31, 2011, 2012 and 2013, respectively. As of March 31, 2014, we had net current assets of RMB17.1 million.

The increase in our net current liabilities from RMB11.7 million as of December 31, 2011 to RMB65.1 million as of December 31, 2012 was primarily due to (i) purchase of property, plant and equipment of RMB62.7 million during the year ended December 31, 2012 which were related to the expansion and replacement of production facilities in our production plants in Kaiping, Guangdong province and Suqian, Jiangsu province and our investment in the production facilities for Guangdong Kangli, which was then a member of our Group; (ii) our dividends payable of RMB32.3 million as of December 31, 2012; and (iii) an increase in trade, bills and other payables of RMB26.3 million, primarily due to our increased purchase of raw materials and packaging materials as a result of an increase in volume of production and sales.

Our net current liabilities increased further from RMB65.1 million as of December 31, 2012 to RMB78.9 million as of December 31, 2013, primarily due to (i) payment of dividends of RMB123.1 million; (ii) purchase of property, plant and equipment of RMB76.6 million which were related to the new production lines for our production plant in Kaiping, Guangdong province and Suqian, Jiangsu province and our research and development center in Kaiping, Guangdong province, and our investment in the production facilities for Guangdong Kangli; and (iii) an increase of our trade, bills and other payables of RMB46.4 million, primarily due to our increased purchase of raw materials and packaging materials as a result of an increase in volume of production and sales. Such increase in net current liabilities was partially offset by (i) the capital injection from Zhongchen of RMB60.8 million; (ii) collection of long term receivables from Sanbu Jiari of RMB26.9 million in relation to an advance made to Sanbu Jiari in 2010; and (iii) an increase in our trade, bills and other receivables of RMB9.1 million.

As of March 31, 2014, we had net current assets of RMB17.1 million, primarily due to (i) the addition of bank borrowings of RMB37.0 million which are due within two years, which improved our current liquidity position but were recorded under non-current liabilities; (ii) a decrease of advances from customers of RMB27.4 million primarily due to (a) the delivery in the first quarter of 2014 of our products ordered by our customers at the annual ordering conference we hosted in the fourth quarter in 2013, which we did not have in the fourth quarter of previous years as the 2013 conference was held after the expansion of our production facilities in Jiangsu and Guangdong provinces and for promotion of our fruit jam sandwich biscuits; and (b) the lower sales level when compared to the fourth quarter of the year; (iii) the addition of an amount of RMB22.5 million due from Guangdong Kangli; (iv) the addition of an amount of RMB21.9 million due from Zhongchen which represented the consideration receivable therefrom for our disposal of Guangdong Kangli, which had net current liabilities, in March 2014; (v) a decrease of trade, bills and other payables of RMB20.4 million due to lower purchase level when compared to the fourth quarter of the year and the settlement of our trade payables and construction cost payable during the three months ended March 31, 2014; (vi) an increase of trade, bills and other receivables of RMB15.9 million as a result of prepayment arrangement we had with our suppliers of flour and sugar; and (vii) an increase of our pledged bank deposits of RMB5.6 million. Such increase in net current assets was partially offset by (i) the increase of short-term bank borrowings of RMB7.9 million; and (ii) a decrease in inventories of RMB6.6 million.

Based on our unaudited management accounts, as of July 31, 2014, we had net current liabilities of RMB66.2 million, which was primarily due to (i) the convertible promissory note of RMB80.7 million, which represented the convertible promissory note to Actis 151 pursuant to the Investment Agreement with a principal value of US$12.7 million; and (ii) our dividends payable of RMB25.6 million declared in April 2014, which were settled in August 2014 and were financed by cash generated from operations of our Group. Our net current liabilities position was partially offset by the settlement of RMB44.4 million due from Zhongchen and Guangdong Kangli and the increase of RMB17.2 million in our bank balances and cash, when compared with those as of March 31, 2014. We intend to use part of the net proceeds of the Global Offering to settle payment of the convertible promissory note.

As of July 31, 2014, we had unrestricted and unutilized banking facilities of RMB186.8 million and we had advances received from customers for the purchase of goods of RMB16.5 million as we generally require our distributors to make payment to us before our products are delivered to them. Our Directors believe that, with the available banking facilities, the advances received from our customers, the future cash generated from our operating activities and the net proceeds we expect to receive from the Global Offering, we will be able to further improve our liquidity position after Listing. Please also refer to the section headed "Risk factors - We had net current liabilities as of December 31, 2011, 2012 and 2013 and July 31, 2014, respectively and net operating cash outflow for the three months ended March 31, 2014" in this prospectus.

Working capital

Notwithstanding our net current liabilities positions as of December 31, 2011, 2012 and 2013 and July 31, 2014, our Directors believe that we have sufficient financial resources to meet foreseeable capital requirements and expenditures. We set out below details of our financial obligations expected to be fulfilled after July 31, 2014, which is the latest practicable date for our indebtedness statement, and before December 31, 2015 and our expected financial resources to meet such obligations:

Our financial obligations totaling RMB157.3 million which are expected to be fulfilled:

- Repayment of bank borrowings of RMB15.1 million for the year ending December 31, 2014;
- Capital commitment and expenditure on property, plant and equipment of RMB11.2 million and RMB24.7 million for the years ending December 31, 2014 and 2015, respectively;
- Dividends payable as of July 31, 2014 amounting to RMB25.6 million; and
- Repayment of convertible promissory note of RMB80.7 million.

Our Group plans to meet the above financial obligations using the following financial resources:

- Cash in banks as of July 31, 2014 amounting to approximately RMB83.6 million;
- Expected cash generated from our Group's operations for the two years ending December 31, 2015;
- Estimated net proceeds from the Global Offering of RMB254.8 million (equivalent to approximately HK$320.0 million); and
- Unutilized banking facilities of RMB186.8 million as of July 31, 2014.

Our Directors believe that after taking into consideration the financial resources available to us, including future cash flows from our operations, banking facilities and estimated net proceeds from the Global Offering, we have sufficient working capital for at least 12 months commencing from the date of this prospectus. Based on the above factors, and taking into account that (i) we had unrestricted and unutilized banking facilities of RMB186.8 million as of July 31, 2014; (ii) our Directors' confirmation that our Group has not had any material default with regard to our trade or other payables or any bank borrowings, and has not breached any financial covenants in our bank borrowings during the Track Record Period and up to the Latest Practicable Date; (iii) our Directors' confirmation that during the Track Record Period and up to the Latest Practicable Date, we had not experienced any difficulty in obtaining credit facilities or withdrawal of facilities, request for early repayment, default in payments or breach of financial covenants of bank borrowings, the Sole Sponsor also concurs with our Directors' view that we have sufficient working capital for at least 12 months commencing from the date of this prospectus.

CERTAIN ITEMS OF COMBINED STATEMENTS OF FINANCIAL POSITION

Inventories

Our inventories primarily consist of raw materials and packaging materials, work-in-progress and finished goods. The following table sets out the breakdown of our inventories as of the dates indicated:

	As of December 31,			As of March 31,
Inventories	**2011**	**2012**	**2013**	**2014**
	RMB ('000)	**RMB ('000)**	**RMB ('000)**	**RMB ('000)**
Raw materials and packaging materials	25,372	23,602	23,426	22,774
Work in progress	237	210	757	168
Finished goods	7,577	12,688	19,260	13,893
Total	33,186	36,500	43,443	36,835

Our inventories increased by 10.0% from RMB33.2 million as of December 31, 2011 to RMB36.5 million as of December 31, 2012, and by 19.0% from RMB36.5 million as of December 31, 2012 to RMB43.4 million as of December 31, 2013. As of March 31, 2014, our inventories amounted to RMB36.8 million. The general decrease in raw materials and packaging materials over the Track Record Period was primarily the result of our tightening of control of our raw materials and packaging materials level, despite our increased production and sales during the Track Record Period. The general increase in our inventories as of December 31, 2011, 2012 and 2013 were primarily due to the increase in our finished goods, mainly as a result of our increase in sales over the period and the increased production in the fourth quarter in advance of the Chinese New Year holiday, which normally have higher sales. Our finished goods and overall inventories decreased to RMB13.9 million and RMB36.8 million, respectively as of March 31, 2014 due to the lower production and sales level after the Chinese New Year in late January 2014, when compared to the fourth quarter of the year and the period before the Chinese New Year. As of July 31, 2014, RMB36.6 million, or 99.4%, of our inventories as of March 31, 2014 had been sold or utilized.

We maintain a computerized enterprise resource planning system to track the in-coming and out-going inventory. This system enables us to monitor levels of inventory on a timely basis so as to maintain an optimum level of raw materials and finished products. Our management reviews the inventory aging list on a periodic basis for those aged inventories, which involves a comparison of carrying value of the aged inventory items with the respective net realizable value. The purpose is to ascertain whether impairment is required to be made in the financial statements for any obsolete and slow moving items. Although we carry out periodic review on the net realizable value of inventory, the actual realizable value of inventory is not known until the sale is concluded. We do not have a general impairment policy for inventories but make assessments on provisions on a case-by-case basis. For the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, the cost of inventories charged to our income statements as expenses, including impairment of inventories, amounted to RMB0.6 million, RMB2.2 million, RMB0.5 million and RMB0.3 million, respectively, which mainly include our packaging materials.

The following table sets out our average inventory turnover days for the periods indicated:

	For the year ended December 31,			As of March 31,
	2011	2012	2013	2014
Average inventory turnover days[(1)]	26.6	26.3	27.9	27.2

Note:

(1) Average inventory turnover days is calculated as the average of the beginning and ending inventory balances for the period, divided by the cost of sales for that period, multiplied by 365 days (90 days in the case of three months ended March 31, 2014).

The average inventory turnover days remained relatively stable during the Track Record Period. It decreased slightly from 26.6 days for the year ended December 31, 2011 to 26.3 days for the year ended December 31, 2012, primarily as a result of our efforts in seeking to maintain an appropriate level of raw materials and packaging materials and matching our production plans and sales forecasts. The average inventory turnover days increased from 26.3 days for the year ended December 31, 2012 to 27.9 days for the year ended December 31, 2013 as our business grew further and partly due the increase in our finished goods as of December 31, 2013 in preparation of the peak season before the Chinese New Year in late January 2014. As the stock-up requirement relaxed after the Chinese New Year, the average inventory turnover days decreased to 27.2 days as of March 31, 2014.

Trade, bills and other receivables

Trade and bills receivables

The following table sets out a breakdown of our trade and bills receivables as of the dates indicated:

	As of December 31,			As of March 31,
Trade and bills receivables	2011	2012	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Trade receivables	5,806	7,579	8,873	8,678
Less: Allowance for doubtful debts	(626)	(470)	(38)	(38)
Trade receivables, net	5,180	7,109	8,835	8,640
Bills receivables	2,198	8,689	17,325	15,574
Total trade and bills receivables	7,378	15,798	26,160	24,214

We generally require our distributors to make payment to us before our products are delivered to them. We may grant a credit period of up to 60 days and a credit amount of up to an aggregate of RMB2.0 million for a year to a few distributors on a case-by-case basis depending on their credit history, historical sales performance, estimated future purchases, relationship history with us, business scale and whether they are able to provide a guarantee pursuant to which payment of the credit amount and the corresponding interests payable by the distributor are guaranteed by a guarantor.

We generally grant a credit period of up to 60 days to our retailers depending on their credit history, historical sales performance, estimated future purchases, relationship history with us and the size and number of their retail outlets.

As of December 31, 2011, 2012 and 2013 and March 31, 2014, our trade receivables net of allowance for doubtful debts amounted to RMB5.2 million, RMB7.1 million, RMB8.8 million and RMB8.6 million, respectively. The general increase in our trade receivables primarily reflects the increase in sales to our distributors whom we had granted credit period to.

As of December 31, 2011, 2012 and 2013 and March 31, 2014, our bills receivables were RMB2.2 million, RMB8.7 million, RMB17.3 million and RMB15.6 million, respectively. The general increase in the balance of our bills receivables as of December 31, 2011, 2012 and 2013 and March 31, 2014 primarily reflects the increased use of bank acceptance bills by our distributors in settling their payment with us.

Our management closely monitors the recoverability of our trade and bills receivables regularly, and when appropriate, provides for impairment for these trade and bills receivables. Provision will be made if any of the following objectives and observable evidence comes to our attention: (i) significant financial difficulty of the subject customer; (ii) breach of contract, such as default or delinquency in interest or principal payments; (iii) high possibility that the subject customer will enter bankruptcy, winding up or other financial reorganization; and (iv) significant changes in the technological, market, economic or legal environment that have an adverse effect on the subject customer. We typically review the recovery status of our trade and bills receivables from the individual customer on a case-by-case basis. For those trade and bills receivables whose recovery is considered doubtful but not remote, impairment losses are recorded using an allowance account and will be written off when the management is satisfied that recovery is remote. Please refer to the paragraph headed "Critical accounting policies, estimates and judgments — Impairment of assets — Impairment of tangible and intangible assets" in this section for details. As of December 31, 2011, 2012 and 2013 and March 31, 2014, allowance for doubtful debts amounted to RMB626,000, RMB470,000, RMB38,000 and RMB38,000, respectively. Our Directors believe that our policy for the provision for impairment of our trade and bills receivables is in line with industry practice.

The following table sets out the aging analysis of our trade receivables as of the dates indicated, based on the invoice date and net of allowance for doubtful debts:

	As of December 31,			As of March 31,
Aging analysis of trade receivables	**2011**	**2012**	**2013**	**2014**
	RMB ('000)	**RMB ('000)**	**RMB ('000)**	**RMB ('000)**
Within 2 months	4,325	5,549	7,721	5,745
Over 2 months but within 3 months	194	367	882	2,695
Over 3 months but within 6 months	182	1,153	62	20
Over 6 months but within 1 year	479	6	102	115
Over 1 year	-	34	68	65
Total trade receivables	5,180	7,109	8,835	8,640

A majority of our trade receivables as of December 31, 2011, 2012 and 2013 and March 31, 2014 were aged within 60 days, as most of the credit period granted to our customers were within 60 days.

All of our bills receivables have maturities of up to six months. The following table sets out the aging analysis of our bills receivables as of the dates indicated, based on the bills issue date:

Aging analysis of bills receivables	As of December 31, 2011	As of December 31, 2012	As of December 31, 2013	As of March 31, 2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Within 1 month	106	2,550	4,550	945
Over 1 month but within 3 months	92	1,563	2,286	10,809
Over 3 months but within 6 months	2,000	4,576	10,489	3,820
Total bills receivables	2,198	8,689	17,325	15,574

All of our bills receivables as of December 31, 2011, 2012 and 2013 and March 31, 2014 were aged within six months.

As of July 31, 2014, RMB24.1 million, or 99.3%, of our trade and bills receivables as of March 31, 2014 were subsequently settled.

The following table sets out our average turnover days of our trade and bills receivables for the periods indicated:

	For the year ended December 31, 2011	For the year ended December 31, 2012	For the year ended December 31, 2013	For the three months ended March 31, 2014
Average turnover days of our trade and bills receivables[1]	4.6	6.5	10.2	11.6

Note:

(1) Average trade and bills receivables turnover days is calculated as the average of the beginning and ending net trade and bills receivables balances for the period, divided by the revenue for that period, multiplied by 365 days (90 days in the case of three months ended March 31, 2014).

Our average trade and bills receivables turnover days increased from 4.6 days for the year ended December 31, 2011, to 6.5 days for the year ended December 31, 2012, to 10.2 days for the year ended December 31, 2013 and further to 11.6 days for the three months ended March 31, 2014. The general increase over the Track Record Period was primarily due to the increased use of bank acceptance bills by our customers in settling their payment with us.

Other receivables

Our other receivables primarily consist of prepayment for raw materials, rental deposits made by us, advances to our employees for business purposes, advance to third party and input value-added-tax receivables.

The following table is a summary of our balance of other items included in the trade and other receivables, net of trade, bills and bills receivables, as of the dates indicated:

Other receivables	As of December 31,			As of March 31,
	2011	2012	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Prepayments for purchase of raw materials	17,335	11,053	12,342	19,425
Other prepayment	-	-	1,647	2,354
Other receivables	4,895	4,073	2,856	8,007
Advance to third party	2,000	1,563	-	-
Input value-added-tax receivables	229	2,440	1,017	5,914
Total	24,459	19,129	17,862	35,700

Our prepayments for purchase of raw materials decreased from RMB17.3 million as of December 31, 2011 to RMB11.1 million as of December 31, 2012, primarily as a result of our more frequent use of letters of credit for settlement instead of prepayments in 2012, and increased from RMB11.1 million as of December 31, 2012 to RMB12.3 million as of December 31, 2013, in line with our increased production and partly due to our prepayment arrangement with certain suppliers of sugar as we tried to fix the purchase price before our anticipated increase in the price of sugar. Our prepayments for purchase of raw materials increased further to RMB19.4 million as of March 31, 2014, primarily as a result of this prepayment arrangement.

Our other receivables decreased from RMB4.9 million as of December 31, 2011 to RMB4.1 million as of December 31, 2012, and further decreased to RMB2.9 million as of December 31, 2013. Our other receivables amounted to RMB8.0 million as of March 31, 2014, which mainly represented prepayment of transportation fee, deposit and advance to our employees.

Advance to third party represents the unsecured, non-interest bearing advance of RMB2.0 million in July 2011 for a period of three months to an Independent Third Party which is a company for hotel operations and has no business relationship with us, of which an amount of RMB0.4 million was received at the end of the contracted term in 2012. The remaining amount has been fully repaid in August 2013. Please refer to the section headed "Business — Non-compliance — Advances to related parties and Independent Third Parties" in this prospectus for legal implications of this advance.

Trade, bills and other payables

Trade and bills payables

The following table sets out a breakdown of our trade and bills payables as of the dates indicated:

Trade and bills payables	As of December 31,			As of March 31,
	2011	2012	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Trade payables	57,590	67,661	89,676	66,449
Bills payables	-	5,342	4,300	3,300
Total trade and bills payables	57,590	73,003	93,976	69,749

Our trade and bills payables mainly relate to purchase of raw materials and packaging materials from our suppliers with general credit terms of 7 to 45 days from the invoice dates. We normally settle such payables by cash, bank acceptance bills of three to six months maturity or letters of credit. Our trade and bills payables increased from RMB57.6 million as of December 31, 2011, to RMB73.0 million as of December 31, 2012 and further to RMB94.0 million as of December 31, 2013. Such increase was primarily due to our increased purchase of raw materials and packaging materials as a result of an increase in volume of production and sales. Our trade and bills payables decreased to RMB69.7 million as of March 31, 2014, primarily due to the lower purchase level when compared to the fourth quarter of the year and the settlement of our trade payables and construction cost payable during the three months ended March 31, 2014.

The following table sets out the aging analysis of our trade payables as of the dates indicated, based on the invoice date:

	As of December 31,			As of March 31,
Aging analysis of trade payables	**2011**	**2012**	**2013**	**2014**
	RMB ('000)	**RMB ('000)**	**RMB ('000)**	**RMB ('000)**
Within 3 months	53,519	67,004	84,972	55,294
Over 3 months but within 6 months	2,839	370	2,882	9,924
Over 6 months but within 1 year	1,232	287	474	287
Over 1 year	-	-	1,348	944
Total trade payables	57,590	67,661	89,676	66,449

All of our bills payables have maturities of up to six months. The following table sets out the aging analysis of our bills payables as of the dates indicated, based on the bills issue date:

	As of December 31,			As of March 31,
Aging analysis of bills payables	**2011**	**2012**	**2013**	**2014**
	RMB ('000)	**RMB ('000)**	**RMB ('000)**	**RMB ('000)**
Within 3 months	-	5,342	4,300	3,300

As of July 31, 2014, RMB59.6 million, or 85.4%, of our trade and bills payables as of March 31, 2014 were subsequently settled.

The following table sets out our average turnover days of our trade and bills payables for the periods indicated:

	For the year ended December 31,			For the three months ended March 31,
	2011	**2012**	**2013**	**2014**
Average turnover days of our trade and bills payables[(1)]	34.7	49.3	58.4	55.5

Note:

(1) Average trade and bills payables turnover days is calculated as the average of the beginning and ending net trade and bills payables balances for the period, divided by the cost of sales for that period, multiplied by 365 days (90 days in the case of three months ended March 31, 2014).

Our average trade and bills payables turnover days increased generally during the Track Record Period primarily due to the increase in balances of trade payables as a result of our business growth and, to a lesser extent, increased use of bank acceptance bills and better payment terms for us as a result of our increased bargaining power. The decrease in the three months ended March 31, 2014 was mainly due to lower purchase level when compared to the fourth quarter of the year and the settlement of our trade payables and construction cost payable during the three months ended March 31, 2014.

There were trade payables over three months during the Track Record Period, and our average trade and bills payable turnover days for the two years ended December 31, 2013 and the three months ended March 31, 2014 were beyond 45 days, as (i) the bank acceptance bills we received from our customers which are used for settlement with our suppliers were recorded as trade payables until they are discounted with banks before their maturities or presented for payment upon their maturities; and (ii) the amounts for the bulk purchase of flour using letter of credit were recorded as trade payables after delivery of flour but before the settlement of the letter of credit, which is six months from its issue date.

Other payables

Our other payables consist of accrued expenses, accrued listing expenses, transportation fee payables, payroll and welfare payables, construction cost payable, output value-added tax and other tax payables and other miscellaneous payables.

The following table is a summary of our balance of other payables included in the trade, bills and other payables, net of trade and bills payables, as of the dates indicated:

	As of December 31,			As of March 31,
Other payables	**2011**	**2012**	**2013**	**2014**
	RMB ('000)	**RMB ('000)**	**RMB ('000)**	**RMB ('000)**
Accrued expenses	9,234	11,614	12,424	19,975
Accrued listing expenses	-	-	2,331	4,671
Transportation fee payables	13,216	12,093	14,899	16,480
Payroll and welfare payables	6,149	10,854	16,938	12,244
Construction cost payable	81	2,001	14,089	8,364
Other payables	1,575	1,640	2,113	4,140
Output value-added tax and other tax payables	-	2,915	3,768	4,505
Total	30,255	41,117	66,562	70,379

Our accrued expense amounted to RMB9.2 million, RMB11.6 million, RMB12.4 million and RMB20.0 million as of December 31, 2011, 2012, 2013 and March 31, 2014, respectively, which mainly represented accrued marketing and promotional expenses and utilities expenses.

Our transportation fee payables amounted to RMB13.2 million, RMB12.1 million, RMB14.9 million and RMB16.5 million as of December 31, 2011, 2012, 2013 and March 31, 2014, respectively, and were mainly related to the delivery of our products by the logistic providers.

Our payroll and welfare payables amounted to RMB6.1 million, RMB10.9 million, RMB16.9 million and RMB12.2 million as of December 31, 2011, 2012, 2013 and March 31, 2014, respectively, which were mainly related to the salary accrued for the month of December of that year and the annual bonus, or the salary accrued for the month of March of that year, for our employees, respectively. Such general increase in payroll and welfare payables was mainly due to the general increase in the number of our employees and the general level of salaries and employee benefits for employees.

Advances from customers

We generally require our distributors to make payment to us before our products are delivered to them. Advances from customers represents such prepayment from our customers. As of December 31, 2011, 2012 and 2013 and March 31, 2014, our advances from customers were RMB47.0 million, RMB43.3 million, RMB49.8 million and RMB22.4 million, respectively. Such advances were interest-free. The decrease in the balance of our advances from customers as of March 31, 2014 was due to (i) the delivery in the first quarter of 2014 of our products ordered by our customers at the annual ordering conference we hosted in the fourth quarter in 2013, which we did not have in the fourth quarter of previous years as the 2013 conference was held after the expansion of our production facilities in Jiangsu and Guangdong provinces and for promotion of our fruit jam sandwich biscuits; and (ii) the lower sales level when compared to the fourth quarter of the year.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we sold a small amount of products to Zhongchen, our former immediate holding company, the transaction amounts of which were RMB18,000, RMB65,000, RMB45,000 and nil for the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014. Such transactions were carried out in the ordinary course of business and conducted in accordance with the terms and conditions mutually agreed by both parties.

As of December 31, 2011, 2012 and 2013, Zhongchen and Mr. Huang had provided corporate guarantee and personal guarantee respectively, and Zhongchen and Mr. Huang together, had provided a joint guarantee to our Group for obtaining certain banking facilities from the banks. As of December 31, 2011, 2012 and 2013, total bank loans of RMB2.0 million, RMB4.5 million and RMB1.5 million, respectively, were drawn down, and letters of credit of nil, nil and RMB33.9 million respectively, were issued, from these facilities. Such guarantees have been released in February 2014.

The following table sets out the balances of our amounts due from and due to related parties as of the dates indicated:

Due from and due to related parties	As of December 31,			As of March 31,
	2011	2012	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Amount due from a related company — Zhongchen				
Trade nature	17	13	-	-
Non-trade nature	43,000	-	-	21,916
Amount due from an associate	50	50	-	-
Amount due from a related company — Guangdong Kangli	-	-	-	22,496
Total amounts due from related parties	43,067	63	-	44,412
Amount due to a related company — Guofeng	2,587	-	-	-
Dividends payable	-	32,341	-	-
Total amounts due to related parties	2,587	32,341	-	-

The trade nature balances of RMB17,000 and RMB13,000 due from Zhongchen related to our sales to it and they were unsecured, non-interest bearing and with a credit period of 30 days from the invoice date. The non-trade balance of RMB43.0 million as of December 31, 2011 due from Zhongchen represents the advance from our Group to Zhongchen for its investment purposes which was unsecured, non-interest bearing and repayable after one month. The balance was fully settled in January 2012. The non-trade balance of RMB21.9 million as of March 31, 2014 due from Zhongchen represents the consideration receivable therefrom for our disposal of Guangdong Kangli in March 2014, which was unsecured, non-interest bearing and repayable within six months from the date of disposal. This balance was subsequently settled in May 2014.

The balances of RMB50,000 as of December 31, 2011 and 2012 due from an associate related to some miscellaneous operating expenses with Kashi Guoye to finance its establishment.

The non-trade balance of RMB22.5 million due from Guangdong Kangli as of March 31, 2014 represents an advance from our Group to Guangdong Kangli for financing its capital expenditure, which was unsecured, interest-free and repayable on demand. This balance was subsequently settled in May 2014.

The non-trade balance of RMB2.6 million as of December 31, 2011 represents the payable by our Group to Kaiping Guofeng Electromechanical Industry Company Limited (開平市國豐機電實業有限公司), being a former holder of 10% of the then equity interest in Guangdong Jiashili, for supporting the development of Guangdong Jiashili. Such payable was unsecured, non-interest bearing and repayable on demand and were fully settled during the year ended December 31, 2012. Based on the information provided by us, our PRC Legal Advisers confirm that this payable did not violate the General Lending Provisions.

Please refer to the section headed "Business — Non-compliance — Advances to related parties and Independent Third Parties" in this prospectus for legal implications of the above advances other than the payable with Kaiping Guofeng Electromechanical Industry Company Limited (開平市國豐機電實業有限公司).

CAPITAL EXPENDITURES

Historical capital expenditures

The following table sets out our historical capital expenditures during the periods indicated:

	For the year ended December 31,			For the three months ended March 31,
	2011	2012	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Additions to property, plant and equipment	22,256	65,205	89,536	13,061

Our capital expenditures for the three year ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014 represented additions of property, plant and equipment made for our production plants and auxiliary facilities in Kaiping, Guangdong province and Suqian, Jiangsu province, and/or our investment in production facilities for Guangdong Kangli, which was then a member of our Group, during the Track Record Period. We financed our capital expenditures primarily through our cash generated from our operating activities.

We expect to incur a total of approximately RMB22.9 million and RMB24.7 million on our expenditures on property, plant and equipment for the year ending December 31, 2014 and 2015, respectively. The table below sets out the details of our capital expenditure to be incurred for the year ending December 31, 2014 and 2015:

Expected use	Estimated cost for the year ending December 31, 2014 (RMB million)
Renovation of office tower in Kaiping, Guangdong province	8.9
Acquisition and advancement of devices for food safety and hygiene control for production plant in Suqian, Jiangsu province	4.5
Renovation of office tower and production plant in Suqian, Jiangsu province	2.7
Advancement of automated machineries for production plant in Suqian, Jiangsu	2.5
Acquisition of automated machineries for sandwich biscuit production for our production plant in Kaiping, Guangdong province	2.0
Addition of another production line for trial in research and development in Kaiping, Guangdong province	1.9
Others	0.4
Total:	**22.9**

Expected use	Estimated cost for the year ending December 31, 2015 (RMB million)
Acquisition of automated machineries for packaging for our production plants in Kaiping, Guangdong province and Suqian, Jiangsu province	7.0
Upgrading of our existing production lines in our production plants in Kaiping, Guangdong province and Suqian, Jiangsu province	5.0
Upgrading of our information system	5.0
Acquisition of automated machineries for sandwich biscuit production for our production plant in Suqian, Jiangsu province	2.0
Upgrading and advancement of our fruit jam and syrup boiling system	2.0
Others	3.7
Total:	**24.7**

Such investment are expected to be funded by our cash generated from operations, bank borrowings, together with the net proceeds from the Global Offering.

CONTRACTUAL COMMITMENTS

Capital commitments

We had the following capital commitments which were not provided for in our combined financial statements:

	As of December 31,			As of March 31,
	2011	2012	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Capital expenditure in respect of acquisition of property, plant and equipment				
Contracted for but not provided in the financial information . . .	2,236	29,618	18,236	11,525

The capital commitments as of December 31, 2011, 2012 and 2013 and March 31, 2014 were primarily related to acquisition of property, plant and equipment for our production plants in Kaiping, Guangdong province and Suqian, Jiangsu province, and our investment in production facilities for Guangdong Kangli, which was then a member of our Group.

INDEBTEDNESS

Bank borrowings

Other than RMB2.0 million which was outstanding as of December 31, 2011 and RMB37.0 million which was outstanding as of March 31, 2014, both of which are repayable more than one year but within two years, all of our total loans and bank borrowings as of December 31, 2011, 2012 and 2013 and March 31, 2014 were due within one year. Our bank loans as of December 31, 2011, 2012 and 2013 and March 31, 2014, for the purpose of calculating our indebtedness, were as follows:

	As of December 31,			As of March 31,
	2011	2012	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Bank borrowings				
repayable within one year	2,000	7,823	35,300	43,232
repayable more than one year, but not exceeding two years	2,000	-	-	37,000
Total	4,000	7,823	35,300	80,232

During the Track Record Period, we primarily used our bank borrowings for expanding our production facilities and as general working capital. The increase of bank borrowings as of December 31, 2013 and March 31, 2014 was due to our increased financial demand for our expansion of production facilities and other auxiliary facilities in Kaiping and Suqian, and our increased demand for general working capital as our business continued to grow.

As of December 31, 2011, 2012 and 2013 and March 31, 2014, our bank borrowings were secured by fixed charges on property, plant and equipment, land use rights and pledged bank deposits.

As of December 31, 2013 and March 31, 2014, the Group also entered into an assets' income right transfer agreement with a bank to pledge the earnings from certain property, plant and equipment, inventories and trade receivables for a bank loan facility with maturity in September 2014. Upon the maturity date, we will redeem the relevant assets' income right by repayment of the principle plus interest at 6% per annum.

Details of the carrying amounts of property, plant and equipment and land use rights pledged or pursuant to which their earnings were pledged as collateral under this agreement are as follows:

	As of December 31,			As of March 31,
	2011	**2012**	**2013**	**2014**
	RMB ('000)	**RMB ('000)**	**RMB ('000)**	**RMB ('000)**
Buildings	14,741	14,153	30,565	75,710
Plant and machinery	4,525	3,833	49,954	50,008
Office equipment	-	-	1,427	2,323
Motor vehicles	-	-	1,716	1,547
Construction in progress	-	-	47,839	9,232
Land use rights	13,189	12,717	-	-
Total	32,455	30,703	131,501	138,820

As of December 31, 2011, 2012 and 2013 and March 31, 2014, we had unutilized and unrestricted banking facilities of approximately RMB78.0 million, RMB102.5 million, RMB94.6 million and RMB138.4 million, respectively. As of July 31, 2014, which is the latest practicable date for our indebtedness statement, we had total banking facilities of RMB255.0 million, of which RMB186.8 million was unutilized. The utilized banking facilities of RMB76.9 million as of July 31, 2014, comprising bank loans of RMB55.7 million and letters of credit of RMB21.2 million, was unsecured and unguaranteed.

Our Directors have confirmed that our Group has not had any material default with regard to our trade or other payables or any bank borrowings, and has not breached any financial covenants in our bank borrowings during the Track Record Period and up to the Latest Practicable Date. We do not have any financial covenants in our outstanding bank borrowings. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had not experienced any difficulty in obtaining credit facilities or withdrawal of facilities, request for early repayment, default in payments or breach of financial covenants of bank borrowings. Our Directors have confirmed that we do not have any plan to raise material external debt financing as of the date of this prospectus.

Convertible promissory note issued to Actis 151

Pursuant to the Investment Agreement, Actis 151 agreed to subscribe and purchase a convertible promissory note issued by our Company with a principal value of US$12,700,000, which will mature on the earlier of (i) October 15, 2015 or (ii) the Listing Date. Any amount due and unpaid by our Company on the date falling three months after the maturity date is convertible into such number of Series A Preferred Shares. Please refer to the section headed "History, Reorganization and corporate structure — Pre-IPO investment" in this prospectus for further details. The amount of our convertible promissory note was RMB80.7 million as of July 31, 2014, based on our unaudited management accounts. At the date of issue, our Company designated the convertible promissory note payable at fair value through profit or loss and initially recognized at fair value. In subsequent periods, the convertible promissory note payable will be measured at fair value with changes in fair value recognized in profit or loss. Transaction costs relating to the issuance of the convertible promissory note payable were charged to profit or loss immediately. Our Directors estimate that the loss arising from the change in fair value of the convertible promissory note from the date of issue on April 16, 2014 to the Listing Date, which mainly represents finance costs incurred during such period, will amount to approximately US$0.3 million (equivalent to RMB1.9 million). The fair value is determined with reference to a valuation prepared by Asset Appraisal Limited, an independent qualified professional valuer. The handling officer of such valuation is a Registered Business Valuer under the Hong Kong Business Valuation Forum. Our Directors consider that the relevant transaction costs incurred for the issuance of the convertible promissory note are insignificant.

As of July 31, 2014, being the latest practicable date for the purpose of this indebtedness statement, and save as disclosed above, we did not have any other debt securities, borrowings, indebtedness, mortgages, contingent liabilities or guarantees. Since July 31, 2014, there has been no material adverse change in our indebtedness.

CONTINGENT LIABILITIES

Except as disclosed in this prospectus, as of July 31, 2014, our Group had no material contingent liabilities. Our Group is not involved in any current material legal proceedings, nor is our Group aware of any pending or potential material legal proceedings involving our Group. If our Group was involved in such material legal proceedings, we would record any loss contingencies when, based on information then available, it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. We confirm that there has not been any material change in the level of our contingent liabilities since March 31, 2014.

FINANCIAL RATIOS

	For the year ended December 31,			For the three months ended March 31,
	2011	2012	2013	2014
Net profit margin(1)	5.0%	6.7%	9.3%	11.1%
Return on equity(2)	27.7%	42.5%	46.1%	11.9%
Return on assets(3)	11.4%	14.2%	17.2%	5.1%
Interest coverage(4)	32.9	92.1	35.1	28.4

	As of December 31,			As of March 31,
	2011	2012	2013	2014
Current ratio(5)	0.9	0.7	0.7	1.1
Quick ratio(6)	0.7	0.5	0.5	0.9
Gearing ratio(7)	3.9%	7.7%	23.5%	44.2%
Net debt to equity ratio(8)	Net cash	Net cash	Net cash	7.6%

Notes:

(1) Net profit margin represents profit for the year/period divided by revenue for the same year/period.

(2) Return on equity represents profit for the year/period divided by total equity as of the end of the year/period. The return on equity for the three months ended March 31, 2014 is not comparable to those for the three years ended December 31, 2011, 2012 and 2013 where full year figures were used.

(3) Return on assets represents profit for the year/period divided by total assets as of the end of the year/period. The return on assets for the three months ended March 31, 2014 is not comparable to those for the three years ended December 31, 2011, 2012 and 2013 where full year figures were used.

(4) Interest coverage represents profit before taxation and finance costs divided by finance costs for the year/period.

(5) Current ratio represents total current assets divided by total current liabilities as of the end of the year/period.

(6) *Quick ratio represents total current assets less inventories divided by total current liabilities as of the end of the year/period.*

(7) *Gearing ratio represents loans and borrowings divided by total equity as of the end of the year/period.*

(8) *Net debt to equity ratio represents bank borrowings less bank balances and cash divided by total equity as of the end of the year/period.*

Net profit margin

Our net profit margin increased from 5.0% for the year ended December 31, 2011 to 6.7% for the year ended December 31, 2012, to 9.3% for the year ended December 31, 2013 and further to 11.1% for the three months ended March 31, 2014. Over the Track Record Period, our net profit margin increased as our net profit increased at a higher percentage than the increase in our revenue, which was mainly a result of the general increase in the average selling prices of our products, our efforts to control our cost of sales by increasing our bargaining position to obtain better pricing from our suppliers, and by reducing the wastage of our packaging materials with better coordination of our production.

Return on equity

Our return on equity ratio increased from 27.7% for the year ended December 31, 2011 to 42.5% for the year ended December 31, 2012, and further to 46.1% for the year ended December 31, 2013, primarily as a result of the increase in our net profit from increased sales, in particular, the increased sales of our breakfast biscuits series and crisp biscuits series, accompanied by the general increase of their average selling prices. The increase in our return on equity ratio for the year ended December 31, 2013 is not commensurable with the corresponding net profit growth due to the increase of paid-in capital of Guangdong Jiashili in 2013. Our return on equity ratio was 11.9% for the three months ended March 31, 2014.

Return on assets

Our return on assets ratio increased from 11.4% for the year ended December 31, 2011 to 14.2% for the year ended December 31, 2012, and further to 17.2% for the year ended December 31, 2013, primarily as a result of our increase in net profit from increased sales, in particular, the increased sales of our breakfast biscuits series and crisp biscuits series, accompanied by the general increase of their average selling prices. Our return on assets ratio was 5.1% for the three months ended March 31, 2014. Over the Track Record Period, our net profit increased at a higher percentage than the increase in our total assets.

Interest coverage

Our interest coverage increased from 32.9 for the year ended December 31, 2011 to 92.1 for the year ended December 31, 2012, primarily as a result of the increase in our profit and the decrease in our finance costs for the year ended December 31, 2012 as a result of our repayment of bank borrowings during the year. Our interest coverage decreased from 92.1 for the year ended December 31, 2012 to 35.1 for the year ended December 31, 2013 as a result of increase of our bank borrowings in 2013 due to our increased financial demand for our expansion of production facilities and other auxiliary facilities in Kaiping and Suqian, and our increased demand for general working capital as our business continued to grow. Our interest coverage for the three months ended March 31, 2014 was 28.4.

Current ratio and quick ratio

The general decreases in our current ratio and quick ratio from 0.9 and 0.7 as of December 31, 2011, to 0.7 and 0.5 as of December 31, 2012 and to 0.7 and 0.5 as of December 31, 2013, respectively, were mainly due to the increases in trade, bills and other payables, primarily due to our increased purchase of raw materials and packaging materials as a result of the increase in volume of production and sales, and short-term loans. Such increases were partly offset by the increases in bank balances and cash, trade, bills and other receivables, which primarily reflects the increase in sales to our distributors whom we had granted credit period to, and pledged bank deposits. Our current ratio and quick ratio as of March 31, 2014 increased to 1.1 and 0.9, respectively, mainly due to the increase in amounts due from Guangdong Kangli and Zhongchen of RMB22.5 million and RMB21.9 million, respectively.

Gearing ratio

Our gearing ratio increased from 3.9% as of December 31, 2011 to 7.7% as of December 31, 2012, mainly because retained earnings increased to a lesser extent than the increase in bank borrowings in 2012. Our gearing ratio further increased to 23.5% as of December 31, 2013, primarily as a result of the significant increase in the bank borrowings in 2013 to fund our purchase of property, plant and equipment in our productions plants in Kaiping, Guangdong province and Suqian, Jiangsu province. Our gearing ratio as of March 31, 2014 was 44.2% as a result of our increase in bank borrowings due to our increased financial demand for our expansion of production facilities, and our increased demand for general working capital as our business continued to grow.

Net debt to equity ratio

As of December 31, 2011, 2012 and 2013, we had outstanding bank borrowings of RMB4.0 million, RMB7.8 million and RMB35.3 million, respectively, the amounts of which were far less than our bank balances and cash as of the same dates. Accordingly, we did not have a net debt position as of December 31, 2011, 2012 and 2013. As of March 31, 2014, we had outstanding bank borrowings of RMB80.2 million, while our bank balances and cash amounted to RMB66.4 million, resulting in the net debt to equity ratio being 7.6% as of the same date.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various types of market risks in the ordinary course of our business, including credit risks, liquidity risks and fluctuations in interest rates. We manage our exposure to these and other market risks through regular operating and financial activities.

Credit risk

As of December 31, 2011, 2012 and 2013 and March 31, 2014, our maximum exposure to credit risk which will cause a financial loss to us due to the failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the statements of financial position. The credit risk on liquid fund is limited because the counterparties are banks with high credit ratings.

We also have concentration risk by geographic location in relation to our debts which are derived from our operation in the PRC. We generally require our distributors to make payment to us before our products are delivered to them, although we may grant a credit period of up to 60 days and a credit amount of an aggregate of up to RMB2.0 million for a year to a few distributors on a case-by-case basis depending on various factors. We also generally grant a credit period of up to 60 days to our retailers, also depending on various factors. The trade receivables balances as of December 31, 2011, 2012 and 2013 and March 31, 2014 mainly represented the credit sales to certain customers. With respect to these credit sales, we have concentration of credit risk as 66.0%, 60.0%, 62.0% and 61.0% of our total trade receivables as of December 31, 2011, 2012 and 2013 and March 31, 2014, respectively, were due from five customers. Those five customers are with good creditworthiness based on historical settlement record. Procedures are in place for the debt recovery and our management will perform periodic evaluation and customer visits to ensure our exposure to bad debts is not significant and adequate impairment losses are made for irrecoverable amount. In this regard, our management considers that our credit risk is significantly reduced.

Liquidity risk

We closely monitor our cash position resulting from operations and maintain a level of cash and cash equivalents deemed adequate by our management to meet in full our financial obligations as they fall due for the foreseeable future.

Our Group's current liabilities exceeded our current assets as of March 31, 2014. However, the management of our Group is of the opinion that, taking into account the amounts of cash and cash equivalents, the undrawn banking facilities and the non-refundable advances received from customers for purchase of our products, and our Group's cash flow projection for the year ending December 31, 2014, our Group will have sufficient working capital to meet our liabilities as they fall due in the twelve months ending March 31, 2015.

Interest rate risk

We are exposed to cash flow interest rate risk on the variable rate of interest earned on the bank balances and variable-rate of interest incurred on bank borrowings. We are also exposed to fair value interest rate risk in relation to fixed-rate bank borrowings. Our policy is to maintain an appropriate level between our fixed-rate and variable-rate borrowings so as to minimize the fair value and cash flow interest rate risk. We are mainly exposed to the interest rates quoted by the PBOC. Our management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

For an additional discussion of quantitative and qualitative information about market risks, please refer to note 35 to our combined financial statements included in accountants' report in Appendix I to this prospectus.

DISTRIBUTABLE RESERVES

As of March 31, 2014, our Company had no distributable reserves available for distribution to our equity holders.

LISTING EXPENSES

The estimated total listing expenses (based on the Offer Price of HK$3.7 and assuming that the Over-allotment Option is not exercised and all discretionary incentive fees and bonuses to the professional parties in the Global Offering are paid in full) incurred or to be incurred in relation to the Global Offering are approximately RMB40.1 million, of which RMB22.9 million was or will be charged to our combined statement of profit or loss and other comprehensive income and RMB17.2 million was or will be recognized directly in equity, in accordance with IAS 32. Pursuant to such accounting standard, expenses that are directly attributable to the issue of new shares are accounted for as a deduction from equity and the expenses which do not relate to the issue of new shares are recognized in the combined statements of profit or loss and other comprehensive income as incurred. Expenses that relate jointly to the issue of new shares and the listing of existing shares are allocated between these activities based on the proportion of number of new shares issued relative to the total number of shares in issue and listed on the Stock Exchange.

For the year ended December 31, 2013 and the three months ended March 31, 2014, we recognized approximately RMB5.2 million and RMB2.2 million of listing expenses as our other expenses. Listing expenses of RMB2.4 million were recognized as prepayment as of March 31, 2014 which is expected to be deducted directly from equity upon the issue of new Shares.

We incurred approximately RMB10.2 million of listing expenses for the period from April 1, 2014 to the Latest Practicable Date, and expect to incur an additional RMB20.1 million of listing expenses (based on the Offer Price of HK$3.7 and assuming that the Over-allotment Option is not exercised and all discretionary incentive fees and bonuses to the professional parties in the Global Offering are paid in full) after the Latest Practicable Date. We estimate that the listing expenses (based on the Offer Price of HK$3.7 and assuming that the Over-allotment Option is not exercised and all discretionary incentive fees and bonuses to the professional parties in the Global Offering are paid in full) of approximately RMB15.5 million, including the discretionary incentive fees and bonuses payable to the professional parties in the Global Offering of RMB0.3 million, incurred or to be incurred after March 31, 2014 will be charged to our combined statement of profit or loss and other comprehensive income for the year ending December 31, 2014. The balance of approximately RMB14.8 million, including the discretionary incentive fees and bonuses payable to the professional parties in the Global Offering of RMB1.6 million, is expected to be deducted directly from equity upon the issue of new Shares.

The estimated total discretionary incentive fees and bonuses payable to the professional parties in the Global Offering are approximately RMB1.9 million, of which RMB0.3 million will be charged to our combined statement of profit and loss and other comprehensive income and RMB1.6 million will be deducted directly from equity, in accordance with IAS 32, pursuant to which those expenses that are directly attributable to the issue of new shares are accounted for as a deduction from equity and the expenses that relate jointly to the issue of new shares and the listing of existing shares are allocated between these activities based on the proportion of number of new shares issued relative to the total number of shares in issue and listed on the Stock Exchange.

DIVIDEND POLICY

The payment and the amount of any dividends, if paid, will depend on the results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that we may consider relevant. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The declaration, payment and amount of dividends will be subject to our discretion.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

During the three years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, Guangdong Jiashili declared dividends of nil, RMB44.3 million, RMB90.7 million and nil, respectively, to its then equity owners. In April 2014, Guangdong Jiashili declared a special dividend of RMB25.6 million to its equity owners which were settled in August 2014. Save as disclosed above, during the Track Record Period and up to the Latest Practicable date, we had not distributed any dividends to the then equity holders of our Group.

Going forward, we may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend will be at the discretion of our Board. In addition, any final dividend will be subject to Shareholders' approval. Our Board will review our Company's dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- financial results of our Company;
- Shareholders' interests;
- general business conditions, strategies and future expansion needs;
- our Company's capital requirements;
- the payment by our subsidiaries of cash dividends to our Company;
- possible effects on liquidity and financial position of our Company; and
- other factors our Board may deem relevant.

PROPERTY INTEREST AND PROPERTY VALUATION

The table below sets out the reconciliation of the net book value of our Group's property interests comprising buildings and construction in progress as of March 31, 2014 to their market values as stated in the property valuation report as of June 30, 2014 as set out in Appendix III to this prospectus:

	RMB ('000)
Net book value of property interests of our Group as of March 31, 2014	97,141
Movements during the three months ended June 30, 2014	
Additions	11,088
Depreciation	(1,151)
Net book value of property interests of our Group as of June 30, 2014	107,078
Valuation surplus	86,922
Valuation of our Group's property interests as of June 30, 2014	194,000

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus and save as disclosed in the paragraph headed "Summary — Latest development" in this prospectus, there had been no material adverse change in our financial or trading position since March 31, 2014 and there is no event since March 31, 2014 which would materially affect the information shown in the accountants' report in Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an unaudited pro forma statement of adjusted combined net tangible assets of the Group which is prepared based on the audited combined net tangible assets of our Group as of March 31, 2014 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted combined net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of our Group following the Global Offering.

	Audited combined net tangible assets of our Group as at March 31, 2014	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted combined net tangible assets of our Group	Unaudited pro forma adjusted combined net tangible assets of our Group per Share	
	RMB ('000) (Note 1)	**RMB ('000)** (Note 2)	**RMB ('000)**	**RMB** (Note 3)	**Equivalent to HK$** (Note 4)
Based on the Offer Price of HK$3.7 per Share	179,535	262,025	441,560	1.30	1.63

Notes:

(1) *The audited combined net tangible assets of our Group as of March 31, 2014 is based on the combined net assets of our Group of RMB181,410,000 adjusting for intangible assets of RMB1,875,000, as derived from the Accountants' Report on the financial information of our Group for the three years ended December 31, 2013 and the three months ended March 31, 2014 which is set out in Appendix I to this prospectus.*

(2) *The estimated net proceeds from the Global Offering are based on 100,000,000 Shares to be issued at the Offer Price of HK$3.7 (equivalent to RMB2.95) per Share, after deduction of the estimated underwriting fees and related expenses expected to be incurred by our Group subsequent to March 31, 2014 and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option, any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme, or any Shares which may be issued or repurchased pursuant to our Company's general mandate. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars to Renminbi at an exchange rate of RMB1 to HK$1.256, which was the rate prevailing on September 5, 2014 as set by the PBOC. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.*

(3) *The unaudited pro forma adjusted combined net tangible assets of our Group per Share is arrived at after making the adjustments referred to in note (2) above and on the basis of 340,000,000 Shares in total, which include 10,000 Shares in issue as at March 31, 2014 and assuming that 100,000,000 Shares to be issued pursuant to the Global Offering and capitalization issue of 239,990,000 Shares (without considering the conversion of 2,500 Series A Preferred Shares into Ordinary Shares of the Company) had been completed on March 31, 2014. It does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option, any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme, or any Shares which may be issued or repurchased pursuant to our Company's general mandate.*

(4) *The unaudited pro forma adjusted combined net tangible assets of our Group per Share amounts in RMB are converted to HK$ at an exchange rate at RMB1 to HK$1.256, which was the rate prevailing on September 5, 2014 as set by the PBOC. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.*

(5) *By comparing the valuation of the Group's property interests including buildings and construction in progress as at June 30, 2014 of approximately RMB194 million as set out in Appendix III to the prospectus, the valuation surplus is approximately RMB86.92 million as compared to the unaudited carrying amounts of the Group's property interests as of June 30, 2014. The revaluation of the Group's property interests will not be incorporated in the future financial statements of the Group. If the revaluation surplus is to be included in the future financial statements of the Group, an additional annual depreciation charge of approximately RMB4.35 million would be recorded.*

(6) *No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to March 31, 2014, in particular, the unaudited pro forma adjusted combined net tangible assets of our Group has not been adjusted for the effect of the deemed distribution amounting to RMB227.0 million and pre-IPO investment as more fully explained in the section headed "History, Reorganization and corporate structure" in this prospectus. The funding of the RMB227.0 million was mainly sourced from the proceeds from the issue of 2,500 Series A Preferred Shares to Actis Ship amounting to US$26.7 million (equivalent to RMB164.8 million) and convertible promissory note with a principle value of US$12.7 million (equivalent to RMB78.4 million) to Actis 151 by our Company in April 2014. The deemed distribution and the proceeds from the issue of 2,500 Series A Preferred Shares would result in a net decrease of RMB62.2 million on our Group's net tangible asset value before the Global Offering.*

Had the deemed distribution and the proceeds from the issue of 2,500 Series A Preferred Shares been taken into account by adjusting RMB227.0 million and US$26.7 million (equivalent to RMB164.8 million) to the unaudited pro forma adjusted combined net tangible assets of our Group, the unaudited pro forma adjusted combined net tangible assets of our Group per Share would decrease to RMB0.95 (equivalent to HK$1.19) based on the Offer Price of HK$3.7 (equivalent to RMB2.95) per Share which is arrived at on the basis of a total of 400,000,000 Shares. US dollars amount is converted to Renminbi at an exchange rate of US$1 to RMB6.1707 and Renminbi amount is converted to Hong Kong dollars at an exchange rate of RMB1 to HK$1.256, which were the PBOC rates prevailing on September 5, 2014. No representation is made that US dollars have been, could have been or may be converted to Renminbi amounts, or vice versa, at that rate or at all, and no representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

FUTURE PLANS

Please refer to the section headed "Business — Strategies" in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds of the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering, and based on the Offer Price of HK$3.7 per Offer Share will be approximately HK$320 million, assuming that the Over-allotment Option is not exercised. We currently intend to apply such net proceeds in the following manner:

- approximately HK$130 million (equivalent to approximately 40.6% of our total estimated net proceeds) will be used for increasing the recognition and awareness of our brands and expansion of our distribution and sales network, including:
  - — engagement of marketing consultants to assist us in product positioning, organization of marketing activities, improving the packaging of our products;
  - — organization of marketing events that target the young generation, including supplying biscuits to local primary schools;
  - — advertisements on the internet, television, public transport and printed media, such as outdoor billboards and newspapers;
  - — recruitment of more sales representatives to provide services to our distributors and retailers, in particular, to assist them with their sales and marketing efforts;
  - — expansion of our geographic coverage for marketing services, with a focus of expansion in our less mature markets and relatively new markets in the PRC; and
  - — participate in domestic and international trade shows and food exhibitions;
- approximately HK$30 million (equivalent to approximately 9.4% of our total estimated net proceeds) will be used for our infrastructure investment, including:
  - — upgrading of our information system which is expected to be completed by the end of 2015;
  - — acquisition of automated machineries for sandwich biscuit production for our production plants in Kaiping, Guangdong province and Suqian, Jiangsu province, which is expected to be completed by the end of 2014 and in the first half of 2015, respectively;
  - — acquisition of automated machineries for packaging for our production plants in Kaiping, Guangdong province, Suqian, Jiangsu province and Xingtai, Hebei province which is expected to be completed by the end of 2016;

- — acquisition of automatic weight testing machines for our production plants in Kaiping, Guangdong province, Suqian, Jiangsu province and Xingtai, Hebei province which is expected to be completed by the end of 2016;

- — acquisition and advancement of devices for food safety and hygiene control for our production plants in Kaiping, Guangdong province, Suqian, Jiangsu province and Xingtai, Hebei province which is expected to be completed by the end of 2016;

- — advancement of our production plants in Kaiping, Guangdong province, Suqian, Jiangsu province and Xingtai, Hebei province which is expected to be completed by the end of 2016; and

- — upgrading of our existing production lines in our production plants in Kaiping, Guangdong province, Suqian, Jiangsu province and Xingtai, Hebei province;

- approximately HK$28 million (equivalent to approximately 8.7% of our total estimated net proceeds) will be used for research and development activities in order to refine of our existing product offerings and develop new products, including:

  - — the recruitment of experts and professional personnel for different aspects of research and development;

  - — acquisition of another production line for trial in research and development in Kaiping, Guangdong province; and

  - — collaboration with universities and research institutes to enhance the quality of our raw materials and explore new production methods;

- approximately HK$100 million (equivalent to approximately 31.3% of our total estimated net proceeds) will be used for repayment of principal amount and the accrued interest under the convertible promissory note issued to Actis 151 pursuant to the Investment Agreement. A majority of the proceeds from the issuance of the convertible promissory note was used to settle the consideration for our acquisition of Guangdong Jiashili as part of our Reorganization. The interest rate and maturity date of the convertible promissory note are as follows:

  - — Interest rate: 8% per annum on the outstanding principal amount compounded annually, accruing on a daily basis from the issue date

  - — Maturity date: the earlier of (i) October 15, 2015; or (ii) the Listing Date; and

- approximately HK$32 million (equivalent to approximately 10.0% of our total estimated net proceeds) for working capital and other general corporate purposes.

If the Over-allotment Option is exercised in full, the net proceeds of the Global Offering will increase by approximately HK$53.8 million. We intend to apply the additional net proceeds from the exercise of the Over-allotment Option to the above purposes on a pro-rata basis.

Should our Directors decide to reallocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks and authorized financial institutions in Hong Kong for so long as it is in our best interests. We will also disclose the same in the relevant annual report.

As advised by our PRC Legal Advisers, subject to the relevant PRC governmental approval, registrations and/or filings, the net proceeds of the Global Offering can be applied in the PRC according to the above intended use of the net proceeds under the relevant existing laws and regulations in the PRC by: (i) increasing the registered capital of our Company's subsidiaries in the PRC; (ii) establishing a new subsidiary in the PRC; (iii) acquiring equity interests in other companies in the PRC; and/or (iv) providing shareholder's loans to our Company's subsidiaries in the PRC in an amount not exceeding the difference between the investment amount and the registered capital of such subsidiary which is a foreign invested enterprise. Our Directors are of the view that there will be no material impact on our Group's liquidity requirements if the net proceeds of the Global Offering cannot be applied in the PRC.

HONG KONG UNDERWRITERS

China Merchants Securities (HK) Co., Limited

First Shanghai Securities Limited

Guotai Junan Securities (Hong Kong) Limited

Industrial Securities (Hong Kong) Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

We are initially offering 10,000,000 Shares for subscription by the public in Hong Kong on the terms and subject to the conditions set out in this prospectus and the Application Forms. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten on a several basis, not jointly nor jointly and severally, by the Hong Kong Underwriters in accordance with their respective Hong Kong Underwriting Commitments (as defined in the Hong Kong Underwriting Agreement) set out in the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon, amongst other things:

(a) the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), Shares to be issued pursuant to the Capitalization Issue and any Shares which may be issued upon the exercise of any options to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme;

(b) the International Underwriting Agreement having been duly executed and delivered and having become unconditional and not having been terminated in accordance with its terms (save as regards any condition relating to the Hong Kong Underwriting Agreement having become unconditional); and

(c) certain other conditions set out in the Hong Kong Underwriting Agreement.

Grounds for termination

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination at any time prior to 8:00 a.m. on the Listing Date. The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) may in its sole and absolute discretion, upon giving notice to our Company, terminate the Hong Kong Underwriting Agreement with immediate effect upon the occurrence of any of the following events:

(a) there has come to the notice of the Sole Global Coordinator:

(i) that any statement contained in any of the post hearing information pack, this prospectus, the Application Forms, the formal notice (including any supplement or amendment thereto) or any other document published or to be published by our Company in connection with the Global Offering was, when it was issued, or has become, untrue, incorrect, inaccurate or misleading, or that any forecasts, estimates, expressions of opinion, intention or expectation expressed in the post hearing information pack, this prospectus, the Application Forms, formal notice and/or any announcements issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) are not, in the sole and absolute opinion of the Sole Global Coordinator, fair and honest nor based on reasonable assumptions; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus and the Application Forms, not having been disclosed in this prospectus and the Application Forms, result in a misstatement in, constitute an omission from, any of this prospectus, the Application Forms, the formal notice and/or any announcements issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(iii) any breach of any of the obligations, warranties or undertakings imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than any of the Hong Kong Underwriters or the International Underwriters); or

(iv) any event, act or omission which gives or is likely to give rise to any liability of any of the Warrantors (as defined in the Hong Kong Underwriting Agreement) pursuant to the indemnities referred to in the Hong Kong Underwriting Agreement; or

(v) any adverse change or development involving an adverse change or a prospective adverse change in the earnings, business, operations, assets, liabilities, conditions, business affairs, management, prospects, Shareholders' equity, profits, losses or financial or trading position or performance of any member of our Group; or

(vi) any breach of any of the Warranties (as defined in the Hong Kong Underwriting Agreement) or undertakings given by any of the Warrantors under the Hong Kong Underwriting Agreement or any matter or event showing any of such Warranties or undertakings to be untrue, incorrect, inaccurate or misleading in any respect when given or repeated; or

(vii) approval by the Listing Committee of the listing of, and permission to deal in, our Shares in issue and to be issued or sold under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) our Company withdraws this prospectus (and/or any other documents used in connection with the contemplated subscription of our Shares) or the Global Offering; or

(ix) any loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or

(x) any profit forecast which appears in any of the post hearing information pack or this prospectus is or becomes incapable of being met or unlikely to be met; or

(b) there develops, occurs, exists or comes into force:

(i) any act of force majeure or any event, or series of events, beyond the control of the Sole Global Coordinator including, without limitation, acts of government, economic sanctions, strikes, lock-outs, fire, explosion, flooding, civil commotion, riots, public disorder, acts of war, acts of God, acts of terrorism, outbreak of diseases or epidemics (including, but not limited to, SARS and H5N1 and such related/mutated forms) or interruption or delay in transportation and any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or any other state of emergency or calamity or crisis in or affecting Hong Kong, the PRC, the United States, the European Union, the United Kingdom, the Cayman Islands, the BVI, Japan, Singapore or any other jurisdiction relevant to any member of our Group (collectively, the "**Relevant Jurisdictions**"); or

(ii) any change or development involving a prospective change or development, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions or equity securities or stock or other financial market condition or any monetary or trading settlement system or matters and/or disaster in the Relevant Jurisdictions (including, without limitation, any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the Shanghai Stock Exchange, the New York Stock Exchange or the London Stock Exchange or a material devaluation of Hong Kong dollars or the Renminbi against any foreign currencies (including but not limited to a change in the system under which the value of the Hong Kong currency is linked to that of the United States), or any suspension of trading of any of the securities of our Company on any exchange or over-the-counter market or any disruption in securities settlement or clearance services or procedures in or affecting any of the Relevant Jurisdictions); or

(iii) any general moratorium on commercial banking activities in any of the Relevant Jurisdictions, or there is any disruption in commercial banking, foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those jurisdictions; or

(iv) any new law or change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or

(v) the imposition of economic sanctions, in whatever form, directly or indirectly, by the Relevant Jurisdictions; or

(vi) a change or development occurs involving a prospective change in taxation or exchange control, currency exchange rates or foreign investment regulations (or the implementation of any exchange control) (including without limitation a material devaluation of the Hong Kong dollar, the Renminbi, the United States dollar, the Euro, the Japanese yen or the British pound sterling against any foreign currencies and any disruptions in monetary, trading or securities settlement or clearance services, procedures or matters) in any of the Relevant Jurisdictions affecting an investment in our Shares; or

(vii) any actions, suits, claims (whether or not any such claim involves or results in any actions or proceedings), demands, investigations, judgment, awards and proceedings, joint or several, from time to time instituted, made or brought or threatened or alleged to be instituted, made or brought against or otherwise involve (together, the "**Actions**") of any third party being threatened or instigated against any member of our Group; or

(viii) a Director being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(ix) the chairman or chief executive officer of our Company vacating his or her office in circumstances where the operations of our Group may be affected; or

(x) the commencement by any regulatory or political body or organization of any Action against a Director or any member of our Group or an announcement by any regulatory or political body or organization that it intends to take any such Action; or

(xi) a contravention by any member of our Group of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Companies Law or any of the Listing Rules or applicable laws; or

(xii) a prohibition on our Company for whatever reason from offering, allotting issuing or selling any of our Shares pursuant to the terms of the Global Offering; or

(xiii) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription of our Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law; or

(xiv) other than with the approval of the Sole Global Coordinator, the issue or requirement to issue by our Company of a supplementary prospectus (or any other documents used in connection with the contemplated subscription of our Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xv) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or

(xvi) an order or a petition is presented for the winding up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

(xvii) any change or prospective change, or a materialization of, any of the risks set out in the section headed "Risk factors" in this prospectus;

which, individually or in the aggregate, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters):

(aa) is or is likely to or will or may have an adverse effect on the business, financial, trading or other condition or prospects of our Company or our Group as a whole or to any present or prospective Shareholder in his/its capacity as such; or

(bb) has or will have or may have an adverse effect on the success of the Global Offering or the level of Offer Shares being applied for, accepted, subscribed for or purchased or the distribution of Offer Shares or dealings in our Shares in the secondary market; or

(cc) makes it inadvisable, inexpedient or impracticable to proceed with or market the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated in this prospectus; or (dd) has or will or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the Hong Kong Underwriting Agreement.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertaking by us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering, and in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertaking by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange that except pursuant to the Global Offering and the Stock Borrowing Agreement, he/she/it will not and shall procure that the relevant registered holder(s) will not, without the prior written consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules:

(a) in the period commencing on the date by reference to which disclosure of his/her/its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date ("**First Six-month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of our Company in respect of which he/she/it is shown by this prospectus to be the beneficial owner; and

(b) in the period of six months commencing on the date on which the First Six-month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would then cease to be our Company's controlling shareholder for the purposes of the Listing Rules.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and our Company that within the period commencing on the date by reference to which disclosure of his/her/its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it shall:

(a) when he/she/it pledges or charges any securities of our Company beneficially owned by him/her/it in favor of any authorized institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and

(b) when he/she/it receives indications, either verbal or written, from the pledgee or chargee that any of the securities of our Company pledged or charged will be disposed of, immediately inform our Company of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of our Controlling Shareholders.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertaking by us

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to the Sole Global Coordinator and each of the Hong Kong Underwriters that we will not, and each of our Controlling Shareholders has undertaken to the Sole Global Coordinator and each of the Hong Kong Underwriters to procure that our Company will not, except pursuant to the Global Offering, the Capitalization Issue, the Pre-IPO Share Option Scheme or the Share Option Scheme, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time from the date of the Hong Kong Underwriting Agreement to the expiry of the First Six-month Period:

(a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase any of its share capital or other securities of our Company or any of our subsidiaries or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein; or

(c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or

(d) offer to or agree to do any of the foregoing or announce any intention to do so, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise,

and in the event of us doing any of the foregoing during the period of six months immediately following the expiry of the First Six-month Period, we will, and each of our Controlling Shareholders will procure that we will, take all steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

Undertaking by our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally undertaken to us, the Sole Global Coordinator and each of the Hong Kong Underwriters that, except pursuant to the Global Offering and the Stock Borrowing Agreement, it will not, and will procure that none of its associates or companies controlled by it or any nominee or trustee holding in trust for it will, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time during the First Six-month Period:

(a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the share or debt capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein) whether now owned or hereinafter acquired, owned directly or indirectly by it (including holding as a custodian) or with respect to which it has beneficial ownership (collectively the "**Lock-up Shares**") (the foregoing restriction is expressly agreed to preclude it from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Lock-up Shares even if such Shares would be disposed of by someone other than it. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Lock-up Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein; or

(c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or

(d) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in (a) or (b) or (c) above, whether any such transaction described in (a) or (b) or (c) above is to be settled by delivery of Shares or such other securities, in cash or otherwise.

Additionally, within the period of six months immediately following the expiry of the First Six-month Period, each of our Controlling Shareholders will not enter into any of the foregoing transactions described in (a), (b), (c) or (d) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transaction, our Controlling Shareholders in aggregate will cease to be controlling shareholders of the Company within the meaning of the Listing Rules.

Subject to the restrictions above, until the expiry of the period of six months immediately following the expiry of the First Six-month Period, if any of our Controlling Shareholders enters into any of the foregoing transactions described in (a), (b), (c) or (d) above or agrees or contracts to, or publicly announces any intention to enter into any such transactions, it will take all steps to ensure that it will not create a disorderly or false market in our Shares or other securities of our Company.

Indemnity

We and each of our Controlling Shareholders have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including, among other things, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the provisions of the Hong Kong Underwriting Agreement.

Commissions and expenses

The Hong Kong Underwriters will receive a gross commission of 3% of the aggregate Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed

Hong Kong Offer Shares reallocated to the International Offering and any International Offer Shares reallocated from the International Offering to the Hong Kong Public Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters.

The aggregate commissions (exclusive of any discretionary incentive fees), together with listing fees, the SFC transaction levy and the Stock Exchange trading fee in respect of the new Shares offered by us, legal and other professional fees and printing and other expenses relating to the Global Offering are estimated to amount to approximately HK$50 million (based on the Offer Price of HK$3.7 and assuming that the Over-allotment Option is not exercised) in total and are payable by us.

Activities by syndicate members

We describe below a variety of activities that the Hong Kong Underwriters and International Underwriters (together referred to as "**Syndicate Members**") may each individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

(a) under the agreement among the Syndicate Members, all of them (except for CMS and/or its affiliates and as the Stabilization Manager) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to our Shares, those activities could include acting as agent for buyers and sellers of our Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in our Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have our Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling our Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our Shares, in baskets of securities or indices including our Shares, in units of funds that may purchase our Shares, or in derivatives related to any of the foregoing.

In relation to any issue by Syndicate Members or their affiliates of any listed securities having Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in our Shares in most cases.

All of these activities may occur both during and after the end of the stabilizing period described in the section headed "Structure and conditions of the Global Offering — Stabilization" in this prospectus. These activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

Hong Kong Underwriters' interests in us

Save for their respective obligations under the Hong Kong Underwriting Agreement and, if applicable, the Stock Borrowing Agreement, none of the Hong Kong Underwriters has any shareholding interests in us or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in us.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

International Offering

In connection with the Global Offering, we expect our Company will enter into the International Underwriting Agreement with, amongst others, the International Underwriters. Pursuant to the International Underwriting Agreement, the International Underwriters, subject to certain conditions, will agree severally to subscribe and/or purchase or procure subscribers or buyers for the subscription or purchase of the International Offer Shares being offered pursuant to the International Offering.

We will grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriters at any time from the Listing Date up to (and including) the day which is the 30th day after the last date for the lodging of Application Forms under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 15,000,000 additional Shares, being 15% of the Offer Shares initially available under the Global Offering, at the Offer Price to cover over-allocations in the International Offering.

Sole Sponsor's independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering consists of:

(a) the Hong Kong Public Offering of 10,000,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described below under the paragraph headed "Hong Kong Public Offering" in this section; and

(b) the International Offering of 90,000,000 Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States in reliance on Regulation S. Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S.

The International Underwriters are soliciting from prospective investors indications of interest in acquiring the International Offer Shares in the International Offering. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire.

The number of Hong Kong Offer Shares to be offered under the Hong Kong Public Offering and the number of International Offer Shares to be offered under the International Offering respectively may be subject to reallocation as described under the paragraph headed "Pricing and allocation" below.

PRICING AND ALLOCATION

The Offer Price is fixed at HK$3.7. If, based on the level of interest expressed by prospective institutional and professional investors and other investors during the book-building process, the Sole Bookrunner (on behalf of the Underwriters and with the consent of our Company) considers the number of Offer Shares being offered under the Global Offering and/or the Offer Price inappropriate, the Sole Bookrunner (on behalf of the Underwriters) may reduce the number of Offer Shares being offered under the Global Offering and/or the Offer Price below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the Offer Price. Such notice will also be available at the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.gdjsl.com**. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed "Summary" in this prospectus and any other financial information which may change as a result of such reduction. Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the Offer Price may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, in the event that the number of Offer Shares and/or the Offer Price is/are so reduced, such applications can subsequently be withdrawn.

Our Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator. Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the listing of the Offer Shares on the Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants, although the allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, and the basis of allocations of the Hong Kong Offer Shares and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering are expected to be made available in a variety of channels in the manner described in the section headed "How to apply for Hong Kong Offer Shares — Publication of results of allocations" in this prospectus from Wednesday, September 24, 2014.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional upon:

(a) the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), Shares to be issued pursuant to the Capitalization Issue and any Shares which may be issued upon the exercise of any options to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme;

(b) our Company having submitted to the HKSCC all requisite documents to enable our Shares to be admitted to trade on the Stock Exchange;

(c) the execution and delivery of the International Underwriting Agreement on or around September 19, 2014; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of such agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent that such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to apply for Hong Kong Offer Shares" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering have become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or prior to the Share certificates bearing valid certificates of title do so entirely at their own risk.

HONG KONG PUBLIC OFFERING

Number of Shares initially offered and their allocation

We are initially offering 10,000,000 Shares at the Offer Price, representing approximately 10% of the 100,000,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Hong Kong Public Offering will represent 2.5% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. In Hong Kong, individual retail investors are expected to apply for Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking Offer Shares in the International Offering will not be allocated Offer Shares in the Hong Kong Public Offering.

For allocation purposes only, the total number of Hong Kong Offer Shares initially available for subscription by the public under the Hong Kong Public Offering, on a **WHITE** or **YELLOW** Application

Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider via the **HK eIPO White Form** service (subject to any adjustment of our Shares between the International Offering and the Hong Kong Public Offering) will be divided equally (to the nearest board lot) into two pools for allocation purposes: Pool A and Pool B. The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with a total subscription amount of HK$5 million or below (excluding brokerage, the SFC transaction levy and the Stock Exchange trading fee payable). The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with a total subscription amount of more than HK$5 million (excluding brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total initial value of Pool B.

Applicants should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. The applicant can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. We will reject multiple applications between the two pools and reject multiple applications within Pool A or Pool B.

In the case of over-subscription, allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering, both in relation to Pool A and Pool B, will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares. Multiple or suspected multiple applications and any application for more than 50% of the Hong Kong Offer Shares initially being offered for subscription by the public (that is, to apply for more than 5,000,000 Shares) are liable to be rejected.

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, or (iii) 100 times or more, of the number of Offer Shares initially available under the Hong Kong Public Offering, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 30,000,000, 40,000,000 and 50,000,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and such reallocation being referred to in this prospectus as "**Mandatory Reallocation**". In such cases, the number of Offer Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Sole Global Coordinator deems appropriate, and such additional Offer Shares will be reallocated to Pool A and Pool B in the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Global Coordinator deems appropriate. In addition to any Mandatory Reallocation which may be required, the Sole Global Coordinator may, at their sole discretion, reallocate Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering, regardless of whether the Mandatory Reallocation is triggered.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her that he/she and any person for whose benefit he/she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

Our Company, our Directors and the Underwriters will take reasonable steps to identify and reject applications under the Hong Kong Public Offering from investors who have received Shares in the International Offering and to identify and reject indications of interest in the International Offering from investors who have received Shares in the Hong Kong Public Offering.

The Offer Price is fixed at HK$3.7. Applicants under the Hong Kong Public Offering are required to pay, on application, the Offer Price of HK$3.7 per Offer Share plus 1.0% brokerage fee, 0.003% SFC transaction levy, and 0.005% Stock Exchange trading fee. Further details are set out in the section headed "How to apply for Hong Kong Offer Shares" in this prospectus.

INTERNATIONAL OFFERING

Number of Offer Shares offered and their allocation

The number of Shares to be initially offered for subscription and purchase under the International Offering will be 90,000,000 Shares (subject to adjustment and the Over-allotment Option), representing approximately 90% of the Offer Shares under the Global Offering.

The International Offering is subject to the Hong Kong Public Offering being unconditional. Subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, before taking into account any exercise of the Over-allotment Option, the International Offer Shares will represent approximately 22.5% of our total issued share capital immediately after completion of the Global Offering.

Pursuant to the International Offering, the International Underwriters will conditionally place our Shares with institutional and professional investors and other investors expected to have a sizeable demand for our Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing and allocation" in this section and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator in order to allow it to identify the relevant applications under the Hong Kong Public Offering and to consider whether it should be excluded from any application for Shares under the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

We expect to grant the Over-allotment Option to the Sole Global Coordinator exercisable at any time from the Listing Date up to (and including) the date which is the 30th day after the last date for the lodging of Application Forms under the Hong Kong Public Offering, being Saturday, October 18, 2014. Pursuant to the Over-allotment Option, the Sole Global Coordinator will have the right to require us to allot and issue up to an aggregate of 15,000,000 additional new Shares, representing in aggregate 15% of the Offer Shares initially available under the Global Offering. These Shares will be issued at the Offer Price. We will make an announcement if the Over-allotment Option is exercised.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocation in connection with the Global Offering, the Stabilization Manager may choose to borrow, whether on its own or through its affiliates and agents, up to 15,000,000 Shares from Kaiyuan pursuant to a stock borrowing arrangement (being the maximum number of Shares which may be allotted and issued by the Company upon exercise of the Over-allotment Option), or acquire Shares from other sources, including the exercise of the Over-allotment Option.

If such stock borrowing arrangement with Kaiyuan is entered into, it will only be effected by the Stabilization Manager or its agent for settlement of over-allocation in the International Offering and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are complied with.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilization Manager and/or its affiliates and agents, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period from the Listing Date and ending on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering being Saturday, October 18, 2014. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilization Manager or its agent to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilization Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, being Saturday, October 18, 2014. The number of Shares that may be over-allocated will not exceed the number of

Shares that may be allotted and issued under the Over-allotment Option, namely 15,000,000 Shares, which is approximately 15% of the Offer Shares initially available under the Global Offering.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules, Chapter 571W of the Laws of Hong Kong. Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of our Shares; (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimizing any reduction in the market price of our Shares; and (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in our Shares should note that:

(a) the Stabilization Manager, or any person acting for it, may, in connection with the stabilizing action, maintain a long position in our Shares;

(b) there is no certainty regarding the extent to which and the time period for which the Stabilization Manager, or any person acting for it, will maintain such a long position;

(c) liquidation of any such long position by the Stabilization Manager may have an adverse impact on the market price of our Shares;

(d) no stabilizing action can be taken to support the price of our Shares for longer than the stabilizing period which will begin on the Listing Date, and is expected to expire on October 18, 2014, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;

(e) the price of our Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and

(f) stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, our Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

In connection with the Global Offering, the Stabilization Manager may over-allocate up to and not more than an aggregate of 15,000,000 additional Shares and cover such over-allocations by the exercise of the Over-allotment Option, which will be exercisable by the Sole Global Coordinator, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the International Offering, the Stabilization Manager may borrow up to 15,000,000 Shares from Kaiyuan, equivalent to the maximum number of Shares to be allotted and issued by the Company on full exercise of the Over-Allotment Option, under the Stock Borrowing Agreement. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements.

No payments or other benefit will be made to Kaiyuan by the Stabilization Manager in relation to the stock borrowing arrangement.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, September 25, 2014, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, September 25, 2014. The Shares will be traded in board lots of 1,000 Shares each.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement.

We expect that we will enter into the International Underwriting Agreement relating to the International Offering on or about Friday, September 19, 2014.

The underwriting arrangements are summarized in the section headed “Underwriting” in this prospectus.

HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **White** or **Yellow** Application Form;
- apply online via the **HK eIPO White Form** service at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

WHO CAN APPLY FOR THE HONG KONG OFFER SHARES

You can apply for Hong Kong Offer Shares on a **White** or **Yellow** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person duly authorized under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions if thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate of any of the above;
- a Connected Person of our Company or will become a Connected Person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

APPLYING FOR HONG KONG OFFER SHARES

Which application channel to use

For Hong Kong Offer Shares to be issued in your own name, use a **White** Application Form or apply online through **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **Yellow** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **White** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, September 15, 2014 to 12:00 noon on Thursday, September 18, 2014 from:

(a) any of the following offices of the Hong Kong Underwriters:

China Merchants Securities (HK) Co., Limited
48th Floor, One Exchange Square
8 Connaught Place
Central
Hong Kong

First Shanghai Securities Limited
19/F, Wing On House
71 Des Voeux Road Central
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
27/F, Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Industrial Securities (Hong Kong) Capital Limited
Unit 3201 32/F Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

(b) any of the branches of the following receiving banks:

Standard Chartered Bank (Hong Kong) Limited

District	Branch name	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Hennessy Road Branch	399 Hennessy Road, Wanchai
	North Point Centre Branch	Shop G, G/F, North Point Centre, 284 King's Road, North Point
Kowloon	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
	Lok Fu Shopping Centre Branch	Shop G201, G/F., Lok Fu Shopping Centre
	Mei Foo Stage I Branch	G/F, 1C Broadway, Mei Foo Sun Chuen Stage I, Lai Chi Kok
New Territories	Tuen Mun Town Plaza Branch	Shop No. G047 - G052, Tuen Mun Town Plaza Phase I, Tuen Mun
	Tai Po Branch	G/F shop No. 2, 23 - 25 Kwong Fuk Road, Tai Po Market, Tai Po

Bank of Communications Co., Ltd. Hong Kong Branch

District	Branch name	Address
Hong Kong Island	Hong Kong Branch	20 Pedder Street, Central
	Quarry Bay Sub-Branch	G/F., 981C King's Road, Quarry Bay
Kowloon	Jordan Road Sub-Branch	1/F., Booman Building, 37U Jordan Road
	Lam Tin Sub-Branch	Shop No.5 & 9, G/F., Kai Tin Tower, 63-65 Kai Tin Road, Lam Tin
New Territories	Market Street Sub-Branch	G/F., 53 Market Street, Tsuen Wan
	Tiu Keng Leng Sub-Branch	Unit L2-064 & 065, Metro Town Shopping Mall, 8 King Ling Road, Tiu Keng Leng

You can collect a **Yellow** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, September 15, 2014 until 12:00 noon on Thursday, September 18, 2014 from the

Depository Counter of HKSCC at HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or from your stockbroker.

Time for lodging Application Forms

Your completed **White** or **Yellow** Application Form, together with a cheque or a banker's cashier order attached and marked payable to Horsford Nominees Limited — Jiashili Group Public Offer for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Monday, September 15, 2014 — 9:00 a.m. to 5:00 p.m.
- Tuesday, September 16, 2014 — 9:00 a.m. to 5:00 p.m.
- Wednesday, September 17, 2014 — 9:00 a.m. to 5:00 p.m.
- Thursday, September 18, 2014 — 9:00 a.m. to 12:00 noon.

The application lists will be open from 11:45 a.m. to 12:00 noon on September 18, 2014, the last application day or such later time as described in the paragraph headed "Effect of bad weather conditions on the opening of the application lists" in this section.

TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

(a) undertake to execute all relevant documents and instruct and authorize our Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(b) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(d) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(f) agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(h) agree to disclose to our Company, our Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(k) agree that your application will be governed by the laws of Hong Kong;

(l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(m) warrant that the information you have provided is true and accurate;

(n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(o) authorize our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the Share certificate(s) and/or refund cheque(s) in person;

(p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(q) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **White** or **Yellow** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **White** or **Yellow** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for Yellow Application Form

You may refer to the **Yellow** Application Form for details.

APPLYING BY USING HK EIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraph headed "Who can apply for the Hong Kong Offer Shares" in this section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for submitting applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, September 15, 2014 until 11:30 a.m. on Thursday, September 18, 2014 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, September 18, 2014 or such later time under the paragraph headed "Effects of bad weather conditions on the opening of the application lists" in this section.

No multiple applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System https://ip.ccass.com (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2nd Floor, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **White** Application Form is signed by HKSCC Nominees on your behalf:

(a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **White** Application Form or this prospectus;

(b) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **White** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Monday, September 15, 2014 — 9:00 a.m. to 8:30 p.m.(1)
- Tuesday, September 16, 2014 — 8:00 a.m. to 8:30 p.m.(1)
- Wednesday, September 17, 2014 — 8:00 a.m. to 8:30 p.m.(1)
- Thursday, September 18, 2014 — 8:00 a.m.(1) - 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/ Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, September 15, 2014 until 12:00 noon on Thursday, September 18, 2014 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, September 18, 2014, the last application day or such later time as described in the paragraph headed “Effect of bad weather conditions on the opening of the application lists” in this section.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bankers, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Hong Kong Underwriters, the Sole Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **White** or **Yellow** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, September 18, 2014.

HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **White** or **Yellow** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW MUCH ARE THE HONG KONG OFFER SHARES

The **White** and **Yellow** Application Forms have tables showing the exact amount payable for Shares.

You must pay the Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **White** or **Yellow** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the participants of the Sock Exchange, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure and conditions of the Global Offering — Pricing and allocation" in this prospectus.

EFFECT OF BAD WEATHER CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, September 18, 2014. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, September 18, 2014 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected timetable" in this prospectus, an announcement will be made in such event.

PUBLICATION OF RESULTS OF ALLOCATIONS

Our Company expects to announce the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, September 24, 2014 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on our Company's website at **www.gdjsl.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.gdjsl.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Wednesday, September 24, 2014;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, September 24, 2014 to 12:00 midnight on Tuesday, September 30, 2014;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, September 24, 2014 to Monday, September 29, 2014 (excluding Saturday, Sunday and public holiday in Hong Kong);
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, September 24, 2014 to Friday, September 26, 2014 at all the receiving bank branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure and conditions of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED THE HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If the Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Offer Shares either:

- within three weeks from the closing date of the application lists; or

- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure and conditions of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, September 24, 2014.

DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **Yellow** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application. If you apply by **White** or **Yellow** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **Yellow** Application Forms, Share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for all application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for.

Part of the Hong Kong identity card number/passport number, provided by you or the first- named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or around September 24, 2014. The right is reserved to retain any Share certificate(s) and any application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on September 25, 2014 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal collection

(a) If you apply using a White Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on September 24, 2014 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on September 24, 2014, by ordinary post and at your own risk.

(b) If you apply using a Yellow Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, September 24, 2014, by ordinary post and at your own risk.

If you apply by using a **Yellow** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, September 24, 2014, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

(c) If you apply through a designated CCASS participant (other than a CCASS investor participant)

For Hong Kong Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

(d) If you are applying as a CCASS investor participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of results of allocations" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, September 24, 2014 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(e) If you apply through the* HK eIPO White Form *service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, September 24, 2014, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Wednesday, September 24, 2014 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(f) If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on September 24, 2014, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the paragraph headed "Publication of results of allocations" above on September 24, 2014. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on September 24, 2014 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on September 24, 2014. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications will be credited to your designated bank account or the designated bank account of your broker or custodian on September 24, 2014.

ADMISSION OF THE OFFER SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Offer Shares and we comply with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Offer Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Offer Shares to be admitted into CCASS.

The following is a text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong. As described in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VII to this prospectus, a copy of the following accountants' report is available for inspection.

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

September 15, 2014

The Directors
Jiashili Group Limited
China Merchants Securities (HK) Co., Limited

Dear Sirs,

We set out below our report on the financial information relating to Jiashili Group Limited 嘉士利集團有限公司 (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended December 31, 2013 and the three months ended March 31, 2014 (the "Track Record Period") (the "Financial Information") for inclusion in the prospectus of the Company dated September 15, 2014 in connection with the initial listing of the shares of the Company (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Prospectus").

The Company was incorporated as an exempted company in the Cayman Islands with limited liability on December 19, 2013, with headquarter located in Kaiping City, the People's Republic of China (the "PRC"). The Company is an investment holding company. The principal activities of the Group are engaged in manufacture and sale of biscuits and pasta in the PRC. Pursuant to a group reorganization, as more fully explained in the section headed "History, Reorganization and Corporate Structure" in the Prospectus (the "Group Reorganisation"), the Company became the holding company of the entities comprising the Group on April 4, 2014.

As at December 31, 2011, 2012 and 2013, March 31, 2014 and the date of this report, the Group has equity interest in the following subsidiaries and associate:

Name of subsidiary	Place and date of incorporation/ establishment	Registered capital/issued and fully paid-up share capital	Equity interest attributable to the Company					Principal activities
			December 31,			March 31,	Date of this report	
			2011	2012	2013	2014		
Direct								
Jiashili Limited 嘉士利有限公司 ("Jiashili BVI")	British Virgin Islands December 6, 2013	Ordinary shares of US$50,000 and paid-up capital of nil	-	-	100%	100%	100%	Investment holding
Indirect								
Kashi Jiashili Food Company Limited* 喀什嘉士利食品有限公司 ("Kashi Food")(Note 1)	PRC November 5, 2010	Registered capital of RMB1,000,000 and paid-up capital of RMB1,000,000	100%	100%	100%	100%	-	Inactive
Guangdong Jiashili Food Group Co., Limited 廣東嘉士利食品集團有限公司 ("Guangdong Jiashili")	PRC June 8, 2005	Registered capital of RMB120,000,000 and paid-up capital of RMB120,000,000	100%	100%	100%	100%	100%	Investment holding and manufacturing and sale of confectioneries
Guangdong Kangli Food Company Limited* 廣東康力食品有限公司 ("Guangdong Kangli")(Note 2)	PRC September 24, 1998	Registered capital of RMB20,000,000 and paid-up capital of RMB20,000,000	100%	100%	100%	-	-	Manufacture and sale of pasta
Jiangsu Jiashili Food Company Limited* 江蘇嘉士利食品有限公司 ("Jiangsu Jiashili")	PRC September 30, 2009	Registered capital of RMB10,000,000 and paid-up capital of RMB10,000,000	100%	100%	100%	100%	100%	Wholesale and retail of pre-packaged food and manufacture and sale of biscuits
Jiashili (Hong Kong) Limited 嘉士利(香港)有限公司 ("Jiashili HK")	Hong Kong December 24, 2013	Ordinary shares of HK$10,000 and paid-up capital of nil	-	-	100%	100%	100%	Investment holding
Xingtai Jiashili Food Company Limited* 邢台嘉士利食品有限公司 ("Xingtai Jiashili")	PRC August 19, 2008	Registered capital of RMB5,000,000 and paid-up capital of RMB5,000,000	100%	100%	100%	100%	100%	Manufacture and sale of biscuits

Name of associate	Place and date of establishment	Registered capital	Equity interest attributable to the Company: December 31, 2011	December 31, 2012	December 31, 2013	March 31, 2014	Date of this report	Principal activities
Kashi Jiashili Guoye Company Limited 喀什嘉士利果業有限公司 ("Kashi Guoye")(Note 3)	PRC November 5, 2010	Registered capital of RMB1,000,000 and paid-up capital of RMB1,000,000	20%	20%	-	-	-	Inactive

Note 1: Kashi Food has not commenced its business operation since its establishment and was dissolved on April 11, 2014.
Note 2: Guangdong Kangli was disposed of on March 28, 2014.
Note 3: Kashi Guoye has not commenced its business operation since its establishment and was dissolved on May 29, 2013.
* *English name for reference only*

The financial year-end date of all the entities now comprising the Group is December 31.

The statutory financial statements of the subsidiaries established in the PRC (other than Kashi Food) for the Track Record Period were prepared in accordance with relevant accounting principles and financial regulations applicable to enterprises established in the PRC (the "PRC GAAP") and were audited by certified public accountants registered in the PRC referred to as below.

Name of entity	Financial year	Name of auditor
Guangdong Jiashili	Each of the years ended December 31, 2011, 2012 and 2013	Foshan Shunxin Certified Public Accountants 佛山市順鑫會計師事務所
Guangdong Kangli	Year ended December 31, 2011	Jiangmen Bei Dou Certified Public Accountants 江門北斗會計師事務所
	Each of the years ended December 31, 2012 and 2013	Qiyilai Certified Public Accountants 江門市蓬江區淇益來會計師事務所
Jiangsu Jiashili	Each of the years ended December 31, 2011, 2012 and 2013	Suqian Xinde Certified Public Accountants 宿遷信德聯合會計師事務所
Xingtai Jiashili	Each of the years ended December 31, 2011, 2012 and 2013	Xingtai Tianjian Certified Public Accountants 邢台天健會計師事務所有限責任公司

No audited statutory financial statements have been prepared for the Company, Kashi Food and Jiashili BVI since their respective dates of establishment or incorporation, as they have not carried on any business or there are no statutory audit requirements. No audited financial statements have been issued for Jiashili HK as it has not reached the statutory first limit imposed on the issuance of first set of audited statutory financial statements. For the purpose of this report, we have, however, reviewed all the relevant transactions of the Company, Jiashili BVI and Jiashili HK for the year ended December 31, 2013 and the three months ended March 31, 2014, or since their respective dates of incorporation where this is a shorter period and carried out such procedures as we considered necessary for inclusion of the financial information relating to these companies in this prospectus.

For the purpose of this report, the directors of Guangdong Jiashili have prepared the consolidated financial statements of Guangdong Jiashili and its subsidiaries for the Track Record Period in accordance with International Financial Reporting Standards ("IFRSs") (the "Underlying Financial Statements"). We have carried out an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Period as set out in this report has been prepared from the Underlying Financial Statements. No adjustments are considered necessary to the Underlying Financial Statements in the preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of Guangdong Jiashili who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at December 31, 2011, 2012 and 2013 and March 31, 2014 and of the Company as at December 31, 2013 and March 31, 2014 and of the combined results and cash flows of the Group for the Track Record Period.

The comparative combined statement of profit or loss and other comprehensive income, combined statement of cash flows and combined statement of changes in equity of the Group for the three months ended March 31, 2013 together with the notes thereon have been extracted from the Group's unaudited combined financial information for the same period (the "March 2013 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We conducted our review on the March 2013 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the March 2013 Financial Information consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the March 2013 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the March 2013 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with IFRSs.

A. FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended December 31,			Three months ended March 31,	
	NOTES	2011	2012	2013	2013	2014
		RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000) *(Unaudited)*	RMB ('000)
CONTINUING OPERATION						
Revenue	6	565,276	649,488	747,771	185,085	195,477
Cost of sales		(433,243)	(483,707)	(522,120)	(133,925)	(132,716)
Gross profit		132,033	165,781	225,651	51,160	62,761
Other income	7	3,023	11,004	6,919	1,290	597
Selling and distribution expenses		(60,127)	(69,191)	(87,932)	(22,080)	(22,578)
Administrative expenses		(20,820)	(29,470)	(29,595)	(7,096)	(5,926)
Finance costs	8	(1,191)	(606)	(2,448)	(485)	(955)
Other expenses and loss	9	(18,508)	(22,970)	(30,466)	(4,804)	(7,801)
Profit before tax		34,410	54,548	82,129	17,985	26,098
Income tax expense	10	(9,508)	(11,745)	(14,268)	(3,170)	(4,512)
Profit for the year/period from continuing operation	11	24,902	42,803	67,861	14,815	21,586
DISCONTINUED OPERATION						
Profit (loss) for the year/period from discontinued operation	12	3,573	645	1,408	(154)	61
Profit and total comprehensive income for the year/period attributable to the owners of the Company		28,475	43,448	69,269	14,661	21,647

COMBINED STATEMENTS OF FINANCIAL POSITION

	NOTES	At December 31, 2011	At December 31, 2012	At December 31, 2013	At March 31, 2014
		RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
NON-CURRENT ASSETS					
Property, plant and equipment	16	75,659	131,204	207,084	176,715
Prepaid lease payments	17	12,717	12,245	11,772	9,866
Intangible asset	18	3,000	2,500	2,000	1,875
Investment in an associate	19	200	200	-	-
Available-for-sale investment	20	8,000	8,000	-	-
Long term receivable	21	16,193	16,675	-	-
Amount due from an associate	22	50	50	-	-
Deposits for acquisition of property, plant and equipment and prepaid lease payments		624	838	12,924	12,879
Deferred tax assets	32	473	-	-	-
		116,916	171,712	233,780	201,335
CURRENT ASSETS					
Inventories	23	33,186	36,500	43,443	36,835
Prepaid lease payments	17	472	472	472	433
Trade, bills and other receivables	24	31,837	34,927	44,022	59,914
Amounts due from related companies	25	43,017	13	-	44,412
Structured deposits	26	1,000	1,000	-	-
Pledged bank deposits	27	4,560	11,618	10,845	16,493
Bank balances and cash	27	18,064	50,615	69,908	66,366
		132,136	135,145	168,690	224,453
CURRENT LIABILITIES					
Trade, bills and other payables	28	87,845	114,120	160,538	140,128
Amount due to a related company	25	2,587	-	-	-
Advances from customers	29	47,006	43,308	49,750	22,363
Dividends payable		-	32,341	-	-
Bank borrowings due within one year	30	2,000	7,823	35,300	43,232
Income tax payables		4,430	2,689	1,957	1,655
		143,868	200,281	247,545	207,378
NET CURRENT (LIABILITIES) ASSETS		(11,732)	(65,136)	(78,855)	17,075
TOTAL ASSETS LESS CURRENT LIABILITIES		105,184	106,576	154,925	218,410
NON-CURRENT LIABILITIES					
Bank borrowings due after one year	30	2,000	-	-	37,000
Deferred income	31	-	4,260	4,390	-
Deferred tax liabilities	32	215	174	133	-
		2,215	4,434	4,523	37,000
NET ASSETS		102,969	102,142	150,402	181,410
CAPITAL AND RESERVES					
Paid-in capital	33	52,000	52,000	120,000	120,000
Reserves		50,969	50,142	30,402	61,410
TOTAL EQUITY		102,969	102,142	150,402	181,410

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital	Contribution reserve	Statutory reserves	Accumulated profits/ (loss)	Total
	RMB ('000)	RMB ('000)	RMB ('000) (Note)	RMB ('000)	RMB ('000)
At January 1, 2011	52,000	-	9,678	12,816	74,494
Profit and total comprehensive income for the year	-	-	-	28,475	28,475
Appropriations	-	-	4,160	(4,160)	-
At December 31, 2011	52,000	-	13,838	37,131	102,969
Profit and total comprehensive income for the year	-	-	-	43,448	43,448
Appropriations	-	-	8,830	(8,830)	-
Dividends declared (Note 14)	-	-	-	(44,275)	(44,275)
At December 31, 2012	52,000	-	22,668	27,474	102,142
Profit and total comprehensive income for the year	-	-	-	69,269	69,269
Capital injection by cash	60,759	-	-	-	60,759
Additional capital from statutory reserve	7,241	-	(7,241)	-	-
Early settlement on long term receivable (Note 21)	-	8,972	-	-	8,972
Appropriations	-	-	16,585	(16,585)	-
Dividends declared (Note 14)	-	-	-	(90,740)	(90,740)
At December 31, 2013	120,000	8,972	32,012	(10,582)	150,402
Profit and total comprehensive income for the period	-	-	-	21,647	21,647
Appropriations	-	-	3,081	(3,081)	-
Gain on disposal of a subsidiary (Note 12)	-	9,361	-	-	9,361
At March 31, 2014	120,000	18,333	35,093	7,984	181,410
Unaudited					
At January 1, 2013	52,000	-	22,668	27,474	102,142
Profit and total comprehensive income for the period	-	-	-	14,661	14,661
Appropriations	-	-	2,242	(2,242)	-
At March 31, 2013	52,000	-	24,910	39,893	116,803

Note:

Statutory reserves comprise statutory surplus reserve and discretionary surplus reserve of subsidiaries established in the PRC, which are non-distributable and the transfer to these reserves is determined according to the relevant laws in the PRC and by the directors of the relevant subsidiaries in accordance with their Articles of Association. Statutory surplus reserve amounting to approximately RMB9,225,000, RMB15,112,000, RMB21,341,000, RMB16,607,000 (unaudited) and RMB23,395,000 as at December 31, 2011, 2012, 2013 and March 31, 2013 and 2014, respectively can be used to make up for previous years' losses or convert into additional capital of the relevant subsidiaries. Discretionary surplus reserve amounting to approximately RMB4,613,000, RMB7,556,000, RMB10,671,000, RMB8,303,000 (unaudited) and RMB11,698,000 as at December 31, 2011, 2012, 2013 and March 31, 2013 and 2014, respectively can be used to expand the existing operations of the relevant subsidiaries.

COMBINED STATEMENTS OF CASH FLOWS

	Year ended December 31,			Three months ended March 31,	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB ('000)	**RMB ('000)**	**RMB ('000)**	**RMB ('000)** *(Unaudited)*	**RMB ('000)**
OPERATING ACTIVITIES					
Profit for the year/period	28,475	43,448	69,269	14,661	21,647
Adjustments for:					
Income tax expense	10,742	12,056	14,780	3,185	4,532
Imputed interest income	(1,282)	(1,282)	(1,281)	(320)	-
Bank interest income	(490)	(387)	(706)	(134)	(108)
Finance costs	1,536	606	2,454	485	962
Depreciation of property, plant and equipment	7,049	8,914	12,839	2,852	3,826
Release of prepaid lease payments	450	472	473	118	118
Amortization of intangible asset	500	500	500	125	125
Impairment of inventories	580	2,229	504	-	271
Loss on disposal of property, plant and equipment	49	562	231	11	49
Reversal of allowance on trade receivables	-	(156)	-	-	-
Operating cash flows before movements in working capital	47,609	66,962	99,063	20,983	31,422
(Increase) decrease in inventories	(3,722)	(5,543)	(7,447)	3,061	3,863
Increase in trade, bills and other receivables	(9,177)	(1,173)	(22,514)	(37,589)	(18,474)
Increase (decrease) in trade, bills and other payables	40,249	22,157	33,130	33,261	(13,985)
Increase (decrease) in advances from customers	13,016	(3,698)	6,442	3,347	(27,258)
Decrease in amount due from a related company	116	4	13	13	-
Cash generated from (used in) operations	88,091	78,709	108,687	23,076	(24,432)
Income tax paid	(5,294)	(13,365)	(15,553)	(3,097)	(4,844)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	82,797	65,344	93,134	19,979	(29,276)

	NOTE	Year ended December 31, 2011 RMB ('000)	2012 RMB ('000)	2013 RMB ('000)	Three months ended March 31, 2013 RMB ('000) (Unaudited)	2014 RMB ('000)
INVESTING ACTIVITIES						
Purchase of property, plant and equipment		(18,045)	(62,661)	(76,610)	(23,840)	(5,912)
Increase in pledged bank deposits		(4,560)	(15,788)	(32,902)	(7,228)	(16,998)
Release of pledged bank deposits		-	8,730	33,675	2,420	11,350
Proceeds from disposal of available-for-sale investment		-	-	8,000	-	-
Disposal of a subsidiary	12	-	-	-	-	(2,129)
Collection of long term receivable		-	800	26,928	-	-
Deposits paid for acquisition of property, plant and equipment and prepaid lease payments		(624)	(838)	(12,924)	(1,435)	(12,879)
Purchase of land use rights		(728)	-	-	-	-
Purchase of structured deposits		(1,000)	-	-	-	-
Proceeds from structured deposits upon maturity		-	-	1,000	1,000	-
Government grants received		-	4,260	130	-	-
Proceeds from disposal of property, plant and equipment		-	184	586	-	-
Interest received		490	387	706	134	108
Advance to a related company		(43,000)	-	-	-	-
Repayment from a related company		-	43,000	-	-	-
Advance to a third party		(2,000)	-	-	-	-
Repayment from a third party		-	437	1,563	-	-
Return of paid-in capital upon dissolution of an associate		-	-	200	-	-
Repayment from an associate		-	-	50	-	-
NET CASH USED IN INVESTING ACTIVITIES		(69,467)	(21,489)	(49,598)	(28,949)	(26,460)
FINANCING ACTIVITIES						
New bank borrowings raised		23,400	42,823	106,533	33,909	55,556
Interest paid		(1,536)	(606)	(2,454)	(485)	(962)
Repayment to a related company		-	(2,587)	-	-	-
Dividends paid		(15,792)	(11,934)	(123,081)	(20,000)	-
Repayment of bank borrowings		(39,400)	(39,000)	(66,000)	(4,500)	(2,400)
Capital injection		-	-	60,759	-	-
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(33,328)	(11,304)	(24,243)	8,924	52,194
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(19,998)	32,551	19,293	(46)	(3,542)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD		38,062	18,064	50,615	50,615	69,908
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD comprising bank balances and cash		18,064	50,615	69,908	50,569	66,366

NOTES TO THE FINANCIAL INFORMATION

1. General

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on December 19, 2013. Its immediate and ultimate holding company is Kaiyuan Investments Limited 開元投資有限公司 ("Kaiyuan"). Its ultimate controlling shareholder is Mr. Huang Xianming 黃銑銘 ("Mr. Huang") and his family ("Huang's Family"). The address of the registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The address of its principal place of business is No. 18 Gangkou Road, Changsha, Kaiping City, Guangdong Province, the PRC.

The Company is an investment holding company. The principal activities of the Group are engaged in manufacture and sale of biscuits and pasta in the PRC.

The Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and its subsidiaries.

In prior years, the Group was involved in the pasta operation through Guangdong Kangli, a then wholly-owned subsidiary of Guangdong Jiashili. The Group determined to dispose of Guangdong Kangli so as to focus its resources to biscuits operation, therefore, the pasta operation was discontinued with effect from March 28, 2014. Accordingly, the results of the pasta operation for the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2013 and 2014 have been separately presented as discontinued operation in the combined statement of profit or loss and other comprehensive income. Details are set out in note 12.

2. Basis of presentation of financial information

Group Reorganization

The Company was incorporated to act as the holding company of the Group for the listing on the Stock Exchange. On December 19, 2013, one subscriber share was issued and allotted to the initial subscriber which was transferred to Kaiyuan.

Jiashili BVI was incorporated in the BVI on December 6, 2013 with limited liability. On December 19, 2013, Jiashili BVI allotted one subscriber share to the Company, pursuant to which Jiashili BVI became a wholly-owned subsidiary of the Company.

Jiashili HK was incorporated under the laws of Hong Kong on December 24, 2013 with limited liability. On the same day, Jiashili HK allotted one subscriber share to Jiashili BVI, pursuant to which Jiashili HK became a wholly-owned subsidiary of Jiashili BVI.

As part of the Group Reorganization, on March 28, 2014, Jiashili HK entered into an equity transfer agreement with each of Guangdong Zhongchen Industrial Group Company Limited 廣東中晨實業集團有限公司 ("Zhongchen") and Prestige Choice Investments Limited 名彩投資有限公司 ("Prestige Choice"), then shareholders of Guangdong Jiashili, whereby Jiashili HK agreed to acquire 99% and 1% entire equity interest in Guangdong Jiashili from Zhongchen and Prestige Choice with the consideration of RMB224.7 million and RMB2.3 million, respectively, representing an aggregate amount of RMB227.0 million (the "Guangdong Jiashili Acquisition"). Based on subsequent approvals by the relevant government authorities, the Guangdong Jiashili Acquisition was completed on April 4, 2014, upon which Guangdong Jiashili became a wholly-owned subsidiary of Jiashili HK. Zhongchen and Prestige Choice are companies wholly owned by the Huang's Family.

The Group Reorganization mainly involves interspersing Kaiyuan, the Company, Jiashili BVI and Jiashili HK between the ultimate individual shareholders of Guangdong Jiashili and Guangdong Jiashili. The Group resulting from the Group Reorganization is regarded as a continuing entity. Accordingly, the Financial Information relating to the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the Track Record Period includes the results of operations and cash flows of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the Track Record Period or since their respective dates of incorporation or establishment where this is a shorter period (except for those dissolved or disposed of during the Track Record Period). The combined statements of financial position of the Group as at December 31, 2011, 2012 and 2013 and March 31, 2014 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at the respective dates, taking into account the respective dates of incorporation and establishment (except for those dissolved or disposed of during the Track Record Period). All material intra-group transactions and balances have been eliminated on combination.

3. Application of International Financial Reporting Standards

For the purpose of preparing and presenting the Financial Information of the Track Record Period, the Group has consistently applied all International Accounting Standards ("IASs"), IFRSs, amendments to standards and the related interpretations ("IFRIC"), which are effective for the accounting period beginning on January 1, 2014 throughout the Track Record Period.

At the date of this report, the following new standards and amendments have been issued which are not yet effective. The Group has not early applied these new standards and amendments.

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[5]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[5]
Amendments to IFRSs	Annual Improvements to IFRSs 2010 — 2012 Cycle[6]
Amendments to IFRSs	Annual Improvements to IFRSs 2011 — 2013 Cycle[4]

1 *Effective for annual periods beginning on or after January 1, 2018.*
2 *Effective for first annual IFRS financial statements beginning on or after January 1, 2016.*
3 *Effective for annual periods beginning on or after January 1, 2017.*
4 *Effective for annual periods beginning on or after July 1, 2014.*
5 *Effective for annual periods beginning on or after January 1, 2016.*
6 *Effective for annual periods beginning on or after July 1, 2014, with limited exceptions.*

The directors of the Company anticipate that the application of these new standards and amendments will have no material impact on the Financial Information.

4. Significant accounting policies

The Financial Information has been prepared in accordance with the following accounting policies which conform to IFRSs. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance, which for the Track Record Period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap.622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 of that Ordinance.

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information are determined on such a basis, except leasing transactions that are within the scope of IAS 17 Leases and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

The principal accounting policies are set out below.

Basis of combination

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Combination of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the combined statements of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the Financial Information using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized in the combined statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

The requirements of IAS 39 *Financial Instruments: Recognition and Measurement* are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognized in the Financial Information only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amount receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the combined statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such items are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Other property, plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Leasing

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

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Prepaid lease payments

Payments for obtaining land use rights are accounted for as prepaid lease payments and are charged to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use rights certificates granted for usage by the Group in the PRC. Prepaid lease payments which are to be charged to profit or loss in the next twelve months are classified as current assets.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on the settlement of monetary items and on the retranslation of monetary items are recognized in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the combined statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to the state-managed retirement benefit scheme are recognized as expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from 'profit before tax' as reported in the combined statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year/period

Current and deferred tax are recognized in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for a prospective basis.

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;

- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined using the weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments.

AFS financial assets

AFS financial assets are non-derivatives that either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade, bills and other receivables, amount due from an associate, amounts due from related companies, long term receivable, structured deposits, pledged bank deposits and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as default or delinquency in interest and principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, or an observable change in local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities, including trade, bills and other payables, amount due to a related company, dividends payable and bank borrowings, are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the consideration received and receivable is recognized in profit or loss.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair values less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

5. Key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 4, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and the depreciation method in determining the 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. In addition, management assesses impairment whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable. Management will increase the depreciation charge where useful lives become shorter than expected, or will impair or write-off obsolete or non-strategic assets that have been abandoned.

At as December 31, 2011, 2012 and 2013 and March 31, 2014, the carrying amounts of property, plant and equipment of the Group were approximately RMB75,659,000, RMB131,204,000, RMB207,084,000 and RMB176,715,000, respectively. Details of the useful lives of the property, plant and equipment are disclosed in note 16.

Amortization and impairment of intangible asset

The Group's management determines the estimated useful lives and related amortization charges for its intangible asset. This estimate is based on the historical experience of the actual useful lives of intangible asset of similar nature and functions. Management will increase the amortization charge where useful lives become shorter than previously estimated. In addition, the Group tests whether intangible asset has suffered any impairment in accordance with its accounting policy whenever there is any indication that the asset may have been impaired.

As at December 31, 2011, 2012 and 2013 and March 31, 2014, the carrying amounts of intangible asset of the Group was approximately RMB3,000,000, RMB2,500,000, RMB2,000,000 and RMB1,875,000, respectively.

Impairment of inventories

The Group records inventories at the lower of cost and net realizable value. Net realizable value is the estimated selling price for inventories, less all the estimated costs of completion and costs necessary to make the sales. Operational procedures have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to inventories. The management reviews the inventory aging listing on a periodic basis for those aged inventories. This involves a comparison of carrying value of the aged inventory items with the respective net realizable value. The purpose is to ascertain whether impairment is required to be made in the Financial Information for any obsolete and slow moving items. Although the Group carries out periodic review on the net realizable value of inventory, the actual realizable value of inventory is not known until the sale is concluded.

As at December 31, 2011, 2012 and 2013 and March 31, 2014, the carrying amounts of inventories of the Group were approximately RMB33,186,000, RMB36,500,000, RMB43,443,000 and RMB36,835,000, respectively.

Estimated impairment of trade receivables and amounts due from related companies

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment 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 (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at December 31, 2011, 2012 and 2013 and March 31, 2014, the carrying amounts of trade receivables of the Group were approximately RMB5,180,000, RMB7,109,000, RMB8,835,000 and RMB8,640,000, respectively (net of allowance for doubtful debts of RMB626,000, RMB470,000, RMB38,000 and RMB38,000, respectively).

As at December 31, 2011, 2012 and 2013 and March 31, 2014, the carrying amounts of amounts due from related companies were approximately RMB43,017,000, RMB13,000, nil and RMB44,412,000, respectively.

6. Revenue and segment information

Information reported to the management of the Group, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of products manufactured and sold. The management of the Group reviews operating results and financial information on a product by product basis. Each individual product constitutes an operating segment. For operating segments that exhibit similar long-term financial performance as they have similar economic characteristics, are produced by using similar production processes and are distributed and sold to similar classes of customers, their segment information is aggregated into biscuits operation, as a single reportable segment. The management of the Group assesses the performance of the reportable segment based on a measure of segment profit or loss which represent the gross profit of the Group as presented in the combined statements of profit or loss and other comprehensive income.

The accounting policies of the reportable segment are the same as the Group's accounting policies described in note 4.

Segment assets and liabilities

The combined assets and combined liabilities of the Group are regularly reviewed by the management of the Group as a whole; therefore, the measure of total assets and total liabilities by reportable segment is not presented.

In prior years, the Group was also involved in the pasta operation. That operation was discontinued with effect from March 28, 2014. Financial information of the pasta operation is disclosed in note 12.

Other segment information

Amounts included in the measurement of segment results:

Year ended December 31, 2011

	Biscuits operation	Unallocated	Total
	RMB ('000)	RMB ('000)	RMB ('000)
Depreciation of property, plant and equipment	3,319	1,661	4,980
Amortization of intangible asset	500	-	500
Release of prepaid lease payments	434	-	434
Impairment of inventories	580	-	580

Year ended December 31, 2012

	Biscuits operation	Unallocated	Total
	RMB ('000)	RMB ('000)	RMB ('000)
Depreciation of property, plant and equipment	4,879	1,616	6,495
Amortization of intangible asset	500	-	500
Release of prepaid lease payments	433	-	433
Impairment of inventories	2,229	-	2,229

Year ended December 31, 2013

	Biscuits operation	Unallocated	Total
	RMB ('000)	RMB ('000)	RMB ('000)
Depreciation of property, plant and equipment	8,981	1,365	10,346
Amortization of intangible asset	500	-	500
Release of prepaid lease payments	434	-	434
Impairment of inventories	504	-	504

Three months ended March 31, 2013 (Unaudited)

	Biscuits operation	Unallocated	Total
	RMB ('000)	RMB ('000)	RMB ('000)
Depreciation of property, plant and equipment	1,930	299	2,229
Amortization of intangible asset	125	-	125
Release of prepaid lease payments	108	-	108

Three months ended March 31, 2014

	Biscuits operation	Unallocated	Total
	RMB ('000)	RMB ('000)	RMB ('000)
Depreciation of property, plant and equipment	2,881	325	3,206
Amortization of intangible asset	125	-	125
Release of prepaid lease payments	108	-	108
Impairment of inventories	271	-	271

Entity-wide disclosures

Revenue from major products

The following is an analysis of the Group's revenue and gross profit from its major products:

	Year ended December 31			Three months ended March 31	
	2011	2012	2013	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000) (Unaudited)	RMB ('000)
Revenue by products					
Breakfast biscuits	284,764	330,926	360,315	91,260	87,904
Crisp biscuits	129,492	146,034	171,596	49,061	50,231
Sandwich biscuits	18,838	32,974	52,955	9,658	19,778
Wafers	19,957	28,788	43,678	8,044	12,993
Others*	112,225	110,766	119,227	27,062	24,571
	565,276	649,488	747,771	185,085	195,477
Gross profit by products					
Breakfast biscuits	70,332	87,156	111,759	25,619	29,749
Crisp biscuits	26,511	37,529	50,758	14,006	16,012
Sandwich biscuits	5,498	9,817	19,013	2,827	6,955
Wafers	3,912	6,753	11,755	2,028	3,517
Others	25,780	24,526	32,366	6,680	6,528
	132,033	165,781	225,651	51,160	62,761

** Others included numerous products and no further analysis is disclosed.*

Geographical information

All of the Group's operations and non-current assets are located in the PRC. Information about the Group's revenue from external customers by location of the relevant customers and non-current assets by location of assets is presented below:

	Revenue from external customers					Non-current assets(Note 1)			
	Year ended December 31,			Three months ended March 31,		As at December 31,			As at March 31,
	2011	2012	2013	2013	2014	2011	2012	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000) (Unaudited)	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
PRC	565,276	649,263	746,628	184,842	195,220	92,200	146,987	233,780	201,335
Others(Note 2)	-	225	1,143	243	257	-	-	-	-
	565,276	649,488	747,771	185,085	195,477	92,200	146,987	233,780	201,335

Note 1: Non-current assets exclude financial instruments and deferred tax assets.
Note 2: Others represent export sales to locations other than the PRC.

Information about major customers

No single customer contributing over 10% of the total revenue of the Group during the Track Record Period.

7. Other income

	Year ended December 31,			Three months ended March 31,	
	2011	2012	2013	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000) (Unaudited)	RMB ('000)
Bank interest income	440	346	667	112	102
Imputed interest income (Note 21)	1,282	1,282	1,281	320	-
Government grants (Note 31)	1,269	8,973	4,282	740	387
Other non-operating income	32	403	689	118	108
	3,023	11,004	6,919	1,290	597

8. Finance costs

	Year ended December 31,			Three months ended March 31,	
	2011	2012	2013	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000) (Unaudited)	RMB ('000)
Interest on bank borrowings wholly repayable within five years	1,191	606	2,448	485	955

9. Other expenses and loss

	Year ended December 31,			Three months ended March 31,	
	2011	2012	2013	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000) (Unaudited)	RMB ('000)
Research and development expenses	18,306	21,334	24,372	4,650	5,172
Donation expenses	202	1,201	586	140	129
Loss on disposal of property, plant and equipment	-	423	228	11	49
Listing expenses	-	-	5,246	-	2,248
Other non-operating expenses	-	12	34	3	203
	18,508	22,970	30,466	4,804	7,801

10. Income tax expense

	Year ended December 31,			Three months ended March 31,	
	2011	2012	2013	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000) (Unaudited)	RMB ('000)
PRC Enterprise Income Tax ("EIT") — Current tax	9,539	11,313	14,309	3,180	4,522
Deferred tax (credit) charge (Note 32)	(31)	432	(41)	(10)	(10)
	9,508	11,745	14,268	3,170	4,512

No Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Guangdong Jiashili was accredited as a "High and New Technology Enterprise" by the Science and Technology Bureau of Guangdong Province and relevant authorities in the PRC with effect from January 2009 for a term of three years, and was registered with the local tax authority to be eligible to the reduced 15% enterprise income tax rate from 2009 to 2011. The "High and New Technology Enterprise" qualification has been renewed in 2012, which entitled Guangdong Jiashili to enjoy such reduced tax rate for another three years until December 31, 2014. Accordingly, Guangdong Jiashili is subject to 15% enterprise income tax rate during the Track Record Period.

For other subsidiaries, under the Law of the PRC on EIT (the "New Tax Law") and Implementation Regulations of the New Tax Law, the enterprise income tax rate of the PRC entities was 25% during the Track Record Period.

The tax expense during the Track Record Period can be reconciled to the profit before tax per combined statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,			Three months ended March 31,	
	2011	2012	2013	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000) (Unaudited)	RMB ('000)
Profit before tax	34,410	54,548	82,129	17,985	26,098
Tax at PRC Tax rate of 25%	8,603	13,637	20,532	4,496	6,524
Tax effect on concessionary tax rate	(310)	(1,511)	(6,024)	(1,195)	(1,979)
Tax effect on concessionary policy on research and development expenses(Note)	(43)	(881)	(944)	(185)	(220)
Tax effect of expenses not deductible for tax purpose	742	664	533	90	84
Others	516	(164)	171	(36)	103
Income tax expense recognized in profit or loss	9,508	11,745	14,268	3,170	4,512

Note: It represent the research and development expenses incurred by Guangdong Jiashili that is approved by the local tax authority and is eligible to an additional 50% tax deduction in the calculation of income tax expense.

11. Profit for the year/period

	Year ended December 31,			Three months ended March 31,	
	2011	2012	2013	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000) (Unaudited)	RMB ('000)
Profit for the year/period from continuing operation has been arrived at after charging (crediting):					
Directors' and chief executive's remuneration (Note 13)	584	543	503	87	108
Other staff costs:					
Salaries and allowances	42,860	60,487	76,812	14,229	17,998
Contributions to retirement benefits scheme	5,538	6,625	6,519	1,492	1,825
Total staff costs	48,982	67,655	83,834	15,808	19,931
Depreciation of property, plant and equipment	4,980	6,495	10,346	2,229	3,206
Amortization of intangible asset	500	500	500	125	125
Total depreciation and amortization	5,480	6,995	10,846	2,354	3,331
Release of prepaid lease payments	434	433	434	108	108
Auditors' remuneration	73	60	74	12	13
Reversal of allowance on trade receivables	-	(156)	-	-	-
Cost of inventories recognized as expenses	433,243	483,707	522,120	133,925	132,716
including impairment of inventories	580	2,229	504	-	271

12. Discontinued operation

On March 24, 2014, the Group entered into an equity transfer agreement with Zhongchen, to dispose of its entire interest in Guangdong Kangli, which carried out all of the Group's manufacture and sale of pasta activities (the "Pasta Operation"), to Zhongchen at a consideration of RMB24,351,000, which was determined based on the valuation of the equity interest in Guangdong Kangli conducted by an independent valuer. The disposal was completed on March 28, 2014, on which date the control of Guangdong Kangli was passed to Zhongchen. Accordingly, the results of the Pasta Operation for the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2013 and 2014 have been separately presented as discontinued operation in the combined statement of profit or loss and other comprehensive income.

Zhongchen was a former immediate holding company of Guangdong Jiashili prior to the Group Reorganization. It is currently owned as to 80% by Mr. Huang, the ultimate controlling shareholder of the Company.

The profit (loss) for the year/period from the discontinued operation is analyzed as follows:

	Year ended December 31,			Three months ended March 31,	
	2011	2012	2013	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000) *(Unaudited)*	RMB ('000)
Profit (loss) of discontinued operation for the year/period	3,573	645	1,408	(154)	61

The results of the discontinued operation for the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2013 and 2014, which have been included in combined statements of profit or loss and other comprehensive income, were as follows:

	Year ended December 31,			Three months ended March 31,	
	2011	2012	2013	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000) *(Unaudited)*	RMB ('000)
Revenue	46,367	34,781	44,739	9,494	10,701
Cost of sales	(35,832)	(28,443)	(37,537)	(8,289)	(9,449)
Gross profit	10,535	6,338	7,202	1,205	1,252
Other income	52	41	297	26	6
Selling and distribution expenses	(2,353)	(2,085)	(2,668)	(622)	(507)
Administrative expenses	(2,982)	(3,128)	(2,902)	(748)	(663)
Finance costs	(345)	-	(6)	-	(7)
Other expenses and losses	(100)	(210)	(3)	-	-
Profit (loss) before tax	4,807	956	1,920	(139)	81
Income tax expense	(1,234)	(311)	(512)	(15)	(20)
Profit (loss) from discontinued operation for the year/period	3,573	645	1,408	(154)	61

Profit (loss) for the year/period from discontinued operation has been arrived at after charging (crediting):

	Year ended December 31,			Three months ended March 31,	
	2011	2012	2013	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000) (Unaudited)	RMB ('000)
Staff costs:					
— Salaries and allowances	2,741	4,185	4,840	940	838
— Contributions to retirement benefits scheme	165	522	675	189	134
Total staff costs	2,906	4,707	5,515	1,129	972
Depreciation on property, plant and equipment	2,069	2,419	2,493	623	620
Release of prepaid lease payments	16	39	39	10	10
Auditor's remuneration	24	38	30	10	11
Cost of inventories recognized as expenses	35,832	28,443	37,537	8,289	9,449
Loss on disposal of property, plant and equipment	49	139	3	-	-
Bank interest income	(50)	(41)	(39)	(22)	(6)

Cash flows for the year/period from discontinued operation:

	Year ended December 31,			Three months ended March 31,	
	2011	2012	2013	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000) (Unaudited)	RMB ('000)
Net cash inflows from operating activities	9,188	351	5,972	1,673	1,104
Net cash inflows (outflows) from investing activities	6,794	(11,030)	(5,183)	(15,324)	(477)
Net cash (outflows) inflows from financing activities	(16,616)	14,394	(1,788)	10,000	(1,406)
Net cash (outflows) inflows from discontinued operation	(634)	3,715	(999)	(3,651)	(779)

The net assets of Guangdong Kangli at the date of disposal were as follows:

	RMB ('000)
Net assets disposed of:	
Property, plant and equipment	39,555
Prepaid lease payment	1,827
Deposits for acquisition of plant and equipment	50
Inventories	2,474
Trade, bills and other receivables	5,276
Bank balances and cash	4,564
Trade, bills and other payables	(9,218)
Amount due to Guangdong Jiashili	(22,496)
Advances from customers	(129)
Bank borrowing	(2,400)
Deferred tax liability	(123)
Deferred income	(4,390)
	14,990
Gain on disposal recognized in contribution reserve	9,361
Total consideration	24,351
Satisfied by:	
Cash consideration	2,435
Consideration receivable	21,916
	24,351
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	(4,564)
Cash consideration	2,435
	(2,129)

13. Directors' and chief executive's and employees' remuneration

Directors' and chief executive's emoluments

Details of the emoluments paid to the directors and chief executive of the Company during the Track Record Period are as follows:

	Year ended December 31,			Three months ended March 31,	
	2011	2012	2013	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000) *(Unaudited)*	RMB ('000)
Salaries and allowances	386	336	350	84	105
Discretionary bonus	183	192	138	-	-
Contributions to retirement benefits scheme	15	15	15	3	3
	584	543	503	87	108

The emoluments of the directors on a named basis are as follows:

Year ended December 31, 2011

	Salaries and allowances	Discretionary bonus	Contributions to retirement benefits scheme	Total
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Executive directors:				
Mr. Huang Xianming 黃銑銘	114	76	-	190
Mr. Tan Chaojun 譚朝均	96	55	5	156
Mr. Chen Minghui 陳明輝	88	26	5	119
Mr. Lu Jianxiong 盧健雄	88	26	5	119
	386	183	15	584

Year ended December 31, 2012

	Salaries and allowances	Discretionary bonus	Contributions to retirement benefits scheme	Total
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Executive directors:				
Mr. Huang Xianming 黃銑銘	84	76	-	160
Mr. Tan Chaojun 譚朝均	84	62	5	151
Mr. Chen Minghui 陳明輝	84	27	5	116
Mr. Lu Jianxiong 盧健雄	84	27	5	116
	336	192	15	543

Year ended December 31, 2013

	Salaries and allowances	Discretionary bonus	Contributions to retirement benefits scheme	Total
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Executive directors:				
Mr. Huang Xianming 黃銑銘	84	76	-	160
Mr. Tan Chaojun 譚朝均	84	62	5	151
Mr. Chen Minghui 陳明輝	84	-	5	89
Mr. Lu Jianxiong 盧健雄	84	-	5	89
Non-executive director:				
Mr. Lee Ping Nam 李炳南	14	-	-	14
	350	138	15	503

Three months ended March 31, 2013 (Unaudited)

	Salaries and allowances	Discretionary bonus	Contributions to retirement benefits scheme	Total
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Executive directors:				
Mr. Huang Xianming 黃銑銘	21	-	-	21
Mr. Tan Chaojun 譚朝均	21	-	1	22
Mr. Chen Minghui 陳明輝	21	-	1	22
Mr. Lu Jianxiong 盧健雄	21	-	1	22
	84	-	3	87

Three months ended March 31, 2014

	Salaries and allowances	Discretionary bonus	Contributions to retirement benefits scheme	Total
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Executive directors:				
Mr. Huang Xianming 黃銑銘	21	-	-	21
Mr. Tan Chaojun 譚朝均	21	-	1	22
Mr. Chen Minghui 陳明輝	21	-	1	22
Mr. Lu Jianxiong 盧健雄	21	-	1	22
Non-executive directors:				
Mr. Lee Ping Nam 李炳南	21	-	-	21
	105	-	3	108

Mr. Tan Chaojun is a director and also the chief executive of the Company. The emoluments disclosed above are inclusive of services rendered by him as the chief executive.

Discretionary bonus for the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2013 (unaudited) and 2014 were determined by management having regard to the performance of directors of the Company and the Group's results from operation.

Mr. Huang has also been employed by Zhongchen and the payment of his contributions to retirement benefits scheme was centralized and made by Zhongchen for the Track Record Period, in which the amounts are considered to be insignificant.

For the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2013 (unaudited) and 2014, none of the directors of the Company has waived or agreed to waive any emoluments.

Employees' remuneration

Certain highest paid individuals have the same amounts of remuneration during the Track Record Period. Of the 6,6,8,7,7 highest paid individuals of the Group, 4,4,4,3,3 of them are directors of the Company whose emoluments are included above during the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2013 (unaudited) and 2014 respectively. The remunerations of the remaining 2,2,4,4,4 individuals are as follows:

	Year ended December 31,			Three months ended March 31,	
	2011	2012	2013	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000) *(Unaudited)*	RMB ('000)
Salaries and allowances	179	168	336	84	84
Discretionary bonus	63	70	-	-	-
Contributions to retirement benefits scheme	10	10	21	5	5
	252	248	357	89	89

The remunerations of each of the 2,2,4,4,4 highest paid individuals during the years ended December 31, 2011, 2012 and 2013 and three months ended March 31, 2013 (unaudited) and 2014, respectively are within HK$1,000,000.

During the Track Record Period, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. Dividends

Guangdong Jiashili declared dividends of approximately nil, RMB44,275,000, RMB90,740,000, nil (unaudited) and nil to its equity owners for the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2013 and 2014, respectively.

No dividend has been paid or declared by the Company during the Track Record Period.

15. Earnings per share

No earnings per share information is presented, as its inclusion, for the purpose of this report, is not considered meaningful due to the preparation of Financial Information on a combined basis as set out in note 2.

16. Property, plant and equipment

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
COST						
At January 1, 2011	28,915	36,412	3,182	2,582	1,397	72,488
Additions	2,249	14,051	1,373	44	4,539	22,256
Transfer	4,861	-	-	-	(4,861)	-
Disposals	-	(60)	-	-	-	(60)
At December 31, 2011	36,025	50,403	4,555	2,626	1,075	94,684
Additions	855	39,443	1,108	1,569	22,230	65,205
Transfer	1,652	-	-	-	(1,652)	-
Disposals	-	(1,160)	(575)	(43)	-	(1,778)
At December 31, 2012	38,532	88,686	5,088	4,152	21,653	158,111
Additions	192	36,026	2,238	216	50,864	89,536
Transfer	17,598	-	-	-	(17,598)	-
Disposals	-	(964)	(18)	-	-	(982)
At December 31, 2013	56,322	123,748	7,308	4,368	54,919	246,665
Additions	-	4,962	1,150	-	6,949	13,061
Transfer	47,392	-	-	-	(47,392)	-
Disposals	-	(403)	(233)	-	-	(636)
Disposal of a subsidiary (Note 12)	(13,083)	(33,128)	(375)	-	(1,197)	(47,783)
At March 31, 2014	90,631	95,179	7,850	4,368	13,279	211,307
DEPRECIATION						
At January 1, 2011	2,673	7,301	1,263	750	-	11,987
Provided for the year	1,224	4,438	837	550	-	7,049
Eliminated on disposals	-	(11)	-	-	-	(11)
At December 31, 2011	3,897	11,728	2,100	1,300	-	19,025
Provided for the year	1,632	5,721	990	571	-	8,914
Eliminated on disposals	-	(703)	(288)	(41)	-	(1,032)
At December 31, 2012	5,529	16,746	2,802	1,830	-	26,907
Provided for the year	1,740	9,196	1,192	711	-	12,839
Eliminated on disposals	-	(153)	(12)	-	-	(165)
At December 31, 2013	7,269	25,789	3,982	2,541	-	39,581
Provided for the period	1,026	2,306	316	178	-	3,826
Eliminated on disposals	-	(371)	(216)	-	-	(587)
Eliminated on disposal of a subsidiary (Note 12)	(1,526)	(6,395)	(307)	-	-	(8,228)
At March 31, 2014	6,769	21,329	3,775	2,719	-	34,592
CARRYING VALUES						
At December 31, 2011	32,128	38,675	2,455	1,326	1,075	75,659
At December 31, 2012	33,003	71,940	2,286	2,322	21,653	131,204
At December 31, 2013	49,053	97,959	3,326	1,827	54,919	207,084
At March 31, 2014	83,862	73,850	4,075	1,649	13,279	176,715

The above items of property, plant and equipment (other than construction in progress) are depreciated on a straight-line basis over the following years after taking into account the residual values:

Buildings	20 years
Plant and machinery	5 to 10 years
Office equipment	5 years
Motor vehicles	5 years

The Group's buildings are located in the PRC under medium-term leases.

At December 31, 2011, 2012 and 2013 and March 31, 2014, the Group has not yet obtained the ownership certificates of certain buildings with carrying values of nil, nil, nil and RMB47,141,000, respectively. The Group is in the process of obtaining the certificates.

At December 31, 2011 and 2012, the Group has pledged certain property, plant and equipment to secure bank borrowings of the Group under fixed charges as disclosed in note 30.

At December 31, 2013 and March 31, 2014, the Group also entered into an assets' income right transfer agreement with a bank to pledge the earnings from certain property, plant and equipment, inventories and trade receivables for a bank loan facility with maturity in September 2014.

Details of the carrying amounts of property, plant and equipment pledged or pursuant to which their earnings were pledged as collateral under this agreement are as follows:

	At December 31,			At March 31,
	2011	2012	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Buildings	14,741	14,153	30,565	75,710
Plant and machinery	4,525	3,833	49,954	50,008
Office equipment	-	-	1,427	2,323
Motor vehicles	-	-	1,716	1,547
Construction in progress	-	-	47,839	9,232
	19,266	17,986	131,501	138,820

17. Prepaid lease payments

	RMB ('000)
CARRYING VALUES	
At January 1, 2011	12,911
Additions	728
Released to profit or loss	(450)
At December 31, 2011	13,189
Released to profit or loss	(472)
At December 31, 2012	12,717
Released to profit or loss	(473)
At December 31, 2013	12,244
Released to profit or loss	(118)
Disposal of a subsidiary (Note 12)	(1,827)
At March 31, 2014	10,299

	At December 31, 2011	At December 31, 2012	At December 31, 2013	At March 31, 2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Analyzed for reporting purpose:				
Current assets	472	472	472	433
Non-current assets	12,717	12,245	11,772	9,866
	13,189	12,717	12,244	10,299

The Group's prepaid lease payments comprise leasehold interest in land in the PRC under medium-term leases. Land use rights are released to profit or loss over the lease terms of 30 years.

The Group has pledged land use rights having carrying values of approximately RMB13,189,000 RMB12,717,000, nil and nil as at December 31, 2011, 2012 and 2013 and March 31, 2014 respectively, to secure bank borrowings of the Group (Note 30).

18. Intangible asset

	Trademark
	RMB ('000)
COST	
At January 1, 2011, December 31, 2011, 2012 and 2013 and March 31, 2014	5,000
AMORTIZATION	
At January 1, 2011	1,500
Charge for the year	500
At December 31, 2011	2,000
Charge for the year	500
At December 31, 2012	2,500
Charge for the year	500
At December 31, 2013	3,000
Charge for the period	125
At March 31, 2014	3,125
CARRYING VALUES	
At December 31, 2011	3,000
At December 31, 2012	2,500
At December 31, 2013	2,000
At March 31, 2014	1,875

Trademark was purchased externally with an estimated useful life of 10 years and is amortized on a straight-line basis.

19. Investment in an associate

	At December 31,			At March 31,
	2011	2012	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Unlisted investment, at cost	200	200	-	-

The associate has not commenced its business operation since its establishment and was dissolved on May 29, 2013.

20. Available-for-sale investment

	At December 31,			At March 31,
	2011	2012	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Unlisted investment, at cost	8,000	8,000	-	-

On August 18, 2010, Guangdong Jiashili entered into a cooperation agreement (the "Cooperation Agreement") with Mr. Huang Rongda 黃榮達 (the "Acquirer") to transfer 20% equity interest in Guangdong Sanbu Jiari Hotel Company Limited 廣東三埠假日酒店有限公司 ("Sanbu Jiari") which was primarily engaged in the investment in Sanbu Jiari Hotel (under construction), at a cash consideration of RMB2,000,000 to the Acquirer, reducing the Group's equity interest in Sanbu Jiari to 80%.

Pursuant to the Cooperation Agreement, the operation right of Sanbu Jiari's hotel business was transferred to the Acquirer for a period of 10 years with effect from January 1, 2011 (the "Operating Period"). During the Operating Period, the Acquirer has the absolute right to control the hotel operation of Sanbu Jiari and the Group will not participate in nor has any significant influence over Sanbu Jiari. Accordingly, the Group is no longer able to exercise control on Sanbu Jiari effectively since December 31, 2010 based on the mutual agreement of both contractual parties. The disposal of the hotel business is consistent with the Group's long-term policy to focus its activities in the biscuits operation.

The fair value of the Group's retained interests as at December 31, 2010 is determined by the management of the Group with reference to a valuation carried out on that date by China United Yangcheng Appraisal Co., Ltd. 廣東中聯羊城資產評估有限公司 ("Yangcheng Appraisal"), being independent qualified professional valuer not connected with the Group using the assets-based approach. The address of Yangcheng Appraisal is 24/F, Urban and Rural Construction Building, No. 189, Tiyu West Road, Guangzhou, Guangdong, the PRC.

On December 26, 2013, the Group entered into an equity transfer agreement with Kaiping Lidajia Tickets Agent Company Limited 開平市利大家票務代理有限公司 ("Lidajia"), which is wholly owned by Mr. Huang Zhijian 黃志堅, the father of Mr. Huang, to dispose of its remaining 80% equity interest in Sanbu Jiari to Lidajia, at a consideration of RMB8,000,000.

21. Long term receivable

	At December 31,			At March 31,
	2011	2012	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Sanbu Jiari	16,193	16,675	-	-

At December 31, 2011 and 2012, the Group had made an advance of approximately RMB27,728,000 to Sanbu Jiari which was non-interest bearing, unsecured and has no fixed repayment terms. In the opinion of the management of the Group, the receivable is expected to be collected in 2020 and as a result, fair value adjustment of approximately RMB12,817,000 was made with reference to the benchmark interest rate of RMB denominated loans for a term of five years as announced by the People's Bank of China of 6.40% at the date when the advance was made in 2010.

As disclosed in note 20, the investment in Sanbu Jiari was disposed of, therefore, the related receivable has also been settled by Lidajia in December 2013. Imputed interest income of RMB1,282,000 was credited to the profit or loss for each of the years ended December 31, 2011 and 2012, RMB1,281,000 for the year ended December 31, 2013 and RMB320,000 (unaudited) for the three months ended March 31, 2013 and a gain on early settlement of long term receivable of RMB8,972,000 was recognized in equity as contribution from shareholder in December 2013 accordingly.

22. Amount due from an associate

The amount due from an associate is repayable more than one year from the end of the reporting period, non-trade nature, unsecured and non-interest bearing.

23. Inventories

	At December 31,			At March 31,
	2011	2012	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Raw materials and packing materials	25,372	23,602	23,426	22,774
Work-in-progress	237	210	757	168
Finished goods	7,577	12,688	19,260	13,893
	33,186	36,500	43,443	36,835

As at December 31, 2013 and March 31, 2014, the Group has pledged the earnings from certain inventories having the carrying values of RMB27,394,000 and RMB23,578,000, respectively as collateral to a bank to secure a bank borrowing of the Group pursuant to the assets' income right transfer agreement as set out in note 30.

24. Trade, bills and other receivables

	At December 31,			At March 31,
	2011	2012	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Trade receivables	5,806	7,579	8,873	8,678
Less: Allowance for doubtful debts	(626)	(470)	(38)	(38)
Trade receivables, net	5,180	7,109	8,835	8,640
Bills receivables	2,198	8,689	17,325	15,574
Total trade and bills receivables	7,378	15,798	26,160	24,214
Prepayments for purchase of raw materials	17,335	11,053	12,342	19,425
Other prepayment	-	-	1,647	2,354
Other receivables	4,895	4,073	2,856	8,007
Advance to a third party	2,000	1,563	-	-
Input value-added-tax	229	2,440	1,017	5,914
	31,837	34,927	44,022	59,914

Trade and bills receivables

The Group generally adopted a policy to require advance payment from majority of their customers before the delivery of goods. Advances received from customers amounted to approximately RMB47,006,000, RMB43,308,000, RMB49,750,000 and RMB22,363,000 as at December 31, 2011, 2012 and 2013 and March 31, 2014, respectively.

Before accepting any new customers, the Group assesses the potential customer's credit quality and defines its credit limit based on the reputation of the customers in the industry. Limits attributed to customers are reviewed regularly.

The trade and bills receivables balances at the end of each reporting period mainly represented the credit sales to certain customers. The Group generally allows a credit period of 30 to 60 days from the invoice date for trade receivables and a further credit period ranging from 90 to 180 days for bills receivable of these external customers based on bills issue date.

The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date, which approximate the respective revenue recognition dates at the end of the reporting period.

	At December 31,			At March 31,
	2011	2012	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Within 2 months	4,325	5,549	7,721	5,745
Over 2 months but within 3 months	194	367	882	2,695
Over 3 months but within 6 months	182	1,153	62	20
Over 6 months but within 1 year	479	6	102	115
Over 1 year	-	34	68	65
	5,180	7,109	8,835	8,640

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of approximately RMB861,000, RMB1,601,000, RMB2,390,000 and RMB3,121,000 as at December 31, 2011, 2012 and 2013 and March 31, 2014, respectively, which are past due at the end of the reporting period. Considering the high credibility of these customers, good track record with the Group and subsequent settlements, the management of the Group believes that no impairment allowance is necessary in respect of the remaining unsettled balances. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired:

	At December 31,			At March 31,
	2011	2012	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Over 1 month but within 3 months	200	408	2,158	2,921
Over 3 months but within 6 months	182	1,153	62	20
Over 6 months but within 1 year	479	6	102	115
Over 1 year	-	34	68	65
	861	1,601	2,390	3,121

As at December 31, 2013 and March 31, 2014, the Group has pledged the earnings from certain trade receivables having the carrying values of RMB5,304,000 and RMB8,620,000, respectively as collateral to a bank to secure a bank borrowing of the Group pursuant to the asset's income right transfer agreement as set out in note 30.

The following is an aged analysis of bills receivables presented based on the bills issue date at the end of the reporting period.

	At December 31,			At March 31,
	2011	2012	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Within 1 month	106	2,550	4,550	945
Over 1 month but within 3 months	92	1,563	2,286	10,809
Over 3 months but within 6 months	2,000	4,576	10,489	3,820
	2,198	8,689	17,325	15,574

In determining the recoverability of bills receivables, the Group considers any change in the credit quality of the bills issuers from the date credit was initially granted up to the end of the reporting period. In the opinion of management of the Group, the bills receivables that are not past due nor impaired at the end of each reporting period are of good credit quality.

At December 31, 2012 and 2013 and March 31, 2014, the Group has pledged bills receivables of approximately RMB1,976,000, RMB3,360,000 and RMB3,640,000 respectively for its bills payable facility as disclosed in note 28.

Movements in the allowance for doubtful debts:

	At December 31, 2011	At December 31, 2012	At December 31, 2013	At March 31, 2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
At beginning of year/period	626	626	470	38
Reversal during the year/period	-	(156)	-	-
Write off during the year/period	-	-	(432)	-
At end of year/period	626	470	38	38

Age of impaired receivables:

	At December 31, 2011	At December 31, 2012	At December 31, 2013	At March 31, 2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Over 2 years but within 3 years	272	-	-	-
Over 3 years	354	470	38	38
	626	470	38	38

Other receivables

Included in the Group's other receivables mainly represent (i) rental deposits made by the Group, (ii) advances to staff for business purposes and (iii) other miscellaneous receivables.

Advance to a third party

During the year ended December 31, 2011, the Group had made an unsecured, non-interest bearing advance to an independent third party at the amount of RMB2,000,000 for a period of 3 months, of which an amount of approximately RMB437,000 was received at the end of the contracted term. The remaining amount has been fully repaid during the year ended December 31, 2013.

25. Amounts due from (to) related companies

Amounts due from related companies

	At December 31, 2011	At December 31, 2012	At December 31, 2013	At March 31, 2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Zhongchen				
— Trade nature	17	13	-	-
— Non-trade nature	43,000	-	-	21,916
	43,017	13	-	21,916
Guangdong Kangli — Non-trade nature	-	-	-	22,496
	43,017	13	-	44,412

Zhongchen

At December 31, 2011, the non-trade balance of RMB43,000,000 represented the advance to Zhongchen for its investment purposes which is unsecured, non-interest bearing and repayable on demand. The balance was fully settled subsequently in January 2012.

At March 31, 2014, the non-trade balance represented the consideration receivable from Zhongchen arising from the disposal of a subsidiary as disclosed in note 12. The balance is unsecured, non-interest bearing and repayable within six months from the date of disposal. The balance has been subsequently settled in May 2014.

As Zhongchen is ultimately controlled by Mr. Huang, who is also a director of the Company, the amount due from Zhongchen disclosed pursuant to section 161B of the Hong Kong Companies Ordinance is as follow:

	Maximum amount outstanding during the year ended December 31,			Three months ended March 31,	
	2011	2012	2013	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000) *(unaudited)*	RMB ('000)
Zhongchen	43,000	43,000	-	-	21,916

For the trade nature balances, it is unsecured, non-interest bearing and with a credit period of 30 days from the invoice date. The following is an aged analysis of the balances presented based on the invoice date.

	At December 31,			At March 31, 2014
	2011	2012	2013	
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Within 1 month	6	4	-	-
Over 1 month but within 3 months	1	9	-	-
Over 3 months but within 6 months	10	-	-	-
	17	13	-	-

Included in the trade related amount due from Zhongchen are receivables with aggregate carrying amount of approximately RMB11,000, RMB9,000, nil and nil at December 31, 2011, 2012 and 2013 and March 31, 2014, respectively, which are past due as at the end of the reporting period. Considering the high credibility of Zhongchen and good track record with the Group and subsequent settlements, the management of the Group believes that no impairment allowance is necessary in respect of the remaining unsettled balances.

Aging of trade related amount due from Zhongchen which are past due but not impaired:

	At December 31,			At March 31,
	2011	2012	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Over 1 month but within 3 months	1	9	-	-
Over 3 months but within 6 months	10	-	-	-
	11	9	-	-

Guangdong Kangli

The amount is used to finance its capital expenditure which is non-trade nature, unsecured, interest-free and repayable on demand. The amount has been subsequently settled in May 2014.

Amount due to a related company

	At December 31,			At March 31,
	2011	2012	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Kaiping Guofeng Electromechanical Industry Company Limited 開平市國豐機電實業有限公司 ("Guofeng") — Non-trade nature	2,587	-	-	-

Guofeng held 10% equity interest in Guangdong Jiashili as at December 31, 2011 and 2012 and has transferred its equity interest to Zhongchen during 2013 prior to the Group Reorganization.

The amount is unsecured, non-interest bearing, repayable on demand and has been fully settled in 2012.

26. Structured deposits

Structured deposits represented investment in Penghua Money Market Fund — A which was managed by Penghua Fund Management Co., Ltd. (鵬華基金管理有限公司) and invested primarily in money market instruments and debt instruments. The structured deposits were denominated in RMB, principle guaranteed and carried expected interest rate ranging from 2.41% to 5.14% per annum and 2.84% to 5.45% per annum as at December 31, 2011 and 2012, respectively, payable on maturity of 90 days from the date of purchase.

27. Pledged bank deposits/bank balances and cash

Pledged bank balances and bank balances carry interest at prevailing market annual interest rates as follows:

	Bank balances	Pledged bank deposits
At December 31, 2011	0.01% - 0.50%	0.01% - 0.50%
At December 31, 2012	0.01% - 0.35%	0.01% - 0.35%
At December 31, 2013	0.01% - 0.35%	0.01% - 0.35%
At March 31, 2014	0.01% - 0.35%	0.01% - 0.35%

Pledged bank deposits represent deposits pledged to banks to secure the banking facility and bills payable issued to suppliers of the Group for the purchase of raw materials.

During the years ended December 31, 2011, 2012 and 2013, sales proceeds from certain customers of Guangdong Kangli were collected by way of cash deposits, either directly or through sales representatives of Guangdong Kangli, to bank accounts opened under the name of the then legal representative of Guangdong Kangli, Mr. Tan Chaojun, the director of the Company and Mr. Liang Dongcai (the "Arrangement"). The Arrangement was ceased in August 2013 and Guangdong Kangli was disposed in March 2014 as set out in note 12.

During the three years ended December 31, 2011, 2012 and 2013, the total amount received under the Arrangement were RMB24,851,000, RMB19,351,000 and RMB15,600,000, respectively. As of December 31, 2011 and 2012, RMB385,000 and RMB851,000 kept in these bank accounts were included in the bank balances and cash of the Group, respectively.

28. Trade, bills and other payables

	At December 31,			At March 31,
	2011	2012	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Trade payables	57,590	67,661	89,676	66,449
Bills payables	-	5,342	4,300	3,300
Total trade and bills payables	57,590	73,003	93,976	69,749
Accrued expenses	9,234	11,614	12,424	19,975
Accrued listing expenses	-	-	2,331	4,671
Transportation fee payables	13,216	12,093	14,899	16,480
Payroll and welfare payables	6,149	10,854	16,938	12,244
Construction cost payable	81	2,001	14,089	8,364
Other payables	1,575	1,640	2,113	4,140
Output value-added-tax and other tax payables	-	2,915	3,768	4,505
	87,845	114,120	160,538	140,128

Trade and bills payables

The credit period of trade payables and bills payables is normally within 7 days to 45 days from the invoice date and 3 to 6 months from the bills issue date, respectively. The Group has financial risk management policies in place to ensure that all payables are settled within the credit limit frame.

The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	At December 31,			At March 31,
	2011	2012	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Within 3 months	53,519	67,004	84,972	55,294
Over 3 months but within 6 months	2,839	370	2,882	9,924
Over 6 months but within 1 year	1,232	287	474	287
Over 1 year	-	-	1,348	944
	57,590	67,661	89,676	66,449

The following is an aged analysis of bills payables, presented based on bills issue date at the end of each reporting period:

	At December 31, 2011	At December 31, 2012	At December 31, 2013	At March 31, 2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Within 3 months	-	5,342	4,300	3,300

The bills payables are secured by the bills receivables and pledged bank deposits as disclosed in notes 24 and 27 respectively.

29. Advances from customers

The Group entered into goods supply contracts with customers and received advance payments from customers which are interest-free. As at December 31, 2011, 2012 and 2013 and March 31, 2014, the advances are included in current liabilities based on the estimated amounts of purchase of goods within one year.

30. Bank borrowings

	At December 31, 2011	At December 31, 2012	At December 31, 2013	At March 31, 2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Bank borrowings repayable within one year	2,000	7,823	35,300	43,232
Bank borrowings repayable more than one year, but not exceeding two years	2,000	-	-	37,000
	4,000	7,823	35,300	80,232
Less: Amounts due for settlement within one year shown under current liabilities	(2,000)	(7,823)	(35,300)	(43,232)
Amounts due for settlement after one year	2,000	-	-	37,000
Secured	2,000	3,323	30,000	42,732
Unsecured	2,000	4,500	5,300	37,500
	4,000	7,823	35,300	80,232
Fixed-rate borrowings	2,000	3,323	35,300	43,232
Variable-rate borrowings	2,000	4,500	-	37,000
	4,000	7,823	35,300	80,232

The ranges of effective interest rates (which are also equal to contractual interest rates) on the Group's bank borrowings are as follows:

	At December 31, 2011	At December 31, 2012	At December 31, 2013	At March 31, 2014
Fixed-rate borrowings	5.40%	5.64%	6.00%	6.00%
Variable-rate borrowings	6.56%#	5.60%#	-	6.15%*

\# *People's Bank of China one-year RMB Lending Rate*
* *People's Bank of China three-year RMB Lending Rate*

All bank borrowings are denominated in RMB.

As at December 31, 2011, 2012 and 2013 and March 31, 2014, bank borrowings of the Group are secured by fixed charges on property, plant and equipment, land use rights and pledged bank deposits as set out in notes 16, 17 and 27, respectively.

As at December 31, 2013 and March 31, 2014, a bank borrowing of the Group is secured by earnings from certain property, plant and equipment, inventories and trade receivables pursuant to the assets' income right transfer agreement as set out in notes 16, 23 and 24 which is matured in September 2014. Upon the maturity date, the Group will redeem the relevant assets' income right by repayment of the principle, plus interest at 6% per annum.

At December 31, 2011, 2012 and 2013 and March 31, 2014, included in the bank borrowings are obligations arising from discounting bills receivable issued by third parties with recourse with an aggregate carrying amount of approximately nil, RMB3,323,000, nil and RMB12,732,000, respectively (Note 36).

At December 31, 2011, 2012 and 2013 and March 31, 2014, the Group has available unutilized and unrestricted banking facilities of approximately RMB78,000,000, RMB102,500,000, RMB94,586,000 and RMB138,380,000, respectively.

At December 31, 2011, 2012 and 2013, Zhongchen and Mr. Huang have provided corporate guarantee and personal guarantee, respectively and Zhongchen and Mr. Huang together, have provided a joint guarantee to the Group in obtaining certain banking facilities from the banks. At December 31, 2011, 2012 and 2013, the Group has drawn bank loans for total amount of RMB2,000,000, RMB4,500,000 and RMB1,500,000, respectively, from these facilities. Such guarantees have been released in February 2014.

31. Deferred income

	Year ended December 31,			Three months ended March 31,	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB ('000)	**RMB ('000)**	**RMB ('000)**	**RMB ('000)** *(Unaudited)*	**RMB ('000)**
Amounts credited to profit or loss during the year/period:					
Subsidies related to tax refund(Note a)	924	4,598	3,907	740	387
Subsidies related to promotion activities(note b)	-	3,600	-	-	-
Incentive subsidies(Note c)	345	775	375	-	-
	1,269	8,973	4,282	740	387

The movement of deferred income is as follows.

	Year ended December 31,			Three months ended March 31,	
	2011	2012	2013	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000) *(Unaudited)*	RMB ('000)
At beginning of year/period	-	-	4,260	4,260	4,390
Receipt of subsidies related to property, plant and equipment(Note d)	-	4,260	130	-	-
Disposal of a subsidiary (Note 12)	-	-	-	-	(4,390)
At end of year/period	-	4,260	4,390	4,260	-

Notes:

(a) *It relates to an amount received by a subsidiary from a local government for its investments in Suqian City. The subsidiary can apply to the local government authority for refund of tax paid. The amount of tax refund would be determined based on the tax paid by the subsidiary.*

(b) *The Group received government subsidies for compensation of promotion expenses incurred for development of its brand name and products to enhance its competitiveness in the industry.*

(c) *Incentive subsidies were received from a local government for improvement of working capital and compensation of research and development expenses incurred.*

(d) *The Group received government subsidies for the compensation of capital expenditures on the plant and machinery which are deferred and amortized over the estimated useful lives of the respective assets when they are ready to use.*

There are no unfulfilled conditions or other contingencies attached to the grants under (a), (b) and (c) above. The subsidies were granted on a discretionary basis to the Group during the Track Record Period.

32. Deferred tax

The following is the major deferred tax assets (liabilities) recognized and movements thereon during the Track Record Period:

	Property, plant and equipment	Tax loss	Total
	RMB ('000)	RMB ('000)	RMB ('000)
At January 1, 2011	-	227	227
(Charge) credit to profit or loss	(215)	246	31
At December 31, 2011	(215)	473	258
Credit (charge) to profit or loss	41	(473)	(432)
At December 31, 2012	(174)	-	(174)
Credit to profit or loss	41	-	41
At December 31, 2013	(133)	-	(133)
Credit to profit or loss	10	-	10
Disposal of a subsidiary (Note 12)	123	-	123
At March 31, 2014	-	-	-

The following is the analysis of the deferred tax balances for the purpose of presentation in the combined statements of financial position:

	At December 31,			At March 31,
	2011	2012	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Deferred tax assets	473	-	-	-
Deferred tax liabilities	(215)	(174)	(133)	-
	258	(174)	(133)	-

The Group has unused tax loss of approximately RMB1,892,000, nil, nil and nil at December 31, 2011, 2012 and 2013 and March 31, 2014, respectively which are available to offset against future profit. A deferred tax asset has been recognized in respect of such losses to the extent that it is probable that future taxable temporary differences will be available against which the temporary difference can be utilized.

At the end of each reporting period, the Group has no other significant unrecognized deferred taxation.

33. Paid-in capital

The paid-in capital at January 1, 2011, December 31, 2011, 2012 and 2013 and March 31, 2014 represents the fully paid-in capital and registered capital of Guangdong Jiashili of RMB52,000,000, RMB52,000,000, RMB52,000,000, RMB120,000,000 and RMB120,000,000, respectively.

34. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balances. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of net debts (which include bank borrowings and amount due to a related company, net of cash and cash equivalents) and equity attributable to owners of the Company, comprising paid-in capital and retained profits.

The management of the Group reviews the capital structure periodically. As part of this review, the management considers the cost of capital and the risks associated with the capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends and raising of new capital as well as the issue of new debt or the redemption of existing debt.

35. Financial instruments

(a) Categories of financial instruments

	Carrying amount at December 31,			Carrying amount at March 31,
	2011	2012	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Financial assets				
Loans and receivables (including cash and cash equivalent)	97,157	101,405	109,738	159,493
Available-for-sale investment	8,000	8,000	-	-
Financial liabilities				
Amortized cost	94,432	151,369	192,070	215,855

(b) Financial risk management objectives and policies

The management monitors and manages the financial risks relating to the operations of the Group through internal risk assessment which analyzes exposures by degree and magnitude of risks. The risks include market risk (including interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to cash flow interest rate risk on the variable rate of interest earned on the bank balances and variable-rate of interest incurred on bank borrowings. The Group is also exposed to fair value interest rate risk in relation to fixed-rate bank borrowings. The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The management of the Group monitor interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The Group is mainly exposed to interest rates quoted by the People's Bank of China.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year/period. The following sensitivity analysis represents management's assessment of the reasonably possible change in interest rates.

Variable-rate borrowings

If interest rates of the variable-rate borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2013 and 2014 would decrease/increase by approximately RMB9,000, RMB19,000, nil, nil (unaudited) and RMB157,000, respectively.

Variable-rate bank balances

If interest rates of the variable-rate bank balances had been 10 basis points higher/lower and all other variables were held constant, the Group's profit for the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2013 and 2014 would increase/decrease by approximately RMB19,000, RMB52,000, RMB56,000, RMB67,000 (unaudited) and RMB73,000, respectively.

Other price risk

The Group was exposed to other price risk in relation to its available-for-sale investment. The management of the Group considered the Group's exposure to other price risk was insignificant.

Credit risk

As at December 31, 2011, 2012 and 2013 and March 31, 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the combined statements of financial position.

The credit risk on liquid fund is limited because the counterparties are banks with high credit ratings.

As at December 31, 2011, 2012 and March 31, 2014, the Group has concentration of credit risk in relation to amounts due from related companies, Zhongchen and Guangdong Kangli, and long term receivable as disclosed in notes 25 and 21 respectively. In order to minimize the credit risk, the management of the Group has reviewed the recoverability of the amounts due from related companies and long term receivable regularly to ensure that follow-up action is taken timely. In this regard, the management of the Group considers that the credit risk on the balances is significantly reduced.

For the biscuits operation, the Group generally adopted a policy to require advance payment from majority of their customers before the delivery of goods.

The trade receivables balances at the end of each reporting period mainly represented the credit sales to certain customers. With respective to these credit sales, the Group has concentration of credit risk as 66%, 60%, 62% and 61% of the Group's total trade receivables as at December 31, 2011, 2012 and 2013 and March 31, 2014, respectively, were due from five customers. Those five customers are with good creditworthiness based on historical settlement record. In order to minimize the concentration of credit risk, the management of the Group is responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure follow-up action is taken to recover overdue debts. The management of the Group also performs periodic evaluations and customer visits to ensure the Group's exposure to bad debts is not significant and adequate impairment losses are made for irrecoverable amount. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the Group closely monitors their cash position resulting from its operations and maintains a level of cash and cash equivalents deemed adequate by the management to meet in full its financial obligations as they fall due for the foreseeable future. The management also monitors the utilization of bank borrowings.

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms as at December 31, 2011, 2012 and 2013 and March 31, 2014. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from the interest rate at the end of the reporting period.

Liquidity and interest risk tables

	Weighted average interest rate	Repayable on demand or within 3 months	3 - 6 months	6 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
	%	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
At December 31, 2011							
Trade, bills and other payables	-	87,845	-	-	-	87,845	87,845
Amount due to a related company	-	2,587	-	-	-	2,587	2,587
Bank borrowings							
— Fixed-rate	5.40	27	27	54	2,041	2,149	2,000
— Variable-rate	6.56	32	33	2,012	-	2,077	2,000
		90,491	60	2,066	2,041	94,658	94,432
At December 31, 2012							
Trade, bills and other payables	-	111,205	-	-	-	111,205	111,205
Dividends payable	-	32,341	-	-	-	32,341	32,341
Bank borrowings							
— Fixed-rate	5.64	46	3,349	-	-	3,395	3,323
— Variable-rate	5.60	4,557	-	-	-	4,557	4,500
		148,149	3,349	-	-	151,498	151,369
At December 31, 2013							
Trade, bills and other payables		156,770	-	-	-	156,770	156,770
Bank borrowings							
— Fixed-rate	6.00	5,304	954	30,439	-	36,697	35,300
		162,074	954	30,439	-	193,467	192,070
At March 31, 2014							
Trade, bills and other payables		135,623	-	-	-	135,623	135,623
Bank borrowings							
— Fixed-rate	6.00	1,430	43,632	-	-	45,062	43,232
— Variable-rate	6.15	-	-	-	39,276	39,276	37,000
		137,053	43,632	-	39,276	219,961	215,855

The amounts included above for variable interest rate on bank borrowings are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The management of the Group consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Financial Information approximate their fair values.

36. Transfers of financial assets

The following were the Group's bills receivables as at December 31, 2011, 2012, 2013 and March 31, 2014 that were transferred to suppliers by endorsing those bills receivables on a full recourse basis. In addition, the Group also discounted bills receivables to a bank for cash proceeds. If the bills receivables are not paid at maturity, the bank and the suppliers have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognize the full carrying amount of the bills receivables and has recognized the associated trade payables and the cash received on the transfer from discounting the bill receivables as secured bank borrowings (Note 30). These financial assets are carried at amortized cost in the Group's combined statements of financial position.

At the end of the reporting period, the carrying amount of the bills receivables that have been transferred but have not been derecognized and the amount of the associated liabilities are as follows:

	At December 31,			At March 31,
	2011	2012	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Bills receivables endorsed to suppliers with full recourse	2,198	1,200	8,518	15,104
Bills receivables discounted to a bank with full recourse	-	3,323	-	13,200
	2,198	4,523	8,518	28,304
Associated trade payables relating to the endorsement of bills receivables	2,198	1,200	8,518	15,104
Associated secured bank borrowings	-	3,323	-	12,732
	2,198	4,523	8,518	27,836

As at March 31, 2014, the bills receivables discounted to banks with full recourse of RMB13,200,000 are issued through inter-group transactions and the relevant group entities discounted the bills to bank. The bills receivable and payable issued between group entities were fully eliminated on combination.

37. Operating lease

The Group as lessee

Minimum lease payments under operating lease were approximately RMB932,000, RMB800,000, RMB660,000, RMB200,000 (unaudited) and RMB221,000, which represents the rent paid by the Group for plant and machineries for the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2013 and 2014, respectively.

Minimum lease payments under operating lease were approximately RMB159,000, RMB146,000, RMB293,000, RMB58,000 (unaudited) and RMB35,000, which represents the rent paid by the Group for staff quarter for the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2013 and 2014, respectively.

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating lease which fall due as follows:

	At December 31,			At March 31,
	2011	2012	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Within one year	695	855	900	704
In the second to fifth years inclusive	36	30	-	5
	731	885	900	709

Lease is negotiated and rental is fixed for an average of 1 year.

38. Capital commitments

	At December 31,			At March 31,
	2011	2012	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Capital expenditure in respect of the acquisition of property, plant and equipment:				
— contracted for but not provided in the Financial Information	2,236	29,618	18,236	11,525

39. Related party disclosures

Related Party Transactions

	Year ended December 31,			Three months ended March 31,	
	2011	2012	2013	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000) *(Unaudited)*	RMB ('000)
Sale of goods					
Zhongchen	18	65	45	-	-

The above transactions were carried out in the ordinary course of business and conducted in accordance with the terms and conditions mutually agreed by both parties.

On December 26, 2013, the Group disposed of its entire interest in Sanbu Jiari to Lidajia at a consideration of RMB8,000,000, and such related party has also settled the long term receivable from Sanbu Jiari amounting to RMB26,928,000. Details are set out in notes 20 and 21, respectively.

On March 28, 2014, the Group disposed of its entire interest in Guangdong Kangli to Zhongchen at a consideration of RMB24,351,000. Details are set out in note 12.

Mr. Huang has also been employed by Zhongchen and the payment of his contributions to retirement benefits scheme was centralized and made by Zhongchen for the Track Record Period, in which the amounts are considered to be insignificant.

At December 31, 2011, 2012 and 2013, Zhongchen and Mr. Huang have provided corporate guarantee and personal guarantee, respectively and Zhongchen and Mr. Huang together, have provided a joint guarantee to the Group in obtaining certain banking facilities from the banks. At December 31, 2011, 2012 and 2013, the Group has drawn bank loans for total amount of RMB2,000,000, RMB4,500,000 and RMB1,500,000, respectively, and issued letters of credit for total amount of nil, nil and RMB33,914,000 respectively from these facilities. Such guarantees have been released in February 2014.

Related party balances

	At December 31,			At March 31,
	2011	**2012**	**2013**	**2014**
	RMB ('000)	**RMB ('000)**	**RMB ('000)**	**RMB ('000)**
Amount due from an associate	50	50	-	-
Amount due from a related company — Zhongchen	43,017	13	-	21,916
Amount due from a related company — Guangdong Kangli	-	-	-	22,496
Total amounts due from related parties	43,067	63	-	44,412
Amount due to a related company — Guofeng	2,587	-	-	-
Dividends payable	-	32,341	-	-
Total amounts due to related parties	2,587	32,341	-	-

Key management personnel

The remuneration of key management personnel during the Track Record Period were as follows:

	Year ended December 31,			Three months ended March 31,	
	2011	2012	2013	2013	2014
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000) *(Unaudited)*	RMB ('000)
Short-term benefits	1,037	945	1,099	168	168
Post-employment benefits	35	37	37	9	10
	1,072	982	1,136	177	178

40. Retirement benefit plan

The employees of the Group are members of the state-managed retirement benefit scheme operated by the PRC government. The Group is required to contribute a certain percentage of basic payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The total expense recognized in profit or loss of approximately RMB5,718,000, RMB7,162,000, RMB7,209,000, RMB1,684,000 (unaudited) and RMB1,962,000 represent contributions paid and payable to the retirement benefit scheme during the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2013 and 2014, respectively.

41. Major non-cash transaction

During the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2013 and 2014, the banks directly received the contractually entitled cash flows of nil, nil, RMB9,733,000, RMB3,909,000 (unaudited) and RMB5,824,000 upon maturity of the discounted bills receivable from the Group's debtors as settlement of the related bank borrowings granted to the Group.

B. FINANCIAL INFORMATION OF THE COMPANY

At the time of the incorporation of the Company, the initial authorized share capital of the Company was HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On the same day, 1 ordinary share was allotted and unpaid by the Company to the subscriber which was transferred to Kaiyuan. Other than the issue of ordinary share, the Company had no other transaction during the Track Record Period.

On April 15, 2014, the Company issued and allotted 9,999 ordinary shares of the Company of HK$0.01 each to Kaiyuan, at a consideration of approximately HK$0.01 per share, totally approximately HK$100.

The new ordinary shares rank pari passu with the existing shares in all aspects.

C. SUBSEQUENT EVENTS

Same as disclosed elsewhere in this report, the Group has the following events taken place subsequent to the Track Record Period:

Special dividend

On April 1, 2014, Guangdong Jiashili declared a special dividend of RMB25,592,308.57 to its equity owners pursuant to the resolution from the board of directors of Guangdong Jiashili.

Pre-IPO investment

On April 11, 2014, the Company, the Company's subsidiaries, Kaiyuan and Mr. Huang entered into an investment agreement ("Investment Agreement") with Actis Investment Holdings Ship Limited ("Actis Ship") and Actis Investment Holdings No. 151 Limited ("Actis 151" now known as Rich Tea Investments Limited), pursuant to which Actis Ship and Actis 151, subject to customary conditions, agreed to:

(i) subscribe for 2,500 series A preferred shares by Actis Ship for aggregate consideration of US$26,700,000 which shall be convertible into ordinary shares of the Company upon the completion of the global offering;

(ii) purchase 993 ordinary shares of the Company by Actis 151 from Kaiyuan for aggregate consideration of US$10,600,000; and

(iii) subscribe and purchase a convertible promissory note by Actis 151 with a principal value of US$12,700,000, at fixed interest rate of 8% per annum, compounded annually.

The above transactions are completed on April 16, 2014. Details of these transactions are set out in "Pre-IPO investment" headed under History, Reorganization and Corporate Structure in the Prospectus.

At the date of issue, the Company designated the convertible promissory note payable as financial liability at fair value through profit or loss and initially recognized at fair value. In subsequent periods, the convertible promissory note payable will be measured at fair value with changes in fair value recognized in profit or loss. Transaction costs relating to the issuance of the convertible promissory note payable were charged to profit or loss immediately.

Deemed distribution

After the completion of the Guangdong Jiashili Acquisition, as disclosed in note 2 to the Financial Information, the Group paid RMB227.0 million to the ultimate controlling shareholder in May 2014 resulting in a reduction of net assets of the Group, which was accounted for as a deemed distribution recognized in equity directly. The funding of the RMB227.0 million was mainly sourced from the proceeds from the issue of 2,500 series A preferred shares to Actis Ship amounting to US$26.7 million and convertible promissory note with a principal value of US$12.7 million to Actis 151 by the Company in April 2014.

Capitalization issue

Pursuant to the resolutions in writing of all the shareholders of the Company passed on August 21, 2014, subject to the share premium account of the Company being credited as a result of the global offering, the directors of the Company have authorized to allot and issue a total of 299,987,500 ordinary shares credited as fully paid at par by way of capitalization of the sum of HK$2,999,875 standing to the credit of the share premium account of the Company, and the ordinary shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued ordinary shares.

Pre-IPO share option scheme

The Company has conditionally adopted a pre-IPO share option scheme on August 21, 2014 to provide incentives and rewards to the employees and consultants of the Group for their future contribution and to retain key and senior employees of the Group. Details of the principal terms of the pre-IPO share option scheme are summarized under the paragraph "8. Pre-IPO Share Option Scheme" in the section headed "Statutory and General Information" in Appendix V to the Prospectus.

Share option scheme

The Company has conditionally adopted a share option scheme on August 21, 2014 to enable the Company to grant options to the eligible person as incentives or rewards for their contribution to the Group. The principal terms of the share option scheme are summarized under the paragraph "9. Share Option Scheme" in the section headed "Statutory and General Information" in Appendix V to this prospectus.

No share options have been granted under the pre-IPO share option scheme and share option scheme up to the date of this report.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to March 31, 2014.

E. DIRECTORS' REMUNERATION

Save as disclosed herein, no remuneration has been paid or is payable to the Company's directors by the Company or any of its subsidiaries during the Track Record Period. Under the arrangements presently in force, the estimated aggregate remunerations, excluding discretionary bonus and share-based payments expense, if any, of the Company's directors for the year ending December 31, 2014 is approximately RMB$1,438,000.

Yours faithfully

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The information set out in this Appendix does not form part of the accountants' report on the financial information of the Group for the three years ended December 31, 2013 and the three months ended March 31, 2014 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's Reporting Accountants, as set out in Appendix I to this prospectus (the "Accountants' Report"), and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is prepared for illustrative purposes only, and is set out here to provide investors with further information about how the Global Offering might have affected the combined net tangible assets of the Group after completion of the Global Offering as if the Global Offering had taken place on March 31, 2014. Prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of the Group's financial position as at March 31, 2014 or at any future date.

The following is an unaudited pro forma statement of adjusted combined net tangible assets of the Group which is prepared based on the audited combined net tangible assets of the Group as at March 31, 2014 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group following the Global Offering.

	Audited combined net tangible assets of the Group as at March 31, 2014	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted combined net tangible assets of the Group	Unaudited pro forma adjusted combined net tangible assets of the Group per Share	
	RMB ('000) Note 1	RMB ('000) Note 2	RMB ('000)	RMB Note 3	Equivalent to HK$ Note 4
Based on an offer price of HK$3.70 per Share	179,535	262,025	441,560	1.30	1.63

Notes:

(1) The audited combined net tangible assets of the Group as at March 31, 2014 is based on the combined net assets of the Group of RMB181,410,000 adjusting for intangible assets of RMB1,875,000, as derived from the Accountants' Report on the financial information of the Group for the three years ended December 31, 2013 and the three months ended March 31, 2014 which is set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on 100,000,000 Shares to be issued at an offer price of HK$3.70 (equivalent to RMB2.95) per Share, after deduction of the estimated underwriting fees and related expenses expected to be incurred by the Group subsequent to March 31, 2014 and does not take into account of any Shares which may be issued upon the exercise of the Overallotment Option, any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme, or any Shares which may be issued or repurchased pursuant to the Company's general mandate. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars to Renminbi at an exchange rate of RMB1 to HK$1.256, which was the rate prevailing

on September 5, 2014 as set by the People's Bank of China (the "PBOC"). No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

(3) The unaudited pro forma adjusted combined net tangible assets of the Group per Share is arrived at after making the adjustments referred to in note (2) above and on the basis of 340,000,000 Shares in total, which include 10,000 Shares in issue as at March 31, 2014 and assuming that 100,000,000 Shares to be issued pursuant to the Global Offering and capitalization issue of 239,990,000 Shares of the Company (without considering the conversion of 2,500 Series A Preferred Shares into ordinary shares of the Company) had been completed on March 31, 2014. It does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option, any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme, or any Shares which may be issued or repurchased pursuant to our Company's general mandate.

(4) The unaudited pro forma adjusted combined net tangible assets of the Group per Share amounts in RMB are converted to HK$ at an exchange rate at RMB1 to HK$1.256, which was the rate prevailing on September 5, 2014 as set by the PBOC. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

(5) By comparing the valuation of the Group's property interests including buildings and construction in progress as at June 30, 2014 of approximately RMB194 million as set out in Appendix III to the prospectus, the valuation surplus is approximately RMB86.92 million as compared to the unaudited carrying amounts of the Group's property interests as of June 30, 2014. The revaluation of the Group's property interests will not be incorporated in the future financial statements of the Group. If the revaluation surplus is to be included in the future financial statements of the Group, an additional annual depreciation charge of approximately RMB4.35 million would be recorded.

(6) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to March 31, 2014, in particular, the unaudited pro forma adjusted combined net tangible assets of our Group has not been adjusted for the effect of the deemed distribution amounting to RMB227.0 million and pre-IPO investment. The funding of the RMB227.0 million was mainly sourced from the proceeds from the issue of 2,500 Series A Preferred Shares to Actis Ship amounting to US$26.7 million (equivalent to RMB164.8 million) and convertible promissory note with a principal value of US$12.7 million (equivalent to RMB78.4 million) to Actis 151 by our Company in April 2014. The deemed distribution and the proceeds from the issue of 2,500 Series A Preferred Shares would result in a net decrease of RMB62.2 million on our Group's net tangible asset value before the Global Offering.

Had the deemed distribution and the proceeds from the issue of 2,500 Series A Preferred Shares been taken into account by adjusting RMB227.0 million and US$26.7 million (equivalent to RMB164.8 million) to the unaudited pro forma adjusted combined net tangible assets of the Group, the unaudited pro forma adjusted combined net tangible assets of the Group per Share would be decreased to RMB0.95 (equivalent to HK$1.19) based on the offer price of HK$3.70 (equivalent to RMB2.95) per Share which is arrived at on the basis of a total of 400,000,000 Shares. US dollars amount is converted to Renminbi at an exchange rate of US$1 to RMB6.1707 and Renminbi amount is converted to Hong Kong dollars at an exchange rate of RMB1 to HK$1.256, which were the PBOC rates prevailing on September 5, 2014. No representation is made that US dollars have been, could have been or may be converted to Renminbi amounts, or vice versa, at that rate or at all, and no representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

B. ASSURANCE REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte.
德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF JIASHILI GROUP LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Jiashili Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets as at March 31, 2014 and related notes as set out in section A of Appendix II to the prospectus issued by the Company dated September 15, 2014 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in section A of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at March 31, 2014 as if the global offering of shares of the Company had taken place at March 31, 2014. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the three years ended December 31, 2013 and the three months ended March 31, 2014, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at March 31, 2014 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
September 15, 2014

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this prospectus received from Savills Valuation and Professional Services Limited, an independent property valuer, in connection with their opinion of values of the property interests held by the Group as at June 30, 2014.

The Directors
Jiashili Group Limited
No.18 Gangkou Road, Changsha
Kaiping
Guangdong Province
PRC

Savills Valuation and
Professional Services Limited
23/F Two Exchange Square
Central, Hong Kong

T : (852) 2801 6100
F : (852) 2530 0756

EA Licence: C-023750
savills.com

September 15, 2014

Dear Sirs,

In accordance with your instructions for us to value the properties situated in the People's Republic of China ("PRC") in which Jiashili Group Limited (the "Company") and its subsidiaries (the "Group") have interests, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of values of such properties as at June 30, 2014 (the "date of valuation") for the purpose of the Company's proposed listing on the Main Board of The Stock Exchange of Hong Kong Limited.

BASIS OF VALUATION

Our valuation of each of the properties is our opinion of its market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion''.

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

PROPERTY CATEGORISATION AND VALUATION METHODOLOGY

In valuing the properties in Group I, which are held by the Group for owner-occupation in the PRC, due to the nature of the buildings and structures that were constructed, there are no readily identifiable market comparables, and the buildings and structures cannot be valued on the basis of direct comparison. Therefore, we have adopted the Depreciated Replacement Cost ("DRC") Approach to value the properties. DRC Approach is based on an estimate of the market value for the existing use of the land plus the current replacement costs of the buildings and structures, from which deductions are then made to allow for physical deterioration and all relevant forms of obsolescence and optimization. The DRC Approach is subject to adequate potential profitability of the concerned business. Our valuation applies to the whole of the complex or development as a unique interest and no piecemeal transaction of the complex or development is assessed.

In valuing the properties in Group II, which are leased by the Group in the PRC, we have assigned no commercial values to these properties due to the prohibition against assignment or sub-letting or otherwise due to the lack of profit rent and/or the short term nature of the respective leases.

TITLE INVESTIGATION

We have been provided with extracts of documents in relation to the titles to the properties. However, we have not searched the original documents to ascertain any amendments which may not appear on the copies handed to us. In the course of our valuation, we have relied to a very considerable extent on the information given by the Group and its PRC's legal adviser, Jingtian & Gongcheng (競天公誠律師事務所), regarding the titles to the properties.

VALUATION CONSIDERATIONS AND ASSUMPTIONS

In valuing the properties in the PRC, unless otherwise stated, we have assumed that transferable land use rights in respect of the properties for their respective specific terms at nominal land use fees have been granted and that any land grant premium payables have already been paid. Unless otherwise stated, we have also assumed that the Group has enforceable titles to these properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired terms as granted.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, particulars of occupancy, site and floor areas and all relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on the information provided to us and are therefore only approximations. No on-site measurements have been taken. We have no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any property or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

SITE INSPECTION

We have inspected the exterior and, where possible, the interior of the properties. Site inspection was carried out by our Mr. Denghui Qi (Manager) and Mr. Fred Jiang (Manager) during the period between February and March 2014. Mr. Denghui Qi is a qualified engineer and Mr. Fred Jiang is a Certified Public Valuer in PRC. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the properties are free from rot, infestation or any other defects. No tests were carried out on any of the services.

REMARKS

Unless otherwise stated, all money amounts are stated in Renminbi ("RMB").

We enclose herewith our summary of values and valuation certificates.

Yours faithfully,
For and on behalf of
Savills Valuation and Professional Services Limited

Anthony C.K. Lau
MRICS MHKIS RPS(GP)
Director

Note: Mr. Anthony C.K. Lau is a qualified valuer and has over 21 years' experience of valuing properties in both the PRC and Hong Kong.

SUMMARY OF VALUES

Group I — Properties held by the Group for owner occupation in the PRC

No.	Property		Market value in existing state as at June 30, 2014
1.	No.18 Gangkou Road, Changsha, Sanbu District, Kaiping, Guangdong Province, PRC		RMB136,000,000
2.	No.88 Fumin Avenue, Suqian Economic and Technology Development Zone, (宿遷經濟技術開發區) Suqian, Jiangsu Province, PRC		RMB58,000,000
		Sub-total:	RMB194,000,000

Group II — Properties leased by the Group in the PRC

No.	Property		Market value in existing state as at June 30, 2014
3.	Block 8, Apartment for the Talented, Development Zone for Taiwanese Entrepreneur, (臺商產業園人才公寓) Suqian, Jiangsu Province, PRC		No commercial value
4.	Portion of a factory building and a warehouse building, Oriental Food City, (東方食品城) Longyao County, Xingtai, Hebei Province, PRC		No commercial value
		Sub-total:	Nil
		Grand total:	**RMB194,000,000**

VALUATION CERTIFICATE

Group I — Properties held by the Group for owner occupation in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at June 30, 2014
1.	No.18 Gangkou Road, Changsha, Sanbu District, Kaiping, Guangdong Province, PRC	The property comprises various low-rise industrial buildings and structures erected on a parcel of land with a site area of approximately 33,744.00 sq.m.. It was completed in between 1988 and 1992. The property is located in Sanbu district of Kaiping. Developments in the vicinity are dominated by low rise industrial buildings. It takes approximately 10 minutes driving distance from the property to the city center. The property has a gross floor area of approximately 39,417.37 sq.m., the breakdown of which is shown below:	The property is occupied by the Group as production workshop, office and ancillary facilities.	RMB136,000,000

Use	Approximate Gross Floor Area (sq.m.)
Production workshop	31,247.55
Office	1,608.61
Dormitory and others	6,561.21
Total	**39,417.37**

In addition, the property also includes a 5-storey industrial building completed in early 2014 with a total gross floor area of approximately 31,859.90 sq.m.. As advised by the Group, they are in the process of obtaining the building ownership certificate.

The land use rights of the property have been granted for a term due to expire on March 16, 2039 for industrial use.

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate — Kai Fu Guo Yong (2012) No.01719 dated May 18, 2012 issued by People's Government of Kaiping, the land use rights of a parcel of land with a site area of 33,744.00 sq.m. is vested in Guangdong Jiashili Food Group Co., Limited. ("Guangdong Jiashili"), a 100%-owned subsidiary of the Company, for a term due to expire on March 16, 2039 for industrial use.

2. Pursuant to 10 Building Ownership Certificates issued by People's Government of Guangdong Province dated August 14, 2007 and May 28, 2008, the building ownership rights of the property is vested in Guangdong Jiashili for various uses. Detail of the certificates are as follows:

No.	Certificate No.	Gross Floor Area (sq.m.)	Permitted Use
1.	Yue Fang Di Zhang Zi Di No.C5734699	12,096.11	Non-Residential
2.	Yue Fang Di Zhang Zi Di No.C6590605	4,685.74	Workshop
3.	Yue Fang Di Zhang Zi Di No.C6590606	1,883.26	Workshop
4.	Yue Fang Di Zhang Zi Di No.C6590607	610.48	Power room
5.	Yue Fang Di Zhang Zi Di No.C6590608	12,582.44	Workshop
6.	Yue Fang Di Zhang Zi Di No.C6590609	1,608.61	Industrial
7.	Yue Fang Di Zhang Zi Di No.C6590610	2,469.42	Residential and Canteen
8.	Yue Fang Di Zhang Zi Di No.C6590611	3,351.98	Industrial
9.	Yue Fang Di Zhang Zi Di No.C6590612	75.09	Boiler Room
10.	Yue Fang Di Zhang Zi Di No.C6590613	54.24	Boiler Room
	Total	**39,417.37**	

3. As advised by the Group, they are in the process of obtaining the building ownership certificate for a building (named Production Workshop No.3) with a gross floor area of 31,859.90 sq.m..

4. Pursuant to the Construction Land Planning Permit — Di Zi Di Gui Hua No. 2013028 dated March 6, 2012 issued by Urban and Planning Bureau of Kaiping, a parcel of land situated at No.18 Changsha Gangkou Road, Kaiping with site area of 33,744.00 sq.m. has been permitted for industrial use.

5. Pursuant to the Construction Works Planning Permit — Jian Zi Di Shi Zheng Pei Tao No. 2012-069 dated September 28, 2012 issued by Urban and Planning Bureau of Kaiping, a property named Production Workshop No.3 has been permitted to construct at No.18 Changsha Gangkou Road, Kaiping.

6. Pursuant to the Construction Works Planning Permit — Jian Zi Di Gui Hua No. 14009 dated October 22, 2013 issued by Urban and Planning Bureau of Kaiping, a property named Production Workshop No.3 with a construction scale of 31,859.90 sq.m. has been permitted to construct at No.18 Changsha Gangkou Road, Kaiping.

7. Pursuant to the Construction Works Commencement Permit — Jian Zi Di No. 440724201212100101 dated December 17, 2012 issued by Urban and Rural Construction and Housing Bureau of Kaiping, the construction works of a property named Production Workshop No.3 with a construction scale of 25,520.00 sq.m. have been permitted to be commenced. The Urban and Rural Construction and Housing Bureau of Kaiping confirmed that the gross floor area of the property is changed to 31,859.90 sq.m. on May 21, 2014.

8. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, inter alia, the following information:

   i. Guangdong Jiashili has legally acquired the land use rights and the building ownership rights of the property;

   ii. Guangdong Jiashili is entitled to occupy, use, transfer, lease, mortgage and by other legal means dispose of the land and the property; and

   iii. for the portion of the property which is in the process of obtaining the building ownership certificate, there is no significant legal impediment for Guangdong Jiashili to obtain the building ownership certificate of the property.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at June 30, 2014
2.	No.88 Fumin Avenue, Suqian Economic and Technology Development Zone (宿遷經濟技術開發區) Suqian, Jiangsu Province, PRC	The property comprises various low rise industrial buildings and structures erected on 4 parcels of land with a total site area of approximately 59,100.00 sq.m.. It was completed in 2007.	The property is occupied by the Group for industrial and ancillary use.	RMB58,000,000

The property is located in Sucheng district of Suqian. Developments in the vicinity are dominated by low rise industrial buildings. It takes approximately 20 minutes driving distance from the property to the city center.

The property has a total gross floor area of approximately 27,625.84 sq.m., the breakdown of which is shown below:

Use	Approximate Gross Floor Area (sq.m.)
Production workshop	17,737.22
Office	5,385.20
Others	4,503.42
Total	**27,625.84**

In addition, the property also includes a single-storey workshop completed in 2013 with a total gross floor area of approximately 8,343.00 sq.m.. As advised by the Group, they are in the process of obtaining the Construction Land Planning Permit and the acceptance of completion certificate.

The land use rights of the property has been granted for a term due to expire on September 30, 2056 for industrial use.

Notes

1. Pursuant to the Master Investment Agreement entered into between Guangdong Jiashili, 宿遷開誠實業有限公司 (Suqian Kaicheng Shiye Co., Ltd.) ("Suqian Kaicheng") and 宿遷經濟技術開發區管理委員會 (the Management Committee of Suqian Economic and Technology Development Zone) on September 10, 2009, Suqian Kaicheng has agreed to transfer the property to Guangdong Jiashili at a consideration of RMB5,000,000 on condition that Guangdong Jiashili has paid an aggregate tax amount of not less than RMB30,000,000 within four years from 2010 in Suqian Economic and Technology Development Zone.

   As advised by the Group, Guangdong Jiashili has fully settled the tax as specified and the consideration set out in the above agreement.

2. Pursuant to 4 State-owned Land Use Rights Certificates — Su (Kai) Guo Yong [2014] Nos. 6442 to 6444 and 7125 dated April 10, 2014 and May 16, 2014 issued by People's Government of Suqian, the land use rights of 4 parcels of with a total site area of 59,100.00 sq.m. is vested in Jiangsu Jiashili Food Company Limited ("Jiangsu Jiashili"), a 100%-owned subsidiary of the Company, for a term due to expire on September 30, 2056 for industrial use. Detail of the certificates are as follows:

No.	Certificate No.	Site Area (sq.m.)	Permitted Land Use	Land Use Term Expiry Date
1.	Su (Kai) Guo Yong [2014] No. 6442	2,214.00	Industrial	September 30, 2056
2.	Su (Kai) Guo Yong [2014] No. 6443	2,213.30	Industrial	September 30, 2056
3.	Su (Kai) Guo Yong [2014] No. 6444	2,653.70	Industrial	September 30, 2056
4.	Su (Kai) Guo Yong [2014] No. 7125	52,019.00	Industrial	September 30, 2056
	Total	**59,100.00**		

3. Pursuant to 5 Building Ownership Certificates — Su Fang Quan Zheng Kai Fa Zi Di Nos. 14000257 to 14000260 and 14000263 all dated January 15, 2014 issued by Housing Administration Bureau of Suqian, the building ownership rights of the property is vested in Jiangsu Jiashili for industrial use. Detail of the certificates are as follows:

No.	Certificate No.	Gross Floor Area (sq.m.)	Permitted Use
1.	Su Fang Quan Zheng Kai Fa Zi Di No. 14000257	4,503.42	Industrial
2.	Su Fang Quan Zheng Kai Fa Zi Di No. 14000258	5,385.20	Industrial
3.	Su Fang Quan Zheng Kai Fa Zi Di No. 14000259	4,503.70	Industrial
4.	Su Fang Quan Zheng Kai Fa Zi Di No. 14000260	7,852.74	Industrial
5.	Su Fang Quan Zheng Kai Fa Zi Di No. 14000263	5,380.78	Industrial
	Total	**27,625.84**	

4. As advised by the Group, they are in the process of obtaining the Construction Land Planning Permit and acceptance of completion certificate for a building with a gross floor area of 8,343.00 sq.m..

5. Pursuant to the Construction Works Planning Permit — Jian Zi Di No. 321300201430203 dated May 20, 2014 issued by Planning Bureau of Suqian, a workshop with construction scale of 8,343.00 sq.m. has been permitted to be constructed in Suqian Economic and Technology Development Zone.

6. Pursuant to the Construction Works Commencement Permit — Jian Zi Di No. 321390020140004 dated May 22, 2014 issued by the Management Committee of Suqian Economic and Technology Development Zone, the construction works of a workshop with a construction scale of 8,343.00 sq.m. have been permitted to be commenced.

7. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, inter alia, the following information:

   i. Jiangsu Jiashili has legally acquired the land use rights and the building ownership rights of the property;

   ii. Jiangsu Jiashili is entitled to occupy, use, transfer, lease, mortgage and by other legal means dispose of the land and the property; and

   iii. for the portion of the property which is in the process of obtaining the Construction Land Planning Permit and the acceptance of completion certificate, there is no significant legal impediment for Jiangsu Jiashili to obtain the building ownership certificate of the property after obtaining the acceptance of completion certificate.

Group II — Properties leased by the Group in the PRC

No.	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at June 30, 2014
3.	Block 8, Apartment for the Talented, Development Zone for Taiwanese Entrepreneur, (臺商產業園人才公寓) Suqian, Jiangsu Province, PRC	The property comprises all units on Level 1 to Level 5 of a 5-storey residential building completed in 2013. It has a total gross floor area of approximately 4,156.45 sq.m. The property is leased to Jiangsu Jiashili Food Company Limited ("Jiangsu Jiashili"), a 100%-owned subsidiary of the Company, from 宿遷市開誠實業有限公司 (Suqian Kaicheng Shiye Co., Ltd.) (the "lessor"), an independent third party, for a term of 3 years commencing on October 1, 2013 and expiring on September 30, 2016.	The property is occupied by the Group for residential use.	No commercial value

Notes:

1. The property is leased to Jiangsu Jiashili for a term of 3 years commencing on October 1, 2013 and expiring on September 30, 2016 at an annual rental of RMB100,000.

2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Group's PRC legal adviser, which contains, inter alia, the following information:

   i. the lessor cannot provide the relevant Building Ownership Certificate or other approval documents in respect of the property and it cannot be ascertained whether the lessor has the right to lease the property; and

   ii. the tenancy agreement of the property is legal, valid and enforceable except the issue as mentioned in note i.

No.	Property	Description and tenancy details	Particulars of occupancy	Market value in existing state as at June 30, 2014
4.	Portion of a factory building and a warehouse, Oriental Food City, (東方食品城) Longyao County, Xingtai, Hebei Province, PRC	The property comprises portion of Level 1 to Level 3 of a 3-storey factory building and Level 1 of a 5-storey warehouse building completed in 2000 and 2002 respectively. It has a total gross floor area of approximately 12,696.60 sq.m. The property is leased to Xingtai Jiashili Food Company Limited ("Xingtai Jiashili"), a 100%-owned subsidiary of the Company, from 今麥郎日清食品有限公司 (Jinmailang Riqing Shipin Co., Ltd.) (the "lessor"), an independent third party, for a term of 1 year commencing on January 1, 2014 and expiring on December 31, 2014.	The property is occupied by the Group for production and storage use.	No commercial value

Notes:

1. The property is leased to Xingtai Jiashili for a term of 1 year commencing on January 1, 2014 and expiring on December 31, 2014 at a total annual rental of RMB800,000.

2. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Group's PRC legal adviser, which contains, inter alia, the following information:

   i. the lessor is the legal owner of the property and is entitled to lease the property;

   ii. the tenancy agreement has been registered with the relevant government authority;

   iii. the tenancy agreement of the property is legal, valid and enforceable and the lessee is entitled to legally use the leased property subject to the terms as set out in the tenancy agreement; and

   iv. the property is subject to a mortgage in favor of Bank of China Limited Xingtai Branch.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on December 19, 2013 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on August 21, 2014. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will 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. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarized financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarized financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognize any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarized in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorizing civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from January 14, 2014.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorized by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman (Cayman) Limited, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

1. FURTHER INFORMATION

Incorporation

Our Company was incorporated as an exempted company in the Cayman Islands under the Companies Law on December 19, 2013. Our Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our Company has established our principal place of business in Hong Kong at Room 701A, East Ocean Center, 98 Granville Road, Kowloon, Hong Kong and has been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on May 29, 2014, with Mr. Yau Chung Hang appointed as the authorized representative of our Company for acceptance of service of process in Hong Kong.

Our Company was incorporated in the Cayman Islands and is subject to the Companies Law. Its constitution comprises the memorandum of association and articles of association. A summary of various provisions of the memorandum and articles of association and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

Changes in registered capital of our Company

The authorized share capital of our Company as at the date of its incorporation was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. The following sets out the changes in the Company's issued share capital since our Company's incorporation:

(a) On December 19, 2013, one subscriber's share of HK$0.01 was allotted and issued as nil paid to the initial subscriber and was further transferred to Kaiyuan.

(b) On April 15, 2014, the nil-paid Share was credited as fully paid up by Kaiyuan.

(c) On April 15, 2014, our Company allotted and issued a total of 9,999 Shares to Kaiyuan for a consideration of HK$99.99.

(d) On April 16, 2014, 2,500 Series A Preferred Shares was allotted and issued to Actis Ship at the consideration of US$26,700,000.

(e) Pursuant to the written resolutions of our Shareholders passed on August 21, 2014, the authorized share capital of our Company was increased from HK$380,000 to HK$80,000,000 by the creation of a further 7,962,000,000 Shares of HK$0.01 each.

A total of 100,000,000 new Shares of our Company will be offered to the public by way of public offer.

Conditional on the share premium account of our Company being credited with the proceeds from the Global Offering, HK$2,999,875 will be capitalized from the share premium account and applied in paying up in full 216,158,993, 59,997,500 and 23,831,007 Shares of our Company which will be allotted and issued to Kaiyuan, Actis Ship and Actis 151 respectively on or before the Listing.

Immediately following the Global Offering and the Capitalization Issue (without taking into account any Shares which may be allotted and issued pursuant to the Over-allotment Option or any options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), the issued share capital of our Company will be HK$4,000,000 divided into 400,000,000 Shares fully paid or credited as fully paid and 7,600,000,000 Shares will remain unissued. Other than pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, our Directors do not have any present intention to issue any part of the authorized but unissued share capital of our Company and, without prior approval of our Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as aforesaid, there has been no alteration in the share capital of our Company since its incorporation.

Written resolutions of our Shareholders passed on August 21, 2014

Pursuant to the written resolutions of our Shareholders passed on August 21, 2014, among other things:

(a) the authorized share capital of our Company was increased from HK$380,000 to HK$80,000,000 by the creation of a further 7,962,000,000 Shares;

(b) conditional on the conditions as set out in the section headed ''Structure and conditions of the Global Offering'' of this prospectus:

(i) the Global Offering and the Over-allotment Option were approved and our Directors were authorized to allot and issue the Offer Shares and Shares which may be required to be allotted and issued upon the exercise of the Over-allotment Option;

(ii) all the Series A Preferred Shares issued shall be converted into ordinary Shares of our Company, and our Company shall cease to have more than one class of Shares;

(iii) conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorized to capitalized HK$2,999,875 standing to the credit of the share premium account of our Company applying such sum in paying up in full at par a total of 299,987,500 Shares for allotment and issue to the following Shareholders in the following manner:

Shareholder	Number of Shares to be allotted and issued
Kaiyuan	216,158,993
Actis Ship	59,997,500
Actis 151	23,831,007
	299,987,500

(iv) the rules of the Pre-IPO Share Option Scheme and the Share Option Scheme were approved and adopted and our Directors were authorized to implement the same, grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant thereto;

(v) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with, otherwise than by way of rights issues or an issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of any options which may be granted under the Share Option Scheme or under any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of our subsidiaries of shares or rights to acquire shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of shares of our Company in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of our Company or a specific authority granted by the Shareholders in general meeting, Shares with a total nominal value not (1) exceeding 20% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering (without taking into account any options granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme); and (2) the aggregate nominal value of shares repurchased under the repurchase mandate as mentioned in paragraph (vi) below. Such mandate shall remain in effect until whichever is the earliest of:

(1) the conclusion of the next annual general meeting of our Company;

(2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable laws of Cayman Islands; or

(3) the passing of an ordinary resolution of the shareholders of our Company in a general meeting revoking, varying or renewing such mandate; and

(vi) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following the completion of the Capitalization Issue and the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and any options may be granted under the Share Option Scheme), such mandate shall remain in effect until whichever is the earliest of:

(1) the conclusion of the next annual general meeting of our Company;

(2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable laws of Cayman Islands; or

(3) the passing of an ordinary resolution of the shareholders of our Company in a general meeting revoking, varying or renewing such mandate; and

(c) the Memorandum and Articles of Association of our Company were conditionally approved and adopted.

2. CHANGES IN SHARE CAPITAL OF OUR SUBSIDIARIES

Our subsidiaries are set out under the Accountants' Report as included in Appendix I to this prospectus. Save for the subsidiaries mentioned in Appendix I to this prospectus, our Company has no other subsidiaries. Save as disclosed below, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus:

(a) Jiashili BVI was incorporated under the laws of the BVI on December 6, 2013 and is authorized to issue a maximum of 50,000 shares of a single class each with a par value of US$1.00.

(b) Jiashili HK was incorporated under the laws of Hong Kong on December 24, 2013 and is authorized to issue a maximum of 10,000 shares of a single class each with a par value of HK$1.00.

(c) the registered share capital of Guangdong Jiashili was increased to RMB120,000,000 on December 30, 2013.

3. REORGANIZATION

In preparation for the Global Offering, we underwent the Reorganization, details of which are set out in the section headed "History, Reorganization and corporate structure" in this prospectus. Following the Reorganization, our Company became the holding company of our Group.

A diagram showing our Group structure after the Reorganization and immediately upon completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and no Share has been allotted and issued pursuant to the exercise of any option which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme) is set out in the section headed "History, Reorganization and corporate structure" of this prospectus.

Details of the Reorganization undertaken are as follows:

1) Incorporation of our Company

(a) Our Company was incorporated on December 19, 2013 and on the same date one nil-paid share of HK$0.01 was transferred from the initial subscriber (being the agent providing company secretarial service) to Kaiyuan.

(b) On April 15, 2014, the nil-paid Share was credited as fully paid up by Kaiyuan.

(c) On April 15, 2014, 9,999 shares were allotted and issued to Kaiyuan.

2) Incorporation of Jiashili BVI

(a) Jiashili BVI was incorporated under the laws of the BVI on December 6, 2013 and on the same date one share of US$1.00 was allotted and issued to our Company.

3) Incorporation of Jiashili HK

(a) Jiashili HK was incorporated under the laws of Hong Kong on December 24, 2013 and on the same date one share of HK$1.00 was allotted and issued to Jiashili BVI.

4) Acquisition of Guangdong Jiashili by Jiashili HK

(a) On April 4, 2014, Jiashili HK acquired 99% and 1% of the equity interest in Guangdong Jiashili from Zhongchen and Prestige Choice respectively at a consideration of RMB224,730,000 and RMB2,270,000 respectively.

5) Investment by Pre-IPO Investors

(a) On April 16, 2014, Kaiyuan transferred 993 shares to Actis 151 at a consideration of US$10,600,000.

(b) On April 16, 2014, our Company allotted and issued 2,500 Series A preferred share to Actis Ship at a consideration of US$26,700,000.

6) Craving out of subsidiaries with different line of businesses with our Group

(a) Guangdong Jiashili disposes of its 80% interests in Sanbu Jiari on December 26, 2013 at a consideration of RMB8,000,000 to an Independent Third Party

(b) Guangdong Jiashili disposed of its 100% interests in Guangdong Kangli on March 28, 2014 in favor of Zhongchen at a consideration RMB24.35 million

4. REPURCHASE BY OUR COMPANY OF OUR OWN SECURITIES

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions of our Shareholders passed on August 21, 2014, a general mandate was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and any options may be granted under the Share Option Scheme). The general mandate will expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first (the "Buyback Mandate").

(ii) Source of funds

Any repurchases must be financed out of funds legally available for such purpose in accordance with the memorandum and articles of association of our Company, the Listing Rules and any applicable laws and regulations from time to time in force of the Cayman Islands.

(iii) Trading restrictions

A company is authorized to repurchase on the Stock Exchange or on any other stock exchange recognized by the SFC and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the aggregate nominal value of the existing issued share capital of that company or warrants to subscribe for shares in the company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on the Stock Exchange or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. A company is also prohibited from making securities repurchase on the Stock Exchange if the result of the repurchases would be that the number of the listed securities in hands of the public would be below the relevant prescribed minimum percentage for that company as required and determined by the Stock Exchange. A company shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

(iv) Status of repurchased securities

The listing of all repurchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under the Cayman Islands law, a company's repurchased shares may be held as treasury shares or treated as cancelled and, if so cancelled, the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorized share capital of the company will not be reduced.

(v) Suspension of repurchase

Any securities repurchase program is required to be suspended after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Stock Exchange Listing Rules) and (b) the deadline for a listed company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, the listed company may not purchase its shares on the Stock Exchange, unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on the Stock Exchange if a company has breached the Listing Rules.

(vi) Reporting requirements

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 9:00 a.m. (Hong Kong time) on the following business day. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on the Stock Exchange or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. The company shall make arrangements with its broker who effects the purchase to provide the company in a timely fashion the necessary information in relation to the purchase made on behalf of the company to enable the company to report to the Stock Exchange.

(vii) Connected parties

Under the Listing Rules, a company shall not knowingly repurchase shares from a connected person (as defined in the Listing Rules) and a connected person shall not knowingly sell his shares to the company.

(b) Exercise of the Buyback Mandate

Exercise in full of the Buyback Mandate, on the basis of 400,000,000 Shares in issue immediately after the Listing, could accordingly result in up to 40,000,000 Shares being repurchased by our Company during the period in which the Buyback Mandate remains in force. On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Buyback Mandate were to be exercised in full, there might be a material adverse impact on the working capital and/or gearing position of our Group (as compared with the position disclosed in this prospectus). However, our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(c) Reasons for repurchases

Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit our Company and Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share or both.

(d) Funding of repurchases

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with our memorandum and articles of association, the Listing Rules and the applicable laws and regulations from time to time in force of the Cayman Islands. A listed company is prohibited from repurchasing its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under the Cayman Islands law, any repurchases by our Company may be made out of profits of our Company or from sums standing to the credit of the share premium account of our Company or out of the proceeds of a fresh issue of share made for the purpose of the repurchase or, if authorized by the articles of association of our Company and subject to the Companies Law, out of capital and, in case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium account of our Company, or if authorized by our Articles of Association and subject to the Companies Law, out of capital.

(e) General

None of our Directors, to the best of their knowledge having made all reasonable enquiries, nor any of their associates (as defined in the Listing Rules) currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules, the memorandum and the articles of association of our Company and the applicable laws of the Cayman Islands.

No connected person (as defined in the Listing Rules) of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, in the event that the Buyback Mandate is exercised.

If as a result of a repurchase of Shares, a shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase in the Shareholder's interest, could obtain or consolidate control of our Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Code due to any repurchase made pursuant to the Buyback Mandate immediately after the Listing.

5. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of our material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of our business) within two years immediately preceding the date of this prospectus which are or may be material:

(a) the Hong Kong Underwriting Agreement;

(b) the Deed of Non-competition;

(c) a deed of indemnity dated August 21, 2014 and executed by each of the Controlling Shareholders in favor of our Company (for ourselves and as trustee for our subsidiaries stated therein), which contains the indemnities more particularly referred to in the paragraph headed "10. Other Information — A. Tax and other indemnities" of this Appendix;

(d) an equity transfer agreement dated December 26, 2013 and entered into between Guangdong Jiashili and Lidajia whereby Guangdong Jiashili agreed to sell its 80% equity interest in Sanbu Jiari to Lidajia at a consideration of RMB8,000,000;

(e) an equity transfer agreement dated March 24, 2014 and entered into between Guangdong Jiashili and Zhongchen whereby Guangdong Jiashili agreed to sell the entire equity interest in Guangdong Kangli to Zhongchen;

(f) the Investment Agreement;

(g) a cornerstone placing agreement dated September 8, 2014, entered into among the Company, Wii Pte. Ltd. and China Merchants Securities (HK) Co., Limited as described in the section headed “Cornerstone Investors” in this prospectus;

(h) a cornerstone placing agreement dated September 8, 2014, entered into among the Company, Success Creation Investments Ltd., Dong Yin Development (Holdings) Limited (東銀發展(控股)有限公司) and China Merchants Securities (HK) Co., Limited as described in the section headed “Cornerstone Investors” in this prospectus;

(i) a cornerstone placing agreement dated September 8, 2014, entered into among the Company, LTV Limited, Aurec Capital Ltd. and China Merchants Securities (HK) Co., Limited as described in the section headed “Cornerstone Investors” in this prospectus;

(j) an escrow agreement dated September 8, 2014, entered into among the Company, LTV Limited and China Merchants Securities (HK) Co., Limited, under which escrow arrangements were agreed for the payment of the aggregate subscription price; and

(k) a cornerstone placing agreement dated September 8, 2014, entered into among the Company, Fu An International Investments Limited and China Merchants Securities (HK) Co., Limited as described in the section headed “Cornerstone Investors” in this prospectus.

B. Our intellectual property rights

Trademarks

As of the Latest Practicable Date, we have registered the following trademarks:

Trademark	Place of registration	Name of registrant	Trademark number	Class	Expiry date
嘉士利	PRC	Guangdong Jiashili	339380	30	February 9, 2019
嘉士利	PRC	Guangdong Jiashili	681237	30	March 3, 2024
通花	PRC	Guangdong Jiashili	1291346	30	July 6, 2019
嘉士利	PRC	Guangdong Jiashili	650245	32	July 20, 2023
嘉士利	PRC	Guangdong Jiashili	650027	30	July 20, 2023
	PRC	Guangdong Jiashili	1175766	30	May 13, 2018

Trademark	Place of registration	Name of registrant	Trademark number	Class	Expiry date
JiaShiLi	PRC	Guangdong Jiashili	1356445	30	January 20, 2020
	PRC	Guangdong Jiashili	1381640	30	April 6, 2020
JIASHILI	PRC	Guangdong Jiashili	1703099	30	January 20, 2022
JIASHILI 嘉士利	PRC	Guangdong Jiashili	1730777	30	March 13, 2022
嘉士利	PRC	Guangdong Jiashili	3581939	30	March 27, 2015
嘉士利	PRC	Guangdong Jiashili	512957	29	February 27, 2020
嘉士利	PRC	Guangdong Jiashili	867151	30	August 27, 2016
嘉士利	PRC	Guangdong Jiashili	763500	29	August 27, 2015
嘉士利	PRC	Guangdong Jiashili	3374004	30	March 27, 2024
Jiashili	PRC	Guangdong Jiashili	3374005	30	March 27, 2024
Jiashili	PRC	Guangdong Jiashili	3374006	29	November 6, 2023
嘉士利	PRC	Guangdong Jiashili	3374007	29	November 6, 2023
金麸	PRC	Guangdong Jiashili	4766354	30	April 13, 2018
JFC	PRC	Guangdong Jiashili	4766355	30	May 13, 2018
JiaShiLi	PRC	Guangdong Jiashili	4766356	30	August 13, 2018
嘉士利	PRC	Guangdong Jiashili	4457478	30	August 13, 2017
嘉士利	PRC	Guangdong Jiashili	1077580	32	August 13, 2017

Trademark	Place of registration	Name of registrant	Trademark number	Class	Expiry date
嘉士利	PRC	Guangdong Jiashili	6768062	30	May 6, 2020
	PRC	Guangdong Jiashili	5598703	30	August 6, 2019
亲情礼	PRC	Guangdong Jiashili	7206740	30	July 27, 2020
利万家 Liwanjia	PRC	Guangdong Jiashili	7271345	30	August 20, 2020
家事利 Jiashili	PRC	Guangdong Jiashili	7271342	30	August 20, 2020
麦维素 Wheat Vitamin	PRC	Guangdong Jiashili	7363034	30	August 27, 2020
嘉士利酥 JIASHILI BISCUITS	PRC	Guangdong Jiashili	7586588	30	January 27, 2021
尚味e品	PRC	Guangdong Jiashili	7586582	30	November 6, 2020
栗乐脆	PRC	Guangdong Jiashili	8281811	30	May 20, 2021
麦一酥	PRC	Guangdong Jiashili	8371077	30	June 20, 2021
来一爆	PRC	Guangdong Jiashili	8371052	30	June 20, 2021
来一爆	PRC	Guangdong Jiashili	8733396	30	October 20, 2021
嘉士利	PRC	Guangdong Jiashili	9709692	30	August 27, 2022
果乐果香	PRC	Guangdong Jiashili	10414368	30	March 20, 2023
	PRC	Guangdong Jiashili	6804592	30	April 20, 2020
九洲 KIUXIU	PRC	Guangdong Jiashili	1399720	30	May 20, 2020

Trademark	Place of registration	Name of registrant	Trademark number	Class	Expiry date
九洲	PRC	Guangdong Jiashili	1243187	30	January 27, 2019
果比奥	PRC	Guangdong Jiashili	10414321	30	March 20, 2023
金山客	PRC	Guangdong Jiashili	10414299	30	March 20, 2023
金山伯	PRC	Guangdong Jiashili	10414275	30	June 6, 2023
乐乐	PRC	Guangdong Jiashili	8646561	30	February 20, 2022
学生营	PRC	Guangdong Jiashili	11579508	30	March 13, 2024
养计划	PRC	Guangdong Jiashili	11579462	30	March 13, 2024
嘉士利	Hong Kong	Guangdong Jiashili	301408464	29, 30, 32	August 17, 2019
JIASHILI	Hong Kong	Guangdong Jiashili	301408473	29, 30, 32	August 17, 2019

Trademarks registration applications made

Trademark	Place of registration	Applicant	Application number	Class(es) applied	Date of filing application
学生营养计划	PRC	Guangdong Jiashili	11579488	30	October 9, 2012
	PRC	Guangdong Jiashili	12429380	30	April 15, 2013
鸳鸯	PRC	Guangdong Jiashili	12790168	30	June 21, 2013
香薄趣	PRC	Guangdong Jiashili	13397698	30	October 21, 2013
JiashiLi	PRC	Guangdong Jiashili	13397583	30	October 21, 2013

Patents

As of the Latest Practicable Date, the following are patents that our subsidiaries have been granted in the PRC and which we consider to be or may be material to our business:

Patents in relation to design registered in the PRC

Patent number	Description of the patent	Patent holder	Application date	Expiry date
ZL200830217330.1	Package of biscuit product (Milk flavor)	Guangdong Jiashili	October 31, 2008	October 30, 2018
ZL200830217331.6	Package of biscuit product (Wheat barn flavor)	Guangdong Jiashili	October 31, 2008	October 30, 2018
ZL200830217329.9	Package of biscuit product (Red date flavor)	Guangdong Jiashili	October 31, 2008	October 30, 2018
ZL200930315407.3	Package of product (Sweet biscuit)	Guangdong Jiashili	September 10, 2010	September 9, 2020
ZL201130419160.7	Package of product (167g breakfast biscuit)	Guangdong Jiashili	November 7, 2011	November 6, 2021
ZL201130419171.5	Package of product (215g Sweet biscuit)	Guangdong Jiashili	November 7, 2011	November 6, 2021
ZL201130419149.0	Package of product (800g Thin sesame sweet biscuit)	Guangdong Jiashili	November 7, 2011	November 6, 2021
ZL201130419150.3	Package of product (1kg breakfast biscuit)	Guangdong Jiashili	November 7, 2011	November 6, 2021
ZL201130419158.X	Package of product (1kg breakfast biscuit spring edition)	Guangdong Jiashili	November 7, 2011	November 6, 2021
ZL201230015878.4	Package of product (680g Sesame cookies)	Guangdong Jiashili	January 10, 2012	January 9, 2022
ZL201230015876.5	Package of product (195g Onion oil biscuit)	Guangdong Jiashili	January 10, 2012	January 9, 2022
ZL201230015855.3	Package of product (450g Onion oil biscuit)	Guangdong Jiashili	January 10, 2012	January 9, 2022
ZL201230015877.X	Package of product (300g Coconut and dried grape biscuit)	Guangdong Jiashili	January 10, 2012	January 9, 2022
ZL201230126804.8	Package of food (93g Pineapple flavor biscuits)	Guangdong Jiashili	April 18, 2012	April 17, 2022
ZL201230126805.2	Package of food (205g biscuits with blueberry jam)	Guangdong Jiashili	April 18, 2012	April 17, 2022
ZL201230358176.6	Package of food (800g Sugar-free breakfast biscuits)	Guangdong Jiashili	July 30, 2012	July 29, 2022
ZL201230358179.X	Package of food (680g Sandwich biscuit with jam)	Guangdong Jiashili	July 30, 2012	July 29, 2022
ZL201230358177.0	Package of food (160g Cookies)	Guangdong Jiashili	July 30, 2012	July 29, 2022
ZL201230358178.5	Package of food (130g Chocolate flavor biscuit)	Guangdong Jiashili	July 30, 2012	July 29, 2022
ZL201230358180.2	Package of food (115g Wafer)	Guangdong Jiashili	July 30, 2012	July 29, 2022

Patents in relation to utility and invention registered in the PRC

Patent number	Description of the patent	Patent holder	Application date	Expiry date
ZL201010255656.X	Leisure food prepared from potato flour and production process thereof	Guangdong Jiashili	August 16, 2010	August 16, 2030
ZL201020513626.X	Vibrating spreader	Guangdong Jiashili	August 31, 2010	August 31, 2020
ZL201020513636.3	Drum-type mixing machine	Guangdong Jiashili	August 31, 2010	August 31, 2020
ZL201020156490.1	Flexible packaging negative pressure sealing test device	Guangdong Jiashili	April 13, 2010	April 13, 2020
ZL201020513593.9	Walnut cake mold	Guangdong Jiashili	August 31, 2010	August 31, 2020
ZL201020513622.1	Chocolate stuffed cookie	Guangdong Jiashili	August 31, 2010	August 31, 2020
ZL201020513611.3	Cookie with particle-shaped surface	Guangdong Jiashili	August 31, 2010	August 31, 2020
ZL201020513604.3	Chocolate crisp	Guangdong Jiashili	August 31, 2010	August 31, 2020
ZL201020543337.4	Belt disassembling puller	Guangdong Jiashili	September 26, 2010	September 26, 2020

Patent number	Description of the patent	Patent holder	Application date	Expiry date
ZL201020543348.2	Baker power regulation control circuit	Guangdong Jiashili	September 26, 2010	September 26, 2020
ZL201020513605.8	Tangerine peel crisp	Guangdong Jiashili	August 31, 2010	August 31, 2020
ZL201020156489.9	Material spreading device of vertical roller printing machine	Guangdong Jiashili	April 12, 2010	April 12, 2020
ZL201020694116.7	Dedicated puller for disassembling magnetic excitation device	Guangdong Jiashili	December 31, 2010	December 31, 2020
ZL201220749632.4	Automatic high-voltage low-voltage no-voltage alarm device for transformer	Guangdong Jiashili	December 26, 2012	December 26, 2022
ZL200730334705.8	Package of product (Sweet biscuit)	Guangdong Jiashili	December 29, 2007	December 28, 2017
ZL200730334706.2	Package of product (Breakfast biscuit)	Guangdong Jiashili	December 29, 2007	December 28, 2017
201020694044.6	Leakproof sealing device for high-speed kneader	Guangdong Jiashili	November 23, 2011	November 22, 2021

Patents application made and pending in the PRC

Application number	Patent description	Application date	Applicant
201330592526.X	Package of food (280g breakfast biscuits for infant and child with milk flavor)	November 26, 2013	Guangdong Jiashili
201330592527.4	Package of food (130g breakfast biscuits with fruit and vegetables)	November 26, 2013	Guangdong Jiashili
201330592420.X	Package of food (1.023Kg assorted thin biscuits)	November 26, 2013	Guangdong Jiashili
201330592528.9	Package of food (80g biscuit with coconut capsules)	November 26, 2013	Guangdong Jiashili
201330592566.4	Package of food (80g breakfast biscuits for infant and child with milk flavor)	November 26, 2013	Guangdong Jiashili
201330592530.6	Package of food (80g milk biscuits with shapes of animals)	November 26, 2013	Guangdong Jiashili
201330592417.8	Package of food(160g sesame thin biscuit)	November 26, 2013	Guangdong Jiashili
201330592418.2	Package of food (168g milk salt crackers)	November 26, 2013	Guangdong Jiashili
201330592419.7	Package of food (360g breakfast biscuits with fruit and vegetables)	November 26, 2013	Guangdong Jiashili
201210534891.X	Onion sauce fermentation production method	December 11, 2012	Guangdong Jiashili
201320775614.8	Biscuit bake oven guipure device that drips	November 26, 2013	Guangdong Jiashili
201430032303.2	Package of food (JSL English intima)	February 21, 2014	Guangdong Jiashili

Domain Name

As of the Latest Practicable Date, we have registered the following domain name:

Domain name	Registration date	Expiry date	Registrant
gdjsl.com*(Note)*	May 25, 2002	May 25, 2023	Guangdong Jiashili

Note: information contained in the website does not form part of this Prospectus.

C. Further information on our subsidiaries incorporated in the PRC

(1) Guangdong Jiashili

Name:	廣東嘉士利食品集團有限公司 (Guangdong Jiashili Food Group Co., Limited)
Date and place of establishment:	June 8, 2005, PRC
Nature:	Foreign-invested limited liability company
Scope of business:	the manufacture and sales of biscuits and pastries (baked pastries and mooncake) (a national permit of manufacturing of industrial products required); the import and export of techniques of the relevant products (excluding restricted classes, of which additional permit is required under the relevant specific laws and regulations)
Registered capital:	RMB 120,000,000
Attributable interest to our Group:	a wholly-owned subsidiary of Jiashili HK, our Company indirectly wholly-owned subsidiary
Term of operation:	June 8, 2005 to February 24, 2044
Legal Representative:	Mr. Huang

(2) Xingtai Jiashili

Name:	邢臺嘉士利食品有限公司 (Xingtai Jiashili Food Company Limited)
Date and place of establishment:	August 19, 2008, PRC
Nature:	limited liability company
Scope of business:	approved operation: manufacturing of biscuits (soft biscuits and hard biscuits) (permit of national industrial product manufacturing valid until October 27, 2014)
Registered capital:	RMB 5,000,000
Attributable interest to our Group:	a wholly-owned subsidiary of Guangdong Jiashili, our Company indirectly wholly-owned subsidiary
Term of operation:	August 19, 2008 to August 18, 2018
Legal Representative:	Mr. Huang

(3) Jiangsu Jiashili

Name:	江蘇嘉士利食品有限公司 (Jiangsu Jiashili Food Company Limited)
Date and place of establishment:	September 30, 2009, PRC
Nature:	limited liability company
Scope of business:	approved operation: wholesale and retail of pre-packaged food (permit valid until November 29, 2015) and manufacturing of biscuits (permit valid until December 19, 2016)
Registered capital:	RMB 10,000,000
Attributable interest to our Group:	a wholly-owned subsidiary of Guangdong Jiashili, our Company indirectly wholly-owned subsidiary
Term of operation:	September 30, 2009 to September 29, 2059
Legal Representative:	Tan Chaojun

6. FURTHER INFORMATION ABOUT OUR DIRECTORS, SENIOR MANAGEMENT AND STAFF

A. Directors

(a) Disclosure of interests of Directors and chief executive

So far as our Directors are aware, immediately following completion of the Capitalization Issue and the Global Offering without taking into account the options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, the interests and short positions of our Directors and chief executive of our Company in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein will be as follows:

Long position in Shares

Name of Directors	Company/name of associated corporation	Capacity	Number and class of securities	Approximate percentage of issued share capital
Mr. Huang	Our Company	Interests of controlled corporation *(Note 2)*	216,168,000(L) *(Note 1)*	54.04%
Mr. Huang	Kaiyuan	Interests of controlled corporation *(Note 3)*	100(L) *(Note 1)*	100%
Mr. Huang	Great Logistics	Beneficial owner	1(L) *(Note 1)*	100%

Note 1: The Letter "L" denotes our Directors' long position in the Shares or the relevant associated corporation.

Note 2: The relevant Shares are held by Kaiyuan, which is in turn held as to 80% by Great Logistics, a company wholly-owned by Mr. Huang, and the remaining 20% of Kaiyuan are held by four entities wholly-owned by Huang's Family.

Note 3: Kaiyuan is held as to 80% by Great Logistics and 20% by four entities, which are all wholly-owned by members of Huang's Family.

(b) Particulars of service contracts

Executive Directors

Each of Mr. Huang, Mr. Tan Chaojun, Mr. Chen Minghui and Mr. Lu Jianxiong, being all the executive Directors, has entered into a service contract with our Company for an initial fixed term of three years commencing from the Listing Date renewable automatically until terminated by not less than three months' notice in writing served by either party on the other expiring at the end of the initial term or any time thereafter. Commencing from the Listing Date, each of our executive Directors is entitled to an initial annual salary set out below, such salary to be reviewed annually by our Board and the remuneration committee of our Company. In addition, each of our executive Directors is entitled to such discretionary management bonus by reference to the consolidated net profits of our Group after taxation and minority interest but before extraordinary items as our Board and the remuneration committee of our Company may approve, provided that the relevant executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution of our Board approving the amount of annual salary, management bonus and other benefits payable to him/her. The current basic annual salary of our executive Directors are as follows:

Name	Amount
Mr. Huang	1,250,000
Mr. Tan Chaojun	960,000
Mr. Chen Minghui	672,000
Mr. Lu Jianxiong	600,000

Non-executive Directors

The non-executive Directors have been appointed for a term of three years commencing from August 21, 2014 until terminated by not less than three months' notice in writing served by either the Company or the respective Director. Each of the non-executive Directors is entitled to a basic annual salary of HK$180,000.

Independent non-executive Directors

The independent non-executive Directors have been appointed for a term of three years commencing from August 21, 2014 renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of appointment subject to retirement by rotation and re-election at annual general meetings of our Company and until terminated by not less than 3 months' notice in writing served by either the Company or the respective Director. Our Company intends to pay a director's fee of HK$180,000 per annum to the independent non-executive Directors. Save for directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as aforesaid, none of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries (other than contracts expiring or determinable by the Group within one year without the payment of compensation (other than statutory compensation)).

(c) Directors' remuneration

During the Track Record Period, the aggregate of the remuneration (including salaries and allowance) paid and benefits in kind granted by our Group to the Directors for the three years ended December 31, 2013 and the three months ended March 31, 2014 was approximately RMB584,000, RMB543,000, RMB647,000 and RMB108,000 respectively.

Under the arrangements currently in force, the aggregate emoluments (excluding any discretionary bonus, if any, payable to the Director) payable by our Group to and benefits in kind receivable by the Directors for the year ending December 31, 2014 is estimated to be approximately RMB1,344,000.

None of the Directors or any past directors of any member of the Group has been paid any sum of money during the Track Record Period (i) as an inducement to join or upon joining the Company or (ii) for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments during the Track Record Period.

7. SUBSTANTIAL SHAREHOLDER

(a) Substantial Shareholder

To the best of the knowledge of our Directors, the following person(s) will, immediately after the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised), have an interest or short position in the Shares or underlying shares which are required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of our Company or any other members of our Group:

Name of shareholder	Nature of interest	Shares held immediately prior to the completion of the Global Offering		Shares held immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)	
		Number	Percentage	Number	Percentage
Mr. Huang	Interest in controlled corporation(1); interest in family member(2)	216,168,000	72.06%	216,168,000	54.04%
Ms. Huang Cuihong	Interest in controlled corporation(1); interest in family member(2)	216,168,000	72.06%	216,168,000	54.04%
Ms. Huang Xianxian	Interest in controlled corporation(1); interest in family member(2)	216,168,000	72.06%	216,168,000	54.04%
Ms. Huang Rujiao	Interest in controlled corporation(1); interest in family member(2)	216,168,000	72.06%	216,168,000	54.04%
Ms. Huang Rujun	Interest in controlled corporation(1); interest in family member(2)	216,168,000	72.06%	216,168,000	54.04%
Great Logistics	Interest in controlled corporation(1); interest in family member(2)	216,168,000	72.06%	216,168,000	54.04%
Jade Isle	Interest in controlled corporation(1); interest in family member(2)	216,168,000	72.06%	216,168,000	54.04%
Prestige Choice Overseas	Interest in controlled corporation(1); interest in family member(2)	216,168,000	72.06%	216,168,000	54.04%

Name of shareholder	Nature of interest	Shares held immediately prior to the completion of the Global Offering		Shares held immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)	
		Number	Percentage	Number	Percentage
Grand Wing	Interest in controlled corporation(1); interest in family member(2)	216,168,000	72.06%	216,168,000	54.04%
Intelligent Pro	Interest in controlled corporation(1); interest in family member(2)	216,168,000	72.06%	216,168,000	54.04%
Kaiyuan	Beneficial interest	216,168,000	72.06%	216,168,000(4)	54.04%(4)
Actis Ship and Actis 151	Beneficial interest(3)	83,832,000	27.94%	83,832,000(4)	20.96%(4)

Notes:

(1) *Kaiyuan was held as to 80% by Mr. Huang (through his investment holding company Great Logistics) and as to 5% by each of Ms. Huang Cuihong, Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun, through their investment holding companies, namely Jade Isle, Prestige Choice Overseas, Grand Wing and Intelligent Pro respectively;*

(2) *In addition to Mr. Huang, Huang's Family consist of Ms. Huang Cuihong, Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun. Ms. Huang Cuihong is the spouse of Mr. Huang, while Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun are the sisters of Mr. Huang, and therefore they are deemed to be parties acting in concert with Mr. Huang and are deemed to be interested in the Shares in our Company in which Mr. Huang is interested, and Mr. Huang is deemed to be interested in the Shares in which Huang's Family is interested, and vice versa.*

(3) *Actis Ship and Actis 151 are the Pre-IPO Investors owned and controlled by a group of limited partnerships and protected cell companies, and are parties acting in concert with each other, and therefore they are deemed to be interested in the Shares held by each other.*

(4) *Kaiyuan was granted the Call Option on April 16, 2014, in relation to the 993 Shares then held by Actis 151, which will be enlarged to 23,832,000 Shares upon Capitalization Issue, representing approximately 5.96% of our issued Share capital immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised). The Call Option shall survive after the Listing but subject to the relevant rules under the Listing Rules or otherwise imposed by the Stock Exchange. For details of the Call Option, please refer to the section headed "History, Reorganization and corporate structure — Pre-IPO Investment — Investment by Actis 151" in this prospectus.*

(b) Disclaimers

Save as disclosed in this prospectus, as of the Latest Practicable Date:

(a) and taking no account of any Shares which may be taken up or acquired under the Global Offering or any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which have been or may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following completion of the Capitalization Issue and the Global Offering will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of our Company or any other members of our Group;

(b) none of our Directors and chief executive of our Company has for the purposes of Divisions 7 and 8 of Part XV of the SFO or the Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, an interest or short position in the shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Appendix 10 of the Listing Rules once the Shares are listed on the Stock Exchange;

(c) none of our Directors nor the experts named in the paragraph headed "10. Other Information — G. Qualification of experts" in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) none of our Directors and Substantial Shareholders is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group or otherwise be interested in our five largest customers and/or five largest suppliers; and

(e) Save for the Underwriting Agreements, none of the experts named in the paragraph headed "10. Other Information — G. Qualification of experts" in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

8. PRE-IPO SHARE OPTION SCHEME

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme conditionally approved by our Shareholders on August 21, 2014:

1. Summary of terms

The purpose of the Pre-IPO Share Option Scheme is a share incentive scheme and is established to provide incentives and rewards to the employees and consultants of our Group for their future contribution and to retain key and senior employees of the Group.

The principal terms of the Pre-IPO Share Option Scheme, approved by the written resolutions of our Shareholders passed on August 21, 2014, are substantially the same as the terms of the Share Option Scheme except for the following:

(a) the exercise period shall commence on the first anniversary of the Listing Date and end on the day falling on the fifth anniversary of the Listing Date;

(b) the total number of Shares subject to the Pre-IPO Share Option Scheme is 14,900,000, representing (i) approximately 3.73% of the total issued Shares immediately upon completion of the Global Offering and Capitalization Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of any options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme); and (ii) approximately 3.59% of the total issued share capital of the Company immediately upon completion of the Global Offering and assuming that all options granted under the Pre-IPO Share Option Scheme are exercised at the same time (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme);

(c) the subscription price (the "Subscription Price") for the Shares under the Pre-IPO Share Option Scheme will be fixed at HK$3.45, determined with reference to the costs per Share acquired by the Pre-IPO Investors, subject to any adjustment made in the manner as contemplated under the Pre-IPO Share Option Scheme;

(d) the maximum number of Shares in respect of which options may be granted under the Pre-IPO Share Option Scheme will not exceed 40,000,000 Shares, representing 10% of the issued share capital upon completion of the Global Offering (taking no account of any Shares which may be issued upon exercise of any share option which may be granted under the Share Option Scheme);

(e) subject to the following vesting periods, any option granted under the Pre-IPO Share Option Scheme may be exercisable at anytime during the period commencing on the day falling on the first anniversary of the Listing Date and ending on the day failing on the fifth anniversary of the Listing Date (the **"Option Period"**):

Vesting date of the options	Percentage of options vested
After the first anniversary of the Listing Date	25% of the total number of options granted
After the second anniversary of the Listing Date	25% of the total number of options granted
After the third anniversary of the Listing Date	25% of the total number of options granted
After the fourth anniversary of the Listing Date	25% of the total number of options granted

Outstanding and unexercised options at the end of each vesting period may be rolled over to the next vesting period and exercisable during the Option Period;

(f) the Pre-IPO Share Option Scheme was valid and effective for a period which commenced on August 21, 2014, being the date on which the Pre-IPO Share Option Scheme was conditionally adopted by all the Shareholders and ending September 24, 2014, after which period no further options will be granted thereunder but in all other respects the provisions of the Pre- IPO Share Option Scheme shall remain in full force and effect to the exercise of any options granted.

2. Outstanding options granted under the Pre-IPO Share Option Scheme

As of the Latest Practicable Date, options to subscribe for an aggregate of 14,900,000 Shares (representing (i) approximately 3.73% of the total issued share capital of the Company immediately upon completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme) and (ii) approximately 3.59% of the total issued share capital of the Company immediately upon completion of the Global Offering and assuming that all options granted under the Pre-IPO Share Option Scheme are exercised at the same time (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme) have been conditionally granted by the Company under the Pre-IPO Share Option Scheme for a consideration HK$1.00 per grantee. Particulars of the options granted under the Pre-IPO Share Option Scheme to the employees of the Group are set out below.

Assuming that (i) our Company had been listed on the Stock Exchange since September 25, 2014 with 400,000,000 Shares in issue; and (ii) all the options granted under the Pre-IPO Share Option Scheme in respect of 14,900,000 Shares were exercised in full on September 25, 2014, this would have a dilution effect of approximately 3.59% on the earnings per Share for the year ended December 31, 2013.

3. Summary of grantees

As of the Latest Practicable Date, outstanding options to subscribe for an aggregate of 14,900,000 Shares were conditionally granted to the following grantees under the Pre-IPO Share Option Scheme:

Name of grantee	Address of grantee	Position of grantee in our Group	Number of Shares subject to the option	Approximate percentage of issued share capital of our Company immediately after the Global Offering (assuming that the Over-allotment Option is not exercised)
Huang Xianming	No. 28, Yinzonglv Road Ziyun Villas Xintang, Zengcheng Guangdong PRC	Executive Director; Chairman of the Board; chief executive officer	1,100,000	0.28%
Tan Chaojun	Flat 12C, 8 Bao-Yuan Zhong Road, Changsha Street Office Changsha, Kaiping City, Guangdong PRC	Executive Director; vice chairman	850,000	0.21%
Chen Minghui	Flat 1601, Block 16, Haiyi Yuan, 23 Muqiao Road East Changsha, Kaiping City, Guangdong PRC	Executive Director	800,000	0.20%
Lu Jianxiong	Flat 206, Block 1, 109 Guangming Road, Sanbu Street Office, Changsha, Kaiping City, Guangdong PRC	Executive Director	700,000	0.18%

Name of grantee	Address of grantee	Position of grantee in our Group	Number of Shares subject to the option	Approximate percentage of issued share capital of our Company immediately after the Global Offering (assuming that the Over-allotment Option is not exercised)
Yang Zhiyong	Flat 604, Block 25, Zhongyi Helen Port, Changsha, Kaiping City, Guangdong PRC	Vice president	600,000	0.15%
Chen Songhuan	Flat 701, Block 3, 36 Musha Road, Kaiping City, Guangdong PRC	Director of production	500,000	0.13%
Liang Meng	Flat 602, Block 2, 3 Changsha East Road, Kaiping City, Guangdong PRC	General manager of the Xingtai Jiashili	300,000	0.08%
Ouyang Gen	12 Market Street, Sanjiang Town, Liannan County, Qingyuan City, Guangdong PRC	Vice director of production	500,000	0.13%
Fang Mingjie	Flat 404, Block B, 8 Renmin West Road, Changsha, Kaiping City, Guangdong PRC	Chief craftsman	500,000	0.13%
Wu Jingqin	Flat 601, 33 Kaihua Road, Changsha, Kaiping City, Guangdong PRC	Secretary to the Board	500,000	0.13%
Yang Ganhong	Flat 504, Block 2, Changzhen Road, Shuikou Town, Kaiping City, Guangdong PRC	Production manager	500,000	0.13%

Name of grantee	Address of grantee	Position of grantee in our Group	Number of Shares subject to the option	Approximate percentage of issued share capital of our Company immediately after the Global Offering (assuming that the Over-allotment Option is not exercised)
Chen Qiang	Flat 102, Unit 3, Block 3, Guanyin New Village, Beita District, Shaoyang City, Hunan PRC	Quality control manager	500,000	0.13%
Zou Bingjun	Flat 601, Block 37, Mingyuan Huating, 8 Tongde No. 2 Road, Xinhui District, Jiangmen City, Guangdong PRC	Financial controller	550,000	0.14%
Xiong Yongqiang	Block 10, Jin Hai Wan Gardens, Gangkou No. 2 Road, Pengjiang District, Jiangmen City, Guangdong PRC	Continuous improvement and development manager	200,000	0.05%
Yu Guoxiong	19 Jiuxiang, Tianchong Lane, Xinchang, Sanbu Street Office, Kaiping City, Guangdong PRC	Supervisor and director of president office	500,000	0.13%
Xu Huayu	Flat 401, Block 2, 22 Dongsheng Road, Changsha, Kaiping City, Guangdong PRC	Supervisor and director of sales	800,000	0.20%
Yau Chung Hang	Flat 49F, Block 7, Central Park Tower II, Tin Shui Wai, New Territories, Hong Kong	Chief financial officer and company secretary	500,000	0.13%

Name of grantee	Address of grantee	Position of grantee in our Group	Number of Shares subject to the option	Approximate percentage of issued share capital of our Company immediately after the Global Offering (assuming that the Over-allotment Option is not exercised)
Pan Yu	K2-602, Dayuan Wanke Chengshi Huayuan, 599 Dasha De East, Huangpu District, Guangzhou City, Guangdong PRC	Sales and marketing manager	200,000	0.05%
Huang Qiang	Flat 303, Block 7, Jiajun Yuan, 1 Houlong No. 1 Street, Tongji East Road, Chancheng District, Foshan City, Guangdong PRC	Sales and marketing manager	200,000	0.05%
Yu Chunju	No. 4, Lane 13, Fengcai Song Xi Village, Shuikou Town, Kaiping City, Guangdong PRC	Human resources and administration manager of sales center	200,000	0.05%
Situ Qiaomin	Room 201, Block 1, 96 Yanjiang East Road, Changsha, Kaiping City, Guangdong PRC	Export manager of sales center	50,000	0.01%
Liu Guowang	Room 1502, Building 1 Qunli Hengsheng Royal Garden, Intersection between Qunli Fourth Avenue and Jin Jiang Road, Daoli District, Harbin City, Heilongjiang PRC	Sales director for northeast region of sales center	300,000	0.08%

Name of grantee	Address of grantee	Position of grantee in our Group	Number of Shares subject to the option	Approximate percentage of issued share capital of our Company immediately after the Global Offering (assuming that the Over-allotment Option is not exercised)
Yun Ri	Room 701, Block 4, 58 Xinchang Xinjing Road, Sanbu Street Office, Kaiping City, Guangdong PRC	Sales director for northwest region of sales center	200,000	0.05%
Yang Tao	Room 306, Unit 3, Building 3, 126 Wenhua Road, Zhengzhou City, Henan PRC	Sales director for northern region of sales center	200,000	0.05%
Yuan Guanghao	No. 206, Unit 3, Building 19, Huaxi Longting Mini District next to Longgang Care Field, Linquan East Road, Yaohai District, Hefei City, Anhui PRC	Sales director for eastern region of sales center	200,000	0.05%
Tan Zhaojian	Room 301, Building 6, 58 Xinjing Road, Sanbu Street Office, Kaiping City, Guangdong PRC	Sales director for southwestern region of sales center	200,000	0.05%
Yu Yina	Room 402, Building C, Chun Yuen, No. 3 Changsha Plaza Road South, Kaiping City, Guangdong PRC	Purchasing manager of sourcing center	200,000	0.05%
Zhang Jiancai	Room 502, Block 1, No.1 Siti Road, Jing Tou Development Zone, Sanbu Street Office, Kaiping City, Guangdong PRC	Deputy director of the president's office	200,000	0.05%

Name of grantee	Address of grantee	Position of grantee in our Group	Number of Shares subject to the option	Approximate percentage of issued share capital of our Company immediately after the Global Offering (assuming that the Over-allotment Option is not exercised)
Zeng Fanjing	Room 504, Building 2, No. 58 Zhangzhen Road, Shuikou Town, Kaiping City, Guangdong PRC	Chief mechanical and electrical engineer	200,000	0.05%
Xu Zhiqiang	Room 301, No. 87 Jianghua Road, Pengjiang District, Jiangmen City, Guangdong PRC	Research & development manager	200,000	0.05%
Chen Xiyan	Room 503, Building 36, The Eastern Outskirts New Village Changsha, Sanbu Street Office, Kaiping City, Guangdong PRC	Research & development manager	200,000	0.05%
Yu Guoqing	Room 506, Building 1, No.58 Xinchang Xinjing Road, Sanbu Street Office, Kaiping City, Guangdong PRC	Deputy general manager of Xingtai Jiashili	50,000	0.01%
Li Zhiwen	Room 406, Building 2, No.12 Xingfu Road, Kaiping City, Guangdong PRC	Production manager of Jiangsu Jiashili	200,000	0.05%
Zhou Baiquan	Room 601, Building 1, No.1 Siti Road, Sanbu District, Kaiping City, Guangdong PRC	Research & development manager of Jiangsu Jiashili	200,000	0.05%

Name of grantee	Address of grantee	Position of grantee in our Group	Number of Shares subject to the option	Approximate percentage of issued share capital of our Company immediately after the Global Offering (assuming that the Over-allotment Option is not exercised)
Deng Zhikun	Room 1201, Block 7, Phase 3 of Jia Sheng Hua Ting, No. 289 Labour Road East, Yuhua District, Changsha City, Hunan PRC	Manager of sales in Hunan Province	200,000	0.05%
Fu Runxi	202, Unit 2, Building 7, Phase I of Bixiyuan Mini District, Qili Temple of Hanyang Avenue, Hanyang District. Wuhan City, Hubei PRC	Manager of sales in Hubei Province	200,000	0.05%
Tan Guoxian	Flat 302, Block 1, Renhe West Road, Changsha, Kaiping City, Guangdong PRC	Director of procurement	700,000	0.18%
Li Rongchao	Flat 601, Block C2, Bihu Haoting, 9 Jinlong Road, Daliang, Shunde District, Foshan City, Guangdong PRC	Director of investment	700,000	0.18%
		Total:	**14,900,000**	**3.73%**

The above table is a complete list of all the grantees of the options conditionally granted under the Pre-IPO Share Option Scheme.

Save and except as set out in the list above, no other options have been or will be granted or have been agreed to be granted by our Company under the Pre-IPO Share Option Scheme. The Pre-IPO Share Option Scheme is valid and effective upon the Listing Date after which no further options will be offered or granted.

Our Directors have agreed and undertaken that each of them will not exercise any options if, as a result of such exercise, our Company will not be able to comply with the public float requirements under Rule 8.08(1) of the Listing Rules.

4. Listing application for Shares to be issued under the Pre-IPO Share Option Scheme

All options were conditionally granted to the grantees on August 21, 2014. Application has been made to the Listing Committee for the listing of, and permission to deal in, our Shares, which may fall to be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme, on the Stock Exchange.

9. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by our Existing Shareholders on August 21, 2014.

For the purpose of this section, unless the context otherwise requires:

"Board"	means our board of Directors from time to time or a duly authorized committee thereof;
"Eligible Person"	means any full-time or part-time employee of our Company or any member of our Group, including any executive director, non-executive director and independent non-executive director, advisor and consultant of our Group;
"Option"	means an option to subscribe for Shares granted pursuant to the Share Option Scheme;
"Option Period"	means in respect of any particular Option, the period to be determined and notified by our Board to each Participant, which period may commence on a day on or after the date upon which the Option is accepted or deemed to be accepted in accordance with the Share Option Scheme but shall end in any event not later than 10 years from such date;
"Other Schemes"	means any other share option schemes adopted by our Group from time to time pursuant to which options to subscribe for Shares may be granted;
"Participant"	means any Eligible Person who accepts or is deemed to have accepted the offer of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Participant;
"Shareholders"	means shareholders of our Company from time to time;
"Subsidiary"	means a company which is for the time being and from time to time a subsidiary (within the meaning of section 2 of the Companies Ordinance) of our Company, whether incorporated in Hong Kong or elsewhere; and
"Trading Day"	means a day on which trading of Shares take place on the Stock Exchange.

(a) Purpose of the Share Option Scheme

The Share Option Scheme enables our Company to grant Options to the Eligible Persons as incentives or rewards for their contributions to our Group.

(b) Who may join

Our Board may, at its absolute discretion, invite any Eligible Persons to take up Options at a price calculated in accordance with sub-paragraph (d) below. Upon acceptance of the Option, the Eligible Person shall pay HK$1.00 to our Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 28 days from the date on which the Option is granted.

(c) Grant of Option

Any grant of Options must not be made after inside information has come to our knowledge until such inside information has been announced in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarter-year period or any other interim period (whether or not required under the Listing Rules), and (b) the deadline for our Company to publish an announcement of its results for any year, half-year, quarter-year period or any interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of results announcement. Our Directors may not grant any Option to an Eligible Person who is our Director during the periods or times in which directors of the listed issuer are prohibited from dealing in shares pursuant to Appendix 10 prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

The total number of Shares issued and to be issued upon exercise of the Options granted to a Participant under the Share Option Scheme and Other Schemes (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue from time to time, and provided that if approved by Shareholders in general meeting with such Participant and his associates abstaining from voting, our Company may make a further grant of Options to such Participant (the **"Further Grant"**) notwithstanding that the Further Grant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted under the Share Option Scheme and Other Schemes to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the Shares in issue from time to time. In relation to the Further Grant, our Company must send a circular to the Shareholders, which discloses the identity of the relevant Participant, the number and the terms of the Options to be granted (and Options previously granted to such Participant under the Share Option Scheme and Other Schemes) and the information required under the Listing Rules. The number and terms (including the exercise price) of Options which is the subject of the Further Grant shall be fixed before the relevant Shareholders' meeting and the date of meeting of our Board for proposing the Further Grant should be taken as the date of grant for the purpose of calculating the relevant subscription price.

(d) Price of Shares

The subscription price for the Shares subject to Options will be a price determined by our Board and notified to each Participant and shall be the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Options, which must be a Trading Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of grant of the Options; and (iii) the nominal value of a Share. For the purpose of calculating the subscription price, in the event that on the date of grant, our Company has been listed for less than five Trading Days, the new issue price per Share under the initial public offerings of Shares in connection with such listing shall be used as the closing price for any Trading Day falling within the period before the Listing Date.

(e) Maximum number of Shares

(i) The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and Other Schemes must not, in aggregate, exceed 10% of the Shares in issue as of the Listing Date (the "**Scheme Mandate Limit**") provided that the Options lapsed in accordance with the terms of the Share Option Scheme or Other Schemes will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 400,000,000 Shares in issue on the Listing Date, the Scheme Mandate Limit will be equivalent to 40,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date.

(ii) Subject to the approval of Shareholders in general meeting, our Company may refresh the Scheme Mandate Limit to the extent that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and Other Schemes under the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue as at the date of such Shareholders' approval provided that Options previously granted under the Share Option Scheme and Other Schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. In relation to the Shareholders' approval referred to in this paragraph (ii), our Company shall send a circular to the Shareholders containing the information required by the Listing Rules.

(iii) Subject to the approval of Shareholders in general meeting, our Company may also grant Options beyond the Scheme Mandate Limit provided that Options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specifically identified by our Company before such Shareholders' approval is sought. In relation to the Shareholders' approval referred to in this paragraph (iii), our Company shall send a circular to its Shareholders containing a generic description of the identified Eligible Persons, the number and terms of the Options to be granted, the purpose of granting Options to the identified Eligible Persons, an explanation as to how the terms of such Options serve the intended purpose and such other information required by the Listing Rules.

(iv) Notwithstanding the foregoing, our Company may not grant any Options if the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and Other Schemes exceeds 30% of the Shares in issue from time to time.

(f) Time of exercise of Option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Board to each Participant provided that the period within which the Option must be exercised shall not be more than 10 years from the date of the grant of Option. The exercise of an Option may be subject to the administration of our Board whose decision as to all matters arising from or in relation to the Share Option Scheme as its interpretation or effect shall (save as otherwise provided herein) be final and binding on all parties to the Share Option Scheme.

(g) Rights are personal to grantee

An Option shall be personal to the Participant and shall not be assignable or transferable and no Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest whether legal or beneficial in favor of any third party over or in relation to any Option. Any breach of the foregoing by the Participant shall entitle our Company to cancel any Option or any part thereof granted to such Participant (to the extent not already exercised) without incurring any liability on our Company.

(h) Rights on death

If a Participant dies before exercising the Options in full, his or her personal representative(s) may exercise the Options in full (to the extent that it has become exercisable on the date of death and not already exercised) within a period of 12 months from the date of death, failing which such Options will lapse.

(i) Changes in capital structure

In the event of any alteration in the capital structure of our Company while an Option remains exercisable, and such event arises from a capitalization of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of the share capital of our Company, such corresponding alterations (if any) shall be made in the number of Shares (without fractional entitlements) subject to the Options so far as unexercised, and/or the subscription price.

Except alterations made on a capitalization issue, any alteration to the number of Shares which is the subject of the Option and the subscription price shall be conditional on the auditors of our Company or an independent financial adviser appointed by our Company confirming in writing to our Board that the alteration is made on the basis that the proportion of the issued share capital of our Company to which a Participant is entitled after such alteration shall remain the same as that to which he or she was entitled before such alteration. No such alteration shall be made to the effect of which would be to enable any Share to be issued at less than its nominal value or which would result in the aggregate amount payable on the exercise of any Option in full being increased.

(j) Rights on take-over

If a general offer (whether by way of takeover offer, repurchase offer or scheme of arrangement or otherwise in like manner) has been made to all the Shareholders (other than the offeror and/or any persons acting in concert with the offeror), to acquire all or part of the issued Shares, and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Participant shall be entitled to exercise his or her outstanding Option in full or any part thereof within 14 days after the date on which such offer becomes or is declared unconditional. For the purposes of this sub-paragraph, "acting in concert" shall have the meaning ascribed to it under the Takeovers Code.

(k) Rights on a compromise or arrangement

(i) If an application is made to the court (otherwise than where our Company is being voluntarily wound up), pursuant to the Companies Law or the Companies Ordinance, in connection with a proposed compromise or arrangement between our Company and our creditors (or any class of them) or between our Company and our Shareholders (or any class of them), a Participant may by notice in writing to our Company, within a period of 21 days after the date of such application, exercise his or her outstanding Option in full extent or to the extent specified in such note. Upon the compromise or arrangement becoming effective, all Options shall lapse except insofar as exercised. Notice of the application referred to herein and the effect thereof shall be given by our Company to all Participants as soon as practicable.

(ii) In the event of a notice being given by our Company to our Shareholders to convene a general meeting for the purpose of approving a resolution to voluntarily wind up our Company when our Company is solvent, our Company shall on the day of such notice to each Shareholder or as soon as practicable, give notice thereof to all Participants. Thereupon each Participant shall be entitled to exercise all or any of his or her outstanding Options at any time no later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Participant credited as fully paid.

(l) Lapse of Option

An Option shall lapse forthwith and not exercisable (to the extent not already exercised) on the earliest of:

(i) the date of expiry of the Option as may be determined by the Board;

(ii) subject to paragraphs (f) and (p), the expiry of the Option Period;

(iii) the first anniversary of the death of the Participant;

(iv) the commencement of the winding up of the Company;

(v) in the event that the Participant was an employee or director of any member of our Group on the date of grant of Option to him or her, the date on which such member of our Group terminates the Participant's employment or removes the Participant from his or her office on the ground that the Participant has been guilty of misconduct, has committed an act of bankruptcy or has become insolvent or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offense involving his or her integrity or honesty. A resolution of our Board or the board of directors of the relevant member of our Group to the effect that such employment or office has or has not been terminated or removed on one or more grounds specified in this sub-paragraph shall be conclusive;

(vi) in the event that the Participant was an employee or director of any member of our Group on the date of grant of Option to him or her, the expiry of a period of three months from the date of the Participant ceasing to be an employee or director of such member of our Group by reason of:

(1) his or her retirement on or after attaining normal retirement age or, with the express consent of the Board in writing for the purpose of this sub-paragraph, at a younger age;

(2) ill health or disability recognized as such expressly by our Board in writing for the purpose of this sub-paragraph;

(3) the company by which he or she is employed and/or of which he or she is a director (if not our Company) ceasing to be a subsidiary of our Company;

(4) expiry of his or her employment contract or vacation of his or her office with such member of our Group such contract or office is not immediately extended or renewed; or

(5) at the discretion of our Board, any reason other than death or the reasons described in sub-paragraph (v) or (vi)(1) to (4);

(vii) the expiry of any period referred to in paragraph (k) above, provided that in the case of paragraph (k)(i), all Options granted shall lapse upon the proposed compromise or arrangement becoming effective; and

(viii) the date the Participant commits any breach of the provisions of paragraph (g).

(m) Ranking of Shares

Shares allotted and issued upon the exercise of an Option will be subject to our Company's articles of association as amended from time to time and will rank pari passu in all respects with the fully paid or credited as fully paid Shares in issue on the date of such allotment or issue and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date, of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment or issue.

(n) Cancellation of Options granted

Any cancellation of Options granted in accordance with the Share Option Scheme but not exercised must be approved by the grantee concerned in writing. In the event that our Board elects to cancel any Options and issue new ones to the same grantee, the issue of such new Options may only be made with available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit.

(o) Period of Share Option Scheme

The Share Option Scheme will be valid and effective for a period of ten years commencing on the Listing Date, after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and Options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(p) Alteration to and termination of Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of our Board except that, (a) any alteration to the advantage of the Participants or the Eligible Persons (as the case may be) relating to matters contained in Chapter 17 of the Listing Rules; and (b) any material alteration to the terms and conditions of the Scheme or any change to the terms of Options granted, except where the alterations take effect automatically under the existing terms of the Scheme, shall first be approved by the Shareholders in general meeting (with the Eligible Persons, the Participants and their associates abstaining from voting) provided that if the proposed alteration shall adversely affect any Options granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the consent or sanction of the Participants in accordance with the terms of the Share Option Scheme.

Our Company may, by ordinary resolution in general meeting, at any time terminate the operation of the Share Option Scheme before the end of its life and in such event no further Options will be offered but the provisions of the Share Option Scheme shall remain in all other respects in full force and effect in respect of Options granted prior thereto but not yet exercised at the time of termination, which shall continue to be exercisable in accordance with their terms of grant. Details of the Options granted, including Options exercised or outstanding, under the Share Option Scheme, and (if applicable) Options that become void or non-exercisable as a result of termination must be disclosed in the circular to the Shareholders seeking approval for the new scheme to be established after such termination.

(q) Granting of Options to a director, chief executive or substantial shareholder of our Company or any of their associates

Where Options are proposed to be granted to a director, chief executive or Substantial Shareholder of our Company or any of their respective associates, the proposed grant must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).

If a grant of Options to a Substantial Shareholder or an independent non-executive Director, or any of their respective associates will result in the total number of the Shares issued and to be issued upon exercise of the Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person under the Share Option Scheme or Other Schemes in any 12-month period up to and including the date of the grant (i) representing in aggregate 0.1% (or such other percentage as may from time to time specified by the Stock Exchange) of the Shares in issue from time to time, and (ii) having an aggregate value, based on the closing price of the Shares at the date of the grant, in excess of HK$5 million, then the proposed grant of Options must be approved by the Shareholders. All connected persons of our Company must abstain from voting at such general meeting. The circular must contain the information required under Rule 17.04(3) of the Listing Rules.

In addition, Shareholders' approval as described above will also be required for any change in terms of the Options granted to an Eligible Person who is a Substantial Shareholder, an independent non-executive Director or any of their respective associates.

The circular must contain the following:

(i) details of the number and terms of the Options (including the subscription price relating thereto) to be granted to each Eligible Person, which must be fixed before the relevant Shareholders' meeting, and the date of Board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the subscription price;

(ii) a recommendation from our independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the Options in question) to independent Shareholders as to voting; and

(iii) all other information as required by the Listing Rules. For the avoidance of doubt, the requirements for the granting of Options to a Director or chief executive (as defined in the Listing Rules) set out in this paragraph (q) do not apply where the Eligible Person is only a proposed Director or proposed chief executive.

(r) Performance Target

The exercise of an Option may be subject to the achievement of performance target and/or any other conditions to be notified by our Board to each Participant, which our Board may in its absolute discretion determine.

(s) Conditions of Share Option Scheme

The Share Option Scheme is conditional on (i) the passing of a written resolution to adopt the Share Option Scheme by all of our Existing Shareholders in general meeting; and (ii) the Stock Exchange granting approval for the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of Options.

As of the Latest Practicable Date, no Options have been granted or agreed to be granted by our Company under the Share Option Scheme.

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options granted under Share Option Scheme.

10. OTHER INFORMATION

A. Tax and other indemnities

Each of the Controlling Shareholders (collectively, the **"Indemnifiers"**) has entered into a deed of indemnity with and in favor of our Company (for itself and as trustee for each of its present subsidiaries) (being the material contract referred to in paragraph 5. Further information about our business — A. Summary of our material contracts of this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, any taxation (including tax penalty, if any) falling on any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) on or before the date on which the Global Offering becomes unconditional or any event, act or omission occurring or deemed to occur on or before such date whether alone or in conjunction with any other event, act, omission or circumstance whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company.

Under the deed of indemnity, the Indemnifiers have also given indemnities to our Group on a joint and several basis in relation to the amount of any and all taxation which might be payable by any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the Listing Date or any event or transaction entered into or occurring on or before the Listing Date.

The deed of indemnity does not cover any claim and the Indemnifiers shall be under no liability under the deed of indemnity in respect of any taxation:

(a) to the extent that provision has been made for such taxation in the consolidated audited accounts of our Company or the audited accounts of the relevant Group members up to March 31, 2014 (the **"Accounts"**);

(b) the taxation arises or is incurred as a result of a retrospective change in law and/or a retrospective increase of tax rates coming into force after the date on which the Global Offering becomes unconditional;

(c) such claim for taxation or liability would not have arisen but for any act or omission of, or transaction by any member of our Group voluntarily effected (other than pursuant to a legally binding commitment created on or before the date on which the Global Offering becomes unconditional) without the prior written consent or agreement of the Indemnifiers; or

(d) provision or reserve made for such taxation in the Accounts is established to be an over-provision or an excessive reserve.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries in the Cayman Islands or the BVI or Hong Kong, being jurisdictions in which one or more of the companies comprising our Group were incorporated.

B. Litigation

Save as disclosed in the section headed "Business — Non-Compliance — Legal Proceedings" in this prospectus, as of the Latest Practicable Date, we are not involved in any material litigation, arbitration or administrative proceedings. So far as the Directors are aware, no such material litigation, arbitration or administrative proceedings are pending or threatened against any member of our Group.

C. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including the Offer Shares and any Shares which may fall to be allotted and issued pursuant to the Capitalization Issue and the exercise of the Over-allotment Option or any options which may be granted under the Pre-IPO Share Option Scheme and Share Option Scheme.

D. Compliance advisor

In accordance with the requirements of the Listing Rules, our Company will appoint the Optima Capital Limited as its compliance adviser to provide advisory services to our Company to ensure compliance with the Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full year commencing after the Listing Date or until the agreement is terminated, whichever is the earlier.

E. Preliminary expenses

Our estimated preliminary expenses are approximately HK$55,000 and are payable by our Company.

F. Promoters

Our Company has no promoter.

G. Qualification of experts

The qualifications of the experts, as defined under the Listing Rules, who have given reports, letter or opinions (as the case may be) in this prospectus are as follows:

Name	Qualification
China Merchants Securities (HK) Co., Limited	Licensed corporation under the SFO permitted to carry out Type 6 (advising on corporate finance) regulated activities
Deloitte Touche Tohmatsu	Certified Public Accountant
Jingtian & Gongcheng	PRC legal adviser
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law
Savills Valuation and Professional Services Limited	Property valuer
Asset Appraisal Limited	Asset valuer

H. Consents of experts

Each of China Merchants Securities (HK) Co., Limited, Deloitte Touche Tohmatsu, Jingtian & Gongcheng, Savills Valuation and Professional Services Limited, Asset Appraisal Limited and Conyers Dill & Pearman (Cayman) Limited has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included in this prospectus the form and context in which they respectively appear.

I. No material adverse change

Save as in this prospectus, our Directors confirm that there has been no material adverse change in our financial or trading position since March 31, 2014.

J. Binding effect

This prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

K. Sponsor's fees

Our Company agreed to pay the Sole Sponsor a fee of HK$3,000,000 as the sponsor to our Company for the Global Offering. Such sponsor's fee relates solely to services provided by the Sole Sponsor in the capacity of a sponsor, and not other services which it may provide, such as, but without limitation, bookbuilding, pricing and underwriting. Our Company further agrees that (i) our responsibility for the said sponsor's fee is not contingent on the success or the final size of the Global Offering; and (ii) any termination of the agreement with the Sole Sponsor will not affect any accrued rights or obligations of both parties, including the duty to settle the said sponsor's fee.

L. Miscellaneous

(a) Save as disclosed in this prospectus, within the two years preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash; and

(ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries.

(b) No share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(c) No founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued.

(d) Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since December 31, 2013 (being the date to which the latest audited consolidated financial statements of our Group were made up).

(e) There has not been any interruption in the business of our Group which has had a material adverse effect on the financial position of our Group in the 24 months preceding the date of this prospectus.

(f) None of China Merchants Securities (HK) Co., Limited, Savills Valuation and Professional Services Limited, Asset Appraisal Limited, Deloitte Touche Tohmatsu, Jingtian & Gongcheng, and Conyers Dill & Pearman (Cayman) Limited:

(i) is interested beneficially or non-beneficially in any shares in any member of our Group; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

(g) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(h) Our Company has no outstanding convertible debt securities.

(i) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

M. Related party transactions

Our Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in note 39 of the “Accountants’ Report” in Appendix I to this prospectus.

N. Bilingual prospectus

Pursuant to Rule 19.36(5) of the Listing Rules and section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), the English language and Chinese language versions of this prospectus are being published separately but are available to the public at the same time at each place where this prospectus is distributed by or on behalf of our Company.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the WHITE, YELLOW and GREEN Application Forms;

(b) the written consents referred to in the paragraph headed "Statutory and General Information — 10. Other Information — H. Consents of experts" in Appendix V to this prospectus; and

(c) a copy of each of the material contracts referred to in the paragraph headed "Statutory and General Information — 5. Further information about our business — A. Summary of our material contracts" in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Stevenson, Wong & Co. at 4th Floor, Central Tower, 28 Queen's Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and Articles of Association;

(b) the Accountants' Report prepared by Deloitte Touche Tohmatsu, the text of which is set out in "Appendix I — Accountants' Report";

(c) the audited consolidated financial statements of the Group for each of the three financial years ended December 31, 2011, 2012 and 2013 and for the three months ended March 31, 2014;

(d) the letter relating to the unaudited pro forma financial information of the Group, the texts of which are set out in "Appendix II — Unaudited Pro Forma Financial Information";

(e) the property valuation report relating to our Group's property interests prepared by Savills Valuation and Professional Services Limited, the text of which is set out in Appendix III to this prospectus;

(f) the valuation report issued by Asset Appraisal Limited, relating to the value of the convertible promissory note issued by our Company to Actis 151 pursuant to the Investment Agreement, with a principal value of US$12,700,000;

(g) the PRC legal opinions issued by Jingtian & Gongcheng, our PRC legal advisor, dated September 5, 2014 in respect of our general matters and property interests of the Group;

(h) the letter prepared by Conyers Dill & Pearman (Cayman) Limited summarizing certain aspects of Cayman Islands Company law referred to in Appendix IV to this prospectus.

(i) the material contracts referred to in the paragraph headed "Statutory and General Information — 5. Further information about our business — A. Summary of our material contracts" in Appendix V to this prospectus;

(j) the written consents referred to in the paragraph headed "Statutory and General Information — 10. Other Information — H. Consents of experts" in Appendix V to this prospectus;

(k) the service contracts and appointment letters referred to in the paragraph headed "Statutory and General Information — 6. Further information about our Directors, senior management and staff — (b) Particulars of service contracts" in Appendix V to this prospectus;

(l) the Companies Law;

(m) the Pre-IPO Share Option Scheme; and

(n) the Share Option Scheme.

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