嘉士利集團有限公司

JIASHILI GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1285

2014
ANNUAL REPORT

CONTENTS

Corporate Information

DIRECTORS

Executive Directors

Mr. Huang Xianming
(Chairman and Chief Executive Officer)
Mr. Tan Chaojun *(Vice Chairman)*
Mr. Chen Minghui
Mr. Lu Jianxiong

Non-Executive Directors

Mr. Lin Xiao
Mr. Lee Ping Nam

Independent Non-Executive Directors

Mr. Wu I-ting *(resigned on November 13, 2014)*
Mr. Kam Robert
Ms. Ho Man Kay
Mr. Wu Meng-cher
(appointed on November 13, 2014)

COMPANY SECRETARY

Mr. Yau Chung Hang, FCCA, CPA

AUDIT COMMITTEE

Mr. Kam Robert
(Chairman of the audit committee)
Mr. Wu I-ting *(resigned on November 13, 2014)*
Ms. Ho Man Kay
Mr. Wu Meng-cher
(appointed on November 13, 2014)

REMUNERATION COMMITTEE

Ms. Ho Man Kay
(Chairman of the remuneration committee)
Mr. Huang Xianming
Mr. Wu I-ting *(resigned on November 13, 2014)*
Mr. Kam Robert
Mr. Wu Meng-cher
(appointed on November 13, 2014)

NOMINATION COMMITTEE

Mr. Huang Xianming
(Chairman of the nomination committee)
Mr. Wu I-ting *(resigned on November 13, 2014)*
Mr. Kam Robert
Ms. Ho Man Kay
Mr. Wu Meng-cher
(appointed on November 13, 2014)

AUTHORISED REPRESENTATIVES

Mr. Huang Xianming
Mr. Yau Chung Hang

COMPLIANCE ADVISER

Optima Capital Limited

AUDITORS

Deloitte Touche Tohmatsu

PRINCIPAL BANKER

Bank of Communications, Hong Kong Branch

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
Cricket Square
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

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PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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CORPORATE WEBSITE

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STOCK CODE

1285

LISTING DATE

September 25, 2014

Financial Highlights

	Year ended December 31,		
	2014 (RMB,000)	2013 (RMB,000)	Increase/ decrease
Revenue	**840,058**	747,771	+12.3%
Gross profit	**268,501**	225,651	+19.0%
Profit before tax	**89,833**	82,129	+9.4%
Profit and total comprehensive income for the year			
attributable to the owners of the Company	**71,689**	69,269	+3.5%
Underlying profit*	**90,127**	73,107	+23.3%
Earnings per share			
From continuing and discontinued operation			
– Basic (RMB cents)	**22.82**	28.86	–20.9%
– Diluted (RMB cents)	**22.36**	28.86	–22.5%
From continuing operation			
– Basic (RMB cents)	**22.80**	28.28	–19.4%
– Diluted (RMB cents)	**22.34**	28.28	–21.0%
Net profit margin	**8.5%**	9.3%	
Underlying profit margin	**10.7%**	9.8%	
Proposed final dividend per share (HKD)	**0.06**	Nil	

*Note: Underlying Profit ("Underlying Profit") is calculated as profit for the year from continuing operation excluding the listing expenses, and fair value loss on convertible promissory note.

Chairman's Statement

Dear shareholders,

On behalf of the board of Directors (the "Board") of Jiashili Group Limited (the "Company"), I am pleased to present our first annual report following the successful listing of the Company on the Main Board of the Stock Exchange on September 25, 2014. This report covers the period for the year ended December 31, 2014.

2014 was a challenging but fruitful year for us, we have achieved a remarkable result for the year, despite a decline in consumer goods markets generally. Both our sales revenue and sales volume hit historic highs, with thanks to the continuous efforts from our management team and staff. As at the date of this report, we are partnering with 578 distributors all over China and the number of points of sales has exceeded 170,000, such strong sales channel and network has further enlarged our customer base. During second half of 2014, television commercials were being launched for our new star product-fruit jam sandwiches biscuits (果樂果香) in Hunan TV, which has improved the popularity of both the products as well as our Jiashili brand name. In November 2014, we were honored to have two international food industry consultants, who are introduced by one of our cornerstone investors – Aurec Capital, visited our Kaiping factory, giving us valuable insight on product positioning, organization of marketing activities and ways to improve product packaging. By implementing their suggestions, we have seen an obvious enhancement in the success of our marketing events. In order to further increase our brand's awareness and recognition, we keep conducting product sampling and tasting in different venues, including the schools, supermarkets, parks and shopping malls.

Renrenle Plaza in Shenzhen, Guangdong

Guangzhou Higher Education Mega Center, Guangdong

Jiashili arch display in a CP Lotus Supermarket (卜蜂蓮花) in Henan

Jiashili product display at a Wanli (萬里) Department Store at Nanmen (南門), Shaoyang, Hunan Province

Apart from our traditional offline channels, Jiashili's online store launched in November 2014 in partnership with Tmall, Yihaodian and Taobao. In further effort to differentiate our online products from those available in our offline channels, new products series were developed specifically for our online store. So far, feedback from the consumers has been positive with more than 300 transactions were recorded per day.

During the year, a crisp biscuit product with a unique flavor and more nutritious ingredients was developed and marketed. This product has been successful with consumers, thanks to its thin and crispy texture and healthy nature and we believe that this product will be our next star product.

Food safety has long been an area of concern. With regard to this, we have entered into a palm oil and flour supply agreement with the Yihai Kerry Group (益海嘉理), a subsidiary of Wilmar International Ltd., which is one of the top 500 enterprises in the world and a leading agricultural goods and food products company, to ensure the quality of our core ingredients. During the year, three new metal detectors were acquired to further strengthen our quality control in different stages of production. Meanwhile, we continue adhering to the ISO standards as we control the quality of all raw materials.

In the face of fierce competition from both imported branded food and other domestic biscuits, we are confident that the growth of our business going forward can be maintained as we did in the past, with over half a century of experience in producing quality biscuits. Last but not least, I would like to take this opportunity to extend my sincere gratitude to all fellow Directors, the management team and our staff for their dedication and contribution to our Group's development. I would also like to thank our shareholders and business partners for their valuable support. We will continue to make great efforts to explore and tap into new opportunities, and strive to bring a great return to our shareholders.

Yours Sincerely,
Huang Xianming
Chairman and Chief Executive Officer

Kaiping, PRC
March 25, 2015

According to the data published by the National Bureau of Statistics, China recorded a gross domestic products growth of 7.4% in 2014, representing a year-on-year decrease of 0.4 percentage points. Total retail sales value of social consumer goods for the year posted an actual growth of 10.7%, representing a drop of 1.4 percentage points over that of the previous year. These numbers had hampered the overall performance of consumption market in China. Against such unfavourable backdrop and amid fierce competition, the Group, with its reputable brand of 58-year history, has continued to devote to innovation while strengthening its leading position. This allowed Jiashili to record remarkable performance in 2014 with revenue, net profit and underlying profit increased by 12.3%, 3.5% and 23.3% respectively, maintaining a leading position in the industry. On September 25, 2014, Jiashili was successfully listed (the "IPO" or "Global Offering") on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), which further solidified the dominating position of Jiashili's brand in China's biscuit industry.

BUSINESS REVIEW

The Company has adopted a development strategy that places utmost emphasis on consumer preferences, product quality and marketing channels. Such strategy has paved way for Jiashili to be the leading domestic biscuit brand in China. Thanks to such strategy, the Group has continued to improve its product quality and brand images and has expanded its sales network and channels from a distribution network of 476 distributors as at December 31, 2013 to 578 distributors as at December 31, 2014, which together helped maintain its leading position in 2014.

Marketing

During the year, through sales channels and network expansion, product optimisation, coupled with the implementation of a mass internal business data analysis system, the Group has successfully achieved outstanding results. All our seven major sales regions posted sales of over RMB50 million. In particular, four of these regions recorded outstanding performance with revenue surpassing RMB100 million.

1. **Product Strategy:**

   The Group has aimed to provide consumers with safe, quality, healthy and delicious biscuits in a consumer-oriented manner.

   (i) The breakfast and crisp biscuits series posted stable results and continued to be the major revenue contributor for the Group. During the year, the Group ceased the government project "nutrition breakfast (營養早餐系列)" for primary students, due to its relatively low gross profit margin, resulting in a slight decrease of revenue of the breakfast biscuits series of 3.3% from RMB360.3 million for the year ended December 31, 2013 to RMB348.6 million for the year ended December 31, 2014. On the contrary, the crisp biscuits series recorded solid growth in revenue of 14.2% from RMB171.6 million for the year ended December 31, 2013 to RMB196.0 million for the year ended December 31, 2014, setting off the decrease in revenue of the breakfast biscuits series. The aggregate revenue of the breakfast and crisp biscuits series increased by RMB12.7 million or 2.4% for the year ended December 31, 2014.

(ii) The sandwich biscuits series (fruit jam series in particular) and the wafer series are becoming the key focus of the Group. We aim to further develop these two series and achieve market share expansion. During the year ended December 31, 2014, sandwich biscuits series posted a year-on-year growth in revenue 137.4% from RMB53.0 million to RMB125.7 million, and became the third product series of the Group to record an annual sales of over RMB100 million. The wafer series also delivered a substantial revenue growth of 38.2% from RMB43.7 million for the year ended December 31, 2013 to RMB60.4 million for the year ended December 31, 2014.

(iii) The Group continued to launch new products during the year. A particular product – the "Original Flavoured Crisp Biscuit" has received favorable responses from the market and become an important revenue contributor to the Group and is expected to display growth momentum in sales volume in future.

2. Channel Strategy:

The Group has aimed to further penetrate into mature regions and provinces while making precise use of online networks to nurture its core markets. The Group has also strengthened its business collaborations with its top 150 customers.

During the year, the Group has continued to achieve steady growth in sales in its mature sales regions such as Heilongjiang, Liaoning, Hunan, Hubei, Shaanxi and Jiangsu. In addition, the Group has replicated its successful operation models from the mature sales markets to peripheral regions and has also penetrated into developing regions, namely Jilin, Shanxi, Henan, Guangdong, Yunnan and Sichuan, whiling expanding its sales channel to county-level cities with tailor-made marketing approach, to boost the Group's total sales. Further, the Group has leveraged on its now enhanced brand image and reputation to expand to sales networks outside of mainland China, including the supermarket networks in Hong Kong, which drove up its export sales. The Group also established e-commerce platforms in Tmall, Yihaodian and Taobao which generated positive results to the Group during the year.

3. Brand Strategy:

The Group has been placing more and more resources to build its Jiashili's brand and enhance brand awareness through various marketing initiatives and ultimately driving sales growth. During the year, the Group has adopted the following brand strategies:

(i) placing more resources on various online advertising channels, such as regional satellite television, billboard, public transportation and newspaper to enhance brand image;

(ii) enhancing product display and improving display management and also hosting tasting promotion events on a regular basis in various regions; and

(iii) building flagship stores in county-level cities to serve as role models and marketing platforms for peripheral outlets.

Research and Development ("R&D")

Notwithstanding the positive development and progress in the Group's sales of hard biscuits, the Group has been seeking breakthroughs in traditional biscuits segment, such as wafers, sandwich biscuits, soda biscuits and chocolate biscuits. Following our success in breakfast and crisp biscuits series, the Group has aimed to replicate its successful experiences from the popular series to other biscuits series.

In particular, during the year, the Group has adopted the following approaches for product development and production innovation:

(i) collaborating with provincial technical R&D institutes to enhance research capability and leveraging on constant technological innovation and product development to maintain strong competitive advantages;

(ii) assembling a product development team with the R&D team of the Yihai Kerry Group with cooperative focuses on raw material inspection, data analysis, application of new materials and craftsmanship improvement;

(iii) forming a product development team with the R&D group from Puratos, a Belgium enterprise with a 100-year history in bakery, with cooperative focuses on various areas such as fruit jam, chocolate and cake; and

(iv) adopting a globally leading practice for its new product development, focusing on consumer-driven product development which is expected to help improve the success rate of the Group's new product development.

Supply Chain Management

The Group created a consumer-driven supply chain to ensure profitability by reducing cost, improving product quality, minimising inventory and shortening delivery time, the specific measures undertaken by the Group are set out below.

(i) The Group's three production plants are strategically located in Guangdong, Jiangsu and Hebei, which allows the Group to cover markets in the Pearl River Delta, the Yangtze River Delta and the Bohai Economic Rim in a scientific and systematic manner. This strategic layout has effectively shortened delivery lead time and logistic costs.

(ii) Through data analysis, the Group managed to bulk purchase raw material at competitive prices. The Group used various payment method when dealing with quality suppliers, such as bank promissory notes and letters of credit, in order to obtain favorable prices hence achieving a win-win situation. Procurement costs were reduced, thanks to the overall reduction in the average purchase prices of the three major raw materials in 2014 attributable to a decrease of purchase price in sugar and palm oil, which is only slightly set off by a mild increase in flour cost. Overall raw material costs per tonne of product decreased moderately.

(iii) As disclosed in the paragraph headed “Research and Development” above, the Group established a strategic cooperating partnership with the Yihai Kerry Group. Leveraging the global R&D centre and quality raw materials of the Yihai Kerry Group, the Group maintained its competitive edges with respect to purchase costs, quality and application of raw material and food safety.

(iv) The marketing department utilised internal management system, such as ERP and OA, to generate monthly sales estimation, which has allowed the supply chain department to draft procurement plan, production plan and logistic plans to maintain inventory and wastage at a low level.

(v) The Group has enhanced its commitment to optimising internal management through the establishment of the internal control department. The Group consolidated and systemised its production cycle, and streamlined its production process, which have enhanced its overall operation efficiency, product quality and lower costs.

Other Remarks

(i) Prior to the IPO, share options for a total of 14,900,000 shares were granted to 38 core management members. This has helped improve team cohesion and devotion and further incentivised the team’s enthusiasm.

(ii) The Group has successfully gained one invention patent, five utility patents, two high and new technology certificates, which demonstrated the Group’s product innovation and technical advancement capability.

(iii) The Group was chosen to be one of the 100 demonstration enterprises of “Dual Integration” (information technology and industrialisation) in the Guangdong province and has worked on the national certification process of management system under Dual Integration. This has elevated the Group’s knowledge and competitiveness in the information technology era.

FINANCIAL REVIEW

Revenue

The revenue of the Group increased to RMB840.1 million for the year ended December 31, 2014 from RMB747.8 million for the year ended December 31, 2013, representing an increase of approximately RMB92.3 million or 12.3%. Such increase in revenue was mainly driven by the increase in sales of our sandwich biscuits series and crisp biscuits series. Breakdown of the revenue and sales volume by category for the year ended December 31, 2014 and the comparative figures are set out as follows:

	Year ended December 31,				% of	% of
	2014		2013		changes in	changes in
Revenue/Sales Volume	Tonne	RMB (million)	Tonne	RMB (million)	sales volume	revenue
Breakfast biscuits series	34,619	348.6	36,451	360.3	–5.0%	–3.2%
Crisp biscuits series	18,861	196.0	17,219	171.6	+9.5%	+14.2%
Sandwich biscuits series	8,796	125.7	3,883	53.0	+126.5%	+137.2%
Wafers series	4,108	60.4	2,970	43.7	+38.3%	+38.2%
Others	9,011	109.4	9,656	119.2	–6.7%	–8.2%
Total	75,395	840.1	70,179	747.8	+7.4%	+12.3%

Breakfast biscuits series

For the year ended December 31, 2014, the revenue and sales volume of our breakfast biscuits series dropped by 3.2% and 5.0% respectively, when compared to the previous year. Such reduction in sales is the result of a strategic adjustment on the product portfolio, to trim off the low margin products. In early 2014, the Company ceased part of the sales made under the government project "nutritious breakfast". In addition, our lower-margin 1kg package breakfast biscuits have been being steadily replaced by the newly launched 800g package. The table below summarises the net effect on the revenue changes due to the enhancement of product portfolio during the year ended December 31, 2014:

	Year ended December 31,		Changes in
	2014	2013	revenue
	RMB (million)	RMB (million)	RMB (million)
Nutritious breakfast	0.7	7.8	–7.1
1 kg package	107.5	162.9	–55.4
800g package	62.6	22.4	+40.2
Total	170.8	193.1	–22.3

Crisp biscuits series

The revenue of crisp biscuits series for the year ended December 31, 2014 amounted to RMB196.0 million, representing a year-on-year increase of approximately RMB24.4 million or 14.2%, primarily due to the new product "香薄脆" being launched in the market, together with the successful development of new gift packaging.

Sandwich biscuits series

The revenue of our sandwich biscuits series for the year ended December 31, 2014 amounted to RMB125.7 million, representing a year-on-year increase of approximately RMB72.7 million or 137.2%. The tremendous boost in sales of the sandwich biscuits series was mainly driven by our popular product – fruit jam sandwiches biscuits which has been widely and well received by the consumers, particularly in Southern China. The success of this product is attributable to our effective marketing strategy, including the launch of television advertising and conducting a sample tasting campaign around China.

Wafers series

The revenue of the wafers series for the year ended December 31, 2014 amounted to RMB60.4 million, representing a year-on-year increase of approximately RMB16.7 million or 38.2%. During the year ended December 31, 2014, two new wafers series production lines were acquired. This made up for the production capacity deficiency in previous years and therefore, satisfied the strong consumer demand in our wafers series.

Gross profit and gross profit margin

Gross profit for the year ended December 31, 2014 amounted to approximately RMB268.5 million, representing a year-on-year increase of approximately RMB42.9 million, or 19.0%. Increase in gross profit was mainly the result of the increase in top line revenues. Gross profit margin for the year ended December 31, 2014 increased to 32.0% from 30.2% for the previous year and such growth was primarily the result of (i) improvement in product mix, and (ii) implementation of rigorous control in raw material costs.

Other income

Other income for the year ended December 31, 2014 increased to approximately RMB9.3 million from approximately RMB6.9 million for the previous year. Other income represents mainly the government grants and bank interest income.

Selling and distribution expenses

For the year ended December 31, 2014, the selling and distribution expenses amounted to approximately RMB101.7 million, representing a year-on-year increase of approximately RMB13.8 million, or 15.6%. Selling and distribution expenses consist primarily of advertising and promotion expenses, transportation expenses and salaries and benefits for our sales and marketing staff. The increase in selling and distribution expenses for the year is mainly due to (i) the increase in number of marketing events conducted during the year; (ii) the launch of television commercials; and (iii) the rise in transportation costs incurred as a result of growth in sales volume. Basically, the increase in selling and distribution expenses conforms to the increase in sales.

Administrative expenses

Administrative expenses for the year ended December 31, 2014 amounted to approximately RMB38.4 million, representing a year-on-year increase of approximately RMB8.8 million, or 29.8%. Administrative expenses consist primarily of staff costs, legal and professional fees and taxes. During the year, the IPO resulted in an increase in administrative staff costs of RMB5.2 million to RMB18.6 million. The extra staff costs consist of share-based payment expenses as a result of the adoption of a pre-IPO share option scheme, together with the salary paid to the new appointed Directors for the IPO.

Finance costs

Finance costs for the year ended December 31, 2014 amounted to approximately RMB2.3 million, represented by the interest paid for the bank borrowings. No significant of change in finance costs was recorded when compared to that for the previous year.

Other expenses

Other expenses consist primarily of listing expenses and research and development expenses. Our other expenses increased to approximately RMB43.8 million for the year ended December 31, 2014 by 45% from RMB30.2 million for the previous year primarily owing to (i) the increase in listing expenses of RMB10.6 million in relation to the IPO; and (ii) the increase in research and development expenses of RMB2.9 million as a result of new products development.

Other gain and losses

Other gain and losses for the year ended December 31, 2014 amounted to a net loss of approximately RMB1.7 million, representing the amount of the net exchange gain which was offset by the fair value loss on convertible promissory note and loss on disposal of property, plant and equipment.

Income tax expenses

Income tax increased by RMB3.9 million, or approximately 27.6%, from RMB14.3 million for the year ended December 31, 2013 to RMB18.2 million for the year ended December 31, 2014. Such increase was primarily the result of (i) increase in profit before tax; (ii) increase in non-tax deductible expenses, and (iii) increase in withholding tax on undistributed profits of the PRC subsidiaries.

Profit and total comprehensive income for the year attributable to the owners of the Company

As a result of the foregoing factors, profit and total comprehensive income for the year attributable to the owners of the Company increased by 3.5% to RMB71.7 million for the year ended December 31, 2014 from RMB69.3 million for the year ended December 31, 2013, having taken into account the non-recurring listing expenses charged to income statement of approximately RMB15.8 million and fair value loss on convertible promissory note of approximately RMB2.7 million. Net profit margin decreased to 8.5% for the year ended December 31, 2014 from 9.3% for the year ended December 31, 2013.

Financial position and liquidity

As at December 31, 2014, the Group had cash and cash equivalents which amounted to approximately RMB298.2 million (2013: RMB69.9 million) while the net current assets was approximately RMB254.9 million (2013: net current liabilities of RMB78.9 million). The liquidity of the Group has strongly improved due to the injection of the net proceeds from the IPO. Daily operations of the Group have been well supported by credit facilities granted by banks which amounted to approximately RMB223.5 million as at December 31, 2014, and the Group had pledged bank deposits of approximately RMB1.9 million and bills receivables of approximately RMB5.9 million to secure such bank facilities. As at December 31, 2014, the Group had no outstanding bank borrowings (2013: RMB35.3 million). Other than such, the Group did not have any charge on assets as at December 31, 2014.

As at December 31, 2014, the Group was in a net cash position (2013: net cash). As at December 31, 2014, the Group had capital commitment of approximately RMB1.0 million (2013: RMB18.2 million). Such amount of the capital commitment as at December 31, 2014 is for acquisition of property, plant and equipment of approximately RMB1.0 million. As at December 31, 2014, the Group had no material investments and did not have future plans for material investments.

Contingent liabilities and guarantees

As at December 31, 2014, the Group did not provide any guarantees to any third parties and had no significant contingent liabilities.

Material acquisitions and disposals

Save for the Group Reorganisation for the purpose of the IPO, there were no acquisitions or disposals of subsidiaries or associated companies by the Group during the year ended December 31, 2014.

Capital structure

During the year ended December 31, 2014, the Group's operation was mainly financed by funds generated from its operation, borrowings and the IPO. As at December 31, 2014, the Group had no borrowings, while the cash and cash equivalents held by the Group were mainly denominated in Hong Kong dollars ("HKD") and Renminbi ("RMB"). All of the Group's borrowings were fixed rate borrowings and no hedging has been employed by the Group during the year ended December 31, 2014. The Group's revenue is mainly denominated in RMB, while its costs and expenses are mainly denominated HKD and RMB. A major portion of the Group's assets, liabilities, revenues and payments during the year ended December 31, 2014 were denominated in either HKD or RMB, therefore the Board considers that the risk from exposure to foreign exchange rate fluctuations is not significant. The Group does not have a formal hedging policy and has not entered into any material foreign currency exchange contracts or derivative transactions to hedge against its currency risks.

Human resources

As at December 31, 2014, the Group had a total of 1,451 full-time staff based in Hong Kong and the PRC. The Group's remuneration packages are generally structured with reference to market terms and individual merits. The Group operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries. The Group also made contributions to provident funds, elderly insurance, medical insurance, unemployment insurance and work-related injury insurance in accordance with appropriate laws and regulations in the PRC. The Group has also adopted a share option scheme to provide incentive or reward to eligible high-calibre employees and attract human resources that are valuable to the Group.

SUBSEQUENT EVENTS

On February 17, 2015 the Board had resolved to grant share options to certain individuals to subscribe for an aggregate of 10,000,000 ordinary shares of HK$0.01 each in the share capital of the Company, subject to acceptance of the grantees, under the share option scheme adopted by the Company on August 21, 2014 and the payment of HK$1.00 upon acceptance of the options. The exercise price of the options is HK$4 per share, exercisable from February 17, 2015 to December 31, 2015. The Directors are still in the progress of accessing the fair value of the options and the financial impacts to the Group. Details of such event is set out in the announcement dated February 17, 2015.

FUTURE PROSPECT

In 2015, it is widely anticipated that the domestic economy will continue its trend in 2014 to slow down moderately. Coupled with the effect of the quantitative monetary easing policies, the market competition will remain fierce. 2015 is the first fiscal year of the Company after the IPO and the Group will continue to build on its solid foundation, strong performance of 2014 and its dominating position to achieve greater growth in 2015. Looking forward, 2015 will also be a year where challenge meets opportunity. Jiashili will capitalise on the opportunities ahead by implementing our corporate strategies – consumer-oriented, quality-comes-first and continuous channel expansion. In light of the corporate strategies and proven operating strength that integrates 5 key elements – product, brand, channel, capital and human resources, the Group will continue to make progress in our business, striving to achieve further progress in product upgrade, brand building, and sales network and channel expansion. The Group will focus on manufacturing and selling of biscuits while continually searching for merger and acquisition opportunities to pursuit business diversification. With consistent and solid results, the Group is confident that such achievement would be recognised by both the industry and the capital markets. The Group will make a strategic expansion to lease a piece of land with a site area of 80,000 square metres and manufacturing facilities with floor area of 80,000 square metres for 20 years to lay foundation for our future development. The Group also plans to develop a food production base in Anyang, Henan province, where lower level of capital is required. The project is in response to the need arising from rapid development in Northern China and the Bohai Economic Rim markets. Further, pursuant to the understanding as stated in the strategic supply and cooperation framework agreement entered into between the Group and the Yihai Kerry Group in November 2014, we will capitalise on the leading edge in the R&D and business platform of the Yihai Kerry Group to pursue continuous joint development of healthy and nutritious food products, The Group believes that these plans will lead Jiashili to a new chapter in our success story.

CODE OF CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules as its own code of corporate governance. Since the Listing Date and up to the date of this report, the Company has complied with the code provisions under the Code, except for the deviation from the code provision A.2.1 which requires that the roles of chairman and chief executive officer to be separate and not performed by the same individual. Key corporate governance principles and practices of the Company as well as details relating to the foregoing deviation are summarised below.

Pursuant to code provision A.2.1 of the Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and chief executive officer and Mr. Huang Xianming currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company. Having made specific enquiry by the Company to all the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code since the Listing Date and up to the date of this Report. No incident of non-compliance of the written guidelines governing the securities transactions by employees who are likely to be in possession of unpublished inside information of the Company was noted by the Company during the year.

BOARD OF THE DIRECTORS

Board Composition

The Board of the Company is currently constituted by nine members, including four executive Directors, two non-executive Directors and three independent non-executive Directors.

The composition of the Board is as follows:

Executive Directors
Mr. Huang Xianming *(Chairman and Chief Executive Officer)*
Mr. Tan Chaojun *(Vice Chairman)*
Mr. Chen Minghui
Mr. Lu Jianxiong

Non-Executive Directors
Mr. Lin Xiao
Mr. Lee Ping Nam

Independent Non-Executive Directors
Mr. Wu I-ting *(resigned on November 13, 2014)*
Mr. Kam Robert
Ms. Ho Man Kay
Mr. Wu Meng-cher *(appointed on November 13, 2014)*

The biographical information of the Directors are set out on pages 26 to 28 of this annual report.

The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group.

Function

The Board is responsible for the oversight of the management of the Company's business and affairs with the objective of enhancing shareholder value.

The Board is also responsible for performing corporate governance duties including the developing, reviewing and monitoring of the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and compliance manual applicable to employees and Directors.

Daily operations, business strategies and administration are delegated to the executive Directors and the management with divisional heads responsible for different aspects of the business. When the Board delegates different aspects of its management and administrative functions to the senior management, it has given clear directions in relation to the scope of powers of the senior management. Although the Board is not involved in the Company's day-to-day operations, it does have a formal schedule of matters reserved for its own decision, as defined in its terms of reference, which are available on the Company's website.

Board Meetings

From the Listing Date and up to the date of this Report, 3 meetings were held by the Board and the Directors did not authorize any alternate Director to attend Board Meeting. The attendance record of each Director is set out below:

Name of Board members	Number of attendance	Number of meetings
Executive Directors		
Mr. Huang Xianming	3	3
Mr. Tan Chaojun	3	3
Mr. Chen Minghui	3	3
Mr. Lu Jianxiong	3	3
Non-Executive Directors		
Mr. Lin Xiao	3	3
Mr. Lee Ping Nam	3	3
Independent Non-Executive Directors		
Mr. Wu I-ting *(resigned on November 13, 2014)*	2	2
Mr. Kam Robert	3	3
Ms. Ho Man Kay	3	3
Mr. Wu Meng-cher *(appointed on November 13, 2014)*	2	2

Notice of regular Board meetings is served to all Directors at least 14 days before the meetings while reasonable notice is generally given for other Board meetings.

Directors would receive relevant documents from the company secretary ("Company Secretary") in a timely manner to enable the Directors to be informed decisions on matters discussed in the Board meetings. The Company Secretary would ensure the procedures of the Board meetings are observed and provide to the Board opinions on matters in relation to the compliance with the procedures of the Board meetings. Board minutes prepared and kept by the Company Secretary are sent to the Directors for records and are open for inspection at any reasonable time on reasonable notice by any Director.

Independent Non-executive Directors

In compliance with Rules 3.10(1) and 3.10(A) of the Listing Rules, there are three Independent Non-executive Directors, representing one-third of the Board. Among the three Independent Non-executive Directors, one of them have appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. The Independent Non-executive Directors bring independent judgment on issues of strategy, performance and risk. The Company has received from each of the Independent Non-executive Directors annual written confirmations of their independence pursuant to Rule 3.13 of the Listing Rules. The Company, based on such confirmation, considers, all Independent Non-executive Directors, to be independent.

Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Huang Xianming is the Chairman and the Chief Executive Officer of the Company. Such deviation from code provision A.2.1 is deemed appropriate as it is considered to be more efficient to have one single person as the Chairman of the Company as well as to discharge the executive functions of a Chief Executive Officer, and it provides the Group with strong and consistent leadership in the development and execution of long term business strategies. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises highly experienced individuals. There are three Independent Non-Executive Directors on the Board. All of them possess adequate independence and therefore the Board considers the Company has achieved balance and provided sufficient protection of its interests. The Board will continue to review and consider splitting the roles of Chairman of the Board and Chief Executive Officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Appointment, Re-election and Removal

A Director of the Company shall have a term of office of three years and shall be entitled to be re-appointed when the term of office expires provided that the term of office of independent non-executive Directors shall not exceed six years. The Company has entered into service agreements with each of the executive Director, non-executive Director and independent non-executive Director with a term of three years. The appointment and removal of Directors shall be approved by shareholders at AGM. The current Directors appointed by the Board shall hold office until the first general meeting of the Company and be subject to re-election at such meeting. A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office and the Company may by ordinary resolution appoint another in his place.

Directors' Continuous Training and Development

Directors should keep abreast of the responsibilities as a Director of the Company and of the conduct, business activities and development of the Group. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Group continuously updates Directors with circulars and guidance notes on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. The Group also provides all members of the Board with monthly updates on the Group's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

A summary of training received by the Directors for the year ended December 31, 2014 is as follows:

Name of Board Members	Training on Corporate governance, regulatory development and other relevant topics
Executive Directors	
Mr. Huang Xianming	✓
Mr. Tan Chaojun	✓
Mr. Chen Minghui	✓
Mr. Lu Jianxiong	✓
Non-Executive Directors	
Mr. Lin Xiao	✓
Mr. Lee Ping Nam	✓
Independent Non-Executive Directors	
Mr. Wu I-ting *(resigned on November 13, 2014)*	✓
Mr. Kam Robert	✓
Ms. Ho Man Kay	✓
Mr. Wu Meng-cher *(appointed on November 13, 2014)*	✓

COMMITTEES OF THE BOARD

Remuneration Committee

The Company established a Remuneration Committee on August 21, 2014 with written terms of reference in compliance with the Code. The Remuneration Committee currently has four members comprising one Director and three Independent Non-executive Directors: Ms. Ho Man Kay, Mr. Kam Robert and Mr. Wu I-ting (resigned on November 13, 2014), Mr. Wu Meng-cher (appointed on November 13, 2014) and Mr. Huang Xianming respectively. Ms. Ho Man Kay is the Chairman of the Remuneration Committee.

Remuneration Committee is responsible for making recommendations to the Board on the remuneration of the Directors and senior management and specific remuneration packages and conditions of employment for the Directors and senior management and evaluating and making recommendations on employee benefit arrangements.

The remuneration of Directors is determined by the Board, upon recommendation of the Remuneration Committee with reference to the Directors' qualifications, experience, duties, responsibilities and performance and results of the Group.

The terms of reference of the Remuneration Committee are posted on the websites of the Company and Hong Kong Stock Exchange.

Since the Listing Date and up to the date of this Report, 2 meetings was held by the Committee to review and make recommendation of the remuneration of senior management. No alternate director was authorized to attend such meeting and the attendance record of each Committee member is set out below:

Name of Committee members	Number of attendance	Number of meetings
Executive Director		
Mr. Huang Xianming	2	2
Independent Non-Executive Directors		
Ms. Ho Man Kay	2	2
Mr. Kam Robert	2	2
Mr. Wu I-ting *(resigned on November 13, 2014)*	Nil	Nil
Mr. Wu Meng-cher *(appointed on November 13, 2014)*	2	2

Audit Committee

The Company established an Audit Committee on August 21, 2014 with written terms of reference in compliance with Rules 3.21 and 3.23 of the Listing Rules. The Audit Committee currently has three members comprising three Independent Non-executive Directors: Mr. Kam Robert, Mr. Wu I-ting (resigned on November 13, 2014), Mr. Wu Meng-cher (appointed on November 13, 2014) and Ms. Ho Man Kay respectively. Mr. Kam Robert is the Chairman of the Audit Committee.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group, to review the Company's annual report and interim reports to provide advice and comments thereon to the Board, and to make recommendations to the Board on the appointment, re-appointment and removal of external auditors and assessing their independence and performance.

The terms of reference of the Audit Committee are posted on the websites of the Company and Hong Kong Stock Exchange.

Since the Listing Date and up to the date of this Report, the Audit Committee held 2 meetings. The members of Audit Committee reviewed and discussed with the external auditor of the Company the Group's audited financial statements for the year ended December 31, 2014. They were of the opinion that these financial statements had complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures had been made. No alternate director was authorized to attend such meeting and the attendance record of each Committee member is set out below:

Name of Committee members	Number of attendance	Number of meetings
Independent Non-Executive Directors		
Mr. Kam Robert	2	2
Ms. Ho Man Kay	2	2
Mr. Wu I-ting *(resigned on November 13, 2014)*	1	1
Mr. Wu Meng-cher *(appointed on November 13, 2014)*	1	1

There is no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Additional meeting may also be held by the Audit Committee from time to time to discuss special projects or other issues which it considers necessary. The external auditor of the Company may request a meeting of the Audit Committee to be convened if they consider that necessary.

Auditors' Remuneration

For the year ended December 31, 2014, the total fee paid/payable in respect of audit services to the external auditors of the Group, RMB1,345,000. The Company incurred approximately RMB3,790,000 for reporting accountants services provided by external auditors in connection with the Global Offering of the Company's shares. In addition, approximately RMB398,000 was charged for internal control review services.

The Audit Committee is responsible for making recommendations to the Board as to the appointment, reappointment and removal of the external auditors, which is subject to the approval by the Board and at general meetings of the Company by the shareholders. There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditors.

Nomination Committee

The Company established a Nomination Committee on August 21, 2014 with written terms of reference in compliance with the Code. The Nomination Committee currently has four members comprising one executive Director and three Independent Non-executive Directors: Mr. Huang Xianming, Ms. Ho Man Kay, Mr. Kam Robert and Mr. Wu I-ting (resigned on November 13, 2014) and Mr. Wu Meng-cher (appointed on November 13, 2014) respectively. Mr. Huang Xianing is the Chairman of the Nomination Committee.

The Nomination Committee is responsible for making recommendations to the Board on the appointment of Directors. The Committee is also responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and assessing the independence of the Independent Non-executive Directors

The terms of reference of the Nomination Committee are posted on the websites of the Company and Hong Kong Stock Exchange.

Since the Listing Date and up to the date of this Report, the Nomination Committee held 1 meeting. The members of Nomination Committee reviewed and discussed the current structure, size and composition of the Board and the remuneration of the senior management personnel. No alternate director was authorized to attend such meeting and the attendance record of each Committee member is set out below:

Name of Committee members	Number of attendance	Number of meetings
Executive Director		
Mr. Huang Xianming	1	1
Independent Non-Executive Directors		
Ms. Ho Man Kay	1	1
Mr. Kam Robert	1	1
Mr. Wu I-ting *(resigned on November 13, 2014)*	Nil	Nil
Mr. Wu Meng-cher *(appointed on November 13, 2014)*	1	1

COMPANY SECRETARY

The Company Secretary, Mr. Yau Chung Hang, plays an important role in supporting the Board by ensuring good information flow within the Board and that board policy and procedures are followed.

All Directors may access to the advice and services of the Company Secretary who regularly updates the Board on governance and regulatory matters and should also facilitate induction and professional development of Directors. He confirmed that he had complied with Rule 3.29 of the Listing Rules and taken no less than 15 hours of relevant professional training during the year ended December 31, 2014.

INTERNAL CONTROLS

During the year under review, the Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets, and reviewing the effectiveness of such system on an annual basis through the Audit and Compliance Committee.

ACCOUNTABILITY AND AUDIT

Directors' Responsibility

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

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group. The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board will continue to prepare the consolidated financial statements on a going concern basis.

SHAREHOLDERS' RIGHTS

To safeguard shareholder's interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

(1) Convening a General Meeting

Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company may request the Board to convene an extraordinary general meeting pursuant to Article 58 of the Articles of Association by sending a written requisition to the Board or the company secretary. The objects of the meeting must be stated in the written requisition.

(2) Putting Forward Proposals at General Meeting

If a shareholder wishes to propose a person other than a retiring Director for election as a Director of the Company at a general meeting, pursuant to Article 85 of the Articles of Association, the shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's head office or the office of the Company's branch share registrar. The period for lodgement of such notices shall commence on the day after the despatch of the notice of such general meeting and end no later than 7 days prior to the date of such general meeting.

(3) Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

(4) Contact Details

The contact details of the Company are set out in the Company's website (www.gdjsl.com) in order to enable the shareholders to make any query that they may have with respect to the Company.

Shareholders should direct their enquiries about their shareholdings to the Company's Hong Kong branch share registrar. Their details are as follows:

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

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

(5) Articles of Association of the Company

The Articles of Association was adopted pursuant to a special resolutions of the Company passed on August 21, 2014 and took effect from the Listing Date. Since then, there have been no changes to the Articles of Association and an up-to-date version of the Articles of Association is available on the websites of the Company and the Stock Exchange. Shareholders may refer to the Articles of Association for further details of the rights of shareholders.

EXECUTIVE DIRECTORS

Mr. Huang Xianming (黃銑銘), aged 43, 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. Since his acquisition of controlling stake in Guangdong Jiashili Food Group Co., Limited ("Guangdong Jiashili") 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 (中國烙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 49, 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. Tan was awarded as 2013 Guangdong Top Ten Professional Manager by the Professional Managers Association of Guangdong.

Mr. Chen Minghui (陳明輝), aged 46, 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. 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 45, 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 57, 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 47, joined our Group and was appointed as a non-executive Director on April 16, 2014. 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. Kam Robert (甘廷仲) (alias 甘定滔), age 57, 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 53, 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.

Mr. Wu Meng-cher (吳孟哲), aged 50, was appointed as independent non-executive Director on November 13, 2014. Mr. Wu obtained a bachelor degree in economics in 1986 from Fu-Jen Catholic University in Taiwan and studied master's programs in economics and marketing from 1988 to 1990 at Michigan State University in the United States. He has over 20 years experience in the fastmoving consumer goods industry. He had been the Managing Director of Uni-President (Thailand) Ltd., the General Manager of A.S. Watson Industries, the Group Vice President of C-Bons Holding (International) Ltd., and the Managing Director of Sweet Life A.G. Currently, he works as an advisor to the Chairman of Fuburg Industrial Co., Ltd, a Taiwan-listed company.

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)	42	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 19 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. He is a fellow member of the Association of Chartered Certified Accountants and a certified public accountant of Hong Kong Institute of Certified Public Accountants.

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 42, 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” above in this section for Mr. Yau’s biography.

The Directors present their report together with the audited financial statements of the Company and the Group for the year ended December 31, 2014.

CORPORATE INFORMATION AND GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on December 19, 2013 as an exempted company with limited liability. The Company's Shares were listed on the Main Board of the Hong Kong Stock Exchange on September 25, 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the "Group") are manufacturing and sales of biscuits in the PRC.

RESULTS AND DIVIDEND

The results of the Group are set out in the consolidated statement of profit or loss and other comprehensive income on page 43. The Board has proposed a final dividend of HK6.00 cents per share for the year ended December 31, 2014 (2013: Nil), to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at June 11, 2015. Subject to the approval of the Company's shareholders at the forthcoming annual general meeting of the Company (the "2015 AGM"), the final dividend will be paid on or about June 16, 2015.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2015 AGM, the register of members of the Company will be closed from June 1, 2015 to June 3, 2015 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2015 AGM, all transfer of shares of the Company accompanied by the relevant share certificate(s) and appropriate transfer form(s) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on May 29, 2015. For determining the entitlement to receive the proposed final dividend, the register of members of the Company will be closed from June 9, 2015 to June 11, 2015 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to receive the proposed final dividend, all transfer of shares of the Company accompanied by the relevant share certificate(s) and appropriate transfer form(s) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on June 8, 2015.

USE OF PROCEEDS FROM IPO

On September 25, 2014, the Company's shares were listed on the main board of the Stock Exchange. A total of 100,000,000 shares were issued at HK$3.70 per share for a total gross proceeds of approximately HK$370.0 million. On October 10, 2014, additional 15,000,000 shares were issued at HK$3.70 upon the exercise of the over-allotment option by the international underwriter, for a total of approximately HK$55.5 million.

The total net proceeds raised form the IPO of the Company were approximately HK$380 million after the deduction of related listing expenses. The use of proceeds has been consistent with the disclosure in the prospectus of the Company dated September 15, 2014. Up to the date of this report, the respective use of the net proceeds is as follows:

	Net proceeds from IPO		
	Available HKD million	**Used** HKD million	**Unused** HKD million
Increasing the recognition and awareness of our brands and expansion of our distribution and sales network	167.4	26.8	140.6
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	38.6	8.6	30.0
Research and development activities in order to refine our existing product offerings and develop new products	36.0	2.7	33.3
Repayment of the principal amount and the accrued interest under the convertible promissory note issued to Actis Investment Holdings No. 151 Limited (now known as Rich Tea Investments Limited)	100.0	100.0	–
Working capital and other general corporate purpose	38.0	–	38.0
	380.0	138.1	241.9

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales to the Group's five largest customers accounted for approximately 10% of the Group's turnover and sales to the Group's largest customer was approximately 4% of the Group's total revenue.

During the year, the aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 27% of the Group's total purchases, and the purchases attributable to the Group's largest supplier was approximately 10% of the Group's total purchases.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had interests in the Group's five largest customers or suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of the movement in property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 29 to the consolidated financial statements.

RESERVES

At December 31, 2014, the Company's reserves available for distribution amounted to approximately HK$505,270,000. Under the Companies Law of the Cayman Islands, the share premium of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be distributed, the Company shall be able to pay its debts as they fall due in the ordinary course of business. Details of the movements in reserves of the Group and the Company are set out in the consolidated statement of changes in equity.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands.

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the Company's shares.

FINANCIAL SUMMARY

A summary of the consolidated results of the Group for the last four financial years and of its consolidated assets and liabilities as at the end of the last four financial years is set out on page 112.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2014.

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 approximately 3.59% of the total issued share capital of the Company immediately upon completion of the Global Offering and the exercise of the Over-allotment Option, and assuming that all options granted under the Pre-IPO Share Option Scheme are exercised at the same time (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 and (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**
Up to the date of this report, options to subscribe for an aggregate of 14,900,000 Shares (representing approximately 3.59% of the total issued share capital of the Company immediately upon completion of the Global Offering and exercise of Over-Allotment Option, and assuming that all options granted under the Pre-IPO Share Option Scheme are exercised at the same time (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 in the prospectus. Upon the Listing on the Stock Exchange on September 25, 2014 with 415,000,000 Shares in issue. The computation of diluted earnings per share does not assume the conversion of the Company's outstanding options since their exercise would result in an increase in earnings per share from continuing operations.

SHARE OPTION SCHEME

Pursuant to a resolution passed by all the shareholders on August 21, 2014, the Company has conditionally adopted the share option scheme (the "Share Option Scheme") for the purpose of recognising and acknowledging the contributions the eligible participants had or may have made to the Group. The Directors were authorised to grant options to subscribe for Shares of the Company and to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary and/or desirable to implement and give effect to the Share Option Scheme. The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering and the exercise of Over-Allotment Option, being 415,000,000 Shares, excluding any Shares that may be issued under the options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company), unless otherwise approved by the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time.

Unless otherwise approved by the shareholders of the Company in general meeting, the number of Shares that may be granted to an eligible participant under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not exceed 1% of the Shares in issue of the Company within any 12-month period. Any grant of options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by Shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules, the number of Shares that may be granted to a substantial shareholder or any independent non-executive Director or their respective associates under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not exceed 0.1% of the Shares in issue, having an aggregate value in excess of HK$5 million, within any 12-month period.

There is no minimum period for which an option must be held before it can be exercised, and the period during which an option may be exercised will be determined by the Board in its absolute discretion, however, no options shall be exercised 10 years after they have been granted. The subscription price of a Share in respect of a particular option shall be not less than the highest of (a) the official closing price of the Shares on the daily quotation sheet of the Stock Exchange; (b) the average official closing price of the Shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share. The Share Option Scheme shall take effect from the date it is adopted and shall remain effective within a period of 10 years from that date.

From the date that the Share Option Scheme became effective and unconditional and up to the date of this annual report, 10,000,000 share options were granted under the Share Option Scheme and details of which are set out in the note 45 to the consolidated financial statements.

SUBSIDIARIES

Details of the Company's subsidiaries as at the date of this report are set out in note 44 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEME

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 employee employed in Hong Kong is required to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). Contributions to the MPF Scheme are made in accordance with the statutory limits prescribed by the Mandatory Provident Fund Ordinance of Hong Kong.

The total expense recognised in profit or loss of approximately RMB8,672,000 (2013: RMB7,209,000) represent contributions paid and payable to the retirement benefit scheme during the year ended December 31, 2014.

DIRECTORS

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

Executive Directors

Mr. Huang Xianming *(Chairman and Chief Executive Officer)*
Mr. Tan Chaojun *(Vice Chairman)*
Mr. Chen Minghui
Mr. Lu Jianxiong

Non-Executive Directors

Mr. Lin Xiao
Mr. Lee Ping Nam

Independent Non-Executive Directors

Mr. Wu I-ting *(resigned on November 13, 2014)*
Mr. Kam Robert
Ms. Ho Man Kay
Mr. Wu Meng-cher *(appointed on November 13, 2014)*

According to article 83(3) of the Articles of Association of the Company, any Director appointed by the Board 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. As all Directors were appointed by the Board, all of them shall retire and, being eligible, offer themselves for re-election at the annual general meeting.

In compliance of Rule 3.10(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the Board currently comprises three independent non-executive Directors, representing one-third of the Board. Pursuant to paragraph 12B of Appendix 16 of the Listing Rules, each of the independent non-executive Directors has confirmed by annual confirmation that he/she has complied with the independence criteria set out in Rule 3.13 of the Listing Rules. The Directors consider that all three independent non-executive Directors are independent under these independence criteria and are capable to effectively exercise independent judgement.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 26 to 29.

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from the Listing Date or until the third annual general meeting of our Company since the Listing Date (whichever is earlier). The Company has the right to give written notice to terminate the agreement.

Each of our non-executive Director and independent non-executive Directors has signed a letter of appointment with our Company. The term of office of our non-executive Director and independent non-executive Directors is three years, with effect from the Listing Date or until the third annual general meeting of our Company since the Listing Date (whichever is earlier).

None of the Directors proposed for re-election at the forthcoming annual general meeting has entered into any service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

Details of other related party transactions entered into during the year were disclosed in note 39 to the consolidated financial statements. These related party transactions either did not constitute connected transactions under the Listing Rules or were discontinued prior to the listing of the Company's shares on the Stock Exchange. Save as the transactions aforementioned, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or the controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year, and there were no contract of significance for the provision of services to the Group by the controlling shareholder of the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors or any of their respective associates, has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR THE ASSOCIATED CORPORATIONS

As at the date of this report, 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 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 required, pursuant to section 352 of the SFO, to be entered in the register referred to therein are as follows:

Name of Directors	Company/name of associated corporation	Capacity	Number and class of securities	Approximate percentage of Issued share capital
Mr. Huang Xianming ("Mr. Huang")	The Company	Interests of controlled corporation (Note 2)	217,168,000 (L) (Note 1)	52.33%
Mr. Huang	Kaiyuan Investments Limited ("Kaiyuan")	Interests of controlled corporation (Note 3)	100 (L) (Note 1)	100%
Mr. Huang	Great Logistics Global Limited ("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 Mr. Huang's family comprising, Ms. Huang Cuihong, Ms. Huang Rujun, Ms. Huang Rujiao and Ms. Huang Xianxian.

Note 3: Kaiyuan is held as to 80% by Great Logistics and 20% by four entities, which are all wholly-owned by Mr. Huang's family comprising, Ms. Huang Cuihong, Ms. Huang Rujun, Ms. Huang Rujiao and Ms. Huang Xianxian.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the date of this report, the following persons have an interest or a short position in the Shares 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	Number of share held	Approximate percentage of issued share capital
Mr. Huang	Interest in controlled corporation[1]; interest in family member[2]	217,168,000	52.33%
Ms. Huang Cuihong	Interest in controlled corporation[1]; interest in family member[2]	217,168,000	52.33%
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]	217,168,000	52.33%
Jade Isle Global Limited ("Jade Isle")	Interest in controlled corporation[1]; interest in family member[2]	216,168,000	52.09%
Prestige Choice Investment (Overseas) Limited ("Prestige Choice Overseas")	Interest in controlled corporation[1]; interest in family member[2]	216,168,000	52.09%
Grand Wing Investment Limited ("Grand Wing")	Interest in controlled corporation[1]; interest in family member[2]	216,168,000	52.09%
Intelligent Pro Investment Limited ("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 Investment Holdings Ship Limited ("Actis Ship")	Beneficial interest[3]	83,832,000	20.20%
Rich Tea Investments Limited ("Rich Tea")	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 Rich Tea 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 Rich Tea, which have been 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 and 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.

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report section set out on pages 16 to 25.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge, as at the date of this report, there is sufficient public float of 25% of the Company's issued shares as required under the Listing Rules.

AUDIT COMMITTEE

The Audit Committee has reviewed together with the management and the external auditor the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended December 31, 2014.

AUDITOR

The consolidated financial statements for the year ended December 31, 2014 have been audited by Deloitte. A resolution for the reappointment of Deloitte as the Company's auditor is to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board Jiashili Group Limited

Huang Xianming
Chairman
Hong Kong March 25, 2015

Deloitte.
德勤

TO THE MEMBERS OF JIASHILI GROUP LIMITED
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Jiashili Group Limited (the ''Company'') and its subsidiaries (collectively referred to as the ''Group'') set out on pages 43 to 111, which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at December 31, 2014, and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 25, 2015

Consolidated statement of profit or loss and other comprehensive income

For the year ended December 31, 2014

	NOTES	2014 RMB'000	2013 RMB'000
CONTINUING OPERATION			
Revenue	6	**840,058**	747,771
Cost of sales		**(571,557)**	(522,120)
Gross profit		**268,501**	225,651
Other income	7	**9,298**	6,919
Selling and distribution expenses		**(101,688)**	(87,932)
Administrative expenses		**(38,421)**	(29,595)
Finance costs	8	**(2,341)**	(2,448)
Other expenses	9	**(43,844)**	(30,238)
Other gain and losses	10	**(1,672)**	(228)
Profit before tax		**89,833**	82,129
Income tax expense	11	**(18,205)**	(14,268)
Profit for the year from continuing operation	12	**71,628**	67,861
DISCONTINUED OPERATION			
Profit for the year from discontinued operation	13	**61**	1,408
Profit and total comprehensive income for the year attributable to the owners of the Company		**71,689**	69,269
Earnings per share	16		
From continuing and discontinued operations			
– Basic (RMB cents)		**22.82**	28.86
– Diluted (RMB cents)		**22.36**	28.86
From continuing operation			
– Basic (RMB cents)		**22.80**	28.28
– Diluted (RMB cents)		**22.34**	28.28

Consolidated statement of financial position

At December 31, 2014

	NOTES	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**202,993**	207,084
Prepaid lease payments	18	**11,942**	11,772
Intangible asset	19	**1,500**	2,000
Deposits for acquisition of property, plant and equipment and prepaid lease payments		**262**	12,924
		216,697	233,780
CURRENT ASSETS			
Inventories	20	**44,711**	43,443
Prepaid lease payments	18	**493**	472
Trade, bills and other receivables	21	**66,719**	44,022
Pledged bank deposits	22	**1,927**	10,845
Income tax recoverable		**2,114**	–
Bank balances and cash	22	**298,198**	69,908
		414,162	168,690
CURRENT LIABILITIES			
Trade, bills and other payables	23	**119,167**	160,538
Advances from customers	24	**37,620**	49,750
Bank borrowings	25	**–**	35,300
Income tax payables		**2,475**	1,957
		159,262	247,545
NET CURRENT ASSETS (LIABILITIES)		**254,900**	(78,855)
TOTAL ASSETS LESS CURRENT LIABILITIES		**471,597**	154,925

At December 31, 2014

	NOTES	2014 RMB'000	2013 RMB'000
NON-CURRENT LIABILITIES			
Deferred income	27	**2,000**	4,390
Deferred tax liabilities	28	**1,712**	133
		3,712	4,523
NET ASSETS		**467,885**	150,402
CAPITAL AND RESERVES			
Share capital – ordinary share/paid-in capital	29	**3,285**	120,000
Share capital – preferred shares	30	**–**	–
Reserves		**464,600**	30,402
TOTAL EQUITY		**467,885**	150,402

The consolidated financial statements on pages 43 to 111 were approved and authorised for issue by the board of directors on March 25, 2015 and are signed on its behalf by:

Huang Xianming
DIRECTOR

Tan Chaojun
DIRECTOR

Consolidated statement of changes in equity

For the year ended December 31, 2014

	Share capital-ordinary share/paid-in capital RMB'000	Share capital-preferred shares RMB'000	Share premium RMB'000 (Note a)	Share options reserve RMB'000	Special reserve RMB'000	Contribution reserves RMB'000	Statutory reserves RMB'000 (Note b)	Accumulated profits (loss) RMB'000	Total RMB'000
At January 1, 2013	52,000	–	–	–	–	–	22,668	27,474	102,142
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	69,269	69,269
Appropriations	–	–	–	–	–	–	16,585	(16,585)	–
Early settlement on long term receivable (Note 43)	–	–	–	–	–	8,972	–	–	8,972
Dividends declared (Note 15)	–	–	–	–	–	–	–	(90,740)	(90,740)
Capital injection by cash	60,759	–	–	–	–	–	–	–	60,759
Additional capital from statutory reserve	7,241	–	–	–	–	–	(7,241)	–	–
At January 1, 2014	120,000	–	–	–	–	8,972	32,012	(10,582)	150,402
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	71,689	71,689
Appropriations	–	–	–	–	–	–	13,819	(13,819)	–
Gain on disposal of a subsidiary (Note 13)	–	–	–	–	–	9,361	–	–	9,361
Special dividend declared (Note 15 and Note c)	–	–	–	–	–	–	–	(25,592)	(25,592)
Transfer upon group reorganisation (Note d)	(120,000)	–	–	–	120,000	–	–	–	–
Deemed distribution (Note e)	–	–	–	–	(227,000)	–	–	–	(227,000)
Issuance of preferred shares (Note f)	–	–	165,588	–	–	–	–	–	165,588
Issuance of ordinary shares (Note g)	910	–	335,868	–	–	–	–	–	336,778
Shares issue expenses (Note h)	–	–	(15,507)	–	–	–	–	–	(15,507)
Capitalisation issue (Note i)	1,900	–	(1,900)	–	–	–	–	–	–
Conversion of preferred shares (Note j)	475	–	(475)	–	–	–	–	–	–
Share-based compensations	–	–	–	2,166	–	–	–	–	2,166
At December 31, 2014	3,285	–	483,574	2,166	(107,000)	18,333	45,831	21,696	467,885

Notes:

a. The application of the share premium account is governed by the Company's articles of association and the Cayman Islands Companies Law, which provides that the share premium account may be applied in paying distributions or dividends to members, provided immediately following the date on which 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 of business.

b. Statutory reserves comprise statutory surplus reserve and discrete surplus reserve of the group subsidiaries established in the People's Republic of China (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 group subsidiaries in accordance with their Articles of Association. Statutory surplus reserve amounting to approximately RMB30,554,000 (2013: RMB21,341,000) as at December 31, 2014 can be used to make up for previous years' losses or convert into additional capital of the relevant group subsidiaries. Discretionary surplus reserve amounting to approximately RMB15,277,000 (2013: RMB10,671,000) as at December 31, 2014 can be used to expand the existing operations of the relevant group subsidiaries.

c. On April 1, 2014, the PRC subsidiary of the Company, Guangdong Jiashili Food Group Limited ("Guangdong Jiashili") declared a special dividend of approximately RMB25,592,000 to its equity owners pursuant to the resolution from the board of directors of Guangdong Jiashili.

d. Amount represented the paid-in capital of the subsidiaries acquired pursuant to a group reorganisation.

e. After the completion of the acquisition of Guangdong Jiashili by Jiashili (Hong Kong) Limited ("Jiashili HK") on April 4, 2014, the Group paid RMB227 million cash 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 recognised in equity directly.

f. On April 11, 2014, the Company, the Company's subsidiaries, Kaiyuan Investment Limited 開元投資有限公司 ("Kaiyuan") (the immediate and ultimate holding company of the Company) and Mr. Huang Xianming 黃銑銘 ("Mr. Huang"), entered into an investment agreement ("Investment Agreement") with Actis Investment Holdings Ship Limited ("Actis Ship"), and Actis Investment Holdings No. 151 Limited (now known as Rich Tea Investments Limited) ("Actis 151"), independent third parties, pursuant to which Actis Ship, amongst others, subject to customary conditions, agreed to subscribe for 2,500 non-cumulative series A preferred shares with par value of HK$0.01 each by Actis Ship for aggregate consideration of US$26,700,000 (equivalent to RMB165,588,000) which will be converted into ordinary shares of the Company upon the completion of the Global Offering of the Company. The 2,500 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.

g. At the time of incorporation, the Company allotted 1 ordinary share to the subscriber without consideration which was transferred to Kaiyuan. On April 15, 2014, the Company issued and allotted 9,999 ordinary shares of the Company to Kaiyuan at a consideration of approximately HK$100. On September 25, 2014, upon the completion of the Company's initial public offering (the "Offering") on the Main Board of The Stock Exchange of Hong Kong Limited, the Company issued 100,000,000 new shares at the price of HK$3.7 per share. The gross proceeds from the Offering were approximately HK$370.0 million (equivalent to approximately RMB292.9 million). On October 10, 2014, the Company issue additional 15,000,000 new shares at HK$3.7 per share upon the exercise of the overallotment option by the international underwriter (the "Overallotment"). The gross proceeds from the Overallotment were approximately HK$55.5 million (equivalent to approximately RMB43.9 million).

h. Upon completion of the Global Offering, the costs incurred directly attributable to the issuance of new shares were deducted directly from share premium account.

i. On September 25, 2014, the Company allotted and issued a total of 239,990,000 ordinary shares credited as fully paid at par by way of capitalisation of the sum of HK$2,399,900 (equivalent to approximately RMB1,900,000) (the "Capitalisation") standing to the credit of the share premium account of the Company, and the ordinary shares allotted and issued pursuant to the resolution of Directors ranked pari passu in all respects with the existing issued ordinary shares.

j. The 2,500 series A preferred shares were fully converted into 60,000,000 ordinary shares of Company by Actis Ship on September 25, 2014, upon the completion of the Global Offering of the Company. These ordinary shares ranked pari passu in all aspects with existing issued ordinary shares.

Consolidated statement of cash flows

For the year ended December 31, 2014

	NOTES	2014 RMB'000	2013 RMB'000
OPERATING ACTIVITIES			
Profit for the year		**71,689**	69,269
Adjustments for:			
Income tax expense		**18,225**	14,780
Imputed interest income	43	**–**	(1,281)
Bank interest income		**(849)**	(706)
Finance costs		**2,348**	2,454
Depreciation of property, plant and equipment		**14,290**	12,839
Release of prepaid lease payments		**482**	473
Amortisation of intangible asset		**500**	500
Impairment of inventories		**–**	504
Loss on disposal of property, plant and equipment		**99**	231
Fair value loss on convertible promissory note	26	**2,679**	–
Share-based compensations expenses		**2,166**	–
Allowance for doubtful debts		**723**	–
Exchange gain		**(401)**	–
Operating cash flows before movements in working capital		**111,951**	99,063
Increase in inventories		**(3,742)**	(7,447)
Increase in trade, bills and other receivables		**(37,156)**	(22,514)
(Decrease) increase in trade, bills and other payables		**(15,221)**	33,130
(Decrease) increase in advances from customers		**(12,001)**	6,442
Decrease in amount due from a related company		**22,496**	13
Cash generated from operations		**66,327**	108,687
Income tax paid		**(18,119)**	(15,553)
NET CASH FROM OPERATING ACTIVITIES		**48,208**	93,134

For the year ended December 31, 2014

	NOTES	2014 RMB'000	2013 RMB'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(50,130)**	(76,610)
Placement of pledged bank deposits		**(25,954)**	(32,902)
Release of pledged bank deposits		**34,872**	33,675
Disposal of a subsidiary	13	**19,787**	–
Government grants received	27	**2,000**	130
Interest received		**849**	706
Proceeds from disposal of property, plant and equipment		**270**	586
Deposits paid for acquisition of property, plant and equipment and prepaid lease payments		**–**	(12,924)
Collection of long term receivable	43	**–**	26,928
Proceeds from disposal of available-for-sale investment		**–**	8,000
Repayment from a third party		**–**	1,563
Proceeds from structured deposits upon maturity		**–**	1,000
Return of paid-in capital upon dissolution of an associate		**–**	200
Repayment from an associate		**–**	50
NET CASH USED IN INVESTING ACTIVITIES		**(18,306)**	(49,598)
FINANCING ACTIVITIES			
Issuance of ordinary shares through global offering		**336,778**	–
Proceeds from issuance of preferred shares	30	**165,588**	–
Proceeds from issuance of convertible promissory note	26	**78,109**	–
New bank borrowings raised		**72,132**	106,533
Deemed distribution to the ultimate controlling shareholder		**(227,000)**	–
Repayment of bank borrowings		**(105,032)**	(66,000)
Payment for redemption of convertible promissory note	26	**(80,581)**	–
Dividends paid	15	**(25,592)**	(123,081)
Listing expenses directly attributable to issue of new shares		**(13,860)**	–
Interest paid		**(2,348)**	(2,454)
Capital injection		**–**	60,759
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**198,194**	(24,243)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**228,096**	19,293
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**69,908**	50,615
Effect of foreign exchange rate changes		**194**	–
CASH AND CASH EQUIVALENTS AT END OF THE YEAR comprising bank balances and cash		**298,198**	69,908

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Island on December 19, 2013. Its immediate and ultimate holding company is Kaiyuan. Its ultimate controlling shareholder is Mr. Huang and his family ("Huang's Family"). The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from September 25, 2014. The address of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The address of the principal place of business of the Company is Room 701A, East Ocean Center, 98 Granville Road, Kowloon, Hong Kong.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the "Group") are manufacturing and sales of biscuits in the PRC.

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

2. BASIS OF PRESENTATION

Jiashili Limited ("Jiashili BVI") was incorporated in the British Virgin Island ("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 reorganisation, on March 28, 2014, Jiashili HK entered into an equity transfer agreement with each of Guangdong Zhongchen Industrial Group Company Limited ("Zhongchen") and Prestige Choice Investments Limited ("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 Huang's Family.

Pursuant to the group reorganisation as set out above which was completed on April 4, 2014 (the "Group Reorganisation"), the Company became the holding company of the subsidiaries now comprising the Group.

The Group Reorganisation mainly involved 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 Reorganisation is regarded as a continuing entity.

2. BASIS OF PRESENTATION *(continued)*

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the years ended December 31, 2014 and 2013 include 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 periods, or since their respective dates of incorporation or establishment when there is a shorter period (except for those dissolved or disposed of during the periods). The consolidated statement of financial position of the Group as at December 31, 2013 has 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 December 31, 2013, taking into account the respective dates of incorporation or establishment (except for those dissolved or disposed of during the period).

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has not early applied the following new and amended IFRSs and IASs that have been issued but are not yet effective:

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 1	Disclosure Initiative[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 IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying Consolidated Exception[5]
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle[6]
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle[5]

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.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 included the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

IFRS 9 Financial Instruments *(continued)*

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of IFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets and financial liabilities as at December 31, 2014. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group performs a detailed review.

IFRS 15 *Revenue from Contracts with Customers*

In July 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

IFRS 15 *Revenue from Contracts with Customers* *(continued)*

The directors of the Company anticipate that the application of IFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 unit the Group performs a detailed review.

The directors of the Company anticipate that the application of the other new and amended IFRSs and IASs will have no impact on the Group's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance (Cap. 32).

The consolidated financial statements have been prepared on the historical cost basis except for convertible promissory note which is measured at fair value as disclosed below. 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 consolidated financial statements 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 realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation

The consolidated financial statements incorporate 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 Group 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.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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 consolidation.

Investments in associates

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 these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise 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 recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates *(continued)*

The requirements of IAS 39 *Financial Instrument: Recognition and Measurement* are applied to determine whether it is necessary to recognise 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 *Impairment of Assets* 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 recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised 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 recognised in the Group's consolidated financial statements 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 recognised 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 recognised 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction), are stated in the consolidated 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 recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised 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 recognised so as to write off the cost of assets (other than properties under construction) 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 derecognised 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 recognised 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 recognised 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 recognised 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 recognised 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 recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised 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 recognised in profit or loss on a systematic basis over the periods in which the Group recognises 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 recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related asset.

Government grants received in form of transfer of non-monetary assets are recorded at a nominal amount.

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 recognised in profit or loss in the period in which they become receivable.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Retirement benefit costs

Payments to the defined contribution/state-managed retirement benefit scheme are recognised as expense when employees have rendered service entitling them to the contributions.

Share-based compensations

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 31.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

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. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised 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 utilised. Such deferred assets and liabilities are not recognised 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 recognised if the temporary difference arises from goodwill.

Deferred tax liabilities is recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise 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 realised, 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

Current and deferred tax are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation 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 recognised 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 recognised 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 recognised 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 recognised, 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 amortisation and accumulated impairment losses, if any, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised 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 recognised in profit or loss when the asset is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined using the weighted average method. Net realisable 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 recognised 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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables and available-for-sale financial asset. 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 amortised 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 recognised on an effective interest basis for debt instruments.

Available-for-sale ("AFS") financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale 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 ("FVTPL").

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments 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 recognised in profit or loss when the Group's right to receive the dividend is established.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

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, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be 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-organisation.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. 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 national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

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 recognised 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 amortised 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 recognised, the previously recognised 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 amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

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 and the definitions of a financial liability and an equity instrument.

Effective interest method

The effective interest method is a method of calculating the amortised 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 recognised on an effective interest basis.

Financial liabilities

Financial liabilities, including trade, bills and other payables, and bank borrowings are subsequently measured at amortised cost using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities *(continued)*

Financial liability at FVTPL

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Convertible promissory note

Convertible promissory note issued by the Group is designated as at FVTPL on initial recognition.

Convertible promissory note is measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the convertible promissory note and is included in the 'other gain and losses' line item.

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 derecognises 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 recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derecognition *(continued)*

On derecognition of a financial asset, the difference between the asset's carrying amount and the consideration received and receivable is recognised in profit or loss.

The Group derecognises 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 derecognised and the consideration paid and payable is recognised 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 recognised 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 recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised 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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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, 2014, the carrying amounts of property, plant and equipment of the Group were approximately RMB202,993,000 (2013: RMB207,084,000). Details of the useful lives of the property, plant and equipment are disclosed in Note 17.

Impairment of inventories

The Group records inventories at the lower of cost and net realisable value. Net realisable 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 realisable value. The purpose is to ascertain whether impairment is required to be made in the consolidated financial statements for any obsolete and slow moving items. Although the Group carries out periodic review on the net realisable value of inventory, the actual realisable value of inventory is not known until the sale is concluded.

As at December 31, 2014, the carrying amounts of inventories of the Group were approximately RMB44,711,000 (2013: RMB43,443,000).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Estimated impairment of trade receivables

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, 2014, the carrying amounts of trade receivables of the Group were approximately RMB12,246,000, net of allowance for doubtful debts of RMB761,000 (2013: RMB8,835,000, net of allowance of doubtful debts of RMB38,000).

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 represents the gross profit of the Group as presented in the consolidated 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 consolidated assets and consolidated 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 13.

6. REVENUE AND SEGMENT INFORMATION *(continued)*

Other segment information

Amounts included in the measurement of segment results:

Year ended December 31, 2014

	Biscuits operation RMB'000	Unallocated RMB'000	Total RMB'000
Depreciation of property, plant and equipment	13,098	572	13,670
Amortisation of intangible asset	500	–	500
Release of prepaid lease payments	472	–	472

Year ended December 31, 2013

	Biscuits operation RMB'000	Unallocated RMB'000	Total RMB'000
Depreciation of property, plant and equipment	8,981	1,365	10,346
Amortisation of intangible asset	500	–	500
Release of prepaid lease payments	434	–	434
Impairment of inventories	504	–	504

6. REVENUE AND SEGMENT INFORMATION *(continued)*

Entity-wide disclosures

Revenue from major products

The following is an analysis of the Group's revenue and gross profit from its major products (excluding discontinued operation):

	2014 RMB'000	2013 RMB'000
Revenue by products		
Breakfast biscuits	348,611	360,315
Crisp biscuits	196,009	171,596
Sandwich biscuits	125,690	52,955
Wafers	60,377	43,678
Others*	109,371	119,227
	840,058	747,771
Gross profit by products		
Breakfast biscuits	113,114	111,759
Crisp biscuits	62,465	50,758
Sandwich biscuits	45,105	19,013
Wafers	17,554	11,755
Others	30,263	32,366
	268,501	225,651

* Others included numerous products and no further analysis is disclosed.

6. REVENUE AND SEGMENT INFORMATION *(continued)*

Geographical information

All of the Group's operations 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	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC	**838,561**	746,628	**216,677**	233,780
Others (Note)	**1,497**	1,143	**20**	–
	840,058	747,771	**216,697**	233,780

Note: Others represent export sales to locations other than PRC.

Information about major customers

No single customer contributed over 10% of the total revenue of the Group during year.

7. OTHER INCOME

	2014	2013
	RMB'000	RMB'000
Bank interest income	**843**	667
Imputed interest income (Note 43)	**–**	1,281
Government grants (Note 27)	**7,906**	4,282
Other non-operating income	**549**	689
	9,298	6,919

8. FINANCE COSTS

	2014	2013
	RMB'000	RMB'000
Interest on bank borrowings wholly repayable within five years	**2,341**	2,448

9. OTHER EXPENSES

	2014 RMB'000	2013 RMB'000
Research and development expenses	27,287	24,372
Donation expenses	470	586
Listing expenses	15,820	5,246
Other non-operating expenses	267	34
	43,844	30,238

10. OTHER GAIN AND LOSSES

	2014 RMB'000	2013 RMB'000
Net exchange gain	1,106	–
Fair value loss on convertible promissory note (Note 26)	(2,679)	–
Loss on disposal of property, plant and equipment	(99)	(228)
	(1,672)	(228)

11. INCOME TAX EXPENSE

	2014 RMB'000	2013 RMB'000
PRC Enterprise Income Tax ("EIT")		
– Current tax	17,979	14,309
– Overprovision in prior year	(1,476)	–
Deferred tax charge (credit) (Note 28)	1,702	(41)
	18,205	14,268

No provision for Hong Kong Profits Tax has been made for the year as the Group has no assessable profits arising in 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 2012 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 2012 to 2014.

11. INCOME TAX EXPENSE *(continued)*

For other subsidiaries, under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulations of the EIT Law, the enterprise income tax rate of the PRC subsidiaries was 25% during the year.

According to a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui 2008 No.1, dividend distributed out of the profits generated since January 1, 2008 by the PRC entity to non-PRC tax resident shall be subject to PRC Enterprise Income Tax pursuant to Articles 3 and 27 of the Income Tax Law Concerning Foreign Investment Enterprises and Foreign Enterprises and Article 91 of the Detailed Rules for the Implementation of the Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises.

The Group's subsidiaries that are tax resident in the PRC are subject to the PRC dividend withholding tax of 10% for the non-PRC resident immediate holding company registered in Hong Kong when and if undistributed earnings are declared to be paid as dividends out of profits that arose on or after April 4, 2014, when the Group Reorganisation completed.

The tax expense during the year can be reconciled to the profit before tax per consolidated statements of profit or loss and other comprehensive income as follows:

	2014 RMB'000	2013 RMB'000
Profit before tax	**89,833**	82,129
Tax at PRC Tax rate of 25%	**22,458**	20,532
Tax effect on concessionary tax rate	**(6,355)**	(6,024)
Tax effect on concessionary policy on research and development expenses (Note a)	**(2,672)**	(944)
Tax effect of income not taxable for tax purpose	**(277)**	–
Tax effect of expenses not deductible for tax purpose	**5,217**	533
Tax effect of 10% withholding tax on undistributed profits of the PRC subsidiaries	**1,712**	–
Overprovision in prior year (Note b)	**(1,476)**	–
Others	**(402)**	171
Income tax expense recognised in profit or loss	**18,205**	14,268

Note a: It represents additional 50% tax deduction in respect of qualifying research and development expenses incurred for the year.

Note b: It mainly represents under-estimation of additional tax deduction in prior year in respect of qualifying research and development expenses.

12. PROFIT FOR THE YEAR

	2014 RMB'000	2013 RMB'000
Profit for the year from continuing operation has been arrived at after charging:		
Directors' and chief executive's remuneration (Note 14)	**1,683**	503
Other staff costs:		
Salaries and allowances	**94,423**	76,812
Contributions to retirement benefits scheme	**8,520**	6,519
Share-based compensations	**1,664**	–
Total staff costs	**106,290**	83,834
Depreciation of property, plant and equipment	**13,670**	10,346
Amortisation of intangible asset (included in cost of sales)	**500**	500
Total depreciation and amortisation	**14,170**	10,846
Allowance for doubtful debts	**723**	–
Release of prepaid lease payments	**472**	434
Auditors' remuneration	**1,345**	74
Cost of inventories recognised as expenses	**571,557**	522,120
including impairment of inventories	**–**	504

13. 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 Food Company Limited ("Guangdong Kangli"), which carried out all of the Group's manufacture and sale of pasta products (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 year ended December 31, 2013 and the period from January 1, 2014 to March 28, 2014 have been separately presented as discontinued operation in the consolidated statement of profit or loss and other comprehensive income.

13. DISCONTINUED OPERATION *(continued)*

Zhongchen is an immediate holding company of the Company and is currently owned as to 80% by Mr. Huang, the ultimate controlling shareholder of the Company.

The profit for the year from the discontinued operation is analyzed as follows:

	2014	2013
	RMB'000	RMB'000
Profit of discontinued operation for the year	**61**	1,408

The results of the discontinued operation for the years ended December 31, 2013 and the period from January 1, 2014 to March 28, 2014, which have been included in consolidated statements of profit or loss and other comprehensive income, were as follows:

	2014	2013
	RMB'000	RMB'000
Revenue	**10,701**	44,739
Cost of sales	**(9,449)**	(37,537)
Gross profit	**1,252**	7,202
Other income	**6**	297
Selling and distribution expenses	**(507)**	(2,668)
Administrative expenses	**(663)**	(2,902)
Finance costs	**(7)**	(6)
Other expenses and losses	**–**	(3)
Profit before tax	**81**	1,920
Income tax expense	**(20)**	(512)
Profit from discontinued operation for the period/year	**61**	1,408

13. DISCONTINUED OPERATION *(continued)*

Profit for the period/year from discontinued operation has been arrived at after charging (crediting):

	2014 RMB'000	2013 RMB'000
Directors' and chief executive's remuneration	–	–
Other staff costs:		
– Salaries and allowances	838	4,840
– Contributions to retirement benefits scheme	134	675
Total staff costs	972	5,515
Depreciation on property, plant and equipment	620	2,493
Release of prepaid lease payments	10	39
Auditor's remuneration	–	30
Cost of inventories recognised as expenses	9,449	37,537
Loss on disposal of property, plant and equipment	–	3
Bank interest income	(6)	(39)

Cash flows for the year from discontinued operation:

	2014 RMB'000	2013 RMB'000
Net cash inflows from operating activities	1,104	5,972
Net cash outflows from investing activities	(477)	(5,183)
Net cash outflows from financing activities	(1,406)	(1,788)
Net cash outflows from discontinued operation	(779)	(999)

13. DISCONTINUED OPERATION *(continued)*

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 recognised in contribution reserve	9,361
Total consideration	24,351
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	(4,564)
Cash consideration	24,351
	19,787

14. 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 year are as follows:

	2014 RMB'000	2013 RMB'000
Salaries and allowances	1,163	350
Discretionary bonus	–	138
Contributions to retirement benefits scheme	18	15
Share-based compensations	502	–
	1,683	503

Year ended December 31, 2014

	Salaries and allowances RMB'000	Discretionary bonus RMB'000	Contributions to retirement benefits scheme RMB'000	Share-based compensations RMB'000	Total RMB'000
Executive directors:					
Mr. Huang Xianming 黃銑銘					
(Chief executive officer)	332	–	–	160	492
Mr. Tan Chaojun 譚朝均	255	–	6	124	385
Mr. Chen Minghui 陳明煇	178	–	6	116	300
Mr. Lu Jianxiong 盧健雄	159	–	6	102	267
Non-executive directors:					
Mr. Lee Ping Nam 李炳南	48	–	–	–	48
Mr. Lin Xiao 林曉 (appointed on April 16, 2014)	48	–	–	–	48
Mr. Kam Robert 甘廷仲					
(appointed on August 21, 2014)	48	–	–	–	48
Ms. Ho Man Kay 何文琪					
(appointed on August 21, 2014)	48	–	–	–	48
Mr. Wu I-ting 吳一梃					
(appointed on August 21, 2014 and resigned on November 13, 2014)	28	–	–	–	28
Mr. Wu Meng-char 吳孟哲					
(appointed on November 13, 2014)	19	–	–	–	19
	1,163	–	18	502	1,683

14. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION *(continued)*

Directors' and chief executive's emoluments *(continued)*

Year ended December 31, 2013

	Salaries and allowances RMB'000	Discretionary bonus RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Executive directors:				
Mr. Huang Xianming 黃銑銘				
(Chief executive officer)	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

Mr. Huang Xianming is a director and also the chief executive officer of the Company. The emoluments disclosed above are inclusive of services rendered by him as the chief executive.

Discretionary bonus for the year ended December 31, 2013 were determined by the management having regard to the performance of the directors of the Company and the Group's results from operation.

Mr. Huang Xianming has also been employed by Zhongchen and the payment of his contributions to retirement benefits scheme was centralised and made by Zhongchen for the year, in which the amounts are considered to be insignificant.

For the year ended December 31, 2014, none of the directors of the Company has waived or agreed to waive any emoluments.

14. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION *(continued)*

Employees' remuneration

The five highest paid individuals included one (2013: one) director for the year ended December 31, 2014. The emoluments of the remaining four (2013: four) individuals for the year ended December 31, 2014, are as follows:

	2014 RMB'000	2013 RMB'000
Salaries and allowances	1,894	336
Discretionary bonus	–	–
Contributions to retirement benefits scheme	30	21
Share-based compensations	305	–
	2,229	357

Their emoluments were within the following bands:

	No. of individuals 2014	2013
Nil to HK$1,000,000 (equivalent to nil to RMB801,000)	3	4
HK$1,000,001 to HK$1,500,000 (equivalent to RMB801,000 to RMB1,200,000)	1	–

During the year, 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.

15. DIVIDENDS

Guangdong Jiashili, a PRC subsidiary of the Company, declared a dividend of approximately RMB90,740,000 to its equity owner during the year ended December 31, 2013 and declared a special dividend of approximately RMB25,592,000 before completion of the Group Reorganisation to its equity owners during the year ended December 31, 2014.

A final dividend of HK6 cents (2013: Nil) per share, amounting to approximately HK$24,900,000 (equivalent to approximately RMB19,954,000), has been proposed by the directors of the Company on March 25, 2015 and is subject to the approval by the shareholders at the forthcoming Annual General Meeting of the Company.

16. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2014 RMB'000	2013 RMB'000
Earnings		
Profit for the year attributable to owners of the Company	**71,689**	69,269
Less: Undistributable earnings attributable to preferred shares	**(6,340)**	–
Earnings for the purpose of basic earnings per share	**65,349**	69,269
Add: Fair value loss on convertible promissory note	**2,679**	–
Undistributable earnings attributable to preferred shares	**6,340**	–
Less: Exchange gain on convertible promissory note	**(207)**	–
Earnings for the purpose of diluted earnings per share	**74,161**	69,269

16. EARNINGS PER SHARE

From continuing and discontinued operations *(continued)*

	2014 '000	2013 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**286,370**	240,000
Effect of dilutive potential ordinary shares:		
– Preferred share (Note a)	**27,781**	–
– Convertible promissory note (Note b)	**17,521**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**331,672**	240,000
Basic earnings per share from continuing and discontinued operations	**22.82**	28.86
Diluted earnings per share from continuing and discontinued operations	**22.36**	28.86

The number of shares for the purpose of basic earnings per share for the year ended December 31, 2014 is based on the assumption that 240,000,000 ordinary shares (2013: 240,000,000 shares) of the Company are in issue and issuable, comprising an aggregate of 10,000 shares (2013: 10,000 shares) in issue and adjusted for the effect of the Capitalisation, as if the Group Reorganisation was effective on January 1, 2013.

Note a: The computation on the effect of dilutive potential ordinary shares on preferred shares is adjusted for the weighted average number of shares for the period they were outstanding before conversion, taking into account the effect of the Capitalisation.

Note b: The computation on the effect of dilutive potential ordinary shares on convertible promissory note is adjusted for the weighted average number of shares for the period they were outstanding before redemption, taking into account the effect of the Capitalisation.

16. EARNINGS PER SHARE *(continued)*

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to owners of the Company is based on the following data:

Earnings figures are calculated as follows:

	2014 RMB'000	2013 RMB'000
Earnings		
Profit for the year attributable to owners of the Company	71,689	69,269
Less: Undistributable earnings attributable to preferred shares	(6,340)	–
	65,349	69,269
Profit for the year from discontinued operations	(61)	(1,408)
Earnings for the purpose of basic earnings per share from continuing operations	65,288	67,861
Add: Fair value loss on convertible promissory note	2,679	–
Undistributable earnings attributable to preferred shares	6,340	–
Less: Exchange gain on convertible promissory note	(207)	–
Earnings for the purpose of diluted earnings per share from continuing operations	74,100	67,861
Basic earnings per share from continuing operation	22.80	28.28
Diluted earnings per share from continuing operation	22.34	28.28

The denominators used are the same as those detailed above for both basic and diluted earnings per share from continuing and discontinued operations.

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options because the exercise price of those options was higher than the average market price for 2014.

From discontinued operations

Basic earnings per share for the discontinued operations is RMB0.02 cents per share (2013: RMB0.59 cents per share) and diluted earnings per share for the discontinued operations is RMB0.02 cents per share (2013: RMB0.59 cents per share), based on the profit for the year from the discontinued operations of RMB61,000 (2013: RMB1,408,000) and the denominators detailed above for both basic and diluted earnings per share from continuing and discontinued operations.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At January 1, 2013	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)	–
Disposal	–	(964)	(18)	–	–	(982)
At January 1, 2014	56,322	123,748	7,308	4,368	54,919	246,665
Additions	13,363	14,826	5,442	779	15,713	50,123
Transfer	65,678	455	–	–	(66,133)	–
Disposals	(5)	(753)	(194)	(295)	–	(1,247)
Disposal of a subsidiary (Note 13)	(13,083)	(33,128)	(375)	–	(1,197)	(47,783)
At December 31, 2014	122,275	105,148	12,181	4,852	3,302	247,758
ACCUMULATED DEPRECIATION						
At January 1, 2013	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 January 1, 2014	7,269	25,789	3,982	2,541	–	39,581
Provided for the year	2,342	9,088	1,852	1,008	–	14,290
Eliminated on disposals	(2)	(436)	(160)	(280)	–	(878)
Eliminated on disposal of a subsidiary (Note 13)	(1,526)	(6,395)	(307)	–	–	(8,228)
At December 31, 2014	8,083	28,046	5,367	3,269	–	44,765
CARRYING VALUES						
At December 31, 2014	114,192	77,102	6,814	1,583	3,302	202,993
At December 31, 2013	49,053	97,959	3,326	1,827	54,919	207,084

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	3 to 5 years
Motor vehicles	5 years

The Group's buildings are located in the PRC under medium-term leases.

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

At December 31, 2014, the Group has not yet obtained the ownership certificates of certain building with carrying value of RMB64,476,000 (2013: Nil). The Group is in the process of obtaining the certificates.

At December 31, 2013, the Group was pledged the earnings from certain property, plant and equipment having the carrying values of RMB131,501,000 to a bank to secure bank borrowings (Note 25) with maturity in September 2014. The pledge was released upon maturity.

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:

	2014	2013
	RMB'000	RMB'000
Buildings	–	30,565
Plant and machinery	–	49,954
Office equipment	–	1,427
Motor vehicles	–	1,716
Construction in progress	–	47,839
	–	131,501

Note:

On September 10, 2009, Jiangsu Jiashili Food Company Limited ("Jiangsu Jiashili"), an indirect wholly owned subsidiary of the Company, entered into a development agreement with local authority in investing in Suqian Economic Development Zone ("Suqian"). Under the development agreement, Jiangsu Jiashili was entitled to acquire certain land and buildings in Suqian for RMB2,500,000 and RMB2,500,000, respectively, conditional upon satisfaction of prescribed performance requirements within a 4-year period. During the year ended December 31, 2014, Jiangsu Jiashili achieved the condition and acquired the land and buildings at the agreed consideration.

The fair value of the land and building at the date of acquisition, amounting to approximately RMB8,815,000 and RMB49,492,000, respectively, have been arrived at based on valuation carried out by第一太平戴維斯物業評估(北京)有限公司, an independent qualified professional valuers not connected to the Group. The fair value was arrived at by reference to market prices for similar lands and buildings in similar location. The government subsidies, represented the differences of fair values and consideration paid for the land and buildings, amounting to RMB6,635,000 and RMB46,992,000, respectively.

The lands and buildings are recorded at nominal amount of the consideration paid in the consolidated statement of financial position.

18. PREPAID LEASE PAYMENTS

	The Group RMB'000
CARRYING VALUES	
At January 1, 2013	12,717
Released to profit or loss	(473)
At December 31, 2013	12,244
Additions (Note)	2,500
Released to profit or loss	(482)
Disposal of a subsidiary (Note 13)	(1,827)
At December 31, 2014	12,435

	2014 RMB'000	2013 RMB'000
Analyzed for reporting purpose:		
Current assets	**493**	472
Non-current assets	**11,942**	11,772
	12,435	12,244

Note: The Group acquired a land use right at nominal value with government subsidy, details are set out in note 17.

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 ranged from 30 to 42 years.

The Group has pledged land use rights having carrying values of approximately RMB12,717,000 to secure bank borrowing of the Group as at January 1, 2013 (Note 25). The pledge was released during the year ended December 31, 2013.

19. INTANGIBLE ASSET

	Trademark RMB'000
COST	
At January 1, 2013, December 31, 2013 and December 31, 2014	5,000
AMORTISATION	
At January 1, 2013	2,500
Charge for the year	500
At December 31, 2013	3,000
Charge for the year	500
At December 31, 2014	3,500
CARRYING VALUES	
At December 31, 2014	1,500
At December 31, 2013	2,000

Trademark was purchased externally with an estimated useful life of 10 years and is amortised on a straight-line basis.

20. INVENTORIES

	2014 RMB'000	2013 RMB'000
Raw materials and packing materials	**24,012**	23,426
Work-in-progress	**644**	757
Finished goods	**20,055**	19,260
	44,711	43,443

As at December 31, 2013, the Group has pledged the earnings from certain inventories having the carrying values of RMB27,394,000 as collateral to a bank to secure a bank borrowing of the Group pursuant to the assets' income right transfer agreement as set in Note 25. During the year ended December 31, 2014, the pledge was released upon the full settlement of the bank borrowings.

21. TRADE, BILLS AND OTHER RECEIVABLES

	2014 RMB'000	2013 RMB'000
Trade receivables	**13,007**	8,873
Less: Allowance for doubtful debts	**(761)**	(38)
Trade receivables, net	**12,246**	8,835
Bills receivables	**18,293**	17,325
Total trade and bills receivables	**30,539**	26,160
Prepayments for purchase of raw materials	**28,071**	12,342
Other prepayments	**6,198**	–
Other receivables	**1,911**	2,856
Prepaid share issue expenses	**–**	1,647
Input value-added-tax	**–**	1,017
	66,719	44,022

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 RMB37,620,000 (2013: RMB49,750,000) as at December 31, 2014.

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 90 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.

21. TRADE, BILLS AND OTHER RECEIVABLES *(continued)*

Trade and bills receivables *(continued)*

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.

	2014 **RMB'000**	2013 RMB'000
Within 2 months	**6,228**	7,721
Over 2 months but within 3 months	**6,007**	882
Over 3 months but within 6 months	**10**	62
Over 6 months but within 1 year	**1**	102
Over 1 year	**–**	68
	12,246	8,835

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of approximately RMB11,000 (2013: RMB2,390,000) as at December 31, 2014, 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.

21. TRADE, BILLS AND OTHER RECEIVABLES *(continued)*

Trade and bills receivables *(continued)*

Aging of trade receivables which are past due but not impaired:

	2014 RMB'000	2013 RMB'000
Over 1 month but within 3 months	11	2,158
Over 3 months but within 6 months	–	62
Over 6 months but within 1 year	–	102
Over 1 year	–	68
	11	2,390

As at December 31, 2013, the Group has pledged the earnings from certain trade receivables having the carrying values of RMB5,304,000 as collateral to a bank to secure a bank borrowing of the Group pursuant to the assets' income right transfer agreement as set in Note 25. The pledge was released upon the full settlement of the bank borrowings during the year ended December 31, 2014.

The following is an aged analysis of bills receivables presented based on the bills issue date at the end of the reporting period.

	2014 RMB'000	2013 RMB'000
Within 1 month	4,470	4,550
Over 1 month but within 3 months	8,573	2,286
Over 3 months but within 6 months	5,250	10,489
	18,293	17,325

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, 2014, the Group has pledged bills receivables of approximately RMB5,944,000 (2013: RMB3,360,000) for its bills payable facility as disclosed in Note 23.

21. TRADE, BILLS AND OTHER RECEIVABLES *(continued)*

Trade and bills receivables *(continued)*

Movements in the allowance for doubtful debts:

	2014 RMB'000	2013 RMB'000
At beginning of year	38	470
Additions during the year	723	–
Write off during the year	–	(432)
At end of year	761	38

Age of impaired receivables:

	2014 RMB'000	2013 RMB'000
Within 1 year	723	–
Over 3 years	38	38
	761	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.

22. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank balances and bank balances carry interest at prevailing market interest rates per annum as follows:

	Bank balances	Pledged bank deposits
At December 31, 2013	0.01% – 0.35%	0.01% – 0.35%
At December 31, 2014	0.01% – 0.35%	0.01% – 0.35%

Pledged bank deposits/bank balances and cash are denominated in the following currencies:

	2014 RMB'000	2013 RMB'000
RMB	283,809	80,753
HKD	16,071	–
USD	245	–
	300,125	80,753

RMB is not freely convertible currency in the PRC and the remittance of funds out of the PRC is subject to foreign exchange restrictions imposed by the PRC government.

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, 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 13.

During the year ended December 31, 2013, the total amount received under the Arrangement was RMB15,600,000.

23. TRADE, BILLS AND OTHER PAYABLES

	2014 RMB'000	2013 RMB'000
Trade payables	63,246	89,676
Bills payables	1,000	4,300
Total trade and bills payables	64,246	93,976
Accrued expenses	10,003	12,424
Accrued listing expenses	–	2,331
Transportation fee payables	14,342	14,899
Payroll and welfare payables	16,427	16,938
Construction cost payable	3,970	14,089
Other payables	2,977	2,113
Output value-added-tax and other tax payables	7,202	3,768
	119,167	160,538

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:

	2014 RMB'000	2013 RMB'000
Within 3 months	62,112	84,972
Over 3 months but within 6 months	228	2,882
Over 6 months but within 1 year	104	474
Over 1 year	802	1,348
	63,246	89,676

The following is an aged analysis of bills payables, presented based on bills issue date at the end of each reporting period:

	2014 RMB'000	2013 RMB'000
Within 3 months	1,000	4,300

The bills payables are secured by the bills receivables and pledged bank deposits as disclosed in Notes 21 and 22, respectively.

24. 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, 2014 and 2013, the advances are included in current liabilities based on the estimated amounts of purchase of goods within one year.

25. BANK BORROWINGS

	2014 RMB'000	2013 RMB'000
Fixed-rate bank borrowings repayable within one year	–	35,300
Secured	–	30,000
Unsecured	–	5,300
	–	35,300

During the year, the Group raised new bank borrowings of RMB72,132,000, in which RMB57,000,000 would mature in three to four years after they were drawn down. Such amounts were early repaid by the Group after the global offering during the year.

The ranges of effective interest rates (which are also equal to contractual interest rates) on the Group's bank borrowings are as follows:

	2014	2013
Fixed-rate borrowings	N/A	6.00%

All bank borrowings are denominated in RMB.

As at December 31, 2013, 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 17, 20 and 21 which is matured in September 2014. Upon the maturity date, the Group redeemed the relevant assets' income right by repayment of the principle, plus interest at 6% per annum.

At December 31, 2014, the Group has available unutilised and unrestricted bank facilities of approximately RMB223,500,000 (2013: RMB94,586,000).

At December 31, 2013, Zhongchen and Mr. Huang provided corporate guarantee, respectively and Zhongchen and Mr. Huang together, have provided a joint guarantee to the Group in obtaining certain banking facilities from the banks. As December 31, 2013, the Group had drawn bank loans for total amount of RMB1,500,000 from these facilities. Such guarantees were released in February 2014.

26. CONVERTIBLE PROMISSORY NOTE

Pursuant to the Investment Agreement, Actis 151 agreed to subscribe and purchase a convertible promissory note issued by the Company with a principal amount of US$12,700,000 (equivalent to RMB78,109,000) on April 16, 2014, which will mature on the earlier of (i) October 15, 2015 or (ii) the date on which dealings in the Company's shares first commence on the Stock Exchange. Any amount due and unpaid by the Company on the date falling three months after the maturity date is convertible, at the option of the holder, into preferred shares of the Company of par value HK$0.01 each issued with the rights described in the Company's articles of association "Series A Preferred Shares".

The principal terms of the convertible promissory note are set out as below:

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:	The 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 the 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
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 listing of the shares of the Company on the Stock Exchange (the "Listing").
Share mortgage/charge:	On April 16, 2014, each of Mr. Huang, Great Logistics Global Limited ("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.

26. CONVERTIBLE PROMISSORY NOTE *(continued)*

The above mortgages/charge will be terminated and released upon the Listing.

At the date of issue, the Company designated the convertible promissory note payable as financial liability at FVTPL and initially recognised at fair value. Subsequently, the convertible promissory note payable was measured at fair value with changes in fair value recognised in profit or loss.

The fair value of the convertible promissory note was determined by the directors of the Company with reference to a valuation report carried out by an independent valuer. Fair value of the conversion option of the convertible promissory note is considered as insignificant at initial recognition.

Upon the completion of the global offering, the Company redeemed all the convertible promissory note payable. The movement of the convertible promissory note for the year ended December 31, 2014 is set out below:

	RMB'000
At the date of issuance on April 16, 2014	78,109
Fair value loss on convertible promissory note	2,679
Exchange gain	(207)
Redemption	(80,581)
At December 31, 2014	–

The fair value of the convertible promissory note is measured by discount cash flow method, which capture the present value of the expected future economic benefits that will flow to the convertible promissory note holder based on an appropriate discount rate. The valuation is based on the assumption that the convertible promissory note is not converted and would be settled in cash.

27. DEFERRED INCOME

Amounts credited to profit or loss during the year:

	2014 **RMB'000**	2013 RMB'000
Subsidies related to tax refund (Note a)	**346**	3,907
Incentive subsidies for listing (Note b)	**2,000**	–
Incentive subsidies (Note c)	**5,560**	375
	7,906	4,282

27. DEFERRED INCOME *(continued)*

The movement of deferred income is as follows:

	2014 RMB'000	2013 RMB'000
At beginning of year	4,390	4,260
Receipt of subsidies related to property, plant and equipment (Note d)	2,000	130
Disposal of a subsidiary (Note 13)	(4,390)	–
At end of year	2,000	4,390

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 reward on the completion of Listing.

(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 amortised to profit or loss 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 year.

28. DEFERRED TAX

The following is the major deferred tax liabilities recognised and movements thereon during the year:

	Accelerated tax depreciation RMB'000	Undistributed profits of subsidiaries RMB'000	Total RMB'000
At January 1, 2013	174	–	174
Credit to profit or loss	(41)	–	(41)
At December 31, 2013 and January 1, 2014	133	–	133
(Credit) charge to profit or loss (Note 11)	(10)	1,712	1,702
Disposal of a subsidiary (Note 13)	(123)	–	(123)
At December 31, 2014	–	1,712	1,712

28. DEFERRED TAX *(continued)*

As December 31, 2014, the Group has unrecognised deferred tax liability in relation to PRC withholding tax on undistributed earnings in certain of its PRC subsidiaries of RMB51,360,000 (2013: Nil), as it is the intention of the directors to retain the earnings with these subsidiaries.

As at December 31, 2014 and 2013, the Group has no other significant unrecognised deferred taxation.

29. SHARE CAPITAL – ORDINARY SHARES/PAID-IN CAPITAL

The paid-in capital amounted to RMB120,000,000 at December 31, 2013 represented the registered and paid-in capital of Guangdong Jiashili. The paid-in capital was transferred to special reserve upon completion of the Group Reorganisation.

The movements in the Company's authorised and issued ordinary share capital are as follows:

	Number of shares	**Share capital ordinary shares** HK$
Ordinary shares of par value HK$0.01 each		
Authorised:		
At December 31, 2014	8,000,000,000	80,000,000
Issued and fully paid:		
Issuance of new shares at date of incorporation	1	–
Issuance of new shares on April 15, 2014	9,999	100
Conversion of preferred shares on September 25, 2014	60,000,000	600,000
Capitalisation issue on September 25, 2014	239,990,000	2,399,900
Issuance of new shares on September 25, 2014	100,000,000	1,000,000
Issuance of new shares on October 10, 2014	15,000,000	150,000
At December 31, 2014	415,000,000	4,150,000

	At December 31, 2014 RMB'000
Presented in the consolidated financial statements	**3,285**

30. SHARE CAPITAL – PREFERRED SHARES

The movements in the Company's issued preferred shares are as follows:

	Number of shares	Share capital preferred shares HK$
Authorised:		
Preferred shares of par value of HK$0.01 each		
At April 14, 2014 and December 31, 2014	4,370	44
Issued and fully paid:		
Issuance of new shares on April 14, 2014	2,500	25
Conversion to ordinary shares on April 25, 2014	(2,500)	(25)
At December 31, 2014	–	–

The 2,500 non-cumulative series A preferred shares were fully converted into 60,000,000 ordinary shares of the Company by Actis Ship on September 25, 2014, and ranked pari passu in all aspects with existing issued ordinary shares.

31. 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 director and employees of the Group for their future contribution and to retain key and senior employees of the Group. The Group is authorized to issue options to a maximum of 10% of the shares in issue on the listing on September 25, 2014 under the pre-IPO share option scheme.

The total number of options granted to the directors and employees under the pre-IPO share option scheme is 14,900,000 on the listing date of September 25, 2014. The options granted to each grantee shall be vested equally in four tranches on September 25, 2015, 2016, 2017 and 2018, respectively. The subscription price for the shares under the pre-IPO share option scheme is 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.

The following is a summary of option transactions under the Group's stock option during the year.

	Number of options	Exercise price HK$
At September 25, 2014 and at December 31, 2014	**14,900,000**	**3.45**

The fair value of these options at date of grant was approximately RMB15,607,000, of which approximately RMB2,166,000 were charged to the profit or loss for the year ended December 31, 2014. No share option is exercisable as at December 31, 2014.

The following table summarises information about the share options outstanding and exercisable at December 31, 2014:

Expiring in	Number of option	Remaining contractual life (years)	Exercise price HK$
September 25, 2019	**14,900,000**	**4.73**	**3.45**

31. SHARE OPTION SCHEME *(continued)*

The fair value of the pre-IPO share option is measured by Binomial Model, using the following assumption:

Share price (HK$)	3.89
Exercise price (HK$)	3.45
Risk-free rate	1.424%
Dividend yield	1.057%
Volatility	34.77%
Expiry date	September 25, 2019
Suboptimal factor	3.0

32. 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 maximising the return to equity owners through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged during the year.

The capital structure of the Group consists of net debts (which include bank borrowings, net of cash and cash equivalents) and equity attributable to owners of the Company, comprising share capital and accumulated profits and reserves.

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.

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2014 RMB'000	2013 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalent)	**332,575**	109,738
Financial liabilities		
Amortised cost	**101,962**	192,070

33. FINANCIAL INSTRUMENTS *(continued)*

(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.

Currency risk

The Group is exposed to currency risk attributable to the cash and bank balance, trade and other receivable and other payables which are denominated in the currencies other than the functional currencies to which they related. The Group has not hedged its exposure to currency fluctuations. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

HK$ monetary assets and liabilities

	2014 RMB'000	2013 RMB'000
Cash and bank balance	16,082	–
Trade and other receivable	67	–
Other payables	(514)	–
	15,635	–

US$ monetary assets

	2014 RMB'000	2013 RMB'000
Cash and bank balance	80,198	–

Based on the above net exposures, and assuming that all other variables remain constant, a 5% depreciation/appreciation of the HK$ against the RMB would result in an decrease/increase in the Group's profit before tax for the year of approximately RMB782,000 for the year ended December 31, 2014. A 5% depreciation/appreciation of the US$ against the RMB would result in an decrease/increase in the Group's profit before tax for the year of approximately RMB4,010,000 for the year ended December 31, 2014.

33. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

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. 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. The following sensitivity analysis represents management's assessment of the reasonably possible change in interest rates.

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 before tax for the year ended December 31, 2014 would increase/decrease by approximately RMB300,000 (2013: RMB70,000).

Credit risk

As at December 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 recognised financial assets as stated in the consolidated statements of financial position.

The credit risk on liquid fund is limited because the counterparties are banks with high credit ratings.

For the biscuits operation, the Group generally adopted a policy to require advance payment from majority of their customers before the delivery of goods.

32. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk *(continued)*

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 90% (2013: 62%) of the Group's total trade receivables as at December 31, 2014, 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 utilisation of bank facilities.

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms as at December 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.

Liquidity and interest risk tables

	Weighted average interest rate %	Repayable on demand or within 3 months RMB'000	3–6 months RMB'000	6 months to 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At December 31, 2014						
Trade, bills and other payables	-	101,962	-	-	101,962	101,962
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

33. FINANCIAL INSTRUMENTS *(continued)*

(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 amortised cost in the consolidated financial statements approximate their fair values.

The Group's convertible promissory note was measured at fair value. The fair value was derived from valuation techniques that included unobservable input, being company specific discount rate, i.e. Level 3 fair value hierarchy. The fair value is determined by using discount cash flow method to capture the present value of the expected future economic benefit that will flow to the convertible promissory note holder based on an appropriate discount rate.

34. TRANSFERS OF FINANCIAL ASSETS

The following were the Group's bills receivables as at December 31, 2014 that were transferred to suppliers by endorsing those bills receivables on a full recourse basis. If the bills receivables are not paid at maturity, 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 recognise the full carrying amount of the bills receivables and has recognised the associated trade payables. These financial assets are carried at amortised cost in the Group's consolidated 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 derecognised and the amount of the associated liabilities are as follows:

	2014 **RMB'000**	2013 RMB'000
Bills receivables endorsed to suppliers with full recourse	**6,813**	8,518
Associated trade payables relating to the endorsement of bills receivables	**6,813**	8,518

For the year ended December 31, 2014

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSET		
Interests in subsidiaries	77,237	–
Amounts due from subsidiaries	404,507	–
	481,744	–
CURRENT ASSETS		
Bank balances	3	–
CURRENT LIABILITY		
Accruals and other payable	1,883	–
NET CURRENT LIABILITY	(1,880)	–
NET ASSETS	479,864	–
CAPITAL AND RESERVES		
Share capital	3,285	–
Reserves	476,579	–
Total equity	479,864	–

Movement in reserves

	Share premium RMB'000	Share options reserve RMB'000	Accumulated loss RMB'000	Total RMB'000
At December 19, 2013 (date of incorporation) and January 1, 2014	–	–	–	–
Loss and total comprehensive expenses for the year	–	–	(9,161)	(9,161)
Issuance of preferred shares	165,588	–	–	165,588
Issuance of ordinary shares	335,868	–	–	335,868
Share issue expenses	(15,507)	–	–	(15,507)
Capitalisation issue	(1,900)	–	–	(1,900)
Conversion of preferred shares	(475)	–	–	(475)
Share-based compensations	–	2,166	–	2,166
At December 31, 2014	483,574	2,166	(9,161)	476,579

36. OPERATING LEASE

The Group as lessee

Minimum lease payments under operating lease were approximately RMB800,000 (2013: RMB660,000), which represents the rent paid by the Group for plant and machineries for the year ended December 31, 2014.

Minimum lease payments under operating lease were approximately RMB299,000 (2013: RMB293,000), which represents the rent paid by the Group for staff quarter for the year ended December 31, 2014.

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:

	2014 RMB'000	2013 RMB'000
Within one year	501	900
In the second to fifth years inclusive	676	–
	1,177	900

37. CAPITAL COMMITMENTS

	2014 RMB'000	2013 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment: – contracted for but not provided in the consolidated financial statements	982	18,236

38. PLEDGED OF ASSETS

As at December 31, 2014 and 2013, the following items were used to secure banking facilities granted to the Group:

		2014 RMB'000	2013 RMB'000
(a)	Pledged bank deposits	1,927	10,845
(b)	Pledge of the earnings from property, plant and equipment	-	131,501
(c)	Pledge of the earnings from certain inventories	-	27,394
(d)	Pledge of the earnings from certain trade receivables	-	5,304
(e)	Pledge of bills receivable	5,944	3,360
		7,871	178,404

The pledge of assets under (b), (c) and (d) were released during the year ended December 31, 2014 upon the repayment of the relevant borrowing.

39. RELATED PARTY DISCLOSURES

Related Party Transactions

	2014 RMB'000	2013 RMB'000
Sale of goods		
Zhongchen	71	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 equity interest in Guangdong Sanbu Jiari Hotel Company Limited 廣東三埠假日酒店有限公司 ("Sanbu Jiari") to Kaiping Lidajia Tickets Agent Company Limited 開平市利大家票務代理有限公司 ("Lidajia") at a consideration of RMB8,000,000, and such related party also settled the long term receivable from Sanbu Jiari amounting to RMB26,928,000. Details are set out in Notes 42 and 43, respectively.

At December 31, 2013, Zhongchen and Mr. Huang provided corporate guarantee and personal guarantee, respectively and Zhongchen and Mr. Huang together, provided a joint guarantee to the Group in obtaining certain banking facilities from the banks. At December 31, 2013, total bank loans of RMB1,500,000 were drawn down and letters of credit of RMB33,914,000 were issued from these facilities. Such guarantees were released in February 2014.

Before the disposal of Guangdong Kangli in March 2014, Guangdong Jiashili made advances to Guangdong Kangli, its former subsidiary, in the amount of RMB22.5 million in aggregate to finance its capital expenditure, the amount has been settled in May 2014.

Key management personnel

The remuneration of key management personnel during the year were as follows:

	2014 RMB'000	2013 RMB'000
Short-term benefits	3,345	1,099
Post-employment benefits	55	37
Share-based compensations	880	–
	4,280	1,136

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 employee employed in Hong Kong is required to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). Contributions to the MPF Scheme are made in accordance with the statutory limits prescribed by the Mandatory Provident Fund Ordinance of Hong Kong.

The total expense recognised in profit or loss of approximately RMB8,672,000 (2013: RMB7,209,000) represent contributions paid and payable to the retirement benefit scheme during the year ended December 31, 2014.

41. MAJOR NON-CASH TRANSACTION

(a) Bills receivables

During the year, the banks directly received the contractually entitled cash flows of RMB12,732,000 (2013: RMB9,733,000) upon maturity of the discounted bills receivable from the Group's debtors as settlement of the related bank borrowings granted to the Group.

(b) Capitalisation issue

On September 25, 2014, the Company allotted and issued a total of 239,990,000 ordinary shares credited as fully paid at par by way of capitalisation of the sum of HK$2,399,900 (equivalent to approximately RMB1,900,000) standing to the credit of the share premium account of the Company.

42. AVAILABLE-FOR-SALE INVESTMENT

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 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 investment of 80% equity interest in Sanbu Jiari by Guangdong Jiashili from August 2010 to December 2013 is being accounted as "Available-for-sale investment" and is recorded at cost. The disposal of the hotel business is consistent with the Group's long-term policy to focus its activities in the biscuits operation.

On December 26, 2013, the Group entered into an equity transfer agreement with 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.

43. LONG TERM RECEIVABLE

In year 2010, the Group had made an advance of approximately RMB27,728,000 to Sanbu Jiari, which was non-interest bearing, unsecured and had no fixed repayment terms. In the opinion of the management of the Group, the receivable was 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 6.4% at the date when the advance was made in 2010.

On December 26, 2013, the Group entered into an equity transfer agreement with Lidajia, to dispose of its 80% equity interest in Sanbu Jiari to Lidajia. Therefore, the related receivable has also been settled by Lidajia in December 2013. Imputed interest income of RMB1,281,000 was credited to the profit or loss for the year ended December 31, 2013 and a gain on early settlement of long term receivable of RMB8,972,000 was recognised in equity as contribution from shareholder in December 2013 accordingly.

44. SUBSIDIARIES

As at December 31, 2014 and 2013, the Group has equity interests in the following subsidiaries:

Name of subsidiaries	Place and date of establishment/ incorporations	Registered capital/issued and fully paid-up share capital	Equity interest attributable to the Company at December 31		Principal activities
			2014	2013	
Direct					
Jiashili Limited 嘉士利有限公司	British Virgin Islands December 6, 2013	Ordinary shares of US$50,000 andpaid-up capital of nil	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	N/A	100%	Inactive
Guangdong Jiashili Food Group Co., Limited 廣東嘉士利食品集團有限公司	PRC June 8, 2005	Registered capital of RMB220,000,000 and paid-up capital of RMB220,000,000	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 (Note 2)	PRC September 24, 1998	Registered capital of RMB20,000,000 and paid-up capital of RMB20,000,000	N/A	100%	Manufacture and sale of pasta

44. SUBSIDIARIES *(continued)*

Name of subsidiaries	Place and date of establishment/ incorporations	Registered capital/issued and fully paid-up share capital	Equity interest attributable to the Company at December 31 2014	2013	Principal activities
Jiangsu Jiashili Food Company Limited 江蘇嘉士利食品有限公司	PRC September 30, 2009	Registered capital of RMB10,000,000 and paid-up capital of RMB10,000,000	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	Hong Kong December 24, 2013	Ordinary shares of HK$10,000 and paid-up capital of nil	100%	100%	Investment holding
Xingtai Jiashili Food Company Limited* 邢台嘉士利食品有限公司	PRC August 19, 2008	Registered capital of RMB5,000,000 and paid-up capital of RMB5,000,000	100%	100%	Manufacture and sale of biscuits

Notes:

1. Kashi Food has not commenced its business operation since its establishment and was dissolved on April 11, 2014.

2. Guangdong Kangli was disposed of on March 28, 2014.

* English name for reference only

45. EVENTS AFTER THE REPORTING PERIOD

On February 17, 2015 the board of directors of the Company had resolved to grant share options to certain consultants in investor relation professions to subscribe for an aggregate of 10,000,000 ordinary shares of HK$0.01 each in the share capital of the Company, subject to acceptance of the grantees, under the share option scheme adopted by the Company on August 21, 2014 and the payment of HK$1.00 upon acceptance of the options and there is no vesting condition attached. The exercise price of the options is HK$4 per share, exercisable from February 17, 2015 to December 31, 2015. The directors of the Company are still in the progress accessing the fair value of the options and the financial impacts to the Group. Details of which is set out in the announcement dated February 17, 2015.

Four-year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last four financial years is prepared on the basis set out in the notes below:

RESULTS

	Year ended December 31			
	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
CONTINUING OPERATION				
Revenue	**840,058**	747,771	649,488	565,276
Cost of sales	**(571,557)**	(522,120)	(483,707)	(433,243)
Gross profit	**268,501**	225,651	165,781	132,033
Other Income	**9,298**	6,919	11,004	3,023
Selling and distribution expenses	**(101,688)**	(87,932)	(69,191)	(60,127)
Administrative expenses	**(38,421)**	(29,595)	(29,470)	(20,820)
Finance costs	**(2,341)**	(2,448)	(606)	(1,191)
Other expenses, gain and loss	**(45,516)**	(30,466)	(22,970)	(18,508)
Profit before tax	**89,833**	82,129	54,548	34,410
Income tax expense	**(18,205)**	(14,268)	(11,745)	(9,508)
Profit for the year from continuing operation	**71,628**	67,861	42,803	24,902
DISCONTINUED OPERATION				
Profit (loss) for the year from discontinued operation	**61**	1,408	645	3,573
Profit and total comprehensive income for the year attributable to the owners of the Company	**71,689**	69,269	43,448	28,475

ASSETS AND LIABILITIES

	As at December 31			
	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**630,859**	402,470	306,857	249,052
TOTAL LIABILITIES	**(162,974)**	(252,068)	(204,715)	(146,083)
	467,885	150,402	102,142	102,969