達利食品集團有限公司

DALI FOODS GROUP COMPANY LIMITED

Stock Code：3799

2015 ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Xu Shihui (許世輝)
(Chairman and Chief Executive Officer)
Mr. Zhuang Weiqiang (莊偉強)
Ms. Xu Yangyang (許陽陽)

Non-executive Directors

Ms. Xu Biying (許碧英)
Ms. Hu Xiaoling (胡曉玲)

Independent Non-executive Directors

Mr. Cheng Hanchuan (程漢川)
Mr. Liu Xiaobin (劉小斌)
Dr. Lin Zhijun (林志軍)

AUDIT COMMITTEE

Dr. Lin Zhijun (林志軍) *(Chairman)*
Ms. Hu Xiaoling (胡曉玲)
Mr. Cheng Hanchuan (程漢川)

REMUNERATION COMMITTEE

Dr. Lin Zhijun (林志軍) *(Chairman)*
Ms. Xu Yangyang (許陽陽)
Mr. Liu Xiaobin (劉小斌)

NOMINATION COMMITTEE

Mr. Xu Shihui (許世輝) *(Chairman)*
Mr. Liu Xiaobin (劉小斌)
Mr. Cheng Hanchuan (程漢川)

JOINT COMPANY SECRETARIES

Mr. Tu Zhiqian (涂志潛)
Ms. Cheng Pik Yuk (鄭碧玉)

AUTHORISED REPRESENTATIVES

Ms. Xu Yangyang (許陽陽)
Ms. Cheng Pik Yuk (鄭碧玉)

PLACE OF LISTING AND STOCK CODE

The Stock Exchange of Hong Kong Limited
(the "**Stock Exchange**")
Stock Code: 03799

HEAD OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA

Zishan, Linkou
Hui'an, Fujian Province
The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Maples Corporate Services Limited
PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

COMPANY'S WEBSITE

http://www.dali-group.com

AUDITORS

Ernst & Young
Certified Public Accountants

HONG KONG LEGAL ADVISOR

Cleary Gottlieb Steen & Hamilton (Hong Kong)

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR

Maples Fund Service (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square, Grand Cayman
KY1-1102, Cayman Islands

Financial Summary

CONSOLIDATED RESULTS

	FY2015 RMB'000	FY2014 RMB'000	FY2013 RMB'000	FY2012 RMB'000
Revenue	**16,864,840**	14,894,003	12,827,020	10,812,041
Cost of sales	**(11,048,584)**	(10,895,178)	(10,239,151)	(9,028,671)
Gross profit	**5,816,256**	3,998,825	2,587,869	1,783,370
Other income and gains	**276,762**	114,093	67,189	51,580
Selling, distribution and administrative expenses	**(2,384,851)**	(1,351,390)	(1,069,353)	(912,336)
Finance costs	**(26,736)**	—	—	—
Profit before tax	**3,681,431**	2,761,528	1,585,705	922,614
Income tax expenses	**(769,106)**	(684,812)	(394,928)	(230,026)
Profit for the year	**2,912,325**	2,076,716	1,190,777	692,588
Attributable to:				
Owners of the parent	**2,912,325**	2,076,716	1,190,777	692,588

CONSOLIDATED ASSETS AND LIABILITIES

	As at December 31,			
	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Total assets	**15,797,287**	6,945,699	7,450,522	6,591,728
Total liabilities	**3,895,166**	6,395,498	3,417,920	2,761,274
Total equity	**11,902,121**	550,201	4,032,602	3,830,454

Chairman's Statement

On behalf of the board of directors (the "**Directors**") (the "**Board**") of Dali Foods Group Company Limited (the "**Company**" or "**Dali**") and its subsidiaries (the "**Group**", "**we**" or "**our**"), I would like to present the Company's first-ever annual report for the year ended December 31, 2015.

We have a record year and 2015 was a historic year for the Group. The Company's ordinary shares were listed on the main board of the Stock Exchange on November 20, 2015 (the "**Listing**"), which allows Dali to gain access to international capital markets as a leading food and beverage company. We are proud of this milestone and our accomplishments thus far, yet realized the significance of the responsibilities and duties we assume. The Group endeavors to demonstrate our dedication and commitment in our work to express our gratitude to the shareholders of the Company (the "**Shareholders**"), consumers, our employees and the community.

The pressure from the complexity of the macroeconomic dynamics and the volatile consumer market interweaves, as a result, deceleration in economic growth and structural adjustment of the Chinese economy has become a new normality. Rapidly shifting consumer demand and consumption pattern drive the need for structural adjustments of China's food and beverage industry. The Company has been able to react to changing consumer preferences and is committed to developing innovative ideas and enhancing product research and development. Further, the Group continues to increase its investments on food safety and quality control, and continues its efforts in optimizing the Group's production and operational efficiency. Amidst the challenging market environment, these efforts allow the Group to deliver quality, delicious and safe products to its consumers, and to generate profit and return to the Shareholders through its sound and prudent operations. The Group's operating and financial performance for the year ended December 31, 2015 continued to show high growth rate, our revenue reached RMB16.86 billion, representing a year-on-year increase of 13.2%. Our gross profit was RMB5.82 billion for the year ended December 31, 2015, representing a year-on-year increase of 45.4%. Gross profit margin reached 34.5% for 2015, representing an increase of 7.7 percentage points as compared to 2014. Net profit was RMB2.91 billion for the year ended December 31, 2015, representing a year-on-year increase of 40.2%. Net profit margin reached 17.3% for 2015, representing an increase of 3.4 percentage points as compared to 2014. Among the Group's impressive financial performance, the sales of new products including Hi-Tiger energy drink, Daliyuan croissants, pork floss pies and nut pies maintained rapid growth during the year ended December 31, 2015. It reflects our ability to understand consumer needs and to introduce new products. We have also achieved successes in expanding our coverage in non-traditional trade channels such as modern retail channel, catering channel and specialty channel.

The main factors behind our success in achieving outstanding performance in 2015 is our multi-brand and multi-category structure, our dedication in product innovation and our differentiated strategies on distributions and channel expansions. We believe these core competitiveness will continue to differentiate our Group from other industry players in the competitive market environment in 2016. Consumer preferences and the competitive environment of the market are constantly evolving, but our core value of "Creating Quality with Heart (用心創品質)", our pragmatic and proactive corporate culture and our dedication in maintaining the highest food safety standard remain the same.

Chairman's Statement

In 2015, a year of competition and challenges, the efforts and support from different parties bring stability to the development of the Group. On behalf of the Board, I would like to express my deepest gratitude to all parties who have assisted the Group, in particular, the support and recognition from the Shareholders, the trust placed by consumers, and the support from our suppliers, business partners and financial institutions. My sincere appreciation also goes to our staff members for their commendable dedication and hard work in the past year. We will continue to remind ourselves of our responsibilities and to create new trails with the spirit that "time and tide wait for no man" to continue to lead the development of China's food and beverage industry.

Lastly, I would like to share with you the corporate vision of the Group: Create quality life, build a brand of the century, establish a large, comprehensive and modern food group, and to become a leader in China's food industry.

Xu Shihui
Chairman

Fujian, China
February 24, 2016

Management Discussion and Analysis

INDUSTRY ENVIRONMENT

China's food and beverage industry remained a promising sector in 2015 despite Chinese economic growth deceleration. Macroeconomic growth confronts multiple challenges, yet China's food and beverage industry maintained a steady growth. According to the preliminary accounting results issued by China's National Bureau of Statistics in January 2016, China's GDP grew by 6.9% for 2015, and the per capita disposable income of residents rose by 8.9%. Meanwhile, the total retail sales of consumer goods reached an annual growth rate of 10.7% in 2015, among which, the retail sales of grain, oil and food increased by 15.1% and the retail sales of beverages grew by 15.3%. Food is the paramount necessity of people, therefore we believe that China's food and beverage industry still has huge growth potential. According to the report dated November 10, 2015 prepared by Frost & Sullivan as commissioned by the Company containing an analysis of China's snack food and non-alcoholic beverage market and other relevant economic data (the "**Frost & Sullivan Report**"), the per capita consumption on snack food in China was RMB255 for 2014 whereas the same in the United States reached RMB1,890; the per capita consumption on beverages in China was RMB704 for 2014 whereas the same in the United States reached RMB3,824. The disposable income growth of Chinese consumers fuels the consumption of food and beverages and a growing need for quality products.

On the other hand, the increasingly diversified and rapidly changing consumers' preferences create pressing need for food and beverage companies to introduce innovative new products into the market. There has been polarized sales performance among different kinds of products, for instance, on-trend products (for example, energy drinks, plant-based and milk beverages) maintain strong growth momentum while traditional products struggle to grow.

The complex industry environment poses both opportunities and challenges to industry participants. Being the leading player in China's food and beverage industry, Dali upholds its core value of "Creating Quality with Heart" and is striving to address consumers' evolving demand and the growing need for quality products. The Group captures opportunities that are emerging out of industry developments through product innovation, quality improvement and channel expansion.

BUSINESS OVERVIEW

The Group produces and distributes a wide variety of food and beverage products in China with a diverse brand portfolio. The Group has two key product segments, namely, food products and beverage products. Within these two segments, there are seven product categories comprising of bread, cakes and pastries; chips, fries and others; biscuits; herbal tea; plant-based and milk beverages; energy drinks; and other beverages. The Group's core brands include Daliyuan, Copico, Haochidian, Heqizheng and Hi-Tiger, which are all well recognized household brands in China.

The new products launched by the Company in 2013 and 2014 continued rapid growth momentum in 2015. In particular, Hi-Tiger energy drink generated revenue of RMB1.4 billion for the year ended December 31, 2015, representing a year-on-year increase of 79%. The success of Hi-Tiger energy drinks manifested our capability of continuous innovation. Our strong new product research and development, leading manufacturing facilities, and extensive nationwide distribution network, coupled with targeted and creative marketing strategies, differentiated product positioning and pricing, and deep penetration into various channels, enabled Hi-Tiger to become the most well recognized domestic energy drinks brand within two years after its launch. Hi-Tiger's strong performance also contributed to the Group's sales growth and margin expansion in 2015.

New Products

We continued to successfully launch a large number of popular new products into the market in 2015, which also contributed to the growth of sales and profit. In the food segment, the pork floss pies and nut pies were rolled out in May 2015 and have been well-received by consumers. Their success is a good exhibit of our strategy to industrialize the production of local snack food and magnify its regional popularity to a nationwide scale. In June 2015, Dali launched its caramel cookies (焦糖曲奇), a new product developed by the Group from the popular caramel cookie originating in Europe. The recipe of these caramel cookies had been specifically formulated to cater to Chinese consumers' taste. We were able to utilize the production line we imported from Denmark for "Landy Castle" cookies, which guaranteed the premium quality of the products and optimized the utilization of the existing equipment. The Group also successfully launched "Pure-Yeh" water in May 2015 with the concept of "Purity" and "Joy". We used hygienic drinking water to generate activated water with high solubility. We have also received positive market responses after its initial launch.

As a domestic food and beverage enterprise in China, the Group will continue to uphold our commitment to produce high quality products. We will keep innovating and improving to address the constantly evolving consumer demand and provide safe, healthy, convenient and tasty food and beverage products to consumers nationwide.

Product Quality and Operational Efficiency Improvement

Building on the existing high quality of our products, the Group continued to improve and enhance the quality by implementing raw material safety controls, raw material quality improvement initiatives and maintenance on production facilities. For instance, the Group adopted a double cooling transportation technology for our classic product, the Daliyuan cakes. This new and innovative technology ensures the cakes' center temperature will be maintained and that such product could be lowered to a designated temperature before going through the packaging process, even in hot weather conditions. This new technology also effectively reduces the energy consumption as compared to traditional air conditioning. In addition, the Group has taken a variety of approaches to improve the quality control system. For example, the testing centers have adopted unified testing methods following pre-requisite standardized training, and the Group controls the raw material inspection processes stringently to ensure quality of the raw materials. The Group have also standardized its production process and detailed inspection of its final products to ensure food safety.

Channels Expansion

The Group has built an extensive nationwide sales and distribution network through distributors and key accounts. The Group's distributors generally sell snack food and beverage products through traditional trade channel, modern retail channel, specialty channel, e-commerce channel and catering channel. The Group also sells its products directly to key accounts, primarily operators of established hypermarkets, supermarkets and convenience stores.

With over twenty years of extensive efforts, the Group has achieved formidable penetration into of the traditional trade channel. We have begun to enhance our investment in non-traditional trade channels since 2014, such as modern retail channel, catering channel and specialty channel to further optimize our distribution network structure through sale force and product mix adjustments in our distribution model and network. This strategy has achieved initial success in 2015. Despite that the overall modern retail channel showed signs of slowing down, benefiting from our efforts in expanding our coverage in modern retailers such as RT-Mart and Wal-Mart, the Group's direct sales derived from key accounts channel increased by 63.3% in 2015. These results highlighted the competitive advantages of Dali's multi-brand and multi-category business model, as well as our consumers' recognition of Dali's philosophy of "Creating Quality with Heart". With these accomplishments in mind, we are confident in the future growth.

The Group has also been reinforcing vertical channel construction while we expand the channel coverage horizontally, in order to further enhance and refine the management and strengthen our control over the retail end market. This is achieved through adopting the “direct operation” and “semi-direct operation” models. These strategies help the Group to get a better understanding of the needs of consumers, so that our product design and marketing campaign could be more targeted.

E-commerce

The e-commerce channel continues to show rapid growth in China. The total retail sales volume of consumer goods reached a year-on-year increase of 10.7% while the total online retail sales of physical commodities reached a year-on-year increase of 31.6% in 2015. We are also actively deploying resources in e-commerce platforms to realize the growth potential in this market. The Group recorded multiple times of increase in sales derived from the e-commerce channel for the year ended December 31, 2015.

REVIEW OF 2015 ANNUAL PERFORMANCE

The Group’s revenue increased by 13.2% from RMB14,894 million in 2014 to RMB16,865 million in 2015. The Group’s revenue from sales of food products and beverage products increased by 12.1% and 14.8% to RMB9,519 million and RMB7,346 million in 2015, respectively. Gross profit of the Group increased by 45.4% from RMB3,999 million in 2014 to RMB5,816 million in 2015. Gross profit margin of the Group rose by 7.7 percentage points from 26.8% in 2014 to 34.5% in 2015.

Excluding the Listing expenses (the portion charged to the Group’s consolidated statement of profit or loss) of RMB46 million (2014: NIL), which is a non-recurring expense, net profit attributable to owners of the parent of the Company increased by 42.5% from RMB2,077 million in 2014 to RMB2,958 million in 2015.

Business

Revenue

The Group's total revenue for 2015 reached RMB16,865 million (2014: RMB14,894 million), representing a year-on-year increase of 13.2%, among which, the food products segment increased by 12.1% (2014: 14.6%) and the beverage products segment increased by 14.8% (2014: 18.2%).

The table below sets forth the Group's revenue by segment and by product category for the periods indicated:

Revenue	**For the year ended December 31,**				
	2015		2014		2015 vs. 2014
	RMB (million)	**% of Revenue**	RMB (million)	% of Revenue	% Change
Food					
Bread, Cakes and Pastries	**6,325**	**37.5**	5,726	38.4	10.5
Chips, Fries and Others	**1,782**	**10.5**	1,512	10.2	17.9
Biscuits	**1,412**	**8.4**	1,257	8.4	12.3
Segment Total	**9,519**	**56.4**	8,495	57.0	12.1
Beverage					
Herbal Tea	**2,551**	**15.1**	2,372	15.9	7.5
Plant-based and Milk Beverage	**1,965**	**11.7**	1,816	12.2	8.2
Energy Drinks	**1,419**	**8.4**	794	5.3	78.7
Other Beverages	**1,411**	**8.4**	1,417	9.6	(0.4)
Segment Total	**7,346**	**43.6**	6,399	43.0	14.8
Total	**16,865**	**100.0**	14,894	100.0	13.2

Food Products Business

The Group's sales of food products increased by 12.1% from RMB8,495 million in 2014 to RMB9,519 million in 2015. The increase was primarily due to the higher revenue from sales of bread, cakes and pastries products.

Revenue from the Group's sales of bread, cakes and pastries products increased by 10.5% from RMB5,726 million in 2014 to RMB6,325 million in 2015, primarily due to the ramp-up of sales of new products introduced since 2014, such as Daliyuan croissants, which we introduced in the first quarter of 2014, the launch of new products in 2015, such as pork floss pies and nut pies, and our continued and strengthened marketing campaigns in further penetrating the modern retail channel, specialty channel, catering channel and e-commerce channel.

Increase in the Group's sales of food products was also, to a lesser extent, due to the increase of sales of our biscuits products and chips and fries products, primarily because of the ramp-up of sales of "Landy Castle" butter cookies, which was introduced in 2014.

Beverage Products Business

The Group's sales of beverage products increased by 14.8% from RMB6,399 million in 2014 to RMB7,346 million in 2015. The increase was primarily due to the increase in sales of Hi-Tiger energy beverage.

The Group's revenue generated from sales of energy drinks increased by 78.7% from RMB794 million in 2014 to RMB1,419 million in 2015, such substantial growth is attributable to the successful brand positioning of Hi-Tiger and strong marketing efforts. Besides placing TV advertisements, we extensively increase the coverage of our advertisement on billboards in areas including expressway, national and provincial highways with the purpose of capturing the attention of the drivers and passengers. We further improve the brand exposure and awareness of Hi-Tiger by placing advertisements on digital signage located in populated areas including the airport and high speed rail, and to engage with the consumers by sponsoring sport events and school activities. Meanwhile, we also enhance marketing supports to our distributors and key accounts. The increase of sales of beverage products was also, to a lesser extent, attributable to the higher sales of the herbal tea products, which was primarily because of the substantial growth in the sales of our differentiated PET-bottled herbal tea.

The Group's higher revenue in 2015 was also attributable to the commencement of operation in its newly-established production facilities in Hebei and Shaanxi provinces in 2014 and 2015, respectively, which increased the Group's production capacity and provided support to the expansion of its sales.

Cost of Sales

The Group's cost of sales primarily comprises of raw materials, costs of packaging materials, manufacturing costs such as depreciation, amortization and utilities, wages and salaries, and tax surcharges.

The Group's wide variety of products use a diverse range of raw materials and packaging materials. The primary raw materials for our food products include eggs, flour, sugar and palm oil, while the primary raw materials for our beverage products include sugar, powdered milk, mesona and peanuts. The main packaging materials that the Group purchases from third parties include polyester chips, cardboard boxes, cans and aseptic pack cartons. Most of these raw materials, such as sugar, flour and palm oil, are commodities, whose prices generally fluctuate according to market condition. The Group did not enter into any hedging activities in relation to commodity prices.

The Group's cost of sales increased by 1.4% from RMB10,895 million in 2014 to RMB11,049 million in 2015, among which, the cost of sales for food products increased by 6.3% (2014: 5.1%) and the cost of sales for beverage products decreased by 5.2% (2014: increased by 8.3%). These changes in the Group's cost of sales were primarily due to the changes in the costs of raw materials and packaging materials. The increase of cost of sales in 2015 was primarily driven by increases in the sales volumes of the Group's products. The Group's cost of sales increased at a lower rate than the revenue primarily because of the decreases in the average purchase prices for certain major raw materials, such as eggs, palm oil, mesona and powdered milk, and the packaging materials, primarily polyester chips. The Group's increase in cost of sales was lower than the increase in revenue, which was also attributable to the ramp-up of sales of its recently launched higher-margin products, such as "Hi-Tiger" energy drinks, "Landy Castle" butter cookies, pork floss pies and nut pies.

Gross Profit and Gross Profit Margin

The Group's gross profit represents revenue less cost of sales, and the gross profit margin represents gross profit divided by revenue, expressed as a percentage. For the year ended December 31, 2015, the Group's gross profit increased by 45.4% from RMB3,999 million in 2014 to RMB5,816 million in 2015. The Group's gross profit margin reached 34.5% in 2015, representing an increase of 7.7 percentage points from 2014. The Group's gross profit margin of food products was 30.3% in 2015, representing an increase of 3.7 percentage points from 2014, and the gross profit margin of beverage products was 39.9%, representing an increase of 12.7 percentage points from 2014.

The following table sets forth the Group's gross profits, gross profit contribution and gross profit margins by segment for the periods indicated:

	For the year ended December 31,					
	2015			2014		
	Amount RMB (million)	**% of total gross profit %**	**Gross profit margin %**	Amount RMB (million)	% of total gross profit %	Gross profit margin %
Food products	**2,888**	**49.7**	**30.3**	2,258	56.5	26.6
Beverage products	**2,928**	**50.3**	**39.9**	1,741	43.5	27.2
Total	**5,816**	**100.0**	**34.5**	3,999	100.0	26.8

The increase in the Group's gross profit margin was primarily due to its continued and strengthened marketing efforts and strategic resources allocation to achieve higher sales of products with higher gross profit margins, including new products such as "Landy Castle" butter cookies, Daliyuan croissants, pork floss pies, nut pies, French fries and "Hi-Tiger" energy drinks, and existing products such as chips, peanut milk and products, and the decreases in the average purchase prices of certain major raw materials and packaging materials, such as eggs, palm oil, mesona, milk powder and polyester chips.

Beginning from late 2014, the Group adjusted its pricing and marketing strategies to conduct more marketing campaigns to strengthen its sales channels and increased the average selling prices at which it sells products to distributors.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased 86.4% from RMB1,098 million in 2014 to RMB2,046 million in 2015. As a percentage of revenue, the Group's selling and distribution expenses increased from 7.4% in 2014 to 12.1% in 2015. These increases were primarily due to an RMB602 million increase in promotion expenses. As a percentage of revenue, the Group's promotion expenses increased from 1.1% in 2014 to 4.5% in 2015. These increases were primarily because beginning from late 2014, the Group adjusted its pricing and marketing strategies to conduct more marketing campaigns to strengthen its sales channels and increased the average selling prices at which it sold products to distributors. The increase of the Group's selling and distribution expenses was also attributable to the increases in wages and salaries and logistics expenses.

Administrative Expenses

The Group's administrative expenses increased by 33.5% from RMB254 million in 2014 to RMB339 million in 2015. As a percentage of revenue, the Group's administrative expenses increased from 1.7% in 2014 to 2.0% in 2015. These increases were primarily due to the listing expenses relating to the Listing.

Profit before Tax

As a result of the foregoing, the Group's profit before tax increased by 33.3% from RMB2,762 million in 2014 to RMB3,681 million in 2015.

Income Tax Expenses

The Group's income tax expenses increased by 12.3% from RMB684.8 million in 2014 to RMB769.1 million in 2015. The Group's effective tax rate decreased from 24.8% in 2014 to 20.9% in 2015, primarily because the Group's subsidiaries, Chengdu Dali Foods Co., Ltd., Yunnan Dali Foods Co., Ltd., Gansu Dali Foods Co., Ltd. and Shaanxi Dali Foods Co., Ltd. ("**Shaanxi Dali**"), obtained approvals from the relevant Chinese tax authorities in 2015 for a 15% preferential tax rate.

Liquidity and Financial Resources

Cash and Borrowings

The Group financed its liquidity requirements mainly through cash flows generated from its operating activities and the net proceeds from the Listing.

As at December 31, 2015, the Group had pledged deposits and cash and cash equivalents in the aggregate amount of RMB8,956 million (2014: RMB635 million). This increase was primarily attributable to the proceeds from the Listing and cash flows generated from operating activities. 39% and 61% of the Group's cash and cash equivalents at December 31, 2015 were denominated in RMB and HKD, respectively.

As at December 31, 2015, the Group had total borrowings of RMB1.5 billion (2014: nil), which comprised three one-year term entrusted loans in the aggregate principal amount of RMB1.5 billion and at the interest rate of 4.365% from a third-party wealth management company through a commercial bank that we borrowed in August 2015. All of these borrowings were denominated in RMB. As at December 31, 2015, the Group had a committed and undrawn credit facility of RMB2 billion from a commercial bank for liquidity requirements of our businesses.

The Group's gearing ratio as at December 31, 2015 was 24.7%, which is total liability divided by the capital plus total liability.

Given the proceeds from the Listing, the future cash flows generated from operating activities and the credit facility available, the Group has sufficient cash and bank credit facility that can meet its capital needs. Management is also prepared to make careful arrangements and decisions based on changes in domestic and international financial environments.

Use of Proceeds from the Listing

The shares of the Company (the "**Shares**") were listed on the main board of the Stock Exchange on November 20, 2015 (the "**Listing Date**") with net proceeds from the global offering of approximately HK$8,665 million (after deduction of underwriting fees and commissions and estimated expenses payable by the Company in connection with the global offering). According to the intended use as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus, the amount utilized as at December 31, 2015 was as follows:

		Net Proceeds (HK$ million)		
Items	**Percentage**	**Available**	**Utilized**	**Unutilized**
Development, introduction and promotion of new products	20%	1,733	—	1,733
Expansion and upgrade of production facility and manufacturing network	20%	1,733	—	1,733
Enhancing presence in sales channels and promoting brands	20%	1,733	—	1,733
Potential acquisitions and business cooperation	30%	2,600	—	2,600
Working capital and other general corporate purposes	10%	866	—	866

The Company has no intention to use the proceeds contrary to the descriptions as stated in the Prospectus.

Capital Expenditures and Capital Commitments

The Group had capital expenditures of RMB478 million in 2015, relating primarily to the production facilities at Shaanxi Dali, Xiamen Dali Trading Co., Ltd., Shenyang Dali Foods Co., Ltd. and Hebei Dali Foods Co., Ltd., as well as the newly purchased production lines for both the food and beverage segments.

As at December 31, 2015, the Group's capital commitments relating to property, plant and equipment was RMB180 million, which were primarily for the construction of certain production facilities and purchases of production lines.

Inventories

The Group's inventories consist primarily of raw materials, packaging materials and, to a lesser extent, finished goods. The Group's inventories decreased by 14.8% to RMB930 million as at December 31, 2015 from RMB1,090 million as at December 31, 2014, primarily due to its improved management of inventory control and decreases in the average purchase prices of certain major raw materials and packaging materials.

The following table sets forth the Group's inventory turnover days during the periods indicated:

	For the year ended December 31,	
	2015	2014
Inventory turnover days [1]	**33.4**	36.7

Note:

(1) Inventory turnover days for each one-year period equals the average of the beginning and ending inventory for that year divided by cost of sales for that year and multiplied by 365 days.

The Group's inventory turnover days decreased from 36.7 days in 2014 to 33.4 days in 2015, primarily due to our improved management of inventory levels and the decrease in inventories as of year-end.

Trade Receivables

The Group's trade receivables refer to the Group's accounts receivable balance from its customers, primarily including distributors and key accounts. The Group's trade receivables decreased by 24.4% from RMB192 million as at December 31, 2014 to RMB145 million as at December 31, 2015, primarily due to the Company's effort in reinforcing settlement of trade receivables. There was no change to the Group's credit policy.

The following table sets forth the Group's trade receivables turnover days for the periods indicated:

	For the year ended December 31,	
	2015	2014
Trade receivables turnover days [1]	**3.6**	5.0

Note:

(1) Trade receivables turnover days for each one-year period equals the average of the beginning and ending balances of trade receivables for that year divided by revenue for that year and multiplied by 365 days.

Available-for-sale investments

The Group had available-for-sale investments of RMB844 million as at December 31, 2015, which were wealth investment products that the Group purchased from banking institutions in China with expected interest rates ranging from 2.3% to 5.38% per annum and maturity periods from 0.5 to 5 years. The gross gain in respect of the Group's available-for-sale investments was recognized in the Group's other comprehensive income and amounted to RMB9.46 million in 2015 (2014: Nil).

Trade and Bills Payables

The Group's trade and bills payables primarily include trade payables and, to a lesser extent, bills payables for purchases of raw materials and packaging materials. The Group's trade and bills payables increased by 25.1% from RMB771 million as at December 31, 2014 to RMB964 million as at December 31, 2015, which was generally in line with the Group's increased sales, as well as due to the increased purchase of certain raw materials such as sugar, whose purchase prices increased as of year-end.

The following table sets forth the Group's trade and bills payables turnover days for the periods indicated:

	For the year ended December 31,	
	2015	2014
Trade and bills payables turnover days[1]	**28.7**	27.5

Note:

(1) Trade and bills payables turnover days for each one-year period equals the average of the beginning and ending trade and bills payables for that year divided by cost of sales for that year and multiplied by 365 days.

Foreign Currency Risk

The Group's businesses are located in Mainland China and nearly all transactions are conducted in RMB. As nearly all of the Group's assets and liabilities were denominated in RMB, the subsidiaries of the Company in Mainland China were not subject to significant foreign currency risk. As at December 31, 2015, the Group's assets and liabilities denominated in HKD were mainly held by the Company and certain subsidiaries incorporated outside Mainland China which had currencies other than RMB as their functional currencies. The Company and those subsidiaries incorporated outside Mainland China also held bank balances denominated in RMB, from which foreign currency exposures arise.

Contingent Liabilities

As at December 31, 2015, the Group had no significant contingent liabilities.

Asset Pledge

As at December 31, 2015, the Group's bills payables were secured by pledges of its short-term deposits in the amount of RMB21.5 million.

Human Resources and Staff Remuneration

As at December 31, 2015, the Group had a total of 35,565 employees (December 31, 2014: 30,533). The Group's employees are remunerated with reference to their positions, performance, experience and prevailing salary trends in the market. In addition to basic salaries, the Company provides various staff benefits to its employees.

The Group provides continuing education and training programs to its employees to improve their skills. The Group also adopts evaluation programs through which its employees can receive feedback on their performance.

For the year ended December 31, 2015, the total employee benefits expenses (including Directors' remuneration) were RMB1,486 million (2014: RMB1,146 million).

PROSPECTS

2016 will be the first full financial year of the Company after the Listing. Although it is expected that the macroeconomic environment will continue to be complex and volatile, we will endeavor to attain sustainable and stable growth and to create value for the Shareholders.

In terms of our food products, we will continue to dedicate our efforts in upgrading our product portfolio, improving the flavor and packaging of the existing products, and developing and introducing new products. We have successfully launched two new products in January 2016, namely "Zhenhao Cookie (甄好曲奇)" and "Guozhen Bread (菓真麵包)". Zhenhao Cookie under Haochidian brand is a new product developed from the high-end butter cookie "Landy Castle" that was launched in 2014, and has a new flavor with innovative packaging, which embodies a delicious, delicate, convenient and stylish image, dedicated to fill the vacancies in the market for luxury cookies. By introducing the new products, we aim to provide more variety to the market and to bring in a new element into the Haochidian brand. "Guozhen Bread" under the Daliyuan brand is our first bread product that has a short shelf life, which resembles the sweetness of fruits and softness of bread, forming a unique fruit bread product, the combination of delicacy and nutrition that meets consumers' increasing demands for quality of life. By implementing accurate positioning, precise marketing and efficient execution, these products have been well-received by the consumers since their introduction into the market. Innovation is a critical driving force for the development of food business and is also one of the core values and competitive advantages of the Group. We will continue to take solid progress in delivering innovative products.

In terms of existing products, particularly high-growth products such as "Hi-Tiger" energy drink and peanut milk, we will also continue to maintain their growth momentum through active marketing. For example, we adopted a comprehensive brand awareness-based marketing strategy that bolster its image of fearless and full of energy, supplemented with interactive campaign within younger groups in the Students' Music Festival and the Advertising Festival. These efforts will contribute to strengthening the cultivation of the "Hi-Tiger" branding and to convey our message to the young target consumers. These high-growth products bear significance in Dali's sales performance in the traditional trade channel and modern retail channels and Dali's brand building efforts.

With respect to channels, Dali will continue to strengthen its infiltration of the traditional trade channels and leverage its advantages into the management of our distributors. We aim to complete the construction of the electronic management platform for distributors by the end of 2016 to allow the headquarters of the Group, to obtain real time market information and real time data on the purchases, sales and inventory of the distributors by implementing quantification methods. Besides traditional trade channel, we will continue to pursue further penetration into the modern retail channel and actively establish partnership with large national key accounts. We believe the high growth potentials of our products and innovative approaches we have taken in our products and the building of our brand value can fulfill the large key accounts' demand for future growth at the setting of the current economic environment.

Report of the Directors

The Board is pleased to present the report of the Directors together with the audited consolidated financial statements of the Group for the year ended December 31, 2015.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The Group is a leading branded food and beverage company in China with a diversified multi-brand product portfolio focusing on high-growth product categories. The Group is principally engaged in the manufacture and sale of food and beverage in China. The Shares were listed on the main board of the Stock Exchange on November 20, 2015.

Segment analysis of the Group for the year ended December 31, 2015 is set out in Note 4 to the consolidated financial statements. A list of the Company's subsidiaries, together with their places and dates of incorporation, types of legal entity, principal activities and particulars of their issued shares/registered share capital, is set out in Note 1 to the consolidated financial statements.

A review of the business of the Group during the year and its future development, and an analysis of the Group's performance during the year using financial key performance indicators as required under Schedule 5 of the Companies Ordinance (Cap. 622 of the laws of Hong Kong) are set out in the "Chairman's Statement" on pages 5 to 6 and the "Management Discussion and Analysis" on pages 7 to 17 of this annual report which constitute part of this report of the Directors.

There is no significant subsequent event undertaken by the Company or by the Group after December 31, 2015.

PRINCIPAL RISK AND UNCERTAINTIES

The Group is exposed to the operational risk in relation to each business division of the Group. With the growth and expansion of our operations, the potential risks to our business increase as well. In order to identify, assess and control the risks that may create impediments to our success, we have implemented a risk management system that covers each material aspect of our operations, including financial security, production, logistics, technology and compliance. As our risk management is a systematic project, each of our departments is responsible for identifying and evaluating the risks relating to its area of operations. Our audit committee is responsible for overseeing and assessing our risk management policy and they supervise the performance of our risk management system.

FINANCIAL RESULTS

The results of the Group for the year ended December 31, 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 49 and 50.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.126 (equivalent to approximately RMB0.106) per ordinary share for the year ended December 31, 2015 (the "**2015 Final Dividend**"), representing a total payment of approximately HK$1,725 million (equivalent to approximately RMB1,450 million). The payment of the 2015 Final Dividend is subject to the approval of the Shareholders at the forthcoming annual general meeting ("**AGM**") to be held on April 28, 2016.

Upon Shareholders' approval to be obtained at the AGM, the 2015 Final Dividend is expected to be paid on June 3, 2016 to the Shareholders whose names appear on the register of members of the Company on May 25, 2016.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four years, as set out on page 4 of this annual report, is extracted from the audited consolidated financial statements and the Prospectus.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to Shareholders by reason of their holding of the Company's securities.

SHARE CAPITAL

For the purpose of the Listing, the Company had issued 13,694,117,500 shares for the year ended December 31, 2015. Details of the movement in the share capital of the Company during the year ended December 31, 2015 are set out in Note 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's distributable reserves comprise the share premium and other reserves. As at December 31, 2015, the Company's reserves available for distribution amounted to RMB8,175 million (2014: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements of the Group's property, plant and equipment during the year ended December 31, 2015 are set out in Note 14 to the consolidated financial statements.

USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

The Company was listed on the main board of the Stock Exchange on November 20, 2015. The net proceeds from the Listing were approximately HK$8,665 million (after deduction of underwriting fees and commissions and estimated expenses payable by the Company in connection with the global offering).

For details, please refer to the section headed "Management Discussion and Analysis – Use of Proceeds from the Listing" on page 14 of this annual report.

DIRECTORS

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

Executive Directors:

Mr. Xu Shihui *(Chairman and Chief Executive Officer)*
Mr. Zhuang Weiqiang (appointed on June 14, 2015)
Ms. Xu Yangyang

Non-executive Directors:

Ms. Xu Biying (appointed on June 14, 2015)
Ms. Hu Xiaoling (appointed on May 4, 2015)

Independent non-executive Directors:

Mr. Cheng Hanchuan (appointed on August 25, 2015)
Mr. Liu Xiaobin (appointed on August 25, 2015)
Dr. Lin Zhijun (appointed on August 25, 2015)

Mr. Zhuang Weiqiang, Ms. Xu Biying and Ms. Hu Xiaoling who have been appointed by the Board and Mr. Xu Shihui, Ms. Xu Yangyang, Dr. Lin Zhijun, Mr. Liu Xiaobin and Mr. Cheng Hanchuan who have been appointed by the Shareholders shall hold office until the AGM pursuant to Articles 16.2 and 16.3 of the Articles. All of the above retiring Directors, being eligible, will offer themselves for re-election at the AGM.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE AND COMPETING BUSINESS

Save as disclosed under the section headed "Continuing Connected Transactions" below and note 35 "Related party transactions" to the consolidated financial statements, no transaction, arrangement or contract of significance (as defined in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")) in relation to the Group's business to which the Company, its holding company or any of its subsidiaries was a party and in which a Director or controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of 2015 or at any time during 2015.

None of the Directors is interested in any businesses apart from the Group's business which competes or is likely to compete with the Group's business, either directly or indirectly or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

RELATED PARTY TRANSACTIONS

The related party transactions for the year as disclosed in Notes 35(a) (ii), 35(a) (iii), 35(a) (iv), 35(a) (v), 35(a) (vii), 35(a) (viii), 35(a) (ix), 35(a) (x), 35(a) (xi), 35(b) and 35(c) to the consolidated financial statements were one-off transactions completed before the Listing.

The related party transactions for the year as disclosed in Notes 35(a) (i) and (xii) to the consolidated financial statements constitute continuing connected transactions as defined under the Listing Rules but are exempt from the reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Rule 14A.76(1) (a). Details of such continuing connected transactions are set out in the section headed "Connected Transactions – Continuing Connected Transactions – Exempt Continuing Connected Transactions – Products and Services Mutual Provision Framework Agreement" in the Prospectus.

The related party transaction for the year as disclosed in Note 35(a) (vi) to the consolidated financial statements constitutes a continuing connected transaction as defined under the Listing Rules which is subject to the reporting, announcement and annual review requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. The Company has complied with Chapter 14A of the Listing Rules in respect of this related party transaction.

CONTINUING CONNECTED TRANSACTIONS

Property and Land Leasing Agreement

Except for the continuing connected transactions of the Group which are exempt from the reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Rule 14A.76(1) (a), the Company and Fujian Dali Foods Group Co., Ltd. (福建達利食品集團有限公司) ("**Fujian Dali**") entered into a property and land leasing agreement (the "**Property and Land Leasing Agreement**") on August 25, 2015, which became effective upon Listing and will expire on December 31, 2017. The transaction under the Property and Land Leasing Agreement is made in the ordinary and usual course of business and on normal commercial terms, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules were more than 0.1% but less than 5% on an annual basis. Fujian Dali is owned as to 100% by Mr. Xu Shihui, Ms. Chen Liling and Ms. Xu Yangyang, who are the controlling shareholders of the Company and, in the case of Mr. Xu Shihui and Ms. Xu Yangyang, executive directors of the Company. The Group had been using certain properties and land owned by Fujian Dali for general business and ancillary purposes. The Property and Land Leasing Agreement was entered into in order to avoid unnecessary disruptions to our business caused by the relocation and enable us to ensure continuity of the operation of the Group.

Pursuant to the Property and land Leasing Agreement, the Company agreed to lease the relevant properties and land in the PRC from Fujian Dali on the following principal terms:

(a) the properties and land that were leased to us consist of (i) an office building located at Zishan, Linkou, Hui'an, Fujian province and occupying a total gross floor area of approximately 27,578.25 sq.m., and (ii) buildings used for manufacturing workshop, warehouse and workers' dormitory as well as for other ancillary purposes located at Zishan, Linkou, Hui'an, Fujian province and occupying a total gross floor area of approximately 240,824.35 sq.m.;

(b) the monthly rental prices in respect of the office building and other properties for the year ended December 31, 2015 are RMB10 per sq.m. and RMB5 per sq.m., respectively;

(c) the rental price shall be reviewed and adjusted from the second year of the duration of the Property and Land Leasing Agreement by reference to the GDP growth for the previous year published by the National Bureau of Statistics of the PRC but in any event such increase in the rental price shall not exceed the relevant GDP growth rate;

(d) the Company shall pay the rental to Fujian Dali on a quarterly basis on or before the 25th day of the last month of the relevant quarter of the year; and

(e) the Company shall be responsible for all utility charges and other miscellaneous expenses incurred in using the relevant properties and land during the term of the lease, except for national administration fee and property tax that shall be borne by each party in accordance with relevant laws and regulations.

The Company paid Fujian Dali rental expenses in an aggregate amount of RMB17,039,000 pursuant to the terms of the Property and Land Leasing Agreement for the year ended December 31, 2015. We have set annual caps for the aggregate rental expenses payable under the Property and Land Leasing Agreement of RMB17,039,000, RMB18,743,000 and RMB20,617,000 for years ending December 31, 2015, 2016 and 2017, respectively.

Opinion from the Independent Non-executive Director and Auditor on the Continuing Connected Transaction

The Company's auditors were engaged to report on the Group's non-exempt continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants*. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above and confirmed that nothing has come to their attention that causes them to believe the continuing connected transactions abovementioned:

(a) have not been approved by the Board;

(b) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;

(c) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and

(d) have exceeded the annual cap.

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

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Directors confirm that the Company has complied with the requirements of Chapter 14A of the Listing Rules in respect of all of its continuing connected transactions.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES

As at December 31, 2015, the interests of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules, were as follows:

I. Interest in shares or underlying shares of the Company

Name of Director	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding interest
Mr. Xu Shihui	Interest in controlled corporation; Interest of spouse	11,640,000,000	85%
Ms. Xu Yangyang	Interest in controlled corporation	11,640,000,000	85%

II. Interest in shares of associated corporations of the Company

Name of Director	Name of associated corporation	Capacity/Nature of interest	Number of shares in the associated corporation	Percentage of shareholding
Mr. Xu Shihui	Divine Foods Limited ("**Divine Foods**")	Interest in controlled corporation	50	50%
		Interest of spouse[(1)]	10	10%
Ms. Xu Yangyang	Divine Foods	Interest in controlled corporation	40	40%

Notes:

(1) By virtue of the SFO, Mr. Xu Shihui has deemed interest in shares of Divine Foods held by his spouse, Ms. Chen Liling, which represents 10% of the shareholding interest in Divine Foods.

Save as disclosed above, as at December 31, 2015, none of the Directors and the chief executives of the Company had or were deemed to have any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified under Divisions 7 and 8 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at December 31, 2015, the following persons (other than the Directors and chief executives of the Company) had interest in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholder	Capacity/Name of interest	Number of Shares	Approximate percentage of interest in the Company
Divine Foods	Beneficial owner	11,640,000,000	85%
Divine Foods-1 Limited[1] ("**Divine Foods-1**")	Interest in controlled corporation	11,640,000,000	85%
Divine Foods-2 Limited[1] ("**Divine Foods-2**")	Deemed interest as an associate of a substantial shareholder	11,640,000,000	85%
Divine Foods-3 Limited[1] ("**Divine Foods-3**")	Interest in controlled corporation	11,640,000,000	85%
Ms. Chen Liling[1][2]	Interest of spouse	11,640,000,000	85%

Notes:

(1) Divine Foods is 50%, 10% and 40% legally owned by Divine Foods-1, Divine Foods-2 and Divine Foods-3 respectively, which in turn are separately wholly-owned by Mr. Xu Shihui, Ms. Chen Liling and Ms. Xu Yangyang respectively.

(2) Mr. Xu Shihui and Ms. Chen Liling are spouses. Accordingly each of Mr. Xu Shihui and Ms. Chen Liling is deemed, or taken to be, interested in all shares and underlying shares in which their spousal counterpart is interested in for the purpose of the SFO.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme as set out below, the Company has not entered into any equity-linked agreement during the year of 2015.

SHARE OPTION SCHEME

Purpose of the Share Option Scheme

The Company has adopted a share option scheme (the "**Share Option Scheme**") on August 25, 2015 to enable the Company to grant share options to Qualified Participant (as defined below) as incentive for their commitment towards enhancing the value of the Company and its Shares for the benefit of the Shareholders, and to maintain or attract business relationship with the Qualified Participant whose contributions are or may be beneficial to the growth of the Group.

Qualified Participant

The Board may, at its absolute discretion, offer to grant an option to subscribe for such number of Shares as the Board may determine to:

(a) any executive Director, or employee (whether full time or part time) of the Company, any subsidiary or any entity in which the Company or any subsidiary holds any equity interest;

(b) any non-executive Directors (including independent non-executive Directors) of the Company, any subsidiary or any entity in which the Company or any subsidiary holds any equity interest;

(c) any customer, business or joint venture partner, advisor, consultant, contractor, supplier, agent or service provider of the Company, any subsidiary or any entity in which the Company or any subsidiary holds any equity interest who is an individual; or

(d) any full-time employee of any customer, business or joint venture partner, advisor, consultant, contractor, supplier, agent, customer or service provider of the Company or any subsidiary or an entity in which the Company or any subsidiary holds any equity interest,

who the Board considers, in its sole discretion, has contributed or will contribute to the Company or any subsidiary or any entity in which the Company or any subsidiary holds any equity interest (collectively, the "**Qualified Participant**")

Maximum number of Shares in respect of which options may be granted

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue as at the Listing Date and the date of this annual report (such total number of Shares being 13,694,117,500 Shares) (the "**Scheme Mandate**", being 1,369,411,750 Shares), excluding for this purpose options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of the Company.

Maximum entitlement of each Qualified Participant

Unless approved by Shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any grantee if the acceptance of those options would result in the total number of Shares issued and to be issued to that grantee on exercise of his options (including both exercised and outstanding options) during any 12 month period exceeding 1% of the total Shares then in issue.

Grant of options to connected persons

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 under the Share Option Scheme must be approved by all the independent non-executive Directors (excluding any independent non-executive Director who is also a grantee of the options).

Any grant of options to a substantial Shareholder or an independent non-executive Director or any of their respective associates (as defined in the Listing Rules) must be approved by the Shareholders in general meeting if the Shares issued and to be issued upon exercise of all options already granted and proposed to be granted to him (whether exercised, cancelled or outstanding) in the 12 month period up to and including the proposed date of grant:

(i) would represent in aggregate more than 0.1% of the Shares then in issue; and

(ii) would have an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5,000,000 (or such other amount as shall be permissible under the Listing Rules from time to time).

Acceptance of an offer of options

An offer of the grant of an option shall be made to a Qualified Participant by written offer letter in such form as the Board may from time to time determine, requiring the Qualified Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme. The offer shall remain open for such period (not exceeding 30 days, inclusive of, and from, the date of offer) as the Board may determine and notify to the Qualified Participant. There is no minimum period for which any option must be held before it can exercised unless the Board otherwise determined and stated in the offer letter of the grant of options.

An option shall be deemed to have been accepted and to have taken effect when the duplicate letter comprising acceptance of the option duly signed by the grantee together with a remittance in favour of the Company of HK$1 by way of consideration for the grant of the option shall have been received by the Company on or before the last day for acceptance as set out in the offer letter. The remittance is not in any circumstances refundable. Once accepted, the option is considered to be granted as from the date on which it was offered to the relevant Qualified Participant. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years from the offer date.

Subscription Price

The subscription price shall be a price determined by the Board but in any event shall be at least the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date of offer;

(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of offer; and

(iii) the nominal value of the Shares.

Duration of the Share Option Scheme

Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption.

Since the listing of the Company, no share option had been granted under the Share Option Scheme.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

The controlling shareholders' compliance of the deed of non-competition entered into with the Company on August 25, 2015 is set out in the "Corporate Governance Report" on pages 39 to 46 of this annual report.

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

Since the Listing Date and up to December 31, 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company' listed securities.

MINIMUM PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company has maintained the prescribed public float as approved by the Stock Exchange since the Listing Date.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of the Cayman Islands (place of incorporation of the Company) or under the Company's articles of association (the "**Articles**") which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.

CORPORATE GOVERNANCE

The Company has adopted the code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules. The Board considered that during the period from the date of the Listing up to the date of this annual report, the Company has complied with the applicable code provisions set out in the CG Code, save and except for code provisions A.1.8 and A.2.1, details of which are set out in the "Corporate Governance Report".

SENIOR MANAGEMENT'S EMOLUMENTS

The annual remuneration of the members of the senior management (other than the Directors) by bands for the year ended December 31, 2015 is set out below:

Remuneration bands	Number of individuals
Nil to HK$500,000	1
HK$500,001 to HK$1,000,000	1
HK$1,000,001 to HK$1,500,000	3

Details of the remuneration of each of the Directors for the year ended December 31, 2015 are set out in Note 8 to the consolidated financial statements.

EMOLUMENT POLICY

The Company has established the Remuneration Committee in November 2015. The emoluments of the Directors are reviewed and recommended to the Board by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market trends.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in the paragraph headed "Share Option Scheme" in this report.

MANAGEMENT CONTRACT

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

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the Group's five largest customers was 2.1% by value of the Group's total goods sales during the year ended December 31, 2015, with the largest customer accounted for 0.5%. The five largest suppliers of the Group comprised 8.8% by value of the Group's total purchases during the year, with the largest supplier accounted for 2.8%.

None of the Directors, their respective associates or a Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has an interest in any of the Group's five largest customers and suppliers.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Apart from the Share Option Scheme, at no time during the year ended December 31, 2015 was the Company or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

ENVIRONMENTAL POLICIES AND PERFORMANCE

It is our corporate and social responsibility in promoting a sustainable and environmental friendly environment, we strive to minimize our environmental impact by saving electricity and to build our corporation in a sustainable way.

Fujian Dali has undergone a series of effective energy-saving and pollutant-reducing measures such as conserving water and electricity, reducing the creation and emission of pollutants during the production process and optimizing production lines. Fujian Dali is accredited as an Enterprise of Clean Production (清潔生產企業) by the Quanzhou Environmental Protection Bureau in October 2015.

Additionally, we have adopted a set of emergency planning, response and control procedures as countermeasures for unexpected environmental pollution accidents to minimize our impact on the environment and the adverse effect on our business. We incurred RMB7.2 million (2014: RMB7.0 million) in environmental compliance costs for the year ended December 31, 2015.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in China while the Company itself is listed on the Stock Exchange. Our operations shall comply with relevant laws and regulations in China and Hong Kong. During the year ended December 31, 2015 and up to the date of this report, we have complied with all the relevant laws and regulations in China and Hong Kong in all material respects.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Relationship with our distributors

Consistent with market practice in our industry, the customers of the Company are primarily distributors. This network penetrates a wide range of points-of-sale, enabling us to sell products at all levels of the market, from provinces to counties, villages and towns throughout China. As at December 31, 2015, we had more than 4,150 distributors covering all provinces, cities and most of the county-level divisions in China, and had over 10,000 dedicated sales personnel to maintain and support over 2 million points-of-sale.

1. *Standard for selecting distributors*

   We select our distributors in each region based on factors including their business qualifications, marketing capabilities, reputation, breadth and quality of sales network, number of personnel, and logistics and transport capabilities.

2. *Comprehensive support*

In order to enhance our relationship with distributors and to provide adequate support to the distributors in meeting sales targets, the Company provide comprehensive support to its distributors. The Company develops and executes strategic and tactical sales plans with the distributors, provides support and implements incentive measures to promote sales.

Further, our sales team provides comprehensive support coverage in various counties and cities. They contact and cooperate with local distributors closely to enhance and maintain the relationship with the distributors. A sustainable relationship with our distributors also helped to expand the network of points-of-sales in China and the number of products being sold in different outlets.

3. *Inventory management*

We closely monitor the distributors' inventory policies and movement and ensure their policies and practices are in compliance with the agreed requirements. The requirements include (a) the maintenance of an adequate inventory level that equals to the estimated monthly sales volume; (b) first-in-first-out policy; (c) evaluation of inventory based on its aging and expiration; (d) age of inventory shall be kept within one third of the shelf life; (e) if the age of inventory exceeds one third of the shelf life, sales personnel shall cooperate with the distributors to carry out sales plan to promote the sales of the specific products; and (f) if age of inventory exceeds half of the shelf life, it must be reported to the headquarters and the sales personnel shall cooperate with distributors to undergo promotions in specialty channels to promote sales of the specific products. We also conduct periodic stock taking and our sales representative, sales manager and region manager undertake specific responsibilities in respect of stock taking with the distributors.

Maintaining effective management of the sales team and distribution network is crucial to sustainable development of the Company. We established systems to enhance the management of personnel on the basis of relationship development, and placed the development of effective management as the core policy of the Company. With the combined effect of systematic management and personalized management, we have improved the cohesion and the capability of the Company through systematic division of labor and effective cooperation.

Relationship with our suppliers

We generally centralize the procurement of packaging materials and the raw materials used in the production of our food and beverage products to advantage of our economies of scale and to increase our bargaining power with suppliers. We believe that our centralized procurement system enables us to obtain more competitive prices and avoid regional or other price variation. Our raw materials are generally available from a number of domestic suppliers, and we normally have various source of supply for each type of raw materials to reduce our dependency on a single supplier. Our suppliers grant us payment terms that vary depending on a number of factors including our relationship with the suppliers and the size of the transactions.

We uphold the principle of equality and cooperation for mutual benefit and maintain a sustainable and long-term relationship with various suppliers. To ensure the quality of the procurement, we typically work with large reputable domestic suppliers to secure the key raw materials used in our production process, based on criteria like product quality, reputation, scale of production, price and ability to meet our delivery schedule. Further, we established and maintained a mechanism and database of suppliers to perform a detailed evaluation and audit on the suppliers, which takes into account of comprehensive indicators like food safety, quality control, financial strength, technology research and development ability, environmental protection and reputation in the industry. These indicators reflect the criteria we look for in our suppliers under the long term development goal of the Company. We also require the suppliers to comply with the commercial code of conduct of the Group.

Relationship with our employees

We embrace our employees as the most valuable assets of the Group, the objective of the Group's human resources management is to reward and recognize outstanding employees by providing competitive remuneration packages and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression within the Group by providing adequate training and opportunities.

AUDITORS

The consolidated financial statements for the year ended December 31, 2015 have been audited by Ernst & Young, who will retire at the conclusion of the AGM and offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as the auditor of the Company will be proposed at the AGM.

On behalf of the Board

Xu Shihui
Chairman

Hong Kong
February 24, 2016

Biographies of Directors and Senior Management

DIRECTORS

Xu Shihui (許世輝)

Chairman, executive Director and chief executive officer

Mr. Xu Shihui (許世輝), aged 58, is the founder of the Group, Chairman, executive Director and chief executive officer of the Company and was appointed as a Director on November 4, 2014. He is also the chairman of the nomination committee of the Company. Mr. Xu has been the chairman and the president of Fujian Dali since the establishment of Fujian Dali in 1992 and has served as the chairman of all subsidiaries of the Group since their establishment. Under Mr. Xu's leadership, the Group's business has grown from a local food manufacturing company in Fujian province to a nationwide food and non-alcoholic beverage company in China with a diversified multi-brand product portfolio focusing on high-growth product categories. Mr. Xu has accumulated 28 years of experience in food manufacturing industry. Mr. Xu has been a representative of the eleventh and twelfth National People's Congress of the People's Republic of China (中華人民共和國全國人民代表大會) in 2008 and 2013. Mr. Xu was also the News Figure of China Food Industry Elite Forum of the 30th Anniversary of the Reform and Opening Up (改革開放30週年中國食品行業精英論壇新聞人物) in September 2009. Mr. Xu is the father of Ms. Xu Yangyang, the brother of Ms. Xu Biying and the brother-in-law of Mr. Chen Baoyuo. Mr. Xu is a director of Dali Foods and Divine Foods-1, the controlling shareholders of the Company.

Zhuang Weiqiang (莊偉強)

Executive vice president and executive Director

Mr. Zhuang Weiqiang (莊偉強), aged 38, was appointed as an executive Director on June 14, 2015. Mr. Zhuang joined the Group in 1998 and has more than 17 years of experience in management with the Group. Mr. Zhuang has been the executive vice president of the Group in charge of overall marketing and distribution of products of the Group since 2006. Prior to this, Mr. Zhuang had been the general manager of Jinan Dali Foods Co., Ltd. (濟南達利食品有限公司) from 2004 to 2006 and the general manager of Chengdu Dali Foods Co., Ltd. (成都達利食品有限公司) ("**Chengdu Dali**") from 2000 to 2004. He had been a financial specialist of Chengdu Dali from 1998 to 2000. Mr. Zhuang graduated from the continuing education course of Sichuan Agricultural Management Cadre Institute (四川農業管理幹部學院) with a certificate in business administration in January 2007. Mr. Zhuang obtained a professional title as senior economist in Jilin province in January 2010.

Xu Yang Yang (許陽陽)

Vice president and executive Director

Ms. Xu Yangyang (許陽陽), aged 32, is the vice president and executive Director of the Company in charge of making corporate and operational decisions and managing the day-to-day operation of the Group. Ms. Xu was appointed as a Director on November 4, 2014. She is also a member of the remuneration committee of the Company. She joined the Group in 2008 and has worked as a director and the vice president of Fujian Dali from 2009 to date and is also the supervisor of various subsidiaries of the Group. With more than 7 years of experience in the Group, Ms. Xu has held various positions in Fujian Dali from July 2008 to date, including the chairman of the labour union, workshop director and deputy factory manager. Outside the Group, Ms. Xu also has various important appointments, including the vice president of Fujian Association of Health Care Products and Cosmetics (福建省保化協會) since September 2012 and the vice president of the fifth session of the Standing Committee of Youth Chamber of Commerce of the Youth Entrepreneurs Association of Quanzhou (泉州市青年企業家協會青年商會) in July 2010. Ms. Xu graduated from Xiamen University (廈門大學) with a bachelor's degree in international economy and trade in 2005. Ms. Xu was the Quanzhou Economic Figure of 2015 (2015年度泉州經濟人物) and the honorary president of the third session of the council of Quanzhou Food Industry Association (泉州食品行業協會) in January 2016. Ms. Xu is the daughter of Mr. Xu Shihui, the niece of Ms. Xu Biying and the nephew of Mr. Chen Baoguo. Ms. Xu is a director of Dali Foods and Divine Foods-3, the controlling shareholders of the Company.

Xu Biying (許碧英)

Non-executive Director

Ms. Xu Biying (許碧英), aged 60, was appointed as a non-executive Director on June 14, 2015. With 28 years of experience in the food manufacturing industry, Ms. Xu has been the vice president of the Group, participating in the formulation of the corporate and business plans of the Group, since the establishment of the Group in 1992 until 2010, and has rich experience in the food industry and corporate management. She has over 17 years of experience in financial management. Ms. Xu received the Certificate for Qualified Accountant (會計師任職資格證書) from Department of Human Resources and Social Security of Fujian Province (福建省人力資源和社會保障廳) (previously known as the Personnel Department of Fujian Province (福建省人事廳)) in December 1998. Ms. Xu Biying is the sister of Mr. Xu Shihui, the aunt of Ms. Xu Yangyang and the cousin-in-law of Mr. Chen Baoguo.

Hu Xiaoling (胡曉玲)

Non-executive Director

Ms. Hu Xiaoling (胡曉玲), aged 45, is a non-executive Director. She was appointed as a Director on May 4, 2015. She is also a member of the audit committee of the Company. Ms. Hu is responsible for providing advice on investment activities of the Group. Ms. Hu joined CDH Investments in 2002 and is currently a managing director of CDH Investments Management (Hong Kong) Limited, which is a Hong Kong company incorporated under the Hong Kong Companies Ordinance on April 22, 2003. Ms. Hu is currently a non-executive director of Belle International Holdings Limited (a company listed on the Stock Exchange, stock code: 1880) and Baroque Japan Limited. Ms. Hu had been a non-executive director of SYSWIN Inc. (a company once listed on the New York Stock Exchange, ticker: SYSW) from November 2008 to August 2013 and SUNAC China Holdings Limited (a company listed on the Stock Exchange, stock code: 1918) from November 2007 to August 2014. Ms. Hu is also currently a director of Midea Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000333) and Anhui Yingliu Electromechanical Co., Limited (a company listed on the Shanghai Stock Exchange, stock code: 603308). Ms. Hu has also been a director of Beijing Motie Book Corporation Company since July 2010. Prior to joining CDH Investments Management (Hong Kong) Limited, Ms. Hu had worked at the direct investment department of China International Capital Corporation Limited and Arthur Andersen. Ms. Hu graduated from Beijing Jiaotong University (北京交通大學), previously known as Northen Jiaotong University (北方交通大學), with a master's degree in Economics and Accounting and a bachelor's degree in Economics. Ms. Hu has also been a fellow member of the Association of Chartered Certified Accountants.

Cheng Hanchuan (程漢川)

Independent non-executive Director

Mr. Cheng Hanchuan (程漢川), aged 62, was appointed as an independent non-executive Director on August 25, 2015. He is also a member of the audit committee and the nomination committee of the Company. Mr. Cheng had been the head of factory of the Hui'an Huiquan Beer Brewery (惠安縣惠泉啤酒廠) from August 1991 to February 1997 and the chairman, vice chairman, director and general manager of Huiquan Brewage Group Inc. Fujian China (福建省惠泉啤酒集團股份有限公司) (now known as FuJian YanJing HuiQuan Brewery Co., Ltd (福建省燕京惠泉啤酒股份有限公司), a company listed on the Shanghai Stock Exchange, stock code: 600573) from January 1997 to August 2013. Mr. Cheng had been the vice chairman of the specialized committee of beer of China Food Industry Association (中國食品工業協會啤酒專業委員會) from March 2008 to May 2013. Mr. Cheng had also been the vice chairman of the seventh session committee of Fujian Federation of Enterprises and Entrepreneurs (福建省企業與企業家聯合會) and Fujian Federation of Industrial Economic (福建省工業經濟聯合會) from April 2012 to May 2013.

Mr. Cheng graduated from Fujian Normal University (福建師範大學) with a diploma in Business Administration in July 2010 and was awarded the professional qualification as a senior economist by the Personnel Department of Fujian Province (福建省人事廳) (now known as "Department of Human Resource and Social Security of Fujian Province" (福建省人力資源及社會保障廳)) in August 1997. Mr. Cheng has been an expert who enjoys the special allowance of the State Council since June 2000.

Liu Xiaobin (劉小斌)

Independent non-executive Director

Mr. Liu Xiaobin (劉小斌), aged 50, was appointed as an independent non-executive Director on August 25, 2015. He is also a member of the remuneration committee and the nomination committee of the Company. Mr. Liu has been engaged in teaching Chinese in Xiamen University (廈門大學) since September 1989. He was an assistant professor of Chinese language and literature from August 2007 to July 2010, and currently holds the position of a lecturer at the Overseas Education College of Xiamen University. Mr. Liu graduated from Xiamen University in July 1986 with a bachelor's degree in Arts (Chinese Literature) and Northwest University in China in June 1989 with a master's degree in Arts (Classic Chinese Literature).

Lin Zhijun (林志軍)

Independent non-executive Director

Dr. Lin Zhijun (林志軍), aged 61, was appointed as an independent non-executive Director on August 25, 2015. He is also the chairman of the audit committee and the remuneration committee of the Company. Dr. Lin is currently an independent non-executive director of Springland International Holdings Limited (a company listed on the Stock Exchange, stock code: 1700), Sinotruk (Hong Kong) Limited (a company listed on the Stock Exchange, stock code: 3808) and China Everbright Limited (a company listed on the Stock Exchange, stock code: 0165). Dr. Lin was an independent non-executive director of Zhengzhou Coal Mining Machinery Group Company Limited (a company listed on the Stock Exchange, stock code: 0564) from February 2012 to April 2014. Dr. Lin is the Dean of the School of Business in Macau University of Science and Technology. From August 1998 to January 2015, he was a Professor and Head of the Department of Accountancy and Law in Hong Kong Baptist University. Prior to these positions, Dr. Lin also worked for The University of Hong Kong as a visiting professor, the Faculty of Management of Lethbridge University in Canada as a tenured professor and Xiamen University (廈門大學). Dr. Lin worked at the Toronto office of an international accounting firm from December 1982 to November 1983.

Dr. Lin holds a master's degree in Science in Accounting from University of Saskatchewan in Canada in October 1991 and a Doctorate's degree in Economics (Accounting) from Xiamen University in December 1985. Dr. Lin is also a member of the American Institute of Certified Public Accountants since August 1995, the Chinese Institute of Certified Public Accountants since June 1995 and the Washington Institute of Certified Management Accountants since May 1995. He is a member of various educational accounting associations including the American Accounting Association.

SENIOR MANAGEMENT

Chen Baoguo (陳寶國)

Vice president in charge of production

Mr. Chen Baoguo (陳寶國), aged 46, is the vice president of the Group. Mr. Chen is responsible for overseeing and managing overall production activities and quality control of the Group. With over 23 years of experience in the Group, Mr. Chen has served in Fujian Dali as the head of production technology development department from 1992 to 2010. He is the brother-in-law of Mr. Xu Shihui, uncle of Ms. Xu Yangyang and the cousin-in-law of Ms. Xu Biying.

Mr. Chen graduated from the Professional Online Education Program in Food Science and Engineering (Bakery) of Jiangnan University (江南大學) in 2011. Mr. Chen was awarded the professional qualification of Grade 1 Senior Technician by the Ministry of Labour and Social Security of the PRC (中華人民共和國勞動和社會保障部) in December 2008. Mr. Chen was awarded the Certificate of Professional Technology Training by the Technology Training Center of the China Food Industry Association (中國食品工業協會技術培訓中心) in December 2007, and was appointed as a member of the Expert Committee of the China National Food Industry Association (中國食品工業協會專家委員會委員) during the same period. He was awarded the certified qualification of senior baker by the Bakery Food and Confectionary Expert Committee of the Society of Food Science of Shanghai (上海市食品學會) in April 2004.

Wu Xinchuan (吳欣川)

Chief financial officer

Mr. Wu Xinchuan (吳欣川), aged 35, is the chief financial officer of the Group and has held the current post since 2008. Mr. Wu is responsible for overseeing and managing overall finance of the Group. With over 15 years of experience within the Group, Mr. Wu had held various positions at theGroup from 1999 to 2008, including head of the finance department of the Group, financial director of Jinan Dali Foods Co., Ltd., accountant of Quanzhou Dali Foods Co., Ltd., and financial specialist of Hubei Dali Foods Co., Ltd.. Mr. Wu graduated from the Accounting Department of the School of Modern Distance Education (現代遠程教育學院) of Beijing University of Aeronautics and Astronautics (北京航空航天大學) with a diploma in Accounting in 2015.

Huang Zhiqing (黃志清)

Chief procurement officer

Mr. Huang Zhiqing (黃志清), aged 49, is the chief procurement officer of the Group and has held the current post since 2008. Mr. Huang is responsible for supervising and managing the overall purchasing and supply of the Group. With over 22 years of experience within the Group, Mr. Huang had served as the head of the procurement department in the Group from 2006 to 2008, as a purchasing manager in Fujian Dali from 1998 to 2006 and as a purchasing specialist in Fujian Dali from 1993 to 1998. Mr. Huang was awarded the professional title of senior economist by the Human Resources and Social Security Department of Jilin province (吉林省人力資源和社會保障廳) in 2012.

Le Zhenqiao (樂振竅)

Head of product research and development department

Mr. Le Zhenqiao (樂振竅), aged 37, is the head of product research and development department of the Group and has held the current post since 2007. Mr. Le is responsible for research and development of new products and supervising the quality control of the products of the Group. With over 12 years of experience within the Group, Mr. Le served as a researcher of technology development and quality control in the Group from 2003 to 2007.

Mr. Le graduated in 2001 from Shaanxi University of Science and Technology (陝西科技大學), previously known as Northwest Institute of Light Industry (西北輕工業學院), with a bachelor's degree in Biochemical Engineering, with a minor in Computer Application and Maintenance. Mr. Le completed the food safety capacity building program organized by the Department of Human Resources and Social Security (人力資源和社會保障部) and China Food Industry Association in 2014. Mr. Le was awarded the professional qualification of Engineer of Biochemistry by the Human Resources and Social Security Department of Fujian Province in 2009. Mr. Le was awarded the Certificate of Professional Qualification in Quality Specialization (質量專業技術人員職業資格證書) by the Ministry of Personnel of the PRC (中華人民共和國人事部) and the AQSIQ in 2005. Mr. Le was engaged by the Committee of Standardization Administration of the PRC (中國國家標準化管理委員會) as a member for the National Committee of Snack Food Technology Standardization (SAC/TC490) (全國休閒食品標準化技術委員會) in 2009 and as a member for the National Committee of Baked Product Technology Standardization (SAC/TC488) (全國焙烤製品標準化技術委員會) in 2004. Mr. Le was awarded the honorary title of National Advanced Worker for Quality Works (全國質量工作先進工作者) by the China Quality Inspection Association (中國質量檢驗協會) in 2014.

Tu Zhiqian (涂志潛)

General counsel, deputy director of the administration, human resources and general management department and joint company secretary

Mr. Tu Zhiqian (涂志潛), aged 48, has served as a joint company secretary of the Group since June 3, 2015. Mr. Tu joined the Group in 2007 as the general counsel of the Group and the head of human resources department and has held the position as the deputy director of the department of administration, human resources and general management since 2008. Mr. Tu graduated from Fuzhou University (福州大學) in 2009 with a master's degree in Law, from a distance education program in Tsinghua University (清華大學) in 2005 with a bachelor's degree in Laws and from Dalian Polytechnic University (大連工業大學), previously known as Dalian Institute of Light Industry (大連輕工業學院), in 1989 with a diploma in Industrial Management Engineering. Mr. Tu obtained a practicing certificate in Law in the PRC issued by the Department of Justice of Fujian Province (福建省司法廳) in 2007. Mr. Tu was awarded the Registered Qualification Certificate of Enterprise Legal Advisor (專業法律顧問執業資格證書) jointly issued by the Ministry of Personnel of the PRC, the Commission of State-owned Assets Supervision and Administration of the State Council (國務院國有資產監督管理委員會) and the Ministry of Justice of the PRC in 2005.

JOINT COMPANY SECRETARIES

Tu Zhiqian (涂志潛), aged 48, is the general counsel and was appointed as one of the joint company secretaries on June 3, 2015. Please refer to "Biographies of Directors and Senior Management – Senior Management" for details of his biography.

Cheng Pik Yuk (鄭碧玉), alias Patsy Cheng, aged 58, has served as a joint company secretary of the Company since June 3, 2015. Ms. Cheng is a director of corporate services of Tricor Services Limited ("**Tricor**"). Ms. Cheng has over 30 years of experience in the corporate secretarial field, providing professional corporate secretarial services to listed companies as well as multi-national, private and offshore companies. She is currently the company secretary/joint company secretary/assistant company secretary of some listed companies on the Stock Exchange.

Ms. Cheng graduated from Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) in 1980 with a higher diploma in Company Secretaryship and Administration. Ms. Cheng is a chartered secretary and a fellow of both of the Hong Kong Institute of Chartered Secretaries ("**HKICS**") and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She is a holder of the Practitioner's Endorsement from HKICS. Prior to joining Tricor, Ms. Cheng was a senior manager as well as the departmental manager of company secretarial services at Deloitte Touche Tohmatsu in Hong Kong, provided corporate secretarial and share registration services to companies.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board has committed to achieving good corporate governance standards. The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders and to enhance corporate value and accountability.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules and the Company has adopted the CG code as its own code of corporate governance.

The Company was listed on the Stock Exchange on the Listing Date. Therefore, the code provisions as set out in the CG Code were not applicable to the Company during the period from January 1, 2015 to November 19, 2015. The Board is of the view that the Company has complied with the applicable code provisions as set out in the CG Code during the period from the Listing Date up to the date of this report, save for code provisions A.1.8 and A.2.1 of the CC Code, details of which are explained in the relevant paragraphs in this report.

The Board will periodically review and enhance its corporate governance practices to ensure that the Company continues to meet the requirements of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the transactions of securities of the Company by the Directors and the relevant employees (who likely possess inside information of the Company) (the "**Securities Dealing Code**") on terms no less exacting than the Model Code as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors who have confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the period from the Listing Date to December 31, 2015 (the "**Relevant Period**").

During the Relevant Period, the Company is not aware of any incident of non-compliance of the Securities Dealing Code by the relevant employees.

BOARD OF DIRECTORS

The Board of the Company comprises the following directors:

Executive Directors:
Mr. Xu Shihui *(Chairman and chief executive officer)*
Mr. Zhuang Weiqiang
Ms. Xu Yangyang

Non-executive Directors:
Ms. Xu Biying
Ms. Hu Xiaoling

Independent non-executive Directors:
Dr. Lin Zhijun
Mr. Cheng Hanchuan
Mr. Liu Xiaobin

The biographical information of the Directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 32 to 38 of this annual report.

The relationships between the members of the Board are disclosed under "Biographies of Directors and Senior Management" on pages 32 to 38 of this annual report.

Insurance for Directors

Code provision A.1.8 stipulates that an issuer should arrange appropriate insurance cover in respect of legal action against its directors. The Company has yet to arrange the insurance cover. The Company has been in the process of identifying a director liability insurance policy with reasonable insurance premium while providing adequate insurance cover to the Directors since the Listing, and will make such an arrangement as appropriate.

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.

The Company has appointed Mr. Xu Shihui as both the Chairman and Chief Executive Officer of the Company. The Board believes that vesting the roles of the Chairman and Chief Executive Officer of the Company in the same individual would enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. The Board believes that the balance of power and authority is sufficiently maintained by the operation of the Board, comprising the executive Directors and independent non-executive Directors.

Independent Non-executive Directors

In compliance with the Listing Rules, the Company has appointed three Independent non-executive Directors, representing more than one-third of the Board, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the Independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all Independent non-executive Directors are independent.

Directors' Re-election

Code provision A.4.1 of the CG Code stipulates that non-executive Directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the Directors is engaged on a service agreement (for executive Director) for a term of 3 years or an appointment letter (for non-executive Director and independent non-executive Director) for a term of 1 year, and is subject to retirement provision pursuant to the Company's Articles.

In accordance with the Articles, all Directors are subject to retirement by rotation and re-election at annual general meeting at least once every three years and any director appointed by the Board or elected by the Shareholders to fill a casual vacancy or as an addition to the Board shall hold office until the next following general meeting, as the case may be, of the Company after his/her appointment and be subject to re-election at such meeting.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the businesses, strategic decisions and performance of the Group and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each director to perform his/her responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are encouraged to participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate.

Immediately prior to the listing of the Company, all Directors have been given the relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors and duty of disclosure of interest.

In addition, relevant reading materials including legal and regulatory updates have been provided to the Directors for their reference and studying.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the website of the Company and of Hong Kong Exchanges and Clearing Limited ("**HKEX**") and are available to shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this annual report.

Audit Committee

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting system, internal control procedures and risk management system, relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

No meeting had been held by the Audit Committee during the year ended December 31, 2015 since the Shares only became listed on the main board of the Stock Exchange on November 20, 2015.

Remuneration Committee

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

No meeting had been held by the Remuneration Committee during the year ended December 31, 2015 since the Shares only became listed on the main board of the Stock Exchange on November 20, 2015.

Nomination Committee

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning for directors, and assessing the independence of Independent Non-executive Directors.

The Board has adopted a "Board Diversity Policy" to achieve and maintain diversity on the Board in order to strengthen the performance of the Board, promote effective decision-making and better corporate governance and monitoring. The Company considered that diversity of board members can be achieved through consideration of number of aspects, including but not limited to skills, experience and cultural and educational background, geographical, industry and professional experience, ethnicity, gender, age, knowledge and length of service.

Based on the business needs of the Group, the Nomination Committee has recommended and the Board has adopted the following measurable objectives:

(a) a prescribed proportion of Board members shall be non-executive Directors or independent non-executive Directors; and

(b) a prescribed proportion of Board members shall have obtained accounting or other professional qualifications.

The Nomination Committee shall monitor the implementation of the Board Diversity Policy and review the progress of its measurable objectives from time to time.

No meeting had been held by the Nomination Committee during the year ended December 31, 2015 since the Shares only became listed on the main board of the Stock Exchange on November 20, 2015.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board has reviewed 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 the Securities Dealing Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The Company was incorporated in the Cayman Islands on November 4, 2014 and its Shares have been listed on the Stock Exchange since November 20, 2015. No Board meeting and committee meeting were held during the Relevant Period.

DIRECTORS' RESPONSIBILTY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended December 31, 2015.

The statement of the independent auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditors' Report on pages 47 to 48 of this annual report.

AUDITORS' REMUNERATION

An analysis of the remuneration paid to the external auditors of the Company, Messrs. Ernst & Young, in respect of audit services for the year ended December 31, 2015 is set out below:

Service Category	**Fees Payable** RMB'000
Audit Services	3,000

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard the interest of the Company and shareholders and through the Audit Committee, reviewing the effectiveness of such system on an annual basis. During the Relevant Period, the Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Company and considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

COMPANY SECRETARY

Ms. Cheng Pik Yuk of Tricor, external service provider, has been engaged by the Company as its joint company secretary. Its primary contact person at the Company is Mr. Tu Zhiqian, joint company secretary of the Company.

SHAREHOLDERS' RIGHTS

To safeguard shareholder 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 of HKEX after each general meeting.

Convening an Extraordinary General Meeting by Shareholders

Pursuant to Article 12.3 of the Articles, any two or more shareholders or any one shareholder which is a recognised clearing house (or its nominee(s)) (the "Requisitionist(s)") holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the Requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Putting Forward Proposals at General Meetings

There are no provisions in the Articles or the Cayman Islands Companies Law for shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph. As regards proposing a person for election as a director of the Company, please refer to the "Procedures for Shareholders to Propose a Person for Election as a Director of the Company" which is posted on the Company's website.

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.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
(For the attention of the Joint Company Secretaries)

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Company's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

The Company maintains a website at www.dali-group.com as a communication platform with shareholders of the Company and investors, where the financial information and other relevant information of the Company are available for public access.

Constitutional Documents

In preparation for the listing of Shares on the Stock Exchange, the Company has conditionally adopted the Amended and Restated Memorandum and Articles of Association by special resolution passed on August 25, 2015 which became effective on November 20, 2015. During the Relevant Period, the Company has not made any changes to the Articles. An up to date version of the Articles is also available on the Company's website and HKEX's website.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

Mr. Xu Shihui, Ms. Chen Liling, Ms. Xu Yangyang, Divine Foods, Divine Foods-1, Divine Foods-2 and Divine Foods-3 (collectively, the "**Controlling Shareholders**") entered into a deed of non-competition in favor of the Company dated August 25, 2015 (the "**Deed of Non-Competition**") as set out in section headed "Relationship with Our Controlling Shareholders – Non-Competition Undertaking" under the Prospectus. The Controlling Shareholders confirmed their compliance with all the undertakings provided under the Deed of Non-Competition. There are no matters which required to be deliberated by the independent non-executive Directors in relation to the compliance with and enforcement of the Deed of Non-Competition and it is considered that the terms of the Deed of Non-Competition have been complied with by the Controlling Shareholders.

Independent Auditors' Report

To the shareholders of Dali Foods Group Company Limited
(Incorporated in the Cayman Islands as an exempted company with limited liability)

We have audited the consolidated financial statements of Dali Foods Group Company Limited (the "Company") and its subsidiaries set out on pages 49 to 118, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 auditors' judgement, 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 auditors consider 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 financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong
24 February 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	5(a)	**16,864,840**	14,894,003
Cost of sales	6(a)	**(11,048,584)**	(10,895,178)
Gross profit		**5,816,256**	3,998,825
Other income and gains	5(b)	**276,762**	114,093
Selling and distribution expenses		**(2,046,043)**	(1,097,599)
Administrative expenses		**(338,808)**	(253,791)
Finance costs	7	**(26,736)**	—
PROFIT BEFORE TAX	6	**3,681,431**	2,761,528
Income tax expense	10	**(769,106)**	(684,812)
PROFIT FOR THE YEAR		**2,912,325**	2,076,716
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		**9,460**	—
Reclassification adjustment for gains included in the consolidated statement of profit or loss - gain on disposal		**(44)**	—
Income tax effect		**(2,354)**	—
		7,062	—
Exchange differences on translation of foreign operations		**144,883**	—
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**151,945**	—

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**151,945**	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,064,270**	2,076,716
Profit attributable to:			
Owners of the parent		**2,912,325**	2,076,716
Total comprehensive income attributable to:			
Owners of the parent		**3,064,270**	2,076,716
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic and diluted			
– For profit for the year		**RMB 0.24**	RMB 0.18

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**4,134,010**	4,260,456
Prepaid land lease payments	15	**592,742**	516,239
Intangible assets	16	**1,591**	1,528
Prepayments	17	**72,971**	115,786
Deferred tax assets	25	**25,711**	47,604
Total non-current assets		**4,827,025**	4,941,613
CURRENT ASSETS			
Inventories	18	**929,523**	1,090,443
Trade receivables	19	**144,953**	191,756
Prepayments, deposits and other receivables	20	**94,772**	86,831
Available-for-sale investments	21	**844,113**	—
Pledged deposits	22	**21,481**	6,205
Cash and cash equivalents	22	**8,935,420**	628,851
Total current assets		**10,970,262**	2,004,086
CURRENT LIABILITIES			
Trade and bills payables	23	**964,170**	770,615
Other payables and accruals	24	**984,524**	812,702
Other borrowings	26	**1,500,000**	—
Due to the Controlling Shareholders	35(c)	**—**	204,411
Due to a related party	35(b)	**—**	3,081,750
Tax payable		**149,497**	133,749
Dividends payable	27	**—**	1,125,756
Total current liabilities		**3,598,191**	6,128,983
NET CURRENT ASSETS/(LIABILITIES)		**7,372,071**	(4,124,897)

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,199,096**	816,716
NON-CURRENT LIABILITIES			
Deferred revenue	28	**296,975**	266,515
Total non-current liabilities		**296,975**	266,515
NET ASSETS		**11,902,121**	550,201
EQUITY			
Equity attributable to owners of the parent			
Share capital	29	**112,712**	1
Reserves	30	**11,789,409**	550,200
Total equity		**11,902,121**	550,201

Xu Shihui
Director

Zhuang Weiqiang
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Share capital RMB'000 (note 29)	Merger reserve RMB'000* (note 30)	Statutory reserve RMB'000* (note 30)	Retained profits RMB'000*	Total RMB'000
At 1 January 2014	—	1,630,875	433,748	1,967,979	4,032,602
Profit for the year	—	—	—	2,076,716	2,076,716
Total comprehensive income for the year	—	—	—	2,076,716	2,076,716
Issue of shares	1	—	—	—	1
Distribution to the Controlling Shareholders in connection with the Reorganization (note 11)	—	(1,654,040)	(383,166)	(3,361,912)	(5,399,118)
Dividend declared	—	—	—	(160,000)	(160,000)
Transfer from retained profits	—	—	449,982	(449,982)	—
At 31 December 2014	1	(23,165)	500,564	72,801	550,201

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Share capital RMB'000 (note 29)	Share premium RMB'000* (notes 29 & 30)	Merger reserve RMB'000* (note 30)	Available-for-sale investment revaluation reserve RMB'000*	Statutory reserve RMB'000* (note 30)	Exchange fluctuation reserve RMB'000*	Retained profits RMB'000*	Total RMB'000
At 1 January 2015	1	—	(23,165)	—	500,564	—	72,801	550,201
Profit for the year	—	—	—	—	—	—	2,912,325	2,912,325
Other comprehensive income for the year:								
Changes in fair value of available-for-sale investments, net of tax	—	—	—	7,062	—	—	—	7,062
Exchange differences on translation of foreign operations	—	—	—	—	—	144,344	—	144,344
Total comprehensive income for the year	—	—	—	7,062	—	144,344	2,912,325	3,063,731
Issue of shares	60	1,109,921	—	—	—	—	—	1,109,981
Repurchase of shares	(61)	61	—	—	—	—	—	—
Issuance of shares for the initial public offering ("IPO")	112,712	7,207,709	—	—	—	—	—	7,320,421
Share issue expenses	—	(142,213)	—	—	—	—	—	(142,213)
Transfer from retained profits	—	—	—	—	392,689	—	(392,689)	—
At 31 December 2015	112,712	8,175,478	(23,165)	7,062	893,253	144,344	2,592,437	11,902,121

* These reserve accounts comprise the consolidated reserves of RMB11,789,409,000 (2014: RMB550,200,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**3,681,431**	2,761,528
Adjustments for:			
Finance costs	7	**26,736**	—
Interest income from loans to a third party	5(b)	**—**	(12,320)
Interest income from a loan to a related party	5(b)	**—**	(3,355)
Fair value gains, net:			
available-for-sale investments (transfer from equity on disposal)	5(b),6(c)	**(44)**	—
Loss on disposal of items of property, plant and equipment, net	6(c)	**1,787**	954
Depreciation	6(c)	**512,027**	467,834
Amortization of prepaid land lease payments	6(c)	**11,930**	12,167
Amortization of intangible assets	6(c)	**1,055**	815
Impairment of property, plant and equipment	6(c)	**—**	24
Impairment of inventories	6(c)	**292**	152
Government grants recognized in profit or loss	28	**(21,491)**	(11,199)
		4,213,723	3,216,600
(Increase)/decrease in pledged deposits		**(15,276)**	30,721
Decrease/(increase) in trade receivables		**46,803**	(54,442)
(Increase)/decrease in prepayments, deposits and other receivables		**(12,141)**	58,674
Decrease in inventories		**160,628**	99
Increase in trade and bills payables		**193,555**	19,852
Increase/(decrease) in other payables and accruals		**203,792**	(20,443)

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Cash generated from operations		**4,791,084**	3,251,061
Tax paid		**(733,819)**	(760,335)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**4,057,265**	2,490,726
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(396,309)**	(521,183)
Proceeds from disposal of items of property, plant and equipment		**1,257**	878
Additions to prepaid land lease payments		**(69,880)**	(37,372)
Purchases of intangible assets		**(1,118)**	(62)
Receipts of assets related government grants		**51,951**	71,610
Proceeds from disposal of available-for-sale investments		**22,044**	—
Purchases of available-for-sale investments		**(856,697)**	—
Loans to a third party		**—**	(400,000)
Loan to a related party		**—**	(200,000)
Repayment of loans to a third party		**—**	400,000
Repayment of advance to a related party		**23,000**	—
Interest income received from loans to a third party		**—**	12,320
Interest income received from a loan to a related party		**—**	3,355
Advances to a related party		**(23,000)**	—
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(1,248,752)**	(670,454)

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**1,109,981**	—
Proceeds from issue of shares for the IPO		**7,320,421**	—
Payment of listing expenses		**(140,038)**	—
Advances from the Controlling Shareholders		**80,731**	48,503
Repayment of advances from the Controlling Shareholders		**(285,142)**	(1,231,591)
Advances from related parties		**—**	9,000
Repayment of advances from related parties		**—**	(16,998)
Distribution to the Controlling Shareholders in connection with the Reorganization	11	**—**	(561,906)
Repayment of amounts due to a related party in connection with the Reorganization		**(3,081,750)**	—
Dividends paid to the Controlling Shareholders		**—**	(80,000)
Dividends paid to a related party	27	**(1,125,756)**	—
Proceeds from other borrowings		**1,505,000**	—
Repayment of other borrowing		**(5,000)**	—
Interest paid		**(24,735)**	—
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		**5,353,712**	(1,832,992)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**8,162,225**	(12,720)
Cash and cash equivalents at beginning of year		**628,851**	641,571
Effect of foreign exchange rate changes		**144,344**	—
CASH AND CASH EQUIVALENTS AT END OF YEAR		**8,935,420**	628,851
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**1,514,261**	628,851
Time deposits with original maturity of less than three months	22	**7,421,159**	—
		8,935,420	628,851

Notes to the Consolidated Financial Statements

1. CORPORATE AND GROUP INFORMATION

Dali Foods Group Company Limited (the "Company") is an exempted company incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered address of the Company is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 November 2015 (the "Listing").

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the manufacture and sale of food and beverage in Mainland China.

In the opinion of the Company's directors (the "Directors"), the holding company of the Company is Divine Foods Limited (the "Parent"), a company established in the British Virgin Islands ("BVI"). The ultimate controlling shareholders of the Company are Mr. Xu Shihui, Ms. Chen Liling and Ms. Xu Yangyang (together known as the "Controlling Shareholders").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name of company	Place of Incorporation, type of legal entity, and date of incorporation	Place of operation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Dali Foods Holdings Limited	BVI Limited Liability Company 4 November 2014	BVI	USD100	100%	—	Investment holding
Dali Foods Group (Hong Kong) Company Limited	Hong Kong S.A.R Limited Liability Company 11 November 2014	Hong Kong	HKD100	—	100%	Investment holding
Dali Foods Group Co., Ltd. (達利食品集團有限公司)	The PRC Wholly owned foreign-enterprise 10 February 1993	Mainland China	RMB950,000,000	—	100%	II
Quanzhou Dali Foods Co., Ltd. (泉州達利食品有限公司)	The PRC Limited Liability Company 12 January 1993	Mainland China	RMB90,939,305	—	100%	III
Hubei Dali Foods Co., Ltd. (湖北達利食品有限公司)	The PRC Limited Liability Company 16 June 2005	Mainland China	RMB209,000,000	—	100%	I

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name of company	Place of Incorporation, type of legal entity, and date of incorporation	Place of operation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Jilin Dali Foods Co., Ltd. (吉林達利食品有限公司)	The PRC Limited Liability Company 17 June 2005	Mainland China	RMB100,000,000	—	100%	I
Gansu Dali Foods Co., Ltd. (甘肅達利食品有限公司)	The PRC Limited Liability Company 31 August 2005	Mainland China	RMB209,000,000	—	100%	I
Jinan Dali Foods Co., Ltd. (濟南達利食品有限公司)	The PRC Limited Liability Company 18 June 2005	Mainland China	RMB190,000,000	—	100%	I
Chengdu Dali Foods Co., Ltd. (成都達利食品有限公司)	The PRC Limited Liability Company 28 June 2005	Mainland China	RMB105,000,000	—	100%	I
Ma'anshan Dali Foods Co., Ltd. (馬鞍山達利食品有限公司)	The PRC Limited Liability Company 9 October 2007	Mainland China	RMB160,000,000	—	100%	I
Shanxi Dali Foods Co., Ltd. (山西達利食品有限公司)	The PRC Limited Liability Company 15 November 2007	Mainland China	RMB105,000,000	—	100%	I
Yunnan Dali Foods Co., Ltd. (雲南達利食品有限公司)	The PRC Limited Liability Company 25 March 2008	Mainland China	RMB110,000,000	—	100%	I
Xiamen Dali Trading Co., Ltd. (廈門達利商貿有限公司)	The PRC Limited Liability Company 2 April 2010	Mainland China	RMB40,000,000	—	100%	Trading
Henan Dali Foods Co., Ltd. (河南達利食品有限公司)	The PRC Limited Liability Company 21 July 2010	Mainland China	RMB150,000,000	—	100%	I
Guangdong Dali Foods Co., Ltd. (廣東達利食品有限公司)	The PRC Limited Liability Company 5 August 2010	Mainland China	RMB200,000,000	—	100%	I
Nanchang Dali Foods Co., Ltd. (南昌達利食品有限公司)	The PRC Limited Liability Company 2 August 2010	Mainland China	RMB140,000,000	—	100%	III

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name of company	Place of Incorporation, type of legal entity, and date of incorporation	Place of operation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Jiangsu Dali Foods Co., Ltd. (江蘇達利食品有限公司)	The PRC Limited Liability Company 23 August 2010	Mainland China	RMB200,000,000	—	100%	I
Hebei Dali Foods Co., Ltd. (河北達利食品有限公司)	The PRC Limited Liability Company 22 April 2011	Mainland China	RMB100,000,000	—	100%	I
Shaanxi Dali Foods Co., Ltd. (陝西達利食品有限公司)	The PRC Limited Liability Company 28 June 2011	Mainland China	RMB80,000,000	—	100%	I
Shenyang Dali Foods Co., Ltd. (瀋陽達利食品有限公司)	The PRC Limited Liability Company 21 May 2012	Mainland China	RMB10,000,000	—	100%	I

Notes:

I: Manufacture and sale of food and beverage

II: Manufacture and sale of food, beverage and related packaging

III: Manufacture and sale of beverage

* English translations of names for identification purposes only

2.1 BASIS OF PREPARATION

Through a group reorganization (the "Reorganization") as more fully explained in the section headed "History, Development and Reorganization" in the prospectus dated 10 November 2015 (the "Prospectus") for the Listing, upon completion of the Reorganization, the Company became the holding company of the companies now comprising the Group and a subsidiary of the Company undertook the business previously operated under Fujian Dali Foods Group Co., Ltd. (the "Transferred Business"), which held entire equity interests in the operating subsidiaries before the Reorganization.

Fujian Dali Foods Group Co., Ltd., the Transferred Business and companies now comprising the Group were under the common control of the Controlling Shareholders before and after the Reorganization. Accordingly, the financial statements have been prepared on a consolidated basis by applying the principles of merger accounting.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale investments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousands except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

a) the contractual arrangement with the other vote holders of the investee;

b) rights arising from other contractual arrangements; and

c) the Group's voting rights and potential voting rights.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date of such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSRES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to HKAS 19 *Defined Benefits Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

The adoption of the above revised standards and interpretation has had no significant financial effect on these financial statements.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the consolidated financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortization*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
4 No mandatory effective date yet determined but is available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard upon adoption and expects that the adoption of HKFRS will have an impact on the classification and measurement of the Group's financial assets.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognizing revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, (only if there are revalued assets in the financial statements), unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

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

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same Group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.75%
Motor vehicles	19.00%-23.75%
Plant and machinery	9.50%-19.00%
Other equipment	9.50%-31.67%

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building or plant and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased software is stated at cost less any impairment losses and amortized on the straight-line basis over its estimated useful lives of five years.

Pipeline rights

Purchased pipeline rights represent the payment made for the use right of natural gas and water pipelines, which are stated at cost less any impairment losses and amortized on the straight-line basis over estimated useful lives of five years.

Research and development costs

All research costs are charged to profit or loss as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognized on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale financial investments. When financial assets are recognized initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognized in profit or loss in finance costs for loans and in administrative expenses for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealized gains or losses recognized as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognized in the statement of profit or loss as other income.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to administrative expenses in the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is removed from other comprehensive income and recognized in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement of profit or loss – is removed from other comprehensive income and recognized in the income statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement of profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average method and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Other employee benefits

Pension scheme

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the consolidated financial statements.

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measure in fair value is treated in line with the recognition of the gain or loss on change at fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

The functional currencies of the Company and certain overseas established subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas established subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas established subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Withholding tax arising from the distribution of dividends

The Group's determination, as to whether to accrue withholding taxes arising from the distributions of dividends by certain subsidiaries according to the relevant tax rules enacted in the jurisdictions, is subject to judgement on the plan of the distribution of dividends.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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, are described below.

Impairment of trade receivables

The provision policy for impairment of receivables of the Group is based on ongoing assessment of the recoverability and the aged analysis of the outstanding receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realization of those receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required.

Provision for slow-moving inventories and net realizable value of inventories

Management reviews the ageing analysis of inventories of the Group at the end of each reporting period, and makes a provision for slow-moving inventory items. Management estimates the net realizable value for such inventories based primarily on the latest invoice prices and current market conditions. Write-down of inventories to net realizable value is made based on the estimated net realizable value of inventories. The assessment of the write-down amount requires management's estimates and judgement. Where the actual outcome or expectation in the future is different from the original estimate, such differences will impact the carrying value of inventories and write-down/write-back of inventories in the period in which such estimate has been changed.

Deferred tax assets

Deferred tax assets relating to certain temporary differences are recognized as management considers that it is probable that future taxable profit will be available against which the temporary tax differences or tax losses can be utilized. Where the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and deferred tax in the periods in which such estimates have been changed. The carrying amounts of deferred tax assets carried in the consolidated statement of financial position as at 31 December 2015 was RMB25,711,000 (2014: RMB47,604,000), details of which are set out in note 25 to the consolidated financial statements.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and the related depreciation charge for the Group's 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. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation charge in the future periods.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and has two reportable operating segments as follows:

a) Manufacturing and sale of food;

b) Manufacturing and sale of beverage.

Management monitors the gross profit of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. No analysis of the Group's assets and liabilities by operating segments is disclosed as it is not regularly provided to the chief operating decision maker for review.

Year ended 31 December 2015	**Food RMB'000**	**Beverage RMB'000**	**Total RMB'000**
Segment revenue			
Sales to external customers	**9,519,375**	**7,345,465**	**16,864,840**
Segment gross profit	**2,888,172**	**2,928,084**	**5,816,256**
Reconciliation:			
Other income and gains			**276,762**
Selling and distribution expenses			**(2,046,043)**
Administrative expenses			**(338,808)**
Finance costs			**(26,736)**
Profit before tax			**3,681,431**
Other segment information:			
Depreciation and amortization	**126,735**	**346,710**	**473,445**
Capital expenditure			
Allocated	**121,207**	**253,323**	**374,530**
Unallocated			**103,646**
			478,176

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2014	Food RMB'000	Beverage RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	8,495,421	6,398,582	14,894,003
Segment gross profit	2,257,740	1,741,085	3,998,825
Reconciliation:			
Other income and gains			114,093
Selling and distribution expenses			(1,097,599)
Administrative expenses			(253,791)
Profit before tax			2,761,528
Other segment information:			
Depreciation and amortization	124,413	313,414	437,827
Capital expenditure			
Allocated	266,782	486,646	753,428
Unallocated			32,627
			786,055

Geographical information

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

Information about a major customer

Since none of the Group's sale to a single customer amounted to 10% or more of the Group's total revenue, no major customer information is presented in accordance with HKFRS 8 *Operating Segments*.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for rebate and trade discounts.

An analysis of revenue, other income and gains is as follows:

(a) Revenue:

	2015 **RMB'000**	2014 RMB'000
Sale of goods	**16,864,840**	14,894,003

(b) Other income and gains:

	2015 **RMB'000**	2014 RMB'000
Bank interest income	**35,613**	10,424
Fair value gains, net:		
available-for-sale investments (transfer from equity on disposal)	**44**	—
Interest income from loans to a third party	**—**	12,320
Interest income from a loan to a related party	**—**	3,355
Government grants*	**197,262**	44,165
Income from sales of scrap, net	**40,166**	40,712
Foreign exchange differences, net	**—**	344
Gain on disposal of items of property, plant and equipment	**94**	24
Others	**3,583**	2,749
	276,762	114,093

* Government grants include various subsidies received by the Company's subsidiaries from relevant government bodies in connection with enterprise expansion and efficiency enhancement. There are no unfulfilled conditions or contingencies related to these grants.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived after charging/(crediting):

		2015 RMB'000	2014 RMB'000
(a)	**Cost of sales:**		
	Cost of inventories sold	**9,721,182**	9,620,009
(b)	**Employee benefit expenses (including directors' and chief executive's remuneration (note 8)):**		
	Wages and salaries	**1,358,160**	1,056,961
	Pension scheme contribution, social welfare and other welfare	**127,818**	88,998
		1,485,978	1,145,959
(c)	**Other items:**		
	Depreciation (note 14)	**512,027**	467,834
	Amortization of land lease payments (note 15)	**11,930**	12,167
	Amortization of intangible assets (note 16)	**1,055**	815
	Promotion and advertising expenses	**1,085,689**	483,669
	Logistics expense	**468,227**	332,797
	Auditors' remuneration	**3,000**	1,289
	Research and development costs	**47,510**	45,114
	Minimum lease payments under operating leases	**17,039**	—
	Foreign exchange differences, net	**6,867**	(344)
	Fair value gains, net:		
	available-for-sale investments (transfer from equity on disposal)	**(44)**	—
	Bank interest income	**35,613**	10,424
	Loss on disposal of items of property, plant and equipment	**1,787**	954
	Government grants	**(197,262)**	(44,165)
	Impairment of items of property, plant and equipment	**—**	24
	Impairment of inventories	**292**	152

The depreciation of property, plant and equipment and amortization of prepaid land lease payments and other intangible assets are included in "administrative expenses", "selling and distribution expenses" and "cost of sales" in the consolidated statement of profit or loss.

Research and development costs are included in "administrative expenses" and "cost of sales" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2015 RMB'000	2014 RMB'000
Interest on other borrowings	**26,736**	—

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, secion 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015 RMB'000	2014 RMB'000
Fees	**55**	—
Other emoluments:		
Salaries, allowances and benefits in kind	**5,066**	1,012
Pension scheme contributions	**78**	46
	5,144	1,058

(a) Independent non-executive directors

The payables of the fees to independent non-executive directors as at the end of the reporting period were as follows:

	2015 RMB'000	2014 RMB'000
Mr. Cheng Hanchuan	**14**	—
Mr. Liu Xiaobin	**14**	—
Dr. Lin Zhijun	**27**	—
	55	—

Mr. Cheng Hanchuan, Mr. Liu Xiaobin and Dr. Lin Zhijun were appointed as independent non-executive directors on 25 August 2015. There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, Non-executive directors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Contributions to defined contribution retirement schemes RMB'000	Total RMB'000
2015				
Executive directors:				
Mr. Xu Shihui	—	2,322	26	2,348
Ms. Xu Yangyang	—	1,122	26	1,148
Mr. Zhuang Weiqiang	—	1,622	26	1,648
	—	5,066	78	5,144
Non-executive directors:				
Ms. Xu Biying	—	—	—	—
Ms. Hu Xiaoling	—	—	—	—
	—	—	—	—
2014				
Executive directors:				
Mr. Xu Shihui	—	—	—	—
Ms. Xu Yangyang	—	452	23	475
Mr. Zhuang Weiqiang	—	560	23	583
	—	1,012	46	1,058

Mr. Xu Shihui was appointed as a director of the Company on 4 November 2014 and re-designated as an executive director of the Company on 14 June 2015, and Ms. Xu Yangyang was appointed as a director of the Company on 4 November 2014 and re-designated as an executive director of the Company on 14 June 2015. Mr. Zhuang Weiqiang was appointed as executive director of the Company on 14 June 2015.

Ms. Hu Xiaoling and Ms. Xu Biying were appointed as non-executive directors of the Company on 4 May 2015 and 14 June 2015, respectively.

There was no arrangement under which a director waived or agreed to waive any remuneration during the reporting period.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2014: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2014: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2015 **RMB'000**	2014 RMB'000
Salaries, allowances and benefit in kind	**2,044**	1,138
Pension scheme contribution	**52**	69
	2,096	1,207

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2015	2014
Nil to HKD500,000	**—**	3
HKD500,001 to HKD1,000,000	**—**	—
HKD1,000,001 to HKD1,500,000	**2**	—
	2	3

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.

Subsidiaries incorporated in Hong Kong were subject to income tax at the rate of 16.5% (2014: 16.5%). No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year.

Under the Income Tax Law of the PRC, the Company's subsidiaries that are established in the PRC were subject to income tax at a base rate of 25, except for some subsidiaries which are subject to preferential income tax rate of 15%, approved by the relevant local tax authorities in 2015, in different periods ranging from 1 January 2014 to 31 December 2020.

10. INCOME TAX (continued)

The major components of income tax expense are as follows:

	2015 RMB'000	2014 RMB'000
Current tax:		
Income tax in the PRC for the year	**749,567**	694,682
Deferred tax (note 25)	**19,539**	(9,870)
Total tax charge for the year	**769,106**	684,812

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2015 RMB'000	2014 RMB'000
Profit before tax	**3,681,431**	2,761,528
Tax at the statutory tax rate (25%)	**920,358**	690,382
Effect of tax relief enjoyed by certain subsidiaries	**(101,027)**	—
Effect of tax relief approved in current period enjoyed by certain subsidiaries for previous period	**(52,786)**	—
Income not subject to tax*	**(12,450)**	(7,423)
Expenses not deductible for tax	**1,219**	1,853
Unrecognized tax loss	**9,427**	—
Effect on opening deferred tax of change in rates	**4,365**	—
Tax charge at the Group's effective rate	**769,106**	684,812

* Income not subject to tax mainly includes the profit from the primary agricultural product processing, which is exempted from income tax in accordance with the PRC tax law.

11. DISTRIBUTIONS

Pursuant to the Reorganization as set out in the section headed "History, Development and Reorganization" in the Prospectus, as part of the Reorganization, Fujian Dali Foods Group Co., Ltd. transferred its business to the Group with assets and liabilities set out as below remaining in Fujian Dali Foods Group Co., Ltd. and treated as a distribution to the Controlling Shareholders.

	31 December 2014 RMB'000
Cash and bank balances	561,906
Non-cash net assets (note 31)	4,837,212
	5,399,118

12. DIVIDENDS

The board has recommended the payment of a final dividend of HK$0.126 (equivalent to approximately RMB0.106) per ordinary share for the year ended 31 December 2015, representing a total payment of approximately HK$1,725,459,000 (equivalent to approximately RMB1,449,903,000). The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The dividend declared by the Company's subsidiaries to the then shareholders are as follows:

	2015 **RMB'000**	2014 RMB'000
Dividend declared	**1,449,903**	160,000

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2015 and 2014.

The calculation of basic and diluted earnings per share is based on:

	2015 **RMB'000**	2014 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	**2,912,325**	2,076,716

	Number of shares	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the year	**12,077,279,596**	11,640,000,000
Earnings per share		
Basic and diluted (RMB)	**0.24**	0.18

The weighted average number of ordinary shares, which were deemed to have been issued throughout the year, used to calculate the basic earnings per share for the year ended 31 December 2014 was 11,640,000,000 (note 29(f)).

The weighted average number of ordinary shares, used to calculate the basic earnings per share for the year ended 31 December 2015 includes the weighted average of 1,694,117,500 ordinary shares issued in connection with the Company's IPO as defined in the Prospectus, 360,000,000 ordinary shares issued to CDH Delicacy Holdings Limited (note 29(f)) and the aforesaid 11,640,000,000 ordinary shares.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Motor vehicles RMB'000	Plant and machinery RMB'000	Other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2015						
At 1 January 2015:						
Cost	1,363,521	66,717	4,047,530	318,751	220,811	6,017,330
Accumulated depreciation and impairment	(245,646)	(42,629)	(1,361,986)	(106,613)	—	(1,756,874)
Net carrying amount	1,117,875	24,088	2,685,544	212,138	220,811	4,260,456
At 1 January 2015, net of accumulated depreciation and impairment	1,117,875	24,088	2,685,544	212,138	220,811	4,260,456
Additions	9,791	3,835	187,829	45,216	141,954	388,625
Depreciation provided during the year (note 6)	(63,559)	(8,570)	(391,005)	(48,893)	—	(512,027)
Transfers	105,525	—	131,178	16,261	(252,964)	—
Disposals	—	(151)	(2,879)	(14)	—	(3,044)
At 31 December 2015, net of accumulated depreciation and impairment	1,169,632	19,202	2,610,667	224,708	109,801	4,134,010
At 31 December 2015:						
Cost	1,481,266	65,440	4,345,130	373,537	109,801	6,375,174
Accumulated depreciation and impairment	(311,634)	(46,238)	(1,734,463)	(148,829)	—	(2,241,164)
Net carrying amount	1,169,632	19,202	2,610,667	224,708	109,801	4,134,010

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RMB'000	Motor vehicles RMB'000	Plant and machinery RMB'000	Other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2014						
At 1 January 2014:						
Cost	1,340,861	60,366	3,519,387	244,828	364,582	5,530,024
Accumulated depreciation and impairment	(226,110)	(36,064)	(1,055,206)	(75,439)	—	(1,392,819)
Net carrying amount	1,114,751	24,302	2,464,181	169,389	364,582	4,137,205
At 1 January 2014, net of accumulated depreciation and impairment	1,114,751	24,302	2,464,181	169,389	364,582	4,137,205
Additions	19,256	10,143	318,733	50,563	365,334	764,029
Depreciation provided during the year (note 6)	(68,965)	(10,182)	(354,954)	(33,733)	—	(467,834)
Transfers	189,253	—	261,874	26,107	(477,234)	—
Disposals	—	(10)	(1,765)	(57)	—	(1,832)
Impairment	—	—	(24)	—	—	(24)
Distribution to the Controlling Shareholders (note 31)	(136,420)	(165)	(2,501)	(131)	(31,871)	(171,088)
At 31 December 2014, net of accumulated depreciation and impairment	1,117,875	24,088	2,685,544	212,138	220,811	4,260,456
At 31 December 2014:						
Cost	1,363,521	66,717	4,047,530	318,751	220,811	6,017,330
Accumulated depreciation and impairment	(245,646)	(42,629)	(1,361,986)	(106,613)	—	(1,756,874)
Net carrying amount	1,117,875	24,088	2,685,544	212,138	220,811	4,260,456

As at 31 December 2015, the Group had yet to obtain property ownership certificates for certain buildings with an aggregate net book value of RMB211,337,000 (2014: RMB259,193,000). Notwithstanding this, the directors are of the opinion that the Group owned the beneficial titles to these buildings at the end of the reporting period.

15. PREPAID LAND LEASE PAYMENTS

	2015 RMB'000	2014 RMB'000
Carrying amount at 1 January	**516,239**	547,398
Additions during the year	**88,433**	21,964
Amortization provided during the year (note 6)	**(11,930)**	(12,167)
Distribution to the Controlling Shareholders (note 31)	**—**	(40,956)
Carrying amount at 31 December	**592,742**	516,239

The carrying amount of the Group's prepaid lease payments represents the carrying amount of land use rights in Mainland China. The Group was in process of applying for the land certificates with a carrying amount of RMB40,764,000 as at 31 December 2015 (2014: RMB27,931,000).

16. INTANGIBLE ASSETS

	Software RMB'000	**Pipeline rights RMB'000**	**Total RMB'000**
31 December 2015			
Cost at 1 January 2015, net of accumulated amortization	**922**	**606**	**1,528**
Additions during the year	**1,118**	**—**	**1,118**
Amortization provided during the year (note 6)	**(658)**	**(397)**	**(1,055)**
At 31 December 2015	**1,382**	**209**	**1,591**
At 31 December 2015:			
Cost	**3,316**	**2,913**	**6,229**
Accumulated amortization	**(1,934)**	**(2,704)**	**(4,638)**
Net carrying amount	**1,382**	**209**	**1,591**
31 December 2014			
Cost at 1 January 2014, net of accumulated amortization	1,217	1,064	2,281
Additions during the year	62	—	62
Amortization provided during the year (note 6)	(357)	(458)	(815)
At 31 December 2014	922	606	1,528
At 31 December 2014:			
Cost	2,198	2,913	5,111
Accumulated amortization	(1,276)	(2,307)	(3,583)
Net carrying amount	922	606	1,528

17. PREPAYMENTS

	2015 RMB'000	2014 RMB'000
Prepayments of prepaid land lease payments	—	16,795
Prepayments of purchased property, plant and equipment	72,971	98,991
	72,971	115,786

Prepayments are unsecured and non-interest-bearing. None of the above assets is either past due or impaired.

18. INVENTORIES

	2015 RMB'000	2014 RMB'000
Raw materials and packaging materials	593,553	684,613
Finished goods	335,970	405,830
	929,523	1,090,443

19. TRADE RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	145,668	192,471
Impairment	(715)	(715)
	144,953	191,756

19. TRADE RECEIVABLES (continued)

The credit period is ranging from 30 to 90 days. The aging analysis of trade receivables (net of impairment losses for bad and doubtful debts), based on invoice date, as at the end of the reporting period is as follows:

	2015 **RMB'000**	2014 RMB'000
Within 90 days	**136,510**	181,125
91 to 180 days	**8,155**	8,956
181 to 365 days	**288**	1,395
Over 1 year	**—**	280
	144,953	191,756

The movements in provision for impairment of trade receivables are as below:

	2015 **RMB'000**	2014 RMB'000
At beginning of year	**715**	913
Amount written off as uncollectible	**—**	(198)
At end of year	**715**	715

The aging analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2015 **RMB'000**	2014 RMB'000
Neither past due nor impaired	**119,175**	146,050
Past due but not impaired:		
Less than 90 days past due	**25,490**	35,075
90 to 180 days past due	**288**	8,956
Over 180 days past due	**—**	1,675
	144,953	191,756

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that are past due but not impaired related to a number of independent customers that have a good relationship with the Group. The Group has not impaired these debtors as there has not been a significant change in credit quality and the directors believe that the amounts are recoverable. The Group does not hold any collateral over these balances.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Prepayments to suppliers	**50,817**	32,560
Prepayments for advertising services	**7,460**	20,908
Deposits	**7,810**	4,200
VAT recoverable (i)	**400**	20,018
Interest receivables	**18,202**	—
Other receivables	**10,083**	9,145
	94,772	86,831

(i) The Group's sales of food and beverage are subject to Mainland China Value Added Tax ("VAT"). Input VAT on purchases can be deducted from output VAT payable. The VAT recoverable is the net difference between output VAT and deductible input VAT. The applicable tax rate for domestic sales of the Group is 17%.

Prepayments, deposits and other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment. None of the above assets is either past due or impaired.

21. AVAILABLE-FOR-SALE INVESTMENTS

	2015 RMB'000	2014 RMB'000
Available-for-sale investments	**844,113**	—

The available-for-sale investments were wealth management products issued by banks in the PRC with expected interest rates ranging from 2.3% to 5.38% per annum and maturity periods from 0.5 to 5 years. For those investments with maturity periods over 1 year, the Group has the right to redeem the investments on any business day of the relevant banks.

During the year, the gross gain in respect of the Group's available-for-sale investments recognized in other comprehensive income amounted to RMB9,460,000 (2014: Nil), of which RMB44,000 (2014: Nil) was reclassified from other comprehensive income to profit or loss.

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2015 RMB'000	2014 RMB'000
Cash and bank balances	**1,514,261**	628,851
Time deposits with original maturity of less than three months	**7,421,159**	—
Pledged short-term deposits	**21,481**	6,205
	8,956,901	635,056
Less: Pledged short-term deposits	**(21,481)**	(6,205)
Cash and cash equivalents	**8,935,420**	628,851

Pledged short-term deposits were pledged as security for insurance of bills payable of the Group (note 23).

The Group's cash and cash equivalents at 31 December 2015 were denominated in the following currencies:

	2015 RMB'000	2014 RMB'000
RMB	**3,457,937**	626,099
HKD	**5,445,699**	10
USD	**29,465**	185
EUR	**2,319**	2,557
	8,935,420	628,851

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and pledged deposits approximate to their fair values.

23. TRADE AND BILLS PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables	**936,050**	759,210
Bills payable	**28,120**	11,405
	964,170	770,615

An aging analysis of the trade and bills payables as at the end of the reporting period, based on the transaction date, is as follows:

	2015 RMB'000	2014 RMB'000
Within 90 days	**933,052**	720,848
91 to 365 days	**21,078**	33,159
1 to 2 years	**4,909**	11,311
Over 2 years	**5,131**	5,297
	964,170	770,615

The bills payable were secured by the pledge of the Group's short-term deposits of RMB21,481,000 at 31 December 2015 (2014: RMB6,205,000) (note 22).

The trade payables are non-interest-bearing and normally settled within 30 days. The bills payable are non-interest-bearing and normally settled within 90 days.

24. OTHER PAYABLES AND ACCRUALS

	2015 RMB'000	2014 RMB'000
Advances from customers	**434,601**	353,141
Payables for purchase of property, plant and equipment	**145,147**	178,851
Payables for purchase of prepaid land lease payments	**34,775**	37,217
Payroll and welfare payables	**129,906**	85,161
Other tax payable	**93,567**	90,222
Interest payables	**2,001**	—
Other payables	**82,919**	47,962
Accruals	**61,608**	20,148
	984,524	812,702

Other payables are unsecured, non-interest-bearing and repayable on demand.

25. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	2015 Fair value adjustments arising from available-for-sale investments RMB'000
At 1 January 2015	—
Deferred tax charged directly to equity during the year	(2,354)
Gross deferred tax liabilities at 31 December 2015	(2,354)

Deferred tax assets

	2015					
	Unrealized internal sale profit RMB'000	Losses available for offsetting against future taxable profits RMB'000	Payroll and welfare payables RMB'000	Accruals RMB'000	Others RMB'000	Total RMB'000
At 1 January 2015	7,257	6,403	21,272	10,152	2,520	47,604
Deferred tax credited/(charged) to profit or loss during the year (note 10)	(219)	(2,358)	(21,272)	4,597	(287)	(19,539)
Gross deferred tax assets at 31 December 2015	7,038	4,045	—	14,749	2,233	28,065

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. Net deferred tax assets recognized in the consolidated statement of financial position as at 31 December 2015 were RMB25,711,000.

25. DEFERRED TAX (continued)

Deferred tax assets

	2014					
	Unrealized internal sale profit RMB'000	Losses available for offsetting against future taxable profits RMB'000	Payroll and welfare payables RMB'000	Accruals RMB'000	Others RMB'000	Total RMB'000
At 1 January 2014	3,461	5,075	18,367	10,722	2,711	40,336
Deferred tax credited/(charged) to profit or loss during the year (note 10)	3,796	1,328	4,106	831	(191)	9,870
Distribution to the Controlling Shareholders (note 31)	—	—	(1,201)	(1,401)	—	(2,602)
Gross and net deferred tax assets at 31 December 2014	7,257	6,403	21,272	10,152	2,520	47,604

Deferred tax assets have not been recognized in respect of tax losses of RMB5,465,000 as at 31 December 2015 (2014: Nil), as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilized.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at the end of 31 December 2015, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of certain subsidiaries established in Mainland China. In the opinion of the Directors, it is not probable that these subsidiaries will distribute earnings arising from 1 January 2008 to 31 December 2015 in the foreseeable future. The aggregate amount of temporary differences associated with the investment in these subsidiaries in Mainland China for which deferred tax liabilities have not been recognized totalled approximately RMB2,732,997,000 as at 31 December 2015 (2014: RMB72,801,000).

26. OTHER BORROWINGS

	2015 Maturity	2015 RMB'000
Entrusted loans	**August 2016**	**1,500,000**

The entrusted loans were borrowed from a third-party wealth management company through a commercial bank, which are unsecured, bear interest at 4.365% per annum and are repayable by 12 months. The Group prepaid the entrusted loans of RMB1,000,000,000 in January 2016.

27. DIVIDENDS PAYABLE

In connection with the Reorganization, the dividends, declared by certain subsidiaries of the Company in Mainland China in 2014, were payable to Fujian Dali Foods Group Co., Ltd., the then holding company of the Group's PRC subsidiaries before completion of the Reorganization and a related party controlled by the Controlling Shareholders after the Reorganization. Such dividends payable had been fully paid in 2015.

28. DEFERRED REVENUE

	2015 RMB'000	2014 RMB'000
At beginning of year	**266,515**	206,104
Additions during the year	**51,951**	71,610
Released to profit or loss	**(21,491)**	(11,199)
At end of year	**296,975**	266,515

Government grants have been awarded for the construction of certain items of property, plant and equipment of the Company's subsidiaries. There are no unfulfilled conditions and contingencies relating to these grants.

29. SHARE CAPITAL

Shares

	2015 RMB'000	2014 RMB'000
Authorized:		
50,000,000,000 ordinary shares (notes (c) and (e)) of HKD0.01 each (2014: 50,000 ordinary shares of USD1 each)	**409,085**	307
Issued and fully paid:		
13,694,117,500 ordinary shares of HKD0.01 each (2014:100 ordinary shares of USD1 each)	**112,712**	1

29. SHARE CAPITAL (continued)

Shares (continued)

A summary of movements in the Company's issued share capital is as follows:

	Number of Issued and fully paid ordinary shares	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Issuance of shares on the date of incorporation (note (a))	100	1	—	1
At 31 December 2014	100	1	—	1
Issuance of shares on 5 May 2015 (note (b))	9,900	60	1,109,921	1,109,981
Issuance of shares on 14 October 2015 (note (d))	10,000	—	—	—
Repurchase and cancellation of shares (note (e))	(10,000)	(61)	61	—
Subdivision of shares and issuance of shares for the IPO (note (f))	13,694,107,500	112,712	7,207,709	7,320,421
Share issuance expenses	—	—	(142,213)	(142,213)
At 31 December 2015	13,694,117,500	112,712	8,175,478	8,288,190

(a) The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 4 November 2014 with initial authorized share capital of USD50,000 divided into 50,000 shares of a par value of USD1 each. On the date of incorporation, 1 ordinary share at par value of USD1 was allotted and issued to the Parent as fully paid. On 15 November 2014, the Company further issued and allotted 99 shares to the Parent at par value as fully paid.

(b) On 5 May 2015, the Company issued 9,600 ordinary shares of USD1 each to the shareholders of the Company as fully paid at par. On 5 May 2015, the Company allotted and issued 300 ordinary shares to CDH Delicacy Holdings Limited for a consideration of RMB1.11 billion. The excess of consideration of RMB1.11 billion over the nominal value of USD300 (equivalent to RMB1,835) of the Company's shares was credited to the share premium.

(c) On 25 August 2015, the Company's authorized share capital was increased from USD50,000 divided into 50,000 ordinary shares of a par value of USD1.00 each to the aggregate of USD50,000 and HKD500,000,000 divided into (i) 50,000 ordinary shares of a par value of USD1.00 each and (ii) 50,000,000,000 shares of a par value of HKD0.01 each by the creation of 50,000,000,000 shares of a par value of HKD0.01 each.

(d) On 14 October 2015, 10,000 ordinary shares of a par value of HKD0.01 each of the Company were allotted and issued to the then existing shareholders in proportion to their respective shareholdings in the Company and credited as fully paid.

29. SHARE CAPITAL (continued)

Shares (continued)

(e) On 14 October 2015, 10,000 ordinary shares of a par value of USD1.00 each of the Company were repurchased and cancelled and the Company's authorized share capital was reduced by cancellation of the 50,000 authorized but unissued ordinary shares of a par value of USD1.00 each, following which the authorized share capital of the Company became HKD500,000,000 divided into 50,000,000,000 shares of a par value of HKD0.01 each.

(f) On 19 November 2015, the Company effected a share split, pursuant to which each issued ordinary share was subdivided into 1,200,000 ordinary shares of a par value of HKD0.01 each, with the number of shares in issue changed from 10,000 to 12,000,000,000, among which 11,640,000,000 and 360,000,000 shares were issued to the Parent and CDH Delicacy Holdings Limited, respectively. Immediately after the share split, the Company issued 1,694,117,500 shares in its initial public offering at the price of HKD5.25 per share.

30. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 53 to 54.

Share premium

The share premium of the Group represents the amount paid by shareholders for capital injection in excess of its nominal value. Details of the movements in the share premium are set out in the consolidated statement of changes in equity.

Merger reserve

The merger reserve of the Group represents the reserve arose pursuant to the Reorganization mentioned in note 2.1. Details of the movements in the merger reserve are set out in the consolidated statement of changes in equity.

Statutory reserve

In accordance with the relevant PRC regulations applicable to wholly-foreign-owned companies, certain entities within the Group are required to allocate a certain portion (not less than 10%), as determined by their boards of directors, of their profit after tax in accordance with PRC GAAP to the statutory reserve fund (the "SRF") until such reserve reaches 50% of the registered capital.

The SRF is non-distributable other than in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalized as issued capital.

In accordance with relevant regulations and the articles of association, a subsidiary registered in the PRC as a domestic company is required to appropriate 10% of its net profit (after offsetting accumulated losses from prior years) to the SRF. After the balance of such reserve reaches 50% of the entity's capital, any further appropriation is at the discretion of the company. The SRF can be utilized to offset accumulated losses or increase capital. However, the balance of the SRF must be maintained at a minimum of 25% of the capital after such usages.

31. NON-CASH TRANSACTIONS

In connection with the Reorganization, the assets and liabilities distributed to and retained by the Controlling Shareholders are as follows:

	31 December 2014 RMB'000
Assets	
Property, plant and equipment (note 14)	171,088
Trade receivables	80,382
Prepayments, deposits and other receivables	21,562
Loan to a related party (note 35)	200,000
Prepaid land lease payments (note 15)	40,956
Available-for-sale investment	180,000
Deferred tax assets (note 25)	2,602
Inventories	7,850
Due from the Controlling Shareholders	51,906
Due from related parties	3,088,902
Prepaid Tax	117,698
Dividends receivable	1,125,756
Total assets	5,088,702
Liabilities	
Trade and bills payables	117,434
Other payables and accruals	37,418
Tax payable	16,638
Dividends payable	80,000
Total liabilities	251,490
Net assets	4,837,212

32. CONTINGENT LIABILITIES

As at the end of the 31 December 2015, the Group did not have any significant contingent liabilities.

33. PLEDGE OF ASSETS

Details of the Group's bills payable, which are secured by the assets of the Group, are included in note 23 to the consolidated financial statements.

34. COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments at the end of the reporting period:

	2015 RMB'000	2014 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**179,739**	319,085

(b) Operating lease commitments

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating lease payables as follows:

	2015 RMB'000	2014 RMB'000
Within one year	**17,039**	—
In the second to fifth years, inclusive	**68,155**	—
After five years	**68,155**	—
	153,349	—

The Group leases certain of its properties and prepaid land lease payments under operating lease arrangements. Leases for properties are negotiated for a term of 10 years.

35. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties:

(i) Sales of products:

	2015 RMB'000	2014 RMB'000
Hubei Dali Estate Co., Ltd.	**36**	873
Dali Century Hotel Co., Ltd.	**116**	74
	152	947

The sales to Hubei Dali Estate Co., Ltd. and Dali Century Hotel Co., Ltd., which are companies controlled by the Controlling Shareholders, were made according to the published prices and conditions offered to the major customers of the Group.

(ii) Loan lent to:

	2015 RMB'000	2014 RMB'000
Hubei Dali Estate Co., Ltd.	**—**	200,000

The loan lent to Hubei Dali Estate Co., Ltd. bears interest at 9.9% per annum and the maturity date of the loan is 26 October 2016. The loan was distributed to the Controlling Shareholders in connection with the Reorganization (note 31).

(iii) Advance to:

	2015 RMB'000	2014 RMB'000
Hubei Dali Estate Co., Ltd.	**23,000**	—

The advance was repaid by Hubei Dali Estate Co., Ltd. in July 2015.

35. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties: (continued)

(iv) Interest income:

	2015 RMB'000	2014 RMB'000
Hubei Dali Estate Co., Ltd.	—	3,355

The interest income was in relation to the loan lent to Hubei Dali Estate Co., Ltd.

(v) Repayment of advance to:

	2015 RMB'000	2014 RMB'000
Hubei Dali Estate Co., Ltd.	23,000	—

(vi) Rental expenses

	2015 RMB'000	2014 RMB'000
Fujian Dali Foods Group Co., Ltd.	17,039	—

Rental expenses represent expenses from leases of properties and prepaid land lease payments which are charged in accordance with the terms of agreements made between the parties.

(vii) Advances from the Controlling Shareholders:

	2015 RMB'000	2014 RMB'000
Ms. Chen Liling	1,100	36,136
Mr. Xu Shihui	1,500	11,450
Ms. Xu Yangyang	78,131	917
	80,731	48,503

35. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties: (continued)

(viii) Repayment of advances from the Controlling Shareholders:

	2015	2014
	RMB'000	RMB'000
Ms. Chen Liling	**46,778**	460,110
Mr. Xu Shihui	**159,317**	701,736
Ms. Xu Yangyang	**79,047**	69,745
	285,142	1,231,591

(ix) Advances from related parties:

	2015	2014
	RMB'000	RMB'000
Hubei Dali Estate Co., Ltd.	**—**	7,000
Quanzhou Dali Investment Co., Ltd.	**—**	2,000
	—	9,000

Hubei Dali Estate Co., Ltd. and Quanzhou Dali Investment Co., Ltd. are companies controlled by the Controlling Shareholders.

(x) Repayment of advances from related parties:

	2015	2014
	RMB'000	RMB'000
Hubei Dali Estate Co., Ltd.	**—**	7,000
Fujian Dali Estate Co., Ltd.	**—**	9,998
	—	16,998

35. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties: (continued)

(xi) Repayment of amounts due to a related party in connection with the Reorganization:

	2015 **RMB'000**	2014 RMB'000
Fujian Dali Foods Group Co., Ltd.	**3,081,750**	—

(xii) Services purchased:

	2015 **RMB'000**	2014 RMB'000
Dali Century Hotel Co., Ltd.	**759**	—

The services incurred for purchase of accommodation and catering services from Dali Century Hotel Co., Ltd. were made according to the published prices.

(b) Due to a related party other than the Controlling Shareholders:

	2015 **RMB'000**	2014 RMB'000
Fujian Dali Foods Group Co., Ltd.	**—**	3,081,750

The amount due to a related party was non-trade in nature. The balance was unsecured, interest-free and payable on demand. The amount due to a related party other than the Controlling Shareholders was fully settled by the Group in August 2015.

35. RELATED PARTY TRANSACTIONS (continued)

(c) Due to the Controlling Shareholders:

	2015 RMB'000	2014 RMB'000
Ms. Chen Liling	—	45,678
Mr. Xu Shihui	—	157,817
Ms. Xu Yangyang	—	916
	—	204,411

The amounts due to the Controlling Shareholders were non-trade in nature. The balances were unsecured, interest-free and payable on demand. The amounts due to the Controlling Shareholders were fully settled by the Group in June 2015.

(d) Compensation of key management personnel of the Group:

	2015 RMB'000	2014 RMB'000
Salaries	8,941	2,488
Pension scheme contribution	182	138
	9,123	2,626

Further details of directors' emoluments are included in note 8 to the consolidated financial statements.

The related party transactions in respect of items (a) (i), (a) (vi) and (a) (xii) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

36. FINANCIAL INSTRUMENTS BY CATEGORY

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

2015

Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	—	844,113	844,113
Trade receivables	144,953	—	144,953
Financial assets included in prepayments, deposits and other receivables	36,095	—	36,095
Pledged deposits	21,481	—	21,481
Cash and cash equivalents	8,935,420	—	8,935,420
	9,137,949	844,113	9,982,062

Financial liabilities

	Financial liabilities at amortized cost RMB'000
Trade and bills payables	964,170
Financial liabilities included in other payables and accruals	326,450
Other borrowings	1,500,000
	2,790,620

36. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2014

Financial assets

	Loans and receivables RMB'000
Trade receivables	191,756
Financial assets included in prepayments, deposits and other receivables	13,345
Pledged deposits	6,205
Cash and cash equivalents	628,851
	840,157

Financial liabilities

	Financial liabilities at amortized cost RMB'000
Trade and bills payables	770,615
Financial liabilities included in other payables and accruals	284,178
Due to the Controlling Shareholders	204,411
Due to related parties	3,081,750
Dividends payable	1,125,756
	5,466,710

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	31 December 2015 RMB'000	31 December 2014 RMB'000	**31 December 2015 RMB'000**	31 December 2014 RMB'000
Financial assets				
Available-for-sale investments	**844,113**	—	**844,113**	—

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payables, financial liabilities included in other payables and accruals and other borrowings, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active inputs (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Available-for-sale investments	**—**	**844,113**	**—**	**844,113**

The Group did not have any financial liabilities measured at fair value as at 31 December 2015 and did not have any financial instruments measured at fair value as at 31 December 2014.

There were no transfers between Level 1 and Level 2 fair value measurements during the year and no transfers into or out of Level 3 fair value measurements for both financial assets and financial liabilities during the year.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash, short term deposits and available-for-sale investments. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below.

Foreign currency risk

The Group's businesses are located in Mainland China and nearly all transactions are conducted in RMB. As nearly all of the Group's assets and liabilities were denominated in RMB, the subsidiaries of the Company in mainland China were not subject to significant foreign currency risk. As at 31 December 2015, the Group's assets and liabilities denominated in HKD were mainly held by the Company and certain subsidiaries incorporated outside Mainland China which had currencies other than RMB as their functional currencies. The Company and those subsidiaries incorporated outside Mainland China also held bank balances denominated in RMB, from which foreign currency exposures arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HKD exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in HKD rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2015			
If the RMB weakens against the HKD	**1**	**(19,803)**	**74,119**
If the RMB strengthens against the HKD	**(1)**	**19,803**	**(74,119)**

* Excluding retained profits

Credit risk

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

As at the end of the reporting period, all pledged deposits and cash and cash equivalents were deposited in high quality financial institutions without significant credit risk.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

2015

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	—	**964,170**	—	—	—	**964,170**
Financial liabilities included in other payables and accruals	**144,527**	**179,922**	—	—	—	**324,449**
Other borrowings	—	**1,008,614**	**507,594**	—	—	**1,516,208**
	144,527	**2,152,706**	**507,594**	—	—	**2,804,827**

2014

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	—	770,615	—	—	—	770,615
Financial liabilities included in othe payables and accruals	68,110	216,068	—	—	—	284,178
Due to the Controlling Shareholders	204,411	—	—	—	—	204,411
Dividends payable	1,125,756	—	—	—	—	1,125,756
Due to related parties	3,081,750	—	—	—	—	3,081,750
	4,480,027	986,683	—	—	—	5,466,710

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. The Group monitors capital using a gearing ratio.

For capital management purposes, the Group has changed the way in the calculation of gearing ratio to be more in line with the Group's practice since the IPO. The gearing ratio is total liabilities divided by the capital plus total liabilities. Capital represents equity attribute to the owners of the parent. The gearing ratios as at the end of each reporting period were as follows:

	2015 **RMB'000**	2014 RMB'000
Total liabilities	**3,895,166**	6,395,498
Equity attributable to owners of the parent	**11,902,121**	550,201
Capital and total liabilities	**15,797,287**	6,945,699
Gearing ratio	**24.7%**	92.1%

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS	3,895,166	6,395,498
Investments in a subsidiary	1	1
Total non-current assets	1	1
CURRENT ASSETS		
Cash and cash equivalents	7,308,225	—
Due from a subsidiary	1,178,477	—
Other receivables	14,764	—
Total current assets	8,501,466	—
CURRENT LIABILITIES		
Other payables and accruals	4,096	—
Due to subsidiaries	44,856	—
Total current liabilities	48,952	—
NET CURRENT ASSETS	8,452,514	—
TOTAL ASSETS LESS CURRENT LIABILITIES	8,452,515	1
Net assets	8,452,515	1
EQUITY		
Share capital	112,712	1
Reserves (note)	8,339,803	—
Total equity	8,452,515	1

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows

	Share premium RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 31 December 2014 and 1 January 2015	—	—	—	—
Total comprehensive income for the year	—	196,566	(32,241)	164,325
Issue of shares	1,109,921	—	—	1,109,921
Repurchase of shares	61	—	—	61
Issuance of shares for the IPO	7,207,709	—	—	7,207,709
Share issue expenses	(142,213)	—	—	(142,213)
At 31 December 2015	8,175,478	196,566	(32,241)	8,339,803

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 24 February 2016.

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達利食品集團有限公司
DALI FOODS GROUP COMPANY LIMITED