嘉士利集團有限公司
JIASHILI GROUP LIMITED

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

ANNUAL REPORT **2015**

CONTENT

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Huang Xianming
(Chairman and Chief Executive Officer)
Mr. Tan Chaojun *(Vice Chairman)*
Mr. Chen Minghui
Mr. Lu Jianxiong
Mr. Lee Ping Nam
(redesignated from a Non-Executive Director on December 1, 2015)

Non-Executive Director

Mr. Lin Xiao

Independent Non-Executive Directors

Mr. Kam Robert
Ms. Ho Man Kay
Mr. Cheung Yuen Tak
(appointed on June 12, 2015)

COMPANY SECRETARY

Mr. Yau Chung Hang, FCCA, CPA

AUDIT COMMITTEE

Mr. Kam Robert
(Chairman of the Audit Committee)
Ms. Ho Man Kay
Mr. Cheung Yuen Tak
(appointed on June 12, 2015)

REMUNERATION COMMITTEE

Ms. Ho Man Kay
(Chairman of the Remuneration Committee)
Mr. Huang Xianming
Mr. Kam Robert
Mr. Cheung Yuen Tak
(appointed on June 12, 2015)

NOMINATION COMMITTEE

Mr. Huang Xianming
(Chairman of the Nomination Committee)
Mr. Kam Robert
Ms. Ho Man Kay
Mr. Cheung Yuen Tak
(appointed on June 12, 2015)

AUTHORISED REPRESENTATIVES

Mr. Huang Xianming
Mr. Yau Chung Hang

COMPLIANCE ADVISER

Optima Capital Limited

AUDITORS

Deloitte Touche Tohmatsu

PRINCIPAL BANKER

Bank of Communications, Hong Kong Branch

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

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

HEADQUARTER IN PRC

No. 18 Gangkou Road, Changsha
Kaiping
Guangdong
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 701A East Ocean Center
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Kowloon
Hong Kong

CORPORATE WEBSITE

www.gdjsl.com

STOCK CODE

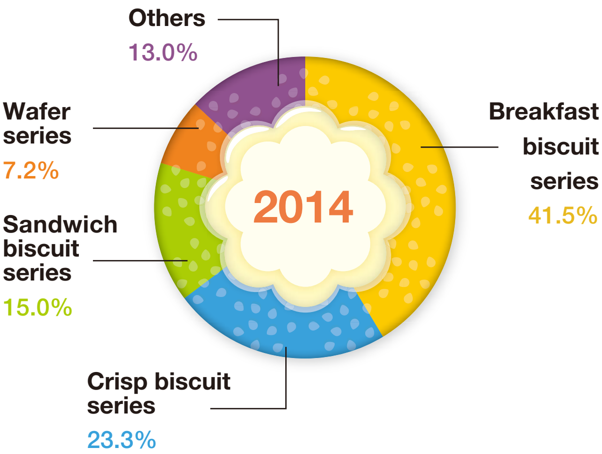
1285

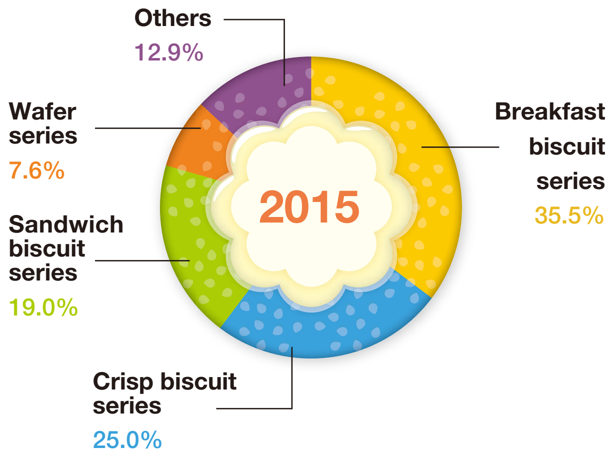
LISTING DATE

September 25, 2014

FINANCIAL HIGHLIGHTS

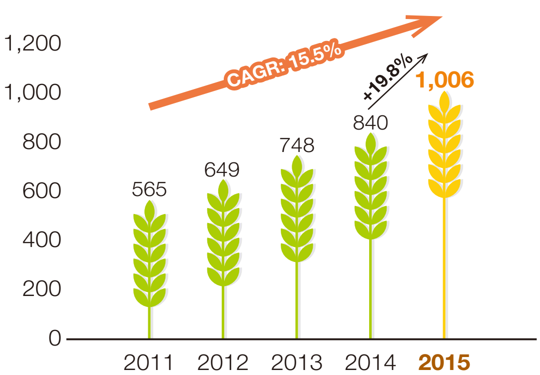
REVENUE BREAKDOWN BY MAJOR PRODUCT SEGMENTS





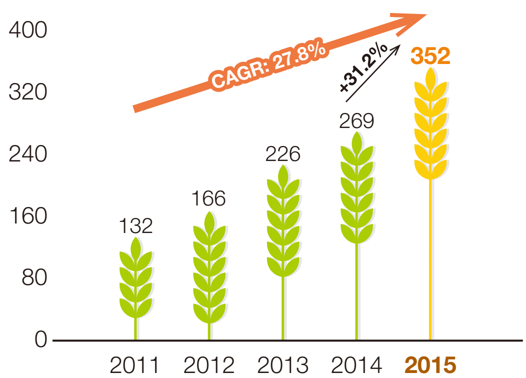
REVENUE

RMB (mn)



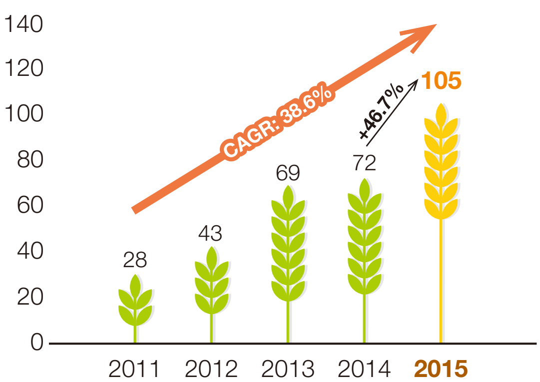
GROSS PROFIT

RMB (mn)



PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

RMB (mn)



	Year ended December 31, 2015 (RMB'000)	2014 (RMB'000)	Increase
Revenue	**1,006,228**	840,058	↑ 19.8%
Gross profit	**352,275**	268,501	↑ 31.2%
Gross profit margin	**35.0%**	32.0%	↑ 3.0 percentage points
Profit for the year from continuing operation	**105,151**	71,628	↑ 46.8%
Profit and total comprehensive income for the year attributable to the owners of the Company	**107,540**	71,689	↑ 50.0%
Earnings before interest, tax, depreciation and amortisation	**157,175**	106,344	↑ 47.8%
Underlying profit *(Note a)*	**112,118**	90,127	↑ 24.4%
Earnings per share			
From continuing and discontinued operation			
– Basic (RMB cents)	**25.34**	22.82	↑ 11.0%
– Diluted (RMB cents)	**25.33**	22.36	↑ 13.3%
From continuing operation			
– Basic (RMB cents)	**25.34**	22.80	↑ 11.1%
– Diluted (RMB cents)	**25.33**	22.34	↑ 13.4%
Net profit margin	**10.5%**	8.5%	↑ 2.0 percentage points
Underlying profit margin	**11.1%**	10.7%	↑ 0.4 percentage points
Proposed final dividend per share (HKD)	**0.15**	0.06	↑ 150.0%
Dividend payout ratio *(Note b)*	**50.3%**	27.9%	↑ 22.4 percentage points

Notes:

(a) Underlying profit is calculated as profit for the year from continuing operation excluding the listing expenses, fair value loss on convertible promissory note and re-structuring expenses.

(b) Dividend payout ratio is calculated as final dividend proposed for the year divided by the profit for the year from continuing operation.

CHAIRMAN'S STATEMENT

Dear **shareholders**,

On behalf of the Board of Directors (the "Board") of Jiashili Group Limited ("Jiashili" or the "Company", together with the subsidiaries, the "Group"), I am pleased to present the annual results of Jiashili. This report covers the whole year ended December 31, 2015.

2015 was the first full financial year following the successful listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and also a breakthrough year for Jiashili. Committed to innovation, we continued to optimise our product mix by selling more high margin products, which have significantly boosted the overall gross profit margin while achieving drastic sales growth. During the year, Jiashili has not only stepped a new height in terms of business performance but also built on our international capital platform in Hong Kong to enhance Jiashili's brand awareness and recognition, expanded our business footprint and attracted internationally high-profile strategic investors to lay a foundation for our long-term development.

BOOSTING BRAND VITALITY THROUGH INNOVATION AND DRIVING PROFITABILITY FURTHER UP

Established in 1956, Jiashili is officially marking the brand's 60th anniversary in 2016. With a long history and rich heritage of the brand, we have been able to draw on extensive experience to support innovation in the best way possible. In the ever-changing consumer market, by means of market research and systematic data analytics, we have been monitoring the market dynamics around the clock to gain insight into consumer needs, thus aligning our product development, geographic coverage, and marketing efforts to serve the consumers. Such solid structures enable us to provide consumers with innovative and superior products year after year, bringing Jiashili increasingly closer to the younger generation of consumers and navigating well into the years ahead.

After the launch of the original flavoured crisp biscuit (香薄趣) in 2014, the Group introduced to the market the hericium erinaceus series (猴菇系列) to enrich the portfolio of its existing biscuit series. The hericium erinaceus series turned out to be highly welcomed by the market with sales totaling approximately RMB11.4 million in 2015. For the year, the Group recorded total revenue of approximately RMB1,006.2 million, representing a rise of 19.8% year-on-year. It is worth noting that our profitability surged, driven by the continued optimisation of our product mix. During the year, gross profit margin grew substantially from 32.0% to 35.0%. Profit attributable to the owners of the Company reached RMB105.2 million, representing an increase of 46.8% year-on-year.

BUILDING ON THE CAPITAL MARKET TO ENHANCE OUR MARKET POSITION AND POWER

Upon the successful listing on the Stock Exchange, we have benefited from a solid capital base and managed to tap into more opportunities. On December 16, 2015, through the issuance of the convertible redeemable bond, the Group successfully brought in Fosun Group ("Fosun") as our strategic investor. Meanwhile, together with Xizang Fujia Food Investment Center (Limited Partnership) ("Xizang Fujia") (西藏復嘉食品投資中心（有限合夥）) and Shanghai Fosun Wei Shi Equity Investment Fund Phase 1 ("Fosun Weishi 1 Equity Fund") (上海復星惟實一期股權投資基金合夥企業), we co-founded an investment fund with investment size of RMB150.0 million, aiming to explore opportunities for investment and mergers across the food industry. Combining Fosun's extensive network of relations and well-developed investment channels in addition to the profound expertise and hands-on experience of Jiashili in the industry, the aforesaid investment fund is positioned to seek and identify promising businesses in the snack sector or those conducting cross-border electronic trading of food and other food-related businesses around the world. This strategic partnership allows Jiashili to extend its investment to overseas markets and introduce more high quality products to our customers.

Currently, we are seeking suitable businesses with rich history and unique products or production technology in Europe for merger and acquisition or cooperation opportunities, with an aim to introduce their products to the Chinese market.

FUTURE DEVELOPMENT STRATEGY

With constantly increasing per capita income, stronger consuming power and ongoing urbanisation, we expect to continue to see a bright prospect in the snack market. Leveraging on Jiashili's brand effect, research and development capabilities and sales channels, we are well-positioned to ride on the industry growth.

Entering the cake sector

Capitalising on Jiashili's leading position in the biscuit sector, we are going to explore other categories in the snack industry. The first step is to launch cake products. Being easy to carry, readily available, satiating and tasty, cakes are no doubt the mainstays of snack. Especially in modern cities where the rhythms of life are getting faster, cake products are the ideal substitutes for meals during hectic days. We introduced cake production technology from Japan and started to set up the production line in 2015. High margin cake products are expected to be launched during the second half of 2016. This new product category will be made available first in supermarkets and convenience stores in tier-1 and tier-2 cities, mainly targeting young white-collar consumers. Launching this product category will diversify not only our offerings but also our sources of income, it is also expected that this will help enhancing our profitability and strengthening Jiashili's position and competitiveness in the snack sector.

Staying health-oriented

The snack industry is growing rapidly with substantive changes in its consumer groups. Female consumers have demonstrated their increased spending power and become the key consumer group. Young women are highly aware of brands and have significant demand for snacks that are both healthy and convenient to consume. With this in mind, Jiashili has been gradually launching products with health-oriented proposition. We launched fruit jam sandwiches biscuits (果樂果香) in 2014 with "naturally extracted" fruit juice among the ingredients. In 2015, we continued to launch another healthy products of new flavour – the hericium erinaceus series. Both product series turned out to be well recognised in the market, attesting our precise insight into the direction we are moving towards. Looking ahead, Jiashili will be steered to offering nutritional and healthy products. We will continue to develop products with such elements, using naturally sourced ingredients based around vegetables, fruits, and mushrooms. In doing so, we will be providing consumers with more "green" healthy snack products to choose from.

Refining e-commerce platform and enabling online and offline channels to complement and promote each other

While expanding and diversifying our offerings, we intend to extend our sales channels at various levels. In contrast to traditional sales channels such as grocery stores, supermarkets or retail chains, online shopping meets consumers' needs better. Online world is growing and evolving together with the new generation, and online shopping has become the consuming pattern among teenagers. Jiashili's innovative products together with our online presence launched in the end of 2014 demonstrate the brand's aim to gradually reaching out to the younger generation. Moving forwards, we will continue to enhance our online sales platform with greater marketing efforts, striving to enable online and offline channels to complement and promote each other, thus appealing to a larger consumer base.

The success of Jiashili relies on the support from our shareholders, business partners, customers, and also the endeavour and dedication of our management team and every employee of the Group. On behalf of the Board, I would like to thank all of you. We look forward to continually working closely with you to achieve brighter results in 2016.

Yours Sincerely,
Huang Xianming
Chairman

March 30, 2016, Hong Kong

WE SET OUT BELOW THE TYPICAL PRODUCTION PROCESS FOR OUT MAJOR BISCUIT PRODUCTS:

BUSINESS REVIEW

2015 saw a continued slowdown of China from 2014 with its GDP growth falling below 7% and the growth for the fourth quarter in particular standing at only 6.8%, according to the National Bureau of Statistics. Affected by the sluggish economy, many players had a difficult time in the food industry where the Company operates. Regulation has been increasingly stringent over the food industry with higher requirements and stricter regulations on food safety. The Board rose to the challenges caused by dual headwinds in regulation and the economy by turning the pressure into motivation. By analysing the situation, the Board established a strategic approach of "stabilisation of sales of traditional product, enhancement of product mix and innovation of new products", and formulated the first three-year development plan (2015-2017) after its listing to define the business objectives, supported by viable and effective initiatives. In this way, the Company succeeded in meeting the defined target by managing internal and external challenges, turning them into opportunities. Its sales revenue exceeded RMB1.0 billion, representing a year-on-year growth of 19.8%. Revenue from traditional products grew steadily with the revenue from breakfast biscuits series and traditional crisp biscuits series up by 2.6% and 8.4% year-on-year respectively. Revenue from the sub-new product of fruit jam series rose 55.9% year-on-year, while revenue from original flavoured crisp biscuit, a new product launched in the second half of 2014, jumped by 497.5% compared with last year. Net profits reached RMB105.2 million, representing an increase of 46.8% year-on-year. The underlying profit reached RMB112.1 million, representing an increase of 24.4%, while net profit margin increased to 10.5% by 2.0 percentage points compared with last year. Our key efforts are set out below:

I. Marketing

1. We further refined our products, brand and network to offer a wider range of products for distribution channels across provinces and municipalities within developed regions, while replicating previous successful models to developing regions to support the growth of competent distributors. We managed to attain more than 600 distributors with sales contribution of over RMB300,000 each. Within our distribution network, 31 cities generated revenue of over RMB10.0 million each. As at December 31, 2015, the Company had 720 distributors and 209,001 points of sales in total.

2. We put more efforts into offline promotions by holding 37,491 (2014: 28,962) sample tasting events during the year. To celebrate the 20th anniversary of our breakfast biscuits series, from October 1, 2015, the Company rolled out the "Thanksgiving Gold Coins for Jiashili Breakfast 20th Anniversary" campaign to enhance brand prestige and recognition among consumers. In addition, we carried out 95,260 special display events in 2015 (2014: 71,565) to showcase and promote our brand in modern channels.

3. We managed to boost our profitability by increasing the prices of the well-received 680g fruit jam series and 2kg traditional crisp biscuits series (甜薄脆) by 10% and 5% respectively, and launching 800g pack breakfast biscuits as a replacement for the pre-existing 1kg pack at the same selling price.

4. We focused resources on promoting products with higher profit margin, such as fruit jam series and original flavoured crisp biscuit, so as to drive overall margin by increasing the sales share of higher value-added products in our product portfolio.

5. We optimised products structure by eliminating or substituting those stock keeping units ("SKU") with lower sales volume and margin. The Company eliminated 39 such SKU and introduced 1.58kg sesame-flavoured crisp biscuit (芝麻味甜薄脆), black and white sesame-flavoured crisp biscuit (黑白芝麻味甜薄脆), 1.28kg fruit jam biscuit, 680g orange-flavoured and lime-flavoured fruit jam biscuit. In the second half of 2015, a range of gift pack products was introduced to target the gift market and contributed sales of more than RMB40.0 million in the year. At the same time, a number of products of new flavours were launched successfully including Jiuzhou jam cookie (九洲醬心曲奇), hericium erinaceus series, cheese series (芝士系列) and sandwiches series (夾層系列). A total of 15 new SKU were put into the market which generated revenue of RMB14.9 million during 2015.

6. We enhanced the development of e-commerce network by setting up online distribution platforms, developing over 30 online distributors and building online influence. In December 2015, the Company was accredited by the Department of Commerce of Guangdong Province as "Exemplar for E-Commerce in Guangdong Province" (廣東省電子商務示範企業). For 2015, revenue from online sales was approximately RMB5.1 million.

II. Supply chain

1. We invested approximately RMB27.0 million in introduction of advanced equipment, automation, technical transformation and upgrade in 2015, including the import of two advanced wafer production lines from Austria and upgraded two existing wafer production lines, which in aggregate increased the Group's wafer production capacity by 5,900 tonnes per annum, the purchase of one 60-meter baking tunnel production line which increased the Group's crisp biscuits production capacity by 2,100 tonnes per annum, the development of automation projects for automatic weighing system and automatic shrink film packaging, and the technical transformation of three production lines to meet the fast-growing requirement for production.

2. We strived for compliance with the enhanced national laws and regulations on food safety by building group-wide food safety management system and risk precautions to high standards. The Company put forward internal processes comprising "product tracking, production tracking, material tracking and people tracking" to ensure close monitoring over our production and delivery processes, as well as consumers' feedback, while improving quality control capability through continued improvement and upgrade of the ISO system.

3. We made greater efforts in research and development to proactively drive product upgrade by adding more flavour options to existing product series and improving their tastes, such as cheese series, xylitol series and milk series. During the year, the Company obtained two national invention patents, namely "A type of lemon jam for making sandwich biscuits and its production method (一種用作餅乾夾心的檸檬果醬及其製備方法)" and "A fermentation process for onions with tetragenococcus halophilus (一種添加嗜鹽四聯球菌的洋葱發酵方法)".

4. We implemented lean management to maximise efficiency by tapping internal potentials. The Company has fully put lean management in place throughout the production including "people, equipment, material, method and environment", so as to increase efficiency and automation, save energy, reduce wastage and improve the environment. In November 2015, the Company was named by the Guangdong Clean Production Association as "Clean Manufacturer in Guangdong Province" (廣東省清潔生產企業).

III. Other aspects

1. The Company actively implemented a management system that combines information technology and industrialisation to optimise resources allocation and improve management capability. In April 2015, the Group's subsidiary, Guangdong Jiashili Food Group Co., Limited ("Guangdong Jiashili"), was admitted onto the list of 200 companies that could firstly be assessed with the "Integration of Enterprise Informatisation and Industrialisation Management System" (工業化與信息化融合管理體系) (the "I&I Integration") by the Ministry of Industry and Information Technology of China (中國國家工業和信息化部) ("MIIT"). As a system of standards similar to ISO9000 and ISO9001, the I&I Integration is devised by the MIIT for Chinese enterprises to systematically establish, implement, maintain and improve their process control mechanisms. In addition, Guangdong Jiashili was rated as a "Guangdong Innovative Enterprise (pilot)" (廣東省創新型企業(試點)) by Guangdong Hi-tech Enterprise Association (廣東省高新技術企業協會), for recognition Guangdong Jiashili's product innovation capabilities.

2. During the year, Guangdong Jiashili continued to be successfully qualified as a high and new technology enterprise, and has been entitled to continue to enjoy a preferential tax rate for three years pursuant to relevant policies from 2015 to 2017.

3. The Company has continued to provide technical training to its staff members on different skills, aiming at improving their quality as well as reserving a pool of competent staff. Throughout the year, a total of 124 employees obtained the national technical qualification of "senior food inspector (高級食品檢驗工)", which can enhance our competitiveness and sustainability.

4. As to investments, in August 2015, the Group invested US$3.0 million in China Shun Ke Long Holdings Limited (stock code: 974) ("Shun Ke Long"), an established supermarket chain store operator with geographical focus in Guangdong Province with a particular strong network in Foshan, and became its cornerstone investor, which is favourable to our business development and overall interests. In December 2015, the Group completed the issue of the convertible redeemable bond in the principal amount of US$20.0 million to Peak Reinsurance Company Limited, a subsidiary of Fosun International Limited (stock code: 656), in order to introduce a strategic investor to the Company and enhance the Group's working capital, as well as strengthen its capital base and financial position for possible future investments of the Group. In addition, the Group entered into the partnership agreement with Xizang Fujia and Fosun Weishi 1 Equity Fund for the formation of an investment fund with a view to facilitating the industrial development of the Group.

FUTURE PROSPECT

2016 will be a critical year for the Chinese economy with gear shifting, restructuring, and model rebuilding. Competition between companies in all industries will become fiercer, which represents both challenges and opportunities to strong and capable players that remain in the market. The Company is confident that it will overcome the challenges, capture a larger market share and attain brighter prospect. 2016 marks the 60th anniversary of Jiashili as a brand. With our brand prestige, high consumer recognition and strong market influence, we are confident that the Company will continue to grow robustly. In 2016, we will plan the celebration for our 60th anniversary and launch nationwide large-scale marketing events with ample budgets for advertisement and sales promotion. Besides, we will employ celebrities as spokespersons to further enhance our brand recognition. To accommodate the trend in consumption upgrade in the market, we will diversify into the cake industry. We introduced cake production technology from Japan and started to set up the production line in 2015. High margin cake products are expected to be launched during the second half of 2016. This new product category will be made available first in supermarkets and convenience stores in tier-1 and tier-2 cities in the PRC, mainly targeting those young white-collar consumers. Meanwhile, we will leverage on the abovementioned investment fund to identify quality consumer food enterprises in China and overseas for acquisition or business partnership, with an aim to building up business scale and market competitiveness. The Group will also seek suitable businesses with rich history and unique products and production technology in Europe for merger and acquisition or cooperation opportunities, with an aim to introduce their products to the Chinese market.

In respect of management, we will develop a mobile App-based platform for sales and marketing, enhance information and data insights and analysis capabilities, and improve efficiency and decision-making capability. As food safety remains a key concern for consumers, the Group will continue to reinforce its controls over food safety by obtaining the Good Manufacturing Practice certification from the PRC authorities, and improving product quality management and test system, in order to sustain our leading position in the industry, in terms of both our product quality and food safety. Meanwhile, the Group will strengthen the overall performance of the management team and corporate sustainability by setting up its internal training institute – Jiashili Management College, recruiting external senior managerial talents and improving the development and quality education of internal talents.

FINANCIAL REVIEW

Revenue

The revenue of the Group increased to RMB1,006.2 million for the year ended December 31, 2015 from RMB840.1 million for the year ended December 31, 2014, representing an increase of approximately RMB166.1 million or 19.8%. Breakdown of the revenue and sales volume by category for the year ended December 31, 2015 and the comparative figures are set out as follows:

	2015			2014			Changes in	
Sales volume/Revenue	Tonne	RMB (million)	Revenue contribution	Tonne	RMB (million)	Revenue contribution	Sales volume	Revenue
Breakfast biscuits series	34,162	357.8	35.5%	34,619	348.6	41.5%	−1.32%	+2.6%
Crisp biscuits series	20,559	252.1	25.0%	18,861	196.0	23.3%	+9.0%	+28.6%
Sandwiches biscuits series	12,490	190.9	19.0%	8,796	125.7	15.0%	+42.0%	+51.9%
Wafer series	5,114	76.0	7.6%	4,108	60.4	7.2%	+24.5%	+25.8%
Others	10,196	129.4	12.9%	9,011	109.4	13.0%	+13.2%	+18.3%
Total	82,521	1,006.2	100.0%	75,395	840.1	100.0%	+9.5%	+19.8%

Breakfast biscuits series

For the year ended December 31, 2015, revenue from breakfast biscuits series rose by approximately 2.6% to RMB357.8 million while sales volume decreased by approximately 1.32% to 34,162 tonnes. Such increase in revenue was attributable to further adjustment in sales portfolio of breakfast biscuits, eliminating or substituting those SKU with lower sales and margin.

Crisp biscuits series

The original flavoured crisp biscuit is one of our new products launched in the second half of 2014, and has driven significant growth in the sales of our crisp biscuit series. Growth in revenue and sales volume of the original flavoured crisp biscuit are approximately 497.5% and 172.7% respectively when compared to 2014. Such surge was primarily attributable to the full-year effect of the sales of the original flavoured crisp biscuit in 2015, while only half-year sales were recorded in the previous year.

Sandwiches biscuits series

Since its launch in late 2012, the fruit jam series has been accounting for majority of the sales contribution of the sandwich biscuit series. Benefited from continuing marketing strategy on the product, both revenue and sales volume of the fruit jam series had a sharp increase in 2015 with revenue and volume up by 55.9% and 47.0% to RMB181.3 million and 11,679 tonnes, respectively.

Wafer series

During the year, revenue of the wafer series rose by approximately 25.8% to RMB76.0 million and sales volume increased by approximately 24.5% to 5,114 tonnes. Two new production lines for manufacturing of the wafer series were put into use and two old production lines were upgraded so as to fulfill the increasing demand for the product series.

Gross profit and gross profit margin

Breakdown of the gross profit and gross profit margin by products categories are set out as follows:

	2015		2014		Changes in	
	Gross profit RMB (million)	Gross profit margin	Gross profit RMB (million)	Gross profit margin	Gross profit RMB (million)	Gross profit margin (percentage points)
Breakfast biscuits series	127.1	35.5%	113.1	32.4%	14.0	+3.1
Crisp biscuits series	89.2	35.4%	62.5	31.9%	26.7	+3.5
Sandwiches biscuits series	79.3	41.5%	45.1	35.9%	34.2	+5.6
Wafer series	23.3	30.7%	17.6	29.1%	5.7	+1.6
Others	33.4	25.8%	30.2	27.6%	3.2	–1.8
Overall	352.3	35.0%	268.5	32.0%	83.8	+3.0

For the year ended December 31, 2015, gross profit rose to RMB352.3 million, representing a year-on-year increase of 31.2%. Gross profit margin edged up to 35.0% in 2015, representing an increase of 3.0 percentage points. Increase in gross profit was primarily attributable to the increase in sales volume and revenue, coupled with the improvement in gross profit margin across the major product categories contributed by the continuing optimisation of product portfolio and upward adjustment to the selling prices of certain SKU as mentioned above.

Other income

Other income for the year ended December 31, 2015 increased to approximately RMB13.2 million from approximately RMB9.3 million for the previous year. Other income represents mainly the government grants and bank interest income.

Selling and distribution expenses

For the year ended December 31, 2015, the selling and distribution expenses amounted to approximately RMB127.7 million, representing a year-on-year increase of approximately RMB26.1 million, or 25.6%. Selling and distribution expenses consist primarily of advertising and promotion expenses, transportation expenses and salaries and benefits for our sales and marketing staff. The increase in selling and distribution expenses for the year is mainly due to (i) the increase in number of marketing events conducted during the year; (ii) the increase in the number of salespersons; and (iii) the corresponding increase in transportation costs as a result of the growth in sales volume. The increase in selling and distribution expenses was in line with the increase in sales.

Administrative expenses

For the year ended December 31, 2015, the administrative expenses amounted to approximately RMB59.1 million, representing an increase of approximately RMB20.7 million or 53.9%. Administrative expenses mainly consist of staff costs, other tax expenses and rental expenses. Surge of the administrative expenses was primarily due to the increase in share-based payment expenses pursuant to the share option scheme (the "Share Option Scheme") and the pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") adopted by the Company, and rental expenses paid for the newly leased production site located in Kaiping.

Finance costs

As there was no bank borrowing throughout the year, no finance costs were incurred.

Other expenses

Other expenses consist primarily of research and development expenses and relocation expenses (details of which are set out in note 26 to the consolidated financial statements contained in this annual report). Other expenses, amounting to RMB42.2 million in 2015, represented a decrease of approximately 3.8% as compared to that in 2014. Such expenses reduction was primarily due to the absence of the non-recurring listing expenses of RMB15.8 million, which was incurred in 2014 and was partially offset by the increase in the research and development expenses of approximately RMB5.3 million, provision of relocation expenses of approximately RMB7.0 million, and the legal and professional fee of approximately RMB1.7 million mainly incurred for the issuance of the convertible redeemable bond and the establishment of the abovementioned investment fund.

Other gain and losses

The Group recorded other losses of approximately RMB186,000 for the year ended December 31, 2015, representing the amount of the fair value loss on the convertible redeemable bond, loss on disposal of property, plant and equipment and net foreign exchange loss, which together were offset by the fair value gain on structured deposits.

Income tax expenses

Income tax increased by RMB12.9 million, or approximately 70.9%, from RMB18.2 million for the year ended December 31, 2014 to RMB31.1 million for the year ended December 31, 2015. Such increase was primarily the result of increase in profit before tax.

Profit for the year from continuing operations

As a result of the aforementioned factors, profit for the year from continuing operations increased by 46.8% to RMB105.2 million for the year ended December 31, 2015 from RMB71.6 million for the year ended December 31, 2014. Net profit margin increased to 10.5% for the year ended December 31, 2015 from 8.5% for the year ended December 31, 2014.

Financial position and liquidity

As at December 31, 2015, the Group had cash and cash equivalents which amounted to approximately RMB510.1 million (2014: RMB298.2 million) while the net current assets was approximately RMB446.3 million (2014: RMB254.9 million). Daily operations of the Group have been well supported by internal fund and credit facilities granted by banks which amounted to RMB238 million as at December 31, 2015. Such credit facilities were granted by the banks by credit and without any pledge of assets. During the year ended December 31, 2015, the Group had not utilised the banking facilities and had no bank borrowings. In addition, as at December 31, 2015, the Group had pledged bank deposits of approximately RMB5.4 million to secure the banking facility in respect of bills payable issued to suppliers for the purchase of raw materials. Other than such, the Group did not have any charge on assets as at December 31, 2015.

As at December 31, 2015, the Group was in a net cash position (2014: net cash). As at December 31, 2015, the Group had total capital commitments of approximately RMB140.6 million (2014: RMB1.0 million), which includes (i) provision of approximately RMB6.9 million for acquisition of property, plant and equipment; and (ii) provision of capital expenditure of approximately RMB133.7 million relating to the establishment of the investment fund. As at December 31, 2015, the Group had available-for-sale investment amounting to approximately RMB22.2 million, being the 8,125,000 shares in Shun Ke Long acquired in August 2015 as mentioned above.

Contingent liabilities and guarantees

As at December 31, 2015, the Group did not provide any guarantees to any third parties and had no significant contingent liabilities.

Material acquisitions and disposals and future plans for material investment or capital assets

On August 24, 2015, the Group entered into a cornerstone investment agreement with Shun Ke Long, and agreed to invest US$3.0 million (equivalent to approximately RMB19.4 million) in Shun Ke Long as a cornerstone investor, the carrying value of which increased to RMB22.2 million as at December 31, 2015. Details of the investment are set out in the announcement of the Company dated August 28, 2015.

As at December 31, 2015, the Group had a commitment to contribute approximately RMB133.7 million into the investment fund formed with Fosun Wei Shi 1 Equity Fund and Xizang Fujia. Source of funding of such investment will be from the Group's internal resources, including the proceeds raised from the issue of the convertible redeemable bond. Details of the investment fund are set out in the announcement of the Company dated December 16, 2015.

Save as disclosed above, the Group did not have any significant investments as at December 31, 2015 and there were no acquisitions or disposals made by the Group during the year nor future plans for material investment or capital assets.

Capital structure

The Group maintains a prudent and treasury policy with regard to its business operation. During the year ended December 31, 2015, the Group did not have any bank borrowings and its operation was mainly financed by funds generated from its operation, IPO proceeds and the proceeds from the issue of the convertible redeemable bond.

The total net proceeds raised from the IPO of the Company were approximately HK$380.0 million after deduction of related listing expenses. The use of the IPO proceeds has been consistent with the disclosure in the prospectus of the Company dated September 15, 2014.

Details of the use of the net IPO proceeds up to the date of this report are set out in the section headed "Report of the Directors" below in this annual report.

In December 2015, the Company issued the convertible redeemable bond in the principal amount of US$20 million (equivalent to approximately RMB129.4 million) to Peak Reinsurance Company Limited, a subsidiary of Fosun International Limited (stock code: 656). As at December 31, 2015, the convertible redeemable bond amounted to approximately RMB133.9 million. The net proceeds from the issue of the convertible redeemable bond amounted to US$19.9 million (equivalent to approximately RMB133.2 million) and would be used for general working capital for furtherance of the business of the Group and possible mergers and acquisitions including investment in the abovementioned investment fund. Up to the date of this report, none of the proceeds from the convertible redeemable bond had been used.

Pursuant to the terms of the convertible redeemable bond, the conversion price of it is currently HK$4.80 per conversion share (within the first year from the date of its issuance), representing a premium of approximately 45.0% over the closing price of the share of the Company on the Stock Exchange of HK$3.31 on December 7, 2015, being the date of the subscription agreement in respect of the convertible redeemable bond. Based on this conversion price and an exchange rate of HK$7.75 to US$1.00, a maximum number of 32,291,666 conversion shares (with an aggregate nominal value of HK$322,916.66) will be allotted and issued upon exercise of the conversion rights attached to the convertible redeemable bond in full, representing approximately (i) approximately 7.78% of the total issued share capital of the Company as at the date of this report; and (ii) approximately 7.22% of the total issued share capital of the Company as to be enlarged by the allotment and issue of the conversion shares to be allotted and issued upon the exercise of such conversion rights in full (assuming no other shares will be issued or repurchased by the Company).

If all the interests accrued on the convertible redeemable bond are to be satisfied by the issue of additional conversion shares at the conversion price of HK$4.80 per conversion share, a maximum number of 1,291,666 additional conversion shares will be allotted and issued. The total maximum number of conversion shares will then become 33,583,332 conversion shares (with an aggregate nominal value of HK$335,833.32), representing (i) approximately 8.09% of the total issued share capital of the Company as at the date of this report; and (ii) approximately 7.49% of the total issued share capital of the Company as to be enlarged by the allotment and issue of the conversion shares and the additional conversion shares.

Assuming no other changes in the share capital of the Company, the aggregate shareholding of substantial shareholders of the Company will be reduced from approximately 72.53% as at the date of this report to approximately 67.29%, immediately upon exercise of the conversion rights attaching to the convertible redeemable bond in full, or approximately 67.10% immediately upon exercise of the conversion rights attaching to the convertible redeemable bond in full and the issue of the maximum number of the additional conversion shares.

As at the date of this report, no shares had been converted under the convertible redeemable bond nor had it be redeemed and the Group had sufficient fund to meet its redemption obligation under the convertible redeemable bond. The computation of diluted earnings per share for the year ended December 31, 2015 does not assume the conversion of the Company's outstanding convertible redeemable bond since this assumed conversion would result in an increase in earnings per share from continuing operations. Detailed terms of the convertible redeemable bond have been set out in the Company's announcement dated 7 December 2015.

Cash and cash equivalents held by the Group were mainly denominated in Hong Kong dollars ("HKD"), RMB and United Stated dollars. The Group's revenue is mainly denominated in RMB, while its costs and expenses are mainly denominated HKD and RMB. A major portion of the Group's assets, liabilities, revenues and payments during the year ended December 31, 2015 were denominated in either HKD or RMB, therefore the Board considers that the risk from exposure to foreign exchange rate fluctuations is not significant. The Group does not have a formal hedging policy and has not entered into any material foreign currency exchange contracts or derivative transactions to hedge against its currency risks.

Human resources

As at December 31, 2015, the Group had a total of 2,596 full-time staff based in Hong Kong and the PRC. The Group's remuneration packages are generally structured with reference to market terms and individual merits. The Group operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries. The Group also made contributions to provident funds, elderly insurance, medical insurance, unemployment insurance and work-related injury insurance in accordance with appropriate laws and regulations in the PRC. The Group has also adopted the Pre-IPO Share Option Scheme and the Share Option Scheme to provide incentive or reward to eligible high-calibre employees and attract human resources that are valuable to the Group. The total staff costs for the year, including Directors' and chief executive's remuneration, salaries and allowances for other employees, contributions to retirement benefits scheme, and share-based compensations (attributable to the Pre-IPO Share Option Scheme and the Share Option Scheme) amounted to approximately RMB127.4 million.

SUBSEQUENT EVENTS

1. Acquisition of a land use right and other properties interests

In February 2016, the Group entered into an agreement with a local government authority in Tangyin County, Henan Province, the PRC, to acquire a land use right and other properties interests with a consideration of RMB23,000,000, which was settled by converting both the RMB20,000,000 loan previously advanced to the local government authority and a deposit of RMB3,000,000 previously paid by the Group into a deposit for such acquisition. Up to the date of this report, the acquisition is in process and expected to be completed by end of June 2016. For details, please refer to note 22 to the consolidated financial statements contained in this report.

2. Relocation of manufacturing plants

On February 18, 2016, the closure of Xingtai Jiashili Food Company Limited ("Xingtai Jiashili") was approved at its equity owners' meeting and at the board of directors of Guangdong Jiashili. Up to the date of this report, the Group is in the process of relocating the operation of Xingtai Jiashili to its subsidiary, Anyang Jiashili Food Company Limited established in Tangyin County, Henan Province, the PRC.

Save as disclosed above, there are no other material subsequent events up to the date of this report.

CORPORATE GOVERNANCE REPORT

CODE OF CORPORATE GOVERNANCE PRACTICE

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

BOARD OF THE DIRECTORS

Board Composition

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

The name of the Directors in office during the year is as follows:

Executive Directors

Mr. Huang Xianming *(Chairman and Chief Executive Officer)*
Mr. Tan Chaojun *(Vice Chairman)*
Mr. Chen Minghui
Mr. Lu Jianxiong
Mr. Lee Ping Nam *(redesignated from non-executive Director on December 1, 2015)*
Mr. Wu Meng-cher *(redesignated from independent non-executive Director on June 12, 2015 and resigned on December 1, 2015)*

Non-Executive Director

Mr. Lin Xiao

Independent Non-Executive Directors

Mr. Kam Robert
Ms. Ho Man Kay
Mr. Wu Meng-cher *(redesignated to executive Director on June 12, 2015)*
Mr. Cheung Yuen Tak *(appointed on June 12, 2015)*
Mr. Siu Man Ho, Simon *(appointed on June 12, 2015 and resigned on December 1, 2015)*

The biographical information of the Directors is set out on pages 33 to 35 of this annual report.

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

Function

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

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

Board Meetings and General Meetings

For the year under review, six meetings were held by the Board and the Directors did not authorise any alternate Director to attend Board Meeting. One general meeting was held, which is the annual general meeting held on June 3, 2015 to, among other things, receive and consider the audited financial statements and reports of the Directors and auditors of the Company for the year ended December 31, 2014. The attendance record of each Director at the Board meetings and the general meeting is set out below:

	General Meeting		Board Meeting	
Name of Board Members	**Number of attendance**	**Number of meetings**	**Number of attendance**	**Number of meetings**
Executive Directors				
Mr. Huang Xianming	1	1	6	6
Mr. Tan Chaojun	1	1	6	6
Mr. Chen Minghui	0	1	6	6
Mr. Lu Jianxiong	0	1	6	6
Mr. Lee Ping Nam *(redesignated from non-executive Director on December 1, 2015)*	0	1	5	6
Mr. Wu Meng-cher *(redesignated from independent non-executive Director on June 12, 2015 and resigned on December 1, 2015)*	1	1	5	5
Non-Executive Director				
Mr. Lin Xiao	1	1	5	6
Independent Non-Executive Directors				
Mr. Kam Robert	1	1	5	6
Ms. Ho Man Kay	0	1	5	6
Mr. Cheung Yuen Tak	0	0	3	4
Mr. Siu Man Ho, Simon *(appointed on June 12, 2015 and resigned on December 1, 2015)*	0	0	2	2

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

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

Independent Non-executive Directors

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

Chairman and Chief Executive Officer

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

Appointment and Re-election of Directors

A Director of the Company shall have a term of office of three years and shall be entitled to be re-appointed when the term of office expires provided that the term of office of independent non-executive Directors shall not exceed six years. The Company has entered into service agreements with each of the executive Director, non-executive Director and independent non-executive Director with a term of three years. In accordance with the Company's articles of association, a person may be appointed as a Director either by the shareholders in general meeting or by the Board. Any Directors appointed by the Board as additional Directors or to fill casual vacancies shall hold office until the next following general meeting, and are eligible for re-election by the shareholders. In addition, all Directors are required to retire by rotation at least once every three years at the annual general meeting, and are eligible for re-election by the shareholders.

Directors' Continuous Training and Development

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

A summary of training received by the Directors for the year ended December 31, 2015 is as follows:

Name of Board Members	Training on Corporate governance, regulatory development and other relevant topics
Executive Directors	
Mr. Huang Xianming	✓
Mr. Tan Chaojun	✓
Mr. Chen Minghui	✓
Mr. Lu Jianxiong	✓
Mr. Lee Ping Nam *(redesignated from non-executive Director on December 1, 2015)*	✓
Mr. Wu Meng-cher *(redesignated from independent non-executive Director on June 12, 2015 and resigned on December 1, 2015)*	✓
Non-Executive Director	
Mr. Lin Xiao	✓
Independent Non-Executive Directors	
Mr. Kam Robert	✓
Ms. Ho Man Kay	✓
Mr. Cheung Yuen Tak	✓
Mr. Siu Man Ho, Simon *(appointed on June 12, 2015 and resigned on December 1, 2015)*	✓

COMMITTEES OF THE BOARD

Remuneration Committee

The Remuneration Committee currently has four members comprising one executive Director and three Independent Non-executive Directors: Ms. Ho Man Kay, Mr. Kam Robert and, Mr. Cheung Yuen Tak (appointed on June 12, 2014) and Mr. Huang Xianming respectively. Ms. Ho Man Kay is the Chairman of the Remuneration Committee.

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

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

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

During the year ended December 31, 2015, four meetings were held by the Committee to review and make recommendation of the remuneration of senior management and the attendance record of the Remuneration Committee members is set out in the table below:

Name of Director	Number of attendance	Number of meetings
Ms. Ho Man Kay	4	4
Mr. Huang Xianming	4	4
Mr. Kam Robert	4	4
Mr. Wu Meng-cher *(resigned on June 12, 2015)*	2	2
Mr. Cheung Yuen Tak *(appointed on June 12, 2015)*	2	2
Mr. Siu Man Ho, Simon *(appointed on June 12, 2015 and resigned on December 1, 2015)*	1	1

Pursuant to the code B.1.5 of the Code, the following table sets forth the remuneration of the Directors and members of senior management categorised by remuneration group for the year ended 31 December 2015:

Group *(Note)*	**Remuneration (RMB)**	**Numbers of Individuals**
1	0 – 838,000	9
2	838,000 – 1,257,000	6

Note:

Group 1 includes six Directors and three members of senior management.

Group 2 includes five Directors and one member of senior management.

Further details of the Directors' emoluments and the top five highest paid employees required to be disclosed under Appendix 16 of the Listing Rules are set out in note 14 to the consolidated financial statements contained in this annual report.

Audit Committee

The Audit Committee currently has three members comprising three Independent Non-executive Directors: Mr. Kam Robert, Ms. Ho Man Kay and Mr. Cheung Yuen Tak respectively. Mr. Kam Robert is the Chairman of the Audit Committee.

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

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

The Audit Committee had two meetings during the year ended December 31, 2015 and the attendance record of the Audit Committee members is set out in the table below:

Name of Director	Number of attendance	Number of meetings
Mr. Kam Robert	2	2
Ms. Ho Man Kay	2	2
Mr. Wu Meng-cher *(resigned on June 12, 2015)*	1	1
Mr. Cheung Yuen Tak *(appointed on June 12, 2015)*	1	1
Mr. Siu Man Ho, Simon (*appointed on June 12, 2015 and resigned on December 1, 2015)*	1	1

During the meetings, the Audit Committee had approved the audit fee for the year ended December 31, 2015, considered internal control review findings, the annual report of the Group for the year ended December 31, 2014 and the interim report of the Group for the six months ended June 30, 2015, as well as the reports prepared by the external auditor covering major findings in the course of its audit/review.

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

Auditors' Remuneration

For the year ended December 31, 2015, the total fee paid/payable in respect of audit services to the external auditors of the Group, RMB1,420,000. The Company incurred approximately RMB80,000 was charged for tax consultancy services.

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

Nomination Committee

The Nomination Committee currently has four members comprising one executive Director and three Independent Non-executive Directors: Mr. Huang Xianming, Ms. Ho Man Kay, Mr. Kam Robert and Mr. Cheung Yuen Tak respectively. Mr. Huang Xianing is the Chairman of the Nomination Committee.

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

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

During the year ended December 31, 2015, the Nomination Committee held one meeting and the attendance record of the Nomination Committee members is set out in the table below:

Name of Director	Number of attendance	Number of meetings
Mr. Huang Xianming	1	1
Ms. Ho Man Kay	1	1
Mr. Kam Robert	1	1
Mr. Wu Meng-cher *(resigned on June 12, 2015)*	1	1
Mr. Cheung Yuen Tak *(appointed on June 12, 2015)*	0	0
Mr. Siu Man Ho, Simon *(appointed on June 12, 2015 and resigned on December 1, 2015)*	0	0

In the meeting, the Nomination Committee had assessed the independence of Independent Non-executive Directors, considered and recommended to the Board on the retirement by rotation and re-election of Directors at the 2015 annual general meeting. The Committee considered the current size and composition of the Board to be sufficient to meet the Company's business needs.

COMPANY SECRETARY

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

All Directors may access to the advice and services of the Company Secretary who regularly updates the Board on governance and regulatory matters and should also facilitate induction and professional development of Directors. He confirmed that he had complied with Rule 3.29 of the Listing Rules and taken no less than 15 hours of relevant professional training during the year ended December 31, 2015.

INTERNAL CONTROLS

For the year ended December 31, 2015, the Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets, and reviewing the effectiveness of such system on an annual basis through the Audit Committee. During the year, the Board has conducted a review of the effectiveness of the Company's internal control systems and considered the systems effective and adequate in all material aspects in both design and operations.

ACCOUNTABILITY AND AUDIT

Directors' Responsibility

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

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

SHAREHOLDERS' RIGHTS

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

1. **Convening a General Meeting**

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

2. Putting Forward Proposals at General Meeting

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

3. Putting Forward Enquiries to the Board

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

4. Contact Details

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

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

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

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

5. Articles of Association of the Company

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

INVESTORS RELATIONS

The Company believes that effective communication with its shareholders and the investment community in a fair and timely basis is essential. Continuous dialogue is held with research analysts and institutional investors by means of roadshows, one on one meetings, conference calls and investors conferences to keep them abreast of the Group's business and development.

NON-COMPETE UNDERTAKING BY CONTROLLING SHAREHOLDERS

Mr. Huang Xianming, Ms. Huang Cuihong, Ms. Huang Rujiao, Ms. Huang Rujun, Ms. Huang Xianxian, Kaiyuan Investments Limited ("Kaiyuan"), Great Logistics Global Limited ("Great Logistics"), Jade Isle Global Limited ("Jade Isle"), Grand Wing Investments Limited ("Grand Wing"), Intelligent Pro Investments Limited ("Intelligent Pro"), Prestige Choice (Overseas) Investments Limited ("Prestige Choice Overseas") are the controlling shareholders (within the meaning of the Listing Rules) of the Company (the "Controlling Shareholders"). Each of the Controlling Shareholders has confirmed to the Company that none of them is engaged in, or interested in any business (other than the Group) to compete directly or indirectly with the Group. To protect the Group from any potential competition, the Controlling Shareholders have given an irrevocable non-compete undertaking in the Group's favour on August 21, 2014.

In order to properly manage any potential or actual conflict of interests between the Group and the Controlling Shareholders in relation to the compliance and enforcement of the non-compete undertaking, the Company has adopted the following corporate governance measures:

i. the Independent Non-executive Directors shall review, at least on an annual basis, the compliance with and enforcement of the terms of the non-compete undertaking by the Controlling Shareholders;

ii. the Company will disclose any decisions on matters reviewed by the Independent Non-executive Directors relating to compliance and enforcement of the non-compete undertaking either through the annual report or by way of announcement;

iii. the Company will disclose in the corporate governance report on how the terms of the non-compete undertaking have been complied with and enforced; and

iv. in the event that any of the Directors and/or their respective associates has material interest in any matter to be deliberated by the Board in relation to the compliance and enforcement of the non-compete undertaking, he may not vote on the resolutions of the Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Company's articles of association.

The Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between the Controlling Shareholders and their respective associates and the Group and to protect the interests of the shareholders, in particular, the minority shareholders.

Each of the Controlling Shareholders has confirmed to the Company that he/she/it has complied with the non-compete undertaking. The Independent Non-Executive Directors of the Company have reviewed the status of compliance and enforcement of the non-compete undertaking and confirmed that all the undertakings thereunder have been complied with.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Huang Xianming (黃銑銘), aged 44, is the chairman of the Board and the chief executive officer of our Company and was appointed as an executive Director of our Company on December 19, 2013. Mr. Huang became Controlling Shareholder and was appointed as chairman and chief executive officer of our Group in May 2007 and has been primarily responsible for overall operation and management, strategic planning and business development. Mr. Huang serves as the chairman of the board and a director of each of our subsidiaries. Since his acquisition of controlling stake in Guangdong Jiashili in May 2007, he has been focusing on the management and business development of our Group and had directed our business expansion from Guangdong province to other parts of China. Mr. Huang obtained a diploma of EMBA programme from Hong Kong International Business College (香港國際商學院) in January 2004. Mr. Huang is a vice chairman of the 4th Session of China Association of Bakery and Confectionary Industry (中國焙烤食品糖製品工業協會第四屆理事會副理事長) and a vice chairman of the Federation of Industry and Commerce of Jiangmen (江門市工商業聯合會副主席). Mr. Huang was also elected the chairman of Kaiping Association of Food Industry (開平市食品行業協會) in May 2013.

Mr. Tan Chaojun (譚朝均), aged 50, is the vice chairman of our Company and was appointed as an executive Director on April 16, 2014. Mr. Tan joined the management of our Group in August 2008 and has been primarily responsible for overall management, strategic planning and business development. Since joining our Group, Mr. Tan has been overseeing the overall operation of our operative subsidiaries and held various management positions such as chief financial officer, executive director and legal representative. Prior to joining our Group, Mr. Tan worked at Bank of China from August 1988 to July 2008, holding positions of officer and business manager of Kaiping sub-branch and seconded to Kaiping Tanjiang Bandao Hotel (開平潭江半島酒店), acting as the executive director and general manager. When working for Bank of China, Mr. Tan was recognised as economist and assistant accountant. Mr. Tan graduated from Electronic Engineering Department of Wuyi University (五邑大學) located in Guangdong, the PRC, majoring in computer application and obtained a diploma in July 1988 and completed a course in business administration at Sun Yat-sen University (中山大學) located in Guangzhou, the PRC in November 2003. Mr. Tan obtained the National Qualification of Senior Baking Worker (高級烘焙烘烤工國家職業資格) in July 2011. Mr. Tan was awarded as 2013 Guangdong Top Ten Professional Manager by the Professional Managers Association of Guangdong.

Mr. Chen Minghui (陳明輝), aged 47, joined our Group in May 2008 and was appointed as an executive Director on April 16, 2014. He also served as the deputy general manager of Guangdong Jiashili. Prior to joining our Group, Mr. Chen worked at Jiangmen Xinhui Pharmaceutical Co. Ltd (江門市新會醫藥有限公司) from March 1992 to April 2008, in various positions, such as sales representative, sales manager and sales director. Mr. Chen joined the army after graduation from high school in 1987 and retired from the army in March 1991.

Mr. Lu Jianxiong (盧健雄), aged 46, joined our Group in January 2010 and was appointed as an executive Director on May 22, 2014. He also serves as senior strategy officer of our Group, responsible for operation risk control and production cost management and control. Prior to joining our Group, Mr. Lu worked as general manager and executive director at Kaiping Xinhua Printing Company Limited (開平市新華印刷有限公司) from July 1992 to June 2001 and as a chief senior designer at Kaiping Dingcheng Advertising Design Studio (開平市鼎城廣告設計工作室) from July 2001 to February 2008. He served as general director and executive director at Jiangmen Jiashi Packing and Printing Technology Company Limited (江門嘉士包裝印刷科技有限公司) from March 2008 to April 2009. Mr. Lu graduated from high school in July 1990.

Mr. Lee Ping Nam (李炳南), aged 58, joined our Group and was appointed as a non-executive Director on May 22, 2014 and was redesignated as an executive Director on December 1, 2015. Mr. Lee was invited to join our Group due to his extensive experience in food and bakery industry. Prior to joining our Group, Mr. Lee worked as supervisor and manager at the Garden Company Limited (嘉頓有限公司) from March 1985 to December 1993, and appointed as senior manager at Fairwood Fast Food Limited (大快活快餐有限公司) in January 1994. Mr. Lee was appointed as general manager of Shanghai Danone Biscuits Foods Company Limited (上海達能餅乾食品有限公司) in July 1996. Mr. Lee worked at Zhenghang (Qingdao) Food Company Limited (正航(青島)食品有限公司) from February 2006 to July 2008 and worked as the vice president of supply department at Kellogg (Qingdao) Food Co., Ltd (家樂氏(青島)食品有限公司) from July 2008 to June 2009. Mr. Lee served as the general manager of Shanghai McVolf Food Co., Ltd. Company (上海麥寶食品有限公司) from September 2009 to August 2011. Mr. Lee graduated from National Cheng Kung University (國立成功大學) located in Taiwan, majoring in management science and was granted a bachelor degree in June 1983. He completed the executive programme courses and was granted the certificate in EMBA studies at Rotman School of Management, University of Toronto, in January 2011.

NON-EXECUTIVE DIRECTOR

Mr. Lin Xiao (林曉), age 48, joined our Group and was appointed as a non-executive Director on April 16, 2014. He joined Actis (Beijing) Investment Consulting Centre (L.P.) in September 2012, where he focused on private equity investments. Mr. Lin graduated from University of Canberra located in Australia, majoring in commerce in accounting and was granted a bachelor degree in April 1995. Mr. Lin is a member of the Institute of Chartered Accountants in Australia.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kam Robert (甘廷仲) (alias 甘定滔), age 58, was appointed as an independent non-executive Director on August 21, 2014. Mr. Kam started his career with one of the international accounting firms and is currently a partner of a chartered accountancy firm, Kam & Beadman, based in Sydney, Australia. He has many years of experience in providing audit services. Mr. Kam graduated with a bachelor of commerce degree from the University of Western Australia. Mr. Kam is a chartered accountant and a member of the Institute of Chartered Accountants in Australia and a Registered Auditor of the Australian Securities and Investments Commission. Mr. Kam is also a Justice of the Peace in the State of New South Wales in Australia. Mr. Kam is currently acting as an independent non-executive director of Vinda International Holdings Limited.

Ms. Ho Man Kay (何文琪), age 54, was appointed as an independent non-executive Director on August 21, 2014. Ms. Ho is a founding partner of Angela Ho & Associates. Prior to founding Angela Ho & Associates, she was a partner of the Messrs. P. C. Woo & Co. Solicitors & Notaries. She has been a practicing lawyer in Hong Kong since 1989, specialising in corporate commercial law and is also admitted as a solicitor in England, the Australian Capital Territory, Queensland, New South Wales, Victoria of Australia and Singapore. Ms. Ho acted as an independent non-executive director of TC Orient Lighting Holdings Limited (formerly known as TC Interconnect Holdings Limited) from June 2006 to February 2012. Ms. Ho was the president of the Hong Kong Federation of Women Lawyers from 2002 to 2005.

Mr. Cheung Yuen Tak (張元德), aged 60, was appointed as an independent non-executive Director on June 12, 2015, has over 20 years experience in food and beverage industry. Mr. Cheung was the Managing Director of A.S. Watson Group, the General Manager of BJ Bausch & Lomb Co., and the Marketing and Sales Manager of Tambrands Inc. Mr. Cheung had been appointed as a non-executive Director of San Miguel Brewery Hong Kong Limited (Stock Code: 236) from 2008 to 2011, a company listed on the Main Board of the Stock Exchange. Mr. Cheung obtained his Bachelor's degree in Marketing and his Master's degree in Chinese Culture from The Hong Kong Polytechnic University in 1978 and 2013, respectively, and obtained his Master's degree in Chinese Language & Literature from Beijing Normal University in 2013.

SENIOR MANAGEMENT

The senior management team of our Group, in addition to the executive Directors listed above, comprises the following:

Name	Age	Date of joining our Group	Date of appointment	Position/Title
Mr. Yau Chung Hang (邱仲珩)	43	March 2014	May 2014	Chief financial officer and company secretary
Mr. Xu Huayu (許華裕)	41	June 2005	May 2014	Director of sales
Mr. Chen Songhuan (陳松浣)	48	June 2005	May 2014	Director of production
Mr. Yang Zhiyong (楊志勇)	43	June 2012	May 2014	Vice president

Mr. Yau Chung Hang (邱仲珩), age 43, joined our Group in March 2014 and was appointed as chief financial officer of our Group responsible for accounting and financial management of our Group. Mr. Yau obtained the Bachelor of Arts in Accounting from the University of Bolton, the United Kingdom. Mr. Yau has more than 19 years of experience in finance and accounting. Prior to joining the Group, Mr. Yau had worked as financial controller for three listed companies in Hong Kong and had previously worked in an international accounting firm. He is a fellow member of the Association of Chartered Certified Accountants and a certified public accountant of Hong Kong Institute of Certified Public Accountants.

Mr. Xu Huayu (許華裕), age 41, joined our Group in June 2005 and was appointed as director of sales of our Group responsible for sales management. Mr. Xu worked as a business officer at Jiashili Pastries during July 1995 to August 2004. Mr. Xu has been working in Jiashili Pastries and Guangdong Jiashili for more than 19 years. Mr. Xu graduated from South China Agricultural University (華南農業大學) located in Guangzhou, the PRC, majoring in trading economy, in June 1995 and completed the study of EMBA courses and obtained the certificate from Peking University on May 26, 2013.

Mr. Chen Songhuan (陳松浣), age 48, joined our Group when Guangdong Jiashili was established in June 2005 and was appointed as director of production of our Group responsible for overall management of production facilities and production planning and control. Prior to joining our Group, Mr. Chen worked at Jiashili Pastries and Guangdong Jiashili for 25 years, starting as a quality controller, and was promoted to senior management positions such as workshop manager, research and development officer and deputy general manager. Mr. Chen graduated from high school in 1986.

Mr. Yang Zhiyong (楊志勇), age 43, joined our Group in June 2012 and was appointed as vice president of our Group responsible for management of production system and material sourcing and supply. Prior to joining our Group, Mr. Yang worked as accounting supervisor at Zheng Da Kang Di (Panyu) Ltd. (正大康地（番禺）有限公司) from June 1996 to August 2001 and as senior manager of Fuda (China) Investment Co., Ltd. (福達（中國）投資有限公司) from August 2001 to March 2009. During March 2009 to March 2012, Mr. Yang served as general manager at Zhong Yi Heng (Dalian) Agricultural Products Co., Ltd. (中益恒（大連）農產品有限公司). Mr. Yang graduated from Guangdong Jiaying College of Education (廣東嘉應教育學院), majoring in accounting, in July 1996.

COMPANY SECRETARY

Mr. Yau Chung Hang (邱仲珩) has been appointed as the company secretary of our Company on May 22, 2014. Please refer to the sub-section headed "Senior management" above in this section for Mr. Yau's biography.

REPORT OF THE DIRECTORS

The Directors present their report together with the audited financial statements of the Company and the Group for the year ended December 31, 2015.

CORPORATE INFORMATION

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

Segment analysis of the Group (categorised by major products) for the year ended December 31, 2015 is set out in note 6 to the consolidated financial statements of the Group contained in this annual report. 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), as well as particulars of important events affecting the Company that have occurred since the end of the year ended December 31, 2015, are set out in the "Chairman's Statement" on pages 6 to 8 and the "Management Discussion and Analysis" on pages 9 to 20 of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The sales of the Group's products are subject to changes in consumer tastes, preferences and perceptions. The Group's continual success will depend in part on its ability to anticipate or adopt to changes in consumer tastes, preferences, perceptions and spending habits at any time and to offer, on a timely basis, new products that meet such new tastes, preferences and perceptions. With this in mind, the Group has been making efforts in research and development to proactively offer more flavour options to its existing product series and improving their tastes, such as the cheese series, xylitol series and milk series. The Group has also planned to enter into other sectors in the snack industry, including the cake sector, as well as continued to launch products which are more nutritional and healthier, for example, the hericium erinaceus series, in order to accommodate the increasing demand from consumers for snacks which are healthy and convenient to consume.

On the other hand, the Group has been relying substantially on third-party distributors to sell its products. Any reduction in the number of the distributors or their orders may cause an adverse effect on the Group's results of operations. The Group has, therefore, been continually broadening and deepening its distribution and sales network and increasing the number of distributors (720 distributors as at December 31, 2015, compared to 578 distributors as at December 31, 2014). The Group has also been taking proactive approaches in monitoring the performance of the distributors and supporting them with sales and marketing efforts, so as to maintain good relationships with them and uphold the sales contribution of the distributors to the Group. Details of the Group's measures in maintaining the relationships with the distributors are set out in the paragraph headed "Relationships with Key Stakeholders" below in this report.

RESULTS AND DIVIDEND

The results of the Group are set out in the consolidated statement of profit or loss and other comprehensive income on page 56 of this annual report. The Board has proposed a final dividend of HK15.00 cents per share for the year ended December 31, 2015 (2014: HK6.00 cents), to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at May 31, 2016. Subject to the approval of the Company's shareholders at the forthcoming annual general meeting of the Company (the "2016 AGM"), the final dividend will be paid on or about June 7, 2016.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2016 AGM, the register of members of the Company will be closed from May 18, 2016 to May 20, 2016 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2016 AGM, all transfer of shares of the Company accompanied by the relevant share certificate(s) and appropriate transfer form(s) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on May 17, 2016. For determining the entitlement to receive the proposed final dividend, the register of members of the Company will be closed from May 27, 2016 to May 31, 2016 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to receive the proposed final dividend, all transfer of shares of the Company accompanied by the relevant share certificate(s) and appropriate transfer form(s) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on May 26, 2016.

USE OF PROCEEDS FROM IPO

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

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

	Net proceeds from IPO		
	Available HKD million	**Used** HKD million	**Unused** HKD million
Increasing the recognition and awareness of our brands and expansion of our distribution and sales network	167.4	49.1	118.3
Infrastructure investment in respect of the purchase and installation of more advanced and automated machineries and the upgrading of our existing production facilities in our production plants	38.6	38.6	–
Research and development activities in order to refine our existing product offerings and develop new products	36.0	26.3	9.7
Repayment of the principal amount and the accrued interest under the convertible promissory note issued to Actis Investment Holdings No. 151 Limited (now known as Rich Tea Investments Limited)	100.0	100.0	–
Working capital and other general corporate purpose	38.0	–	38.0
	380.0	214.0	166.0

RELATIONSHIPS WITH KEY STAKEHOLDERS

1. Relationship with distributors

Consistent with market practice, the Group sells its products primarily through distributors in the PRC. As at December 31, 2015, the Group had 720 distributors and 209,001 points of sales in total, through which the Group has managed to establish an extensive nationwide distribution and sales network in the PRC. The Group believes that this extensive distribution network allows the Group to benefit from its distributors' established distribution channels and resources, save costs that would otherwise be required to build up an extensive logistics network across the PRC, increase the effectiveness of the penetration of the Group's products and the launch of the Group's new products to the market within a short period of time.

The Group has selected its distributors on the basis of a number of factors, including their coverage of distribution channels, recent sales performance of other products, warehousing facilities, delivery capabilities, operating and business management capabilities, creditworthiness and compatibility with the Group's business strategies. The Group has entered into distribution agreements with the distributors in which the Group has set monthly or annual sales targets which are negotiated and determined with reference to various criteria, including the past performance of the distributor, the market conditions, the Group's plan in launching new products and the Group's own annual sales target. The Group provides incentives to its distributors in the form of rebates or reimbursement of the distributors' marketing expenses if they achieve certain sales targets.

Moreover, the Group closely monitors the performance of the distributors by requesting them to provide the Group with their inventory levels of the Group's products every month and checking their inventory records during on-site visits by the Group's sales representatives. If it is noted that the distributors have excessive inventories or if their sales volumes drop significantly, the Group will inquire into the situation and may initiate marketing and promotional events when necessary and reimburse the distributors their marketing expenses incurred in carrying out such activities. The Group also arranges its sales representatives to assist the distributors with their sales and marketing efforts.

The Group believes that all these have helped nurture mutually beneficial and long-term relationships between the distributors and the Group. These procedures, combined with the Group's general requirement for payment of purchase prices from the distributors before delivery of the Group's products to them and the Group's policy of no return or exchange of products other than defective or damaged products, have also been implemented to ensure that the Group's sales to the distributors reflect genuine market demand rather than accumulation of inventory at distribution level.

For the year ended December 31, 2015, there were more than 600 distributors which have managed to contribute sales of over RMB300,000 each to the Group. Moreover, 31 cities within the Group's distribution network have recorded revenue of over RMB10.0 million each.

2. Relationship with suppliers

The Group has chosen its suppliers on the basis of the quality and price of the raw materials supplied. Each of the Group's suppliers is subject to its annual evaluation of quality an prices of the raw materials supplied and they are also required to submit to the Group at least once a year reports issued by the provincial food quality supervision and inspection centres of the PRC in respect of the quality of their raw materials supplied. In order to reduce dependence on any single supplier, the Group has at least two suppliers for each type of its primary raw materials. During the year ended December 31, 2015, the Group did not experience any significant problems with the quality of the raw materials provided by its suppliers, nor did the Group have any material disputes with the suppliers. The Group also did not encounter any shortage of supply of raw materials.

3. Relationship with employees

As at December 31, 2015, the Group had a total of 2,596 full-time staff based in Hong Kong and the PRC. The Group has hired its employees based a number of factors, such as their work experience, educational background and vacancy needs. All of the Group's employees are paid a fixed salary and may be granted other allowances and commissions based on their position and performance. The Group has utilised a period employee evaluation programme whereby the employees receive feedback on their performance. The Group also has an incentive scheme for all of its employees. For the year ended December 31, 2015, the total staff costs, including Directors' and chief executive's remuneration, salaries and allowances for other employees, contributions to retirement benefits scheme, and share-based compensations (attributable to the Pre-IPO Share Option Scheme and the Share Option Scheme) amounted to approximately RMB127.4 million (2014: RMB106.3 million). The Group also provides continuing education and training programmes to its employees on a regular basis to enhance their skills and knowledge in various areas, including sales and marketing, product knowledge, sanitary requirements, production safety and quality management. Induction programmes and team-building trainings are also provided either internally or by external trainers.

The Directors believe that the Group's working environment and the support and benefits provided to the employees have contributed to maintaining good relationships with the employees. During the year ended December 31, 2015 up to the date of this report, the Group did not experience any strikes or labour disputes with its employees which have had material effect on the Group's business.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales to the Group's five largest customers accounted for approximately 10.8% of the Group's turnover and sales to the Group's largest customer was approximately 3.5% of the Group's total revenue.

During the year, the aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 35.6% of the Group's total purchases, and the purchases attributable to the Group's largest supplier was approximately 12.2% of the Group's total purchases.

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the share capital of the Company are set out in note 31 to the consolidated financial statements.

RESERVES

At December 31, 2015, the Company's reserves available for distribution amounted to approximately HK$556,342,000. Under the Companies Law of the Cayman Islands, the share premium of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be distributed, the Company shall be able to pay its debts as they fall due in the ordinary course of business. Details of the movements in reserves of the Group and the Company are set out in the consolidated statement of changes in equity.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, all Directors shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses loess or liabilities which any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices. This permitted indemnity provision is currently in force and was in force throughout the year ended December 31, 2015.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

DONATION

The Group made a charitable donation of approximately RMB786,000 (2014: RMB470,000) during the year ended December 31, 2015.

FINANCIAL SUMMARY

A summary of the consolidated results of the Group for the last five financial years and of its consolidated assets and liabilities as at the end of the last five financial years is set out on page 136 of this annual report.

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

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2015.

EQUITY-LINKED AGREEMENTS

The Company has adopted the Pre-IPO Share Option Scheme and the Share Option Scheme on August 21, 2014, details of which are set out in the paragraphs headed "Pre-IPO Share Option Scheme" and "Share Option Scheme" below in this report.

In addition, on December 7, 2015, the Company entered into a subscription agreement with Mr. Huang, the Chairman of the Company and an executive Director, and Peak Reinsurance Company Limited, a subsidiary of Fosun International Limited (another company listed on the Main Board of the Stock Exchange), pursuant to which the Company agreed to issue a convertible redeemable bond in the principal amount of US$20 million (equivalent to approximately RMB129.4 million) at a coupon rate of 4% per annum with a term to maturity of three years to Peak Reinsurance Company Limited. The Directors consider that raising funds by issuing the convertible redeemable bond is beneficial to the development of the Group as it has not only introduced a strategic investor to the Company, but also enabled the Company to enhance its working capital and strengthen its capital base and financial position for possible future investments of the Group. The convertible redeemable bond was subsequently issued to Peak Reinsurance Company Limited on December 16, 2015 after fulfillment of the conditions precedent under the subscription agreement and the net proceeds raised from the issue amounted to approximately US$19.9 million (equivalent to approximately RMB133.2 million).

The convertible redeemable bond may be convertible into new ordinary shares of the Company any time during its term, provided that the minimum amount of conversion each time shall be at least (i) 9,687,500 conversion shares (representing 30% of the total number of 32,291,666 conversion shares which may fall to be issued at the initial conversion price of HK$4.80 per conversion share, without taking into account the additional conversion shares that may be issued in respect of the accrued interest); or (ii) the aggregate of the trading volume of the shares of the Company as quoted on the Stock Exchange for 30 consecutive trading days immediately prior to the date of the conversion notice, whichever is lower. As at the date of this report, no shares had been converted under the convertible redeemable bond nor had it be redeemed. Details of the convertible redeemable bond, including the conditions precedent to the subscription agreement and the terms of the convertible redeemable bond, are set out in the announcement of the Company dated December 7, 2015 and on pages 18 and 19 of this annual report under the "Management Discussion and Analysis" section.

PRE-IPO SHARE OPTION SCHEME

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme conditionally approved by our Shareholders on August 21, 2014:

1. Summary of terms

The purpose of the Pre-IPO Share Option Scheme is a share incentive scheme and is established to provide incentives and rewards to the employees and consultants of our Group for their future contribution and to retain key and senior employees of the Group. The principal terms of the Pre-IPO Share Option Scheme, approved by the written resolutions of our Shareholders passed on August 21, 2014, are substantially the same as the terms of the Share Option Scheme except for the following:

a) the exercise period shall commence on the first anniversary of the Listing Date and end on the day falling on the fifth anniversary of the Listing Date;

b) the total number of shares subject to the Pre-IPO Share Option Scheme is 14,900,000, representing approximately 3.59% of the total issued share capital of the Company immediately upon completion of the Global Offering and the exercise of the Over-allotment Option, and assuming that all options granted under the Pre-IPO Share Option Scheme are exercised at the same time (without taking into account any shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme);

c) the subscription price (the "Subscription Price") for the shares under the Pre-IPO Share Option Scheme will be fixed at HK$3.45, determined with reference to the costs per Share acquired by the Pre-IPO Investors, subject to any adjustment made in the manner as contemplated under the Pre-IPO Share Option Scheme;

d) the maximum number of shares in respect of which options may be granted under the Pre-IPO Share Option Scheme will not exceed 40,000,000 shares, representing 10% of the issued share capital upon completion of the Global Offering and (taking no account of any shares which may be issued upon exercise of any share option which may be granted under the Share Option Scheme);

e) subject to the following vesting periods, any option granted under the Pre-IPO Share Option Scheme may be exercisable at anytime during the period commencing on the day falling on the first anniversary of the Listing Date and ending on the day failing on the fifth anniversary of the Listing Date (the "Option Period"):

Vesting date of the options	Percentage of the options vested
After the first anniversary of the Listing Date	25% of the total number of options granted
After the second anniversary of the Listing Date	25% of the total number of options granted
After the third anniversary of the Listing Date	25% of the total number of options granted
After the fourth anniversary of the Listing Date	25% of the total number of options granted

Outstanding and unexercised options at the end of each vesting period may be rolled over to the next vesting period and exercisable during the Option Period;

f) the Pre-IPO Share Option Scheme was valid and effective for a period which commenced on August 21, 2014, being the date on which the Pre-IPO Share Option Scheme was conditionally adopted by all the Shareholders and ending September 24, 2014, after which period no further options will be granted thereunder but in all other respects the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect to the exercise of any options granted.

2. **Outstanding options granted under the Pre-IPO Share Option Scheme**

Up to the date of this report, options to subscribe for an aggregate of 14,900,000 shares (representing approximately 3.59% of the total issued share capital of the Company) have been conditionally granted by the Company under the Pre-IPO Share Option Scheme for a consideration HK$1.00 per grantee. Particulars of the options granted under the Pre-IPO Share Option Scheme to the employees (including Directors and senior management) of the Group are set out in the prospectus of the Company dated September 15, 2014. As at the date of this report, the Company has 415,000,000 shares in issue. No options granted under the Pre-IPO Share Option Scheme have been cancelled, lapsed or exercised as at the date of this report. The computation of diluted earnings per share does not assume the conversion of the Company's outstanding options since their exercise would result in an increase in earnings per share from continuing operations.

SHARE OPTION SCHEME

Pursuant to a resolution passed by all the shareholders on August 21, 2014, the Company has conditionally adopted the Share Option Scheme for the purpose of recognising and acknowledging the contributions the eligible participants had or may have made to the Group. The Board may, at their discretion, invite any Directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of any member of the Group and any advisers, consultants, distributors, contractors, contract manufacturers, suppliers, agents, customers, business partners, joint venture business partners, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group to participate in the Share Option Scheme. The Directors were authorised to grant options to subscribe for shares of the Company and to allot, issue and deal with the shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary and/or desirable to implement and give effect to the Share Option Scheme. The maximum number of shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of shares in issue immediately following completion of the Global Offering and the exercise of Over-Allotment Option, being 415,000,000 shares, excluding any shares that may be issued under the options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company), unless otherwise approved by the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time.

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

Up to the date of this report, options to subscribe for an aggregate of 12,000,000 shares have been granted under the Share Option Scheme (representing approximately 2.89% of the total issued share capital of the Company as at the date of this report). As at the date of this report, options of 10,000,000 shares have been lapsed and no options granted under the Share Option Scheme have been cancelled or exercised. Options to subscribe for an aggregate of 39,500,000 shares (representing approximately 9.52% of the total issued share capital of the Company as at the date of this report, without taking into account any shares which may be issued upon exercise of the options previously granted under the Pre-IPO Share Option Scheme or the Share Option Scheme are exercised) could be granted under the Share Option Scheme.

There is no minimum period for which an option must be held before it can be exercised, and the period during which an option may be exercised will be determined by the Board in its absolute discretion, however, no options shall be exercised 10 years after they have been granted. The subscription price of a share in respect of a particular option shall be not less than the highest of (a) the official closing price of the shares on the daily quotation sheet of the Stock Exchange; (b) the average official closing price of the Shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share. The Share Option Scheme shall take effect from the date it is adopted and shall remain effective within a period of 10 years from that date (i.e. August 21, 2024). The amount payable on acceptance of an option is HK$1.00. Particulars of the movement of options in respect of the year ended December 31, 2015 are as follows:

				Number of share options			
Category of grantees	**Date of grant**	**Exercise period**	**Exercise price per share**	**At 1.1.2015**	**Granted during the year**	**Exercised during the year**	**At 31.12.2015**
Consultants in investor relation profession *(Notes 1, 3)*	17.2.2015	17.2.2015 – 31.12.2015	HK$4.00	–	10,000,000	–	10,000,000
Mr. Wu Meng-cher *(Notes 1, 4, 5)*	12.6.2015	12.6.2016 – 12.6.2020	HK$4.58	–	500,000	–	500,000
	12.6.2015	12.6.2017 – 12.6.2020	HK$4.58	–	500,000	–	500,000
	12.6.2015	12.6.2018 – 12.6.2020	HK$4.58	–	500,000	–	500,000
	12.6.2015	12.6.2019 – 12.6.2020	HK$4.58	–	500,000	–	500,000
Total				–	12,000,000	–	12,000,000

Notes:

(1) No option was lapsed or cancelled during the year. Options to subscribe for 10,000,000 shares of the Company granted to the consultants were lapsed on January 1, 2016.

(2) The values of options are subject to (i) subjectivity and uncertainty relating to the assumptions to which such values are subject; and (ii) limitation of the model used to estimate such values. The fair values of the share options are measured by Binominal Model, with assumptions on, among other things, (i) volatility based on annualised standard deviation of daily return of comparable companies; (ii) risk-free rate based on the yield to maturity of Hong Kong Exchange Fund Note with respective terms to maturity corresponding to the share option being valued as at the respective valuation date; and (iii) dividend yield based on expected dividend payout by the Company and the closing price of the share of the Company as at the respective valuation date. The fair values of the options as at the date of grant during the year, its calculation and the model and assumptions used to estimate the fair values of the options are set out in note 33 to the consolidated financial statements contained in this annual report.

(3) As for the share options granted on February 17, 2015, the closing price of the shares on the Stock Exchange immediately before the date on which the options were granted was HK$3.65.

(4) As for the share options granted on June 12, 2015, the closing price of the shares on the Stock Exchange immediately before the date on which the options were granted was HK$4.57.

(5) Mr. Wu Meng-cher was formerly a Director and resigned as a Director on December 1, 2015.

SUBSIDIARIES

Details of the Company's subsidiaries as at the date of this report are set out in note 43 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEME

The employees of the Group are members of the state-managed retirement benefit scheme operated by the PRC government. The Group is required to contribute a certain percentage of basic payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

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

The total expense recognised in profit or loss of approximately RMB10.9 million (2014: RMB8,672,000) represent contributions paid and payable to the retirement benefit scheme during the year ended December 31, 2015.

DIRECTORS

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

Executive Directors

Mr. Huang Xianming *(Chairman and Chief Executive Officer)*
Mr. Tan Chaojun *(Vice Chairman)*
Mr. Chen Minghui
Mr. Lu Jianxiong
Mr. Lee Ping Nam *(redesignated from non-executive director on December 1, 2015)*
Mr. Wu Meng-cher *(redesignated from independent non-executive director on June 12, 2015 and resigned on December 1, 2015)*

Non-Executive Director
Mr. Lin Xiao

Independent Non-Executive Directors
Mr. Kam Robert
Ms. Ho Man Kay
Mr. Cheung Yuen Tak *(appointed on June 12, 2015)*
Mr. Siu Man Ho, Simon *(appointed on June 12, 2015 and resigned on December 1, 2015)*

According to article 84(1) of the Articles of Association of the Company, one-third of the Directors for the time being shall retire from office by rotation at the annual general meeting of the Company but shall then be eligible for re-election. Details of the Directors subject to rotation and re-election are contained in the circular despatched together with this annual report.

According to article 83(3) of the Articles of Association of the Company, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. As Mr. Cheung Yuen Tak was appointed by the Board, he shall retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors and senior management are set out on pages 33 to 36.

DIRECTORS' SERVICE CONTRACTS

Upon the redesignation from non executive Director to executive Director, Mr. Lee Ping Nam has entered into a service contract with our Company pursuant to which he agreed to act as executive Director for an initial term of three years with effect from December 1, 2015. Apart from Mr. Lee, each of our executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from the Listing Date or until the third annual general meeting of our Company since the Listing Date (whichever is earlier). The Company has the right to give written notice to terminate the agreement.

Mr. Cheung Yuen Tak has signed a letter of appointment with the Company for an initial term of three years commencing from June 12, 2015, and will continue thereafter until terminated by not less than three months' notice in writing served by either party. Apart from Mr. Chueng, each of our non-executive Director and independent non-executive Directors has signed a letter of appointment with the Company with a term of office of three years, with effect from the Listing Date or until the third annual general meeting of our Company since the Listing Date (whichever is earlier).

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

DIRECTORS' INTERESTS IN CONTRACTS

Details of other related party transactions entered into during the year were disclosed in note 41 to the consolidated financial statements. These related party transactions either did not constitute connected transactions under the Listing Rules or were discontinued prior to the listing of the Company's shares on the Stock Exchange. Save as the transactions aforementioned, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director, an entity connected with a Director, or the Controlling Shareholders had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year, and there were no contract of significance for the provision of services to the Group by the Controlling Shareholders.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

MANAGEMENT CONTRACTS

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

SHARES AND DEBENTURES OF THE COMPANY OR THE ASSOCIATED CORPORATIONS

As at December 31, 2015, the interests and short positions of our Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), or required, pursuant to section 352 of the SFO, to be entered in the register referred to therein are as follows:

Name of Directors	Company/ name of associated corporation	Capacity	Number and class of securities	Approximate percentage of Issued share capital
Mr. Huang Xianming ("Mr. Huang")	The Company	Interests of controlled corporation[2]	242,100,000 (L)[1]	58.34%
Mr. Huang	Kaiyuan	Interests of controlled corporation[3]	100 (L)[1]	100%
Mr. Huang	Great Logistics	Beneficial owner	1 (L)[1]	100%

Notes:

(1) The Letter "L" denotes our Directors' long position in the shares or the relevant associated corporation.

(2) The relevant shares are held by Kaiyuan, which is in turn held as to 80% by Great Logistics, a company wholly-owned by Mr. Huang, and the remaining 20% of Kaiyuan are held by four entities wholly-owned by Mr. Huang's family comprising, Ms. Huang Cuihong, Ms. Huang Rujun, Ms. Huang Rujiao and Ms. Huang Xianxian.

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

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

As at December 31, 2015, the following persons have an interest or a short position in the shares required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO:

Name of shareholders	Nature of interest	Number of shares held	Approximate percentage of issued share capital
Mr. Huang	Interest in controlled corporation(1); interest in family member(2)	242,100,000	58.34%
Ms. Huang Cuihong	Interest in controlled corporation(1); interest in family member(2)	242,100,000	58.34%
Ms. Huang Xianxian	Interest in controlled corporation(1); interest in family member(2)	242,100,000	58.34%
Ms. Huang Rujiao	Interest in controlled corporation(1); interest in family member(2)	242,100,000	58.34%
Ms. Huang Rujun	Interest in controlled corporation(1); interest in family member(2)	242,100,000	58.34%
Great Logistics	Interest in controlled corporation(1); interest in family member(2)	241,000,000	58.07%
Grand Wing	Interest in controlled corporation(1)); interest in family member(2)	216,168,000	52.09%
Intelligent Pro	Interest in controlled corporation(1); interest in family member(2)	216,168,000	52.09%
Jade Isle	Interest in controlled corporation(1); interest in family member(2)	216,168,000	52.09%

Name of shareholders	Nature of interest	Number of shares held	Approximate percentage of issued share capital
Kaiyuan	Beneficial interest	216,168,000	52.09%
Prestige Choice Overseas	Interest in controlled corporation(1); interest in family member(2)	216,168,000	52.09%
Actis 4 PCC	Interest in controlled corporation(3)	60,000,000	14.46%
Actis Global 4 LP	Interest in controlled corporation(3)	60,000,000	14.46%
Actis GP LLP	Interest in controlled corporation(3)	60,000,000	14.46%
Actis Investment Holdings Ship Limited ("Actis Ship")	Beneficial interest(3)	60,000,000	14.46%
Rich Tea Investment Limited ("Rich Tea")	Interest in controlled corporation(3)	60,000,000	14.46%
Fosun Financial Holdings Limited	Interest in controlled corporation(4)	33,583,332	8.09%
Fosun Holdings Limited	Interest in controlled corporation(4)	33,583,332	8.09%
Fosun International Holdings Ltd.	Interest in controlled corporation(4)	33,583,332	8.09%
Fosun International Limited	Interest in controlled corporation(4)	33,583,332	8.09%
Guo Guangchang	Interest in controlled corporation(4)	33,583,332	8.09%
Peak Reinsurance Company Limited	Beneficial interest(4)	33,583,332	8.09%
Peak Reinsurance Holdings Limited	Interest in controlled corporation(4)	33,583,332	8.09%
Spinel Investment Limited	Interest in controlled corporation(4)	33,583,332	8.09%

Notes:

(1) Kaiyuan was held as to 80% by Mr. Huang (through his investment holding company Great Logistics) and as to 5% by each of Ms. Huang Cuihong, Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun, through their investment holding companies, namely Jade Isle, Prestige Choice Overseas, Grand Wing and Intelligent Pro respectively;

(2) In addition to Mr. Huang, Huang's Family consist of Ms. Huang Cuihong, Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun. Ms. Huang Cuihong is the spouse of Mr. Huang, while Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun are the sisters of Mr. Huang, and therefore they are deemed to be parties acting in concert with Mr. Huang and are deemed to be interested in the shares in our Company in which Mr. Huang is interested, and Mr. Huang is deemed to be interested in the shares in which Huang's Family is interested, and vice versa.

(3) Actis Ship and Rich Tea are controlled by a group of limited partnerships and protected cell companies, and are parties acting in concert with each other. Therefore, Rich Tea and such group of limited partnerships and protected cell companies are deemed to be interested in the shares held by Actis Ship.

(4) This represents the interest in the convertible redeemable bond issued by the Company to Peak Reinsurance Company Limited. Pursuant to the terms of the convertible redeemable bond and based on the initial conversion price of HK$4.80 per conversion share, as well as an exchange rate of HK$7.75 to US$1.00, assuming that all the interests accrued on the convertible redeemable bond are to be satisfied by the issue of additional conversion shares, a maximum number of 33,583,332 conversion shares may be issued and allotted to Peak Reinsurance Company Limited upon its exercise of the conversion rights in full.

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the "Corporate Governance Report" section set out on pages 21 to 32.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises the importance of environmental protection and therefore has controlled its pollutant emissions and ensured compliance with the PRC environmental laws and regulations during the course of production. The primary wastes generated from the Group's production processes are waste water, dust and noise, which are treated in compliance with all applicable environmental laws, regulations and rules. For instance, the Group has installed waste water treatment systems in all of its production plants and dust removal equipment in certain of its production plants. Moreover, the Group's production plants have been carefully zoned, established with the consideration of noise pollution prevention. In addition, the Group conducts annual inspection of its production facilities to ensure compliance of relevant laws and regulations on environmental production.

The Group's effective environmental management system is evidenced by its ISO 14001 certification certified by Zhongjian Certification Co., Limited (中鑒認證有限責任公司). In November 2015, the Company was also named by the Guangdong Clean Production Association as "Clean Manufacturer in Guangdong Province" (廣東省清潔生產企業).

COMPLIANCE WITH LAWS AND REGULATIONS

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

PUBLIC FLOAT

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

AUDIT COMMITTEE

The Audit Committee has reviewed together with the management and the external auditor the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended December 31, 2015.

AUDITOR

The consolidated financial statements for the year ended December 31, 2015 have been audited by Deloitte. A resolution for the reappointment of Deloitte as the Company's auditor is to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board Jiashili Group Limited

Huang Xianming
Chairman
Hong Kong March 30, 2016

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

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

We have audited the consolidated financial statements of Jiashili Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 56 to 135, which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 30, 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2015

	NOTES	2015 RMB'000	2014 RMB'000
CONTINUING OPERATIONS			
Revenue	6	1,006,228	840,058
Cost of sales		(653,953)	(571,557)
Gross profit		352,275	268,501
Other income	7	13,193	9,298
Selling and distribution expenses		(127,748)	(101,688)
Administrative expenses		(59,132)	(38,421)
Finance costs	8	–	(2,341)
Other expenses	9	(42,159)	(43,844)
Other gain and losses	10	(186)	(1,672)
Profit before tax		136,243	89,833
Income tax expense	11	(31,092)	(18,205)
Profit for the year from continuing operations	12	105,151	71,628
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	13	–	61
Profit for the year attributable to the owners of the Company		105,151	71,689
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
Fair value gain on available-for-sale investment		2,389	–
Total comprehensive income for the year attributable to the owners of the Company		107,540	71,689
Earnings per share	16		
From continuing and discontinued operations			
– Basic (RMB cents)		25.34	22.82
– Diluted (RMB cents)		25.33	22.36
From continuing operations			
– Basic (RMB cents)		25.34	22.80
– Diluted (RMB cents)		25.33	22.34

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2015

	NOTES	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	224,351	202,993
Prepaid lease payments	18	11,449	11,942
Intangible asset	19	1,000	1,500
Available-for-sale investment	20	22,189	–
Other deposits	22	5,396	262
		264,385	216,697
CURRENT ASSETS			
Inventories	21	38,716	44,711
Prepaid lease payments	18	493	493
Trade, bills and other receivables	22	90,308	66,719
Pledged bank deposits	23	5,388	1,927
Income tax recoverable		498	2,114
Bank balances and cash	23	510,085	298,198
		645,488	414,162
CURRENT LIABILITIES			
Trade, bills and other payables	24	153,046	119,167
Advances from customers	25	34,123	37,620
Income tax payables		5,063	2,475
Provisions	26	6,967	–
		199,199	159,262
NET CURRENT ASSETS		446,289	254,900
TOTAL ASSETS LESS CURRENT LIABILITIES		710,674	471,597

	NOTES	2015 RMB'000	2014 RMB'000
NON-CURRENT LIABILITIES			
Convertible redeemable bond	27	133,914	–
Deferred income	28	9,413	2,000
Deferred tax liabilities	29	2,068	1,712
		145,395	3,712
NET ASSETS		565,279	467,885
CAPITAL AND RESERVES			
Share capital – ordinary share	31	3,285	3,285
Reserves		561,994	464,600
TOTAL EQUITY		565,279	467,885

The consolidated financial statements on pages 56 to 135 were approved and authorised for issue by the board of directors on March 30, 2016 and are signed on its behalf by:

Huang Xianming
DIRECTOR

Tan Chaojun
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2015

	Share capital – ordinary share/paid-in capital RMB'000	Share capital – preferred shares RMB'000	Share premium RMB'000 (Note a)	Investment revaluation reserve RMB'000 (Note b)	Share options reserves RMB'000 (Note c)	Special reserve RMB'000	Contribution reserve RMB'000	Statutory reserves RMB'000 (Note d)	Accumulated (loss) profits RMB'000	Total RMB'000
At January 1, 2014	120,000	–	–	–	–	–	8,972	32,012	(10,582)	150,402
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	–	71,689	71,689
Appropriations	–	–	–	–	–	–	–	13,819	(13,819)	–
Gain on disposal of a subsidiary (note 13)	–	–	–	–	–	–	9,361	–	–	9,361
Special dividend declared (note 15 and Note e)	–	–	–	–	–	–	–	–	(25,592)	(25,592)
Transfer upon group reorganisation (Note f)	(120,000)	–	–	–	–	120,000	–	–	–	–
Deemed distribution (Note g)	–	–	–	–	–	(227,000)	–	–	–	(227,000)
Issuance of preferred shares (Note h)	–	–	165,588	–	–	–	–	–	–	165,588
Issuance of ordinary shares (Note i)	910	–	335,868	–	–	–	–	–	–	336,778
Shares issue expenses (Note j)	–	–	(15,507)	–	–	–	–	–	–	(15,507)
Capitalisation issue (Note k)	1,900	–	(1,900)	–	–	–	–	–	–	–
Conversion of preferred shares (Note l)	475	–	(475)	–	–	–	–	–	–	–
Share-based compensations	–	–	–	–	2,166	–	–	–	–	2,166
At January 1, 2015	3,285	–	483,574	–	2,166	(107,000)	18,333	45,831	21,696	467,885
Profit for the year	–	–	–	–	–	–	–	–	105,151	105,151
Fair value gain on available-for-sale investment	–	–	–	2,389	–	–	–	–	–	2,389
Profit and total comprehensive income for the year	–	–	–	2,389	–	–	–	–	105,151	107,540
Appropriations	–	–	–	–	–	–	–	16,461	(16,461)	–
Dividend declared (note 15)	–	–	(19,715)	–	–	–	–	–	–	(19,715)
Share-based compensations	–	–	–	–	9,569	–	–	–	–	9,569
At December 31, 2015	3,285	–	463,859	2,389	11,735	(107,000)	18,333	62,292	110,386	565,279

Notes:

a. The application of the share premium account is governed by the Company's articles of association and the Cayman Islands Companies Law, which provides that the share premium account may be applied in paying distributions or dividends to members, provided immediately following the date on which distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

b. Amount represents equity reserve arising from the revaluation of the Group's available-for-sale listed equity investment in equity securities listed in Hong Kong, details are set out in note 20.

c. Amounts represent equity reserve arising from share-based compensations under pre-IPO share option scheme and share option scheme of the Group provided to directors, employees and certain consultants in investor relation professions, details are set out in note 33.

d. Statutory reserves comprise statutory surplus reserve and discretionary surplus reserve of the group subsidiaries established in the People's Republic of China (the "PRC"), which are non-distributable and the transfer to these reserves is determined according to the relevant laws in the PRC and by the directors of the relevant group subsidiaries in accordance with their Articles of Association. Statutory surplus reserve amounting to approximately RMB41,528,000 (2014: RMB30,554,000) as at December 31, 2015 can be used to make up for previous years' losses or convert into additional capital of the relevant group subsidiaries. Discretionary surplus reserve amounting to approximately RMB20,764,000 (2014: RMB15,277,000) as at December 31, 2015 can be used to expand the existing operations of the relevant group subsidiaries.

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

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

g. After the completion of the acquisition of Guangdong Jiashili by Jiashili (Hong Kong) Limited ("Jiashili HK") on April 4, 2014, the Group paid RMB227 million cash to the ultimate controlling shareholder in May 2014 resulting in a reduction of net assets of the Group, which was accounted for as a deemed distribution recognised in equity directly.

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

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

j. Upon completion of global offering, the costs incurred directly attributable to the issuance of new shares were deducted directly from share premium account.

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2015

	NOTES	2015 RMB'000	2014 RMB'000
OPERATING ACTIVITIES			
Profit for the year		**105,151**	71,689
Adjustments for:			
Income tax expense		**31,092**	18,225
Bank interest income		**(4,276)**	(849)
Finance costs		**–**	2,348
Depreciation of property, plant and equipment		**20,432**	14,290
Release of prepaid lease payments		**493**	482
Release of deferred income		**(250)**	–
Amortisation of intangible asset		**500**	500
Loss on disposal of property, plant and equipment		**1,209**	99
Fair value loss on convertible redeemable bond	27	**4,013**	–
Fair value loss on convertible promissory note	30	**–**	2,679
Fair value gain on structured deposits		**(5,923)**	–
Share-based compensations expenses		**9,569**	2,166
Allowance for doubtful debts		**123**	723
Impairment of inventories		**755**	–
Provisions for relocation expenditures	44	**6,967**	–
Net foreign exchange gain		**(89)**	(401)
Operating cash flows before movements in working capital		**169,766**	111,951
Decrease (increase) in inventories		**5,240**	(3,742)
Increase in trade, bills and other receivables		**(3,017)**	(37,156)
Increase in other deposits		**(2,250)**	–
Increase (decrease) in trade, bills and other payables		**31,082**	(15,221)
Decrease in advances from customers		**(3,497)**	(12,001)
Decrease in amount due from a related company		**–**	22,496
Cash generated from operations		**197,324**	66,327
Income tax paid		**(26,532)**	(18,119)
NET CASH FROM OPERATING ACTIVITIES		**170,792**	48,208

	NOTES	2015 RMB'000	2014 RMB'000
INVESTING ACTIVITIES			
Investments in structured deposits		**(350,000)**	–
Purchase of property, plant and equipment		**(40,805)**	(50,130)
Placement of pledged bank deposits		**(25,751)**	(25,954)
Loan advance paid	22	**(20,000)**	–
Acquisition of available-for-sale investment	20	**(19,356)**	–
Deposit paid for acquisition of properties	22	**(3,000)**	–
Transaction costs directly attributable for the acquisition of available-for-sale investment	20	**(195)**	–
Proceeds from redemption of structured deposits upon maturity		**355,923**	–
Release of pledged bank deposits		**22,290**	34,872
Receipts of asset-related government grants	28	**7,663**	2,000
Interest received		**4,276**	849
Proceeds from disposal of property, plant and equipment		**24**	270
Disposal of a subsidiary	13	**–**	19,787
NET CASH USED IN INVESTING ACTIVITIES		**(68,931)**	(18,306)
FINANCING ACTIVITIES			
Issuance of convertible redeemable bond	27	**129,404**	–
Dividends paid	15	**(19,715)**	(25,592)
Issuance of ordinary shares through global offering		**–**	336,778
Proceeds from issuance of preferred shares	32	**–**	165,588
Proceeds from issuance of convertible promissory note	30	**–**	78,109
New bank borrowings raised		**–**	72,132
Deemed distribution to the ultimate controlling shareholder		**–**	(227,000)
Repayment of bank borrowings		**–**	(105,032)
Payment for redemption of convertible promissory note	30	**–**	(80,581)
Listing expenses directly attributable to issue of new shares		**–**	(13,860)
Interest paid		**–**	(2,348)
NET CASH FROM FINANCING ACTIVITIES		**109,689**	198,194
NET INCREASE IN CASH AND CASH EQUIVALENTS		**211,550**	228,096
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**298,198**	69,908
Effect of foreign exchange rate changes		**337**	194
CASH AND CASH EQUIVALENTS AT END OF THE YEAR comprising bank balances and cash		**510,085**	298,198

1. GENERAL

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

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the "Group") are manufacturing and sales of biscuits in the People's Republic of China (the "PRC") and Hong Kong.

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

2. BASIS OF PRESENTATION

Jiashili Limited ("Jiashili BVI") was incorporated in the British Virgin Island on December 6, 2013 with limited liability. On December 19, 2013, Jiashili BVI allotted one subscriber share to the Company, pursuant to which Jiashili BVI became a wholly-owned subsidiary of the Company.

Jiashili HK was incorporated under the laws of Hong Kong on December 24, 2013 with limited liability. On the same day, Jiashili HK allotted one subscriber share to Jiashili BVI, pursuant to which Jiashili HK became a wholly-owned subsidiary of Jiashili BVI.

As part of the group reorganisation (the "Group Reorganisation"), on March 28, 2014, Jiashili HK entered into an equity transfer agreement with each of Guangdong Zhongchen Industrial Group Company Limited ("Zhongchen") and Prestige Choice Investments Limited ("Prestige Choice"), then shareholders of Guangdong Jiashili, whereby Jiashili HK agreed to acquire 99% and 1% entire equity interest in Guangdong Jiashili from Zhongchen and Prestige Choice with the consideration of RMB224.7 million and RMB2.3 million, respectively, representing an aggregate amount of RMB227.0 million (the "Guangdong Jiashili Acquisition"). Based on subsequent approvals by the relevant government authorities, the Guangdong Jiashili Acquisition was completed on April 4, 2014, upon which Guangdong Jiashili became a wholly-owned subsidiary of Jiashili HK. Zhongchen and Prestige Choice are companies wholly owned by Huang's Family.

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

The Group Reorganisation mainly involved interspersing Kaiyuan, the Company, Jiashili BVI and Jiashili HK between the ultimate individual shareholders of Guangdong Jiashili and Guangdong Jiashili. The group resulting from the Group Reorganisation is regarded as a continuing entity.

2. BASIS OF PRESENTATION *(continued)*

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year ended December 31, 2014 include the results of operations and cash flows of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the period, or since their respective dates of incorporation or establishment when there is a shorter period (except for those dissolved or disposed of during the periods).

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

Application of amendments to IFRSs

The Group has applied the following amendments to IFRSs for the first time in the current year:

Amendments to IAS 19	Defined Benefit Plan: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised IFRSs issued but not yet effective

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

IFRS 9	Financial Instruments[4]
IFRS 14	Regulatory Deferred Accounts[2]
IFRS 15	Revenue from Contracts with Customers[4]
IFRS 16	Leases[5]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to IAS 1	Disclosure Initiative[1]
Amendments to IAS 7	Disclosure Initiative[3]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[3]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[1]
Amendments to IAS 27	Equity Method in Separate Financial Statements[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[6]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying to Consolidation Exception[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle[1]

1 Effective for annual periods beginning on or after January 1, 2016
2 Effective for the first annual IFRS financial statements beginning on or after January 1, 2016
3 Effective for annual periods beginning on or after January 1, 2017
4 Effective for annual periods beginning on or after January 1, 2018
5 Effective for annual periods beginning on or after January 1, 2019
6 Effective for annual periods beginning on or after a date to be determined

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

IFRS 9 *Financial Instruments*

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

Key requirements of IFRS 9 are described as follows:

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

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

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

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

IFRS 9 *Financial Instruments* *(continued)*

- The new general hedge accounting requirements retain the three types of hedge accounting merchandisers currently available in IAS 30. Under IAS 39, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective quantitative assessment of hedge effectiveness has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of IFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets and financial liabilities as at December 31, 2015. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group performs a detailed review.

IFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

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

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

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

The directors of the Company do not anticipate that the application of the other new and revised IFRSs will have a material impact on the Group's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding the preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended December 31, 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with IFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended December 31, 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended December 31, 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value as disclosed below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements are determined on such a basis, except leasing transactions that are within the scope of IAS 17 Leases and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories or value* in use in IAS 36 *Impairment of Assets*.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction), are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Prepaid lease payments

Payments for obtaining land use rights are accounted for as prepaid lease payments and are charged to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use rights certificates granted for usage by the Group in the PRC. Prepaid lease payments which are to be charged to profit or loss in the next twelve months are classified as current assets.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related asset.

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

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

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

Share-based compensations

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 33.

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from goodwill.

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for a prospective basis.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Restructurings

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss

Financial assets

The Group's financial assets are classified as available-for-sale ("AFS") financial asset and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss ("FVTPL").

Equity securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividend is established.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade, bills and other receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets

Financial assets other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity instruments, a significant on prolonged decline in the fair value of the security below its costs is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed to be impaired individually are, in addition, are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, or an observable change in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the assets' carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously in other comprehensive income are reclassified to profit or loss in the period.

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

Financial liabilities and equity instruments

Financial liability and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liability at FVTPL

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Financial liabilities (continued)

Financial liability at FVTPL *(continued)*

Convertible redeemable bond and convertible promissory note issued by the Group are designated as at FVTPL on initial recognition.

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

Other financial liabilities

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net gains or losses.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise its retained interest in the asset associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derecognition *(continued)*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair values less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. In addition, the management assesses impairment whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable. The management will increase the depreciation charge where useful lives become shorter than expected, or will impair or write – off obsolete or non-strategic assets that have been abandoned.

At as December 31, 2015, the carrying amounts of property, plant and equipment of the Group were approximately RMB224,351,000 (2014: RMB202,993,000). Details of the useful lives of the property, plant and equipment are disclosed in note 17.

Impairment of inventories

The Group records inventories at the lower of cost and net realisable value. Net realisable value is the estimated selling price for inventories, less all the estimated costs of completion and costs necessary to make the sales. Operational procedures have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to inventories. The management reviews the inventory aging listing on a periodic basis for those aged inventories. This involves a comparison of carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether impairment is required to be made in the consolidated financial statements for any obsolete and slow moving items. Although the Group carries out periodic review on the net realisable value of inventory, the actual realisable value of inventory is not known until the sale is concluded.

As at December 31, 2015, the carrying amounts of inventories of the Group were approximately RMB38,716,000 (2014: RMB44,711,000).

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

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at December 31, 2015, the carrying amounts of trade receivables of the Group were approximately RMB15,061,000, net of allowance for doubtful debts of RMB188,000 (2014: RMB12,246,000, net of allowance of doubtful debts of RMB761,000).

Fair value measurements and valuation processes

Some of Group's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset and liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the management establishes the appropriate valuation techniques and inputs for fair value measurement. Note 35(c) provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various financial assets and liabilities.

6. REVENUE AND SEGMENT INFORMATION

Information reported to the management of the Group, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of products manufactured and sold. The management of the Group reviews operating results and financial information on a product by product basis. Each individual product constitutes an operating segment. For operating segments that exhibit similar long-term financial performance as they have similar economic characteristics, are produced by using similar production processes and are distributed and sold to similar classes of customers, their segment information is aggregated into biscuits operation, as a single reportable segment. The management of the Group assesses the performance of the reportable segment based on a measure of segment profit or loss which represents the gross profit of the Group as presented in the consolidated statements of profit or loss and other comprehensive income.

The accounting policies of the reportable segment are the same as the Group's accounting policies described in note 4.

6. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

The consolidated assets and consolidated liabilities of the Group are regularly reviewed by the management of the Group as a whole; therefore, the measure of total assets and total liabilities by reportable segment is not presented.

In prior years, the Group was also involved in the pasta operations. That operations were discontinued with effect from March 28, 2014. Financial information of the pasta operations is disclosed in note 13.

Other segment information

Amounts included in the measurement of segment results:

Year ended December 31, 2015

	Biscuits operation RMB'000	Unallocated RMB'000	Total RMB'000
Depreciation of property, plant and equipment	18,332	2,100	20,432
Amortisation of intangible asset	500	–	500
Release of prepaid lease payments	493	–	493

Year ended December 31, 2014

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

6. REVENUE AND SEGMENT INFORMATION *(continued)*

Entity-wide disclosures

Revenue from major products

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

	2015 RMB'000	2014 RMB'000
Revenue by products		
Breakfast biscuits	357,750	348,611
Crisp biscuits	252,161	196,009
Sandwich biscuits	190,882	125,690
Wafers	75,952	60,377
Others (Note)	129,483	109,371
	1,006,228	840,058
Gross profit by products		
Breakfast biscuits	127,163	113,114
Crisp biscuits	89,169	62,465
Sandwich biscuits	79,254	45,105
Wafers	23,334	17,554
Others (Note)	33,355	30,263
	352,275	268,501

Note: Others included numerous biscuit products, none of which alone accounted for a material portion as a reportable product category and therefore, no further analysis is disclosed.

6. REVENUE AND SEGMENT INFORMATION *(continued)*

Geographical information

All of the Group's operations are located in the PRC. Information about the Group's revenue from external customers by location of the relevant customers and non-current assets by location of assets is presented below:

	Revenue from external customers		Non-current assets	
	2015 RMB'000	2014 RMB'000	**2015 RMB'000**	2014 RMB'000
PRC	**1,005,081**	838,561	**242,183**	216,677
Others (Note)	**1,147**	1,497	**22,202**	20
	1,006,228	840,058	**264,385**	216,697

Note: Others represent export sales to locations other than PRC and none of such locations alone accounted for a material portion as a reportable geographical segment.

Information about major customers

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

7. OTHER INCOME

	2015 RMB'000	2014 RMB'000
Bank interest income	**4,276**	843
Government grants (note 28)	**7,879**	7,906
Other non-operating income	**1,038**	549
	13,193	9,298

8. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interest on bank borrowings	**–**	2,341

9. OTHER EXPENSES

	2015 RMB'000	2014 RMB'000
Research and development expenses	32,592	27,287
Relocation expenses (note 26)	6,967	–
Legal and professional fees (Note)	1,738	–
Donation expenses	786	470
Other non-operating expenses	76	267
Listing expenses	–	15,820
	42,159	43,844

Note: This amount mainly represents consulting fee paid for the issuance of the convertible redeemable bond and the establishment of an investment fund.

10. OTHER GAIN AND LOSSES

	2015 RMB'000	2014 RMB'000
Fair value gain on structured deposits	5,923	–
Fair value loss on convertible redeemable bond (note 27)	(4,013)	–
Loss on disposal of property, plant and equipment	(1,209)	(99)
Net foreign exchange (loss) gain	(887)	1,106
Fair value loss on convertible promissory note (note 30)	–	(2,679)
	(186)	(1,672)

11. INCOME TAX EXPENSE

	2015 RMB'000	2014 RMB'000
PRC Enterprise Income Tax ("EIT")		
– Current tax	**29,382**	17,979
– Overprovision in prior year	**(358)**	(1,476)
Deferred tax expense (note 29)	**2,068**	1,702
	31,092	18,205

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

Guangdong Jiashili was accredited as a "High and New Technology Enterprise" by the Science and Technology Bureau of Guangdong Province and relevant authorities in the PRC with effect from January 2015 for a term of three years, and was registered with the local tax authority to be eligible to the reduced 15% enterprise income tax rate for three years from 2015 to 2017.

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

According to Cai Shui 2008 No.1, a joint circular of Ministry of Finance and State Administration of Taxation, dividend distributed out of the profits generated since January 1, 2008 by the PRC entity to non-PRC tax resident shall be subject to PRC Enterprise Income Tax pursuant to Articles 3 and 19 of the PRC Enterprise Income Tax Law.

The Group's subsidiaries that are the PRC tax resident are required to withhold the PRC withholding tax of 10% on dividend payment to their immediate holding company, Jiashili HK, when and if undistributed earnings are declared to be paid as dividends out of profits that arose on or after April 4, 2014, when the Group Reorganisation completed, unless such dividend payment is qualified for the 5% reduced tax rate under the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income ("PRC-HK DTA").

In the opinion of the directors, Jiashili HK, which was incorporated on December 24, 2013 in Hong Kong, was managed and controlled in Hong Kong and is qualified as a Hong Kong tax resident. The application of Hong Kong resident certificate will be submitted in the first half of 2016. In addition, Jiashili HK also meets the requirement of enjoying 5% reduced tax rate under Guoshuifa 2009 No.601 and Guoshuihan 2009 No.81 (e.g. beneficial ownership, shareholding percentage and holding period). Therefore, Jiashili HK would be qualified to enjoy a reduced withholding tax rate of 5% on dividend income for the whole year 2015 pursuant to PRC-HK DTA.

11. INCOME TAX EXPENSE *(continued)*

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

	2015 RMB'000	2014 RMB'000
Profit before tax	136,243	89,833
Tax at PRC Tax rate of 25%	34,061	22,458
Tax effect on concessionary tax rate	(10,432)	(6,355)
Tax effect on concessionary policy on research and development expenses (Note)	(3,850)	(2,672)
Tax effect of income not taxable for tax purpose	(76)	(277)
Tax effect of expenses not deductible for tax purpose	6,378	5,217
Tax effect of tax losses not recognised	423	–
Effect of different tax rates of a subsidiary operating in Hong Kong	939	–
Tax effect of 5% (2014: 10%) withholding tax on undistributed profits of the PRC subsidiaries	2,068	1,712
Overprovision in prior year	(358)	(1,476)
Tax effect of deductible temporary difference not recognised	1,742	–
Others	197	(402)
Income tax expense recognised in profit or loss	31,092	18,205

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

12. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

	2015 RMB'000	2014 RMB'000
Profit for the year from continuing operation has been arrived at after charging:		
Directors' and chief executive's remuneration (note 14)	**7,452**	1,683
Other staff costs:		
Salaries and allowances	**103,424**	94,423
Contributions to retirement benefits scheme	**10,905**	8,520
Share-based compensations	**5,573**	1,664
Total staff costs	**127,354**	106,290
Depreciation of property, plant and equipment	**20,432**	13,670
Amortisation of intangible asset (included in cost of sales)	**500**	500
Total depreciation and amortisation	**20,932**	14,170
Allowance for doubtful debts	**123**	723
Release of prepaid lease payments	**493**	472
Auditors' remuneration	**1,420**	1,345
Cost of inventories recognised as expenses (including impairment of inventories recognised of approximately RMB755,000 (2014: nil))	**653,953**	571,557
Legal and professional fees (included in administrative expenses)	**2,811**	39
Legal and professional fees (included in other expenses) (note 9)	**1,738**	–
Total legal and professional fees	**4,549**	39
Share-based compensations to consultants in investor relation profession (included in administrative expense) (note 33)	**1,716**	–
Rental expense under operating lease in respect of land and buildings	**2,836**	1,099
Loss on disposal of property, plant and equipment	**1,209**	99

13. DISCONTINUED OPERATIONS

On March 24, 2014, the Group entered into an equity transfer agreement with Zhongchen to dispose of its entire interest in Guangdong Kangli Food Company Limited 廣東康力食品有限公司 ("Guangdong Kangli"), which carried out all of the Group's manufacture and sale of pasta products (the "Pasta Operation"), to Zhongchen at a consideration of RMB24,351,000, which was determined based on the valuation of the equity interest in Guangdong Kangli conducted by an independent valuer. The disposal was completed on March 28, 2014, on which date the control of Guangdong Kangli was passed to Zhongchen. Accordingly, the results of the Pasta Operation for the period from January 1, 2014 to March 28, 2014 has been separately presented as discontinued operations in the consolidated statement of profit or loss and other comprehensive income.

Zhongchen is a former immediate holding company of Guangdong Jiashili prior to the Group Reorganisation. It is currently owned as to 80% by Mr. Huang, an executive Director and the Chairman, as well as the ultimate controlling shareholder of the Company.

The profit for the period from January 1, 2014 to March 28, 2014 from the discontinued operations is analysed as follows:

	RMB'000
Profit of discontinued operations for the year	61

The results of the discontinued operations for the period from January 1, 2014 to March 28, 2014 were as follows and the profit from the discontinued operations for the period has been included in consolidated statements of profit or loss and other comprehensive income.

	RMB'000
Revenue	10,701
Cost of sales	(9,449)
Gross profit	1,252
Other income	6
Selling and distribution expenses	(507)
Administrative expenses	(663)
Finance costs	(7)
Profit before tax	81
Income tax expense	(20)
Profit from discontinued operations for the period	61

13. DISCONTINUED OPERATIONS *(continued)*

Profit for the period from January 1, 2014 and March 28, 2014 from discontinued operations has been arrived at after charging (crediting):

	RMB'000
Directors' and chief executive's remuneration	–
Other staff costs:	
– Salaries and allowances	838
– Contributions to retirement benefits scheme	134
Total staff costs	972
Depreciation on property, plant and equipment	620
Release of prepaid lease payments	10
Cost of inventories recognised as expenses	9,449
Bank interest income	(6)

Cash flows for the period from January 1, 2014 to March 28, 2014 from discontinued operations:

	RMB'000
Net cash inflows from operating activities	1,104
Net cash outflows from investing activities	(477)
Net cash outflows from financing activities	(1,406)
Net cash outflows from discontinued operations	(779)

13. DISCONTINUED OPERATIONS *(continued)*

The net assets of Guangdong Kangli at the date of disposal were as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment	39,555
Prepaid lease payment	1,827
Deposits for acquisition of plant and equipment	50
Inventories	2,474
Trade, bills and other receivables	5,276
Bank balances and cash	4,564
Trade, bills and other payables	(9,218)
Amount due to Guangdong Jiashili	(22,496)
Advances from customers	(129)
Bank borrowing	(2,400)
Deferred tax liability	(123)
Deferred income	(4,390)
	14,990
Gain on disposal recognised in contribution reserve	9,361
Total consideration	24,351
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	(4,564)
Cash consideration	24,351
	19,787

14. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION

Directors' and chief executive's emoluments

Details of the emoluments paid to the directors and chief executive of the Company during the year are as follows:

	2015 RMB'000	2014 RMB'000
Salaries and allowances	4,832	1,163
Discretionary bonus	322	–
Contributions to retirement benefits scheme	18	18
Share-based compensations	2,280	502
	7,452	1,683

Year ended December 31, 2015

	Fee RMB'000	Salaries and allowances, and benefit in kind RMB'000	Performance related bonus RMB'000	Retirement benefits RMB'000	Share-based compensations RMB'000	Total RMB'000
Executive Directors (Note a)						
Mr. Huang Xianming 黃銑銘 *(Chief executive officer)*	146	827	89	–	528	1,590
Mr. Tan Chaojun 譚朝均	146	624	63	6	408	1,247
Mr. Chen Minghui 陳明輝	146	391	48	6	384	975
Mr. Lu Jianxiong 盧健雄	146	333	32	6	336	853
Mr. Wu Meng-cher 吳孟哲 (resigned as independent non-executive director, and appointed on June 12, 2015, and resigned on December 1, 2015)	134	967	–	–	624	1,725
Mr. Lee Ping Nam 李炳南 (resigned as non-executive director and appointed on December 1, 2015)	146	263	90	–	–	499
Non-executive Director (Note b)						
Mr. Lin Xiao 林曉	109	–	–	–	–	109
Independent Non-executive Directors (Note c)						
Mr. Kam Robert 甘廷仲	146	–	–	–	–	146
Ms. Ho Man Kay 何文琪	146	–	–	–	–	146
Mr. Siu Man Ho 蕭文豪 (appointed on June 12, 2015 and resigned on December 1, 2015)	81	–	–	–	–	81
Mr. Cheung Yuen Tak 張元德 (appointed on June 12, 2015)	81	–	–	–	–	81
	1,427	3,405	322	18	2,280	7,452

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

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

Year ended December 31, 2014

	Fee RMB'000	Salaries and allowances, and benefit in kind RMB'000	Performance related bonus RMB'000	Retirement benefits RMB'000	Share-based compensations RMB'000	Total RMB'000
Executive Directors (Note a)						
Mr. Huang Xianming 黃銑銘						
(Chief executive officer)	143	189	–	–	160	492
Mr. Tan Chaojun 譚朝均	143	112	–	6	124	385
Mr. Chen Minghui 陳明輝	143	35	–	6	116	300
Mr. Lu Jianxiong 盧健雄	143	16	–	6	102	267
Non-executive Directors (Note b)						
Mr. Lee Ping Nam 李炳南	48	–	–	–	–	48
Mr. Lin Xiao 林曉						
(appointed on April 16, 2014)	48	–	–	–	–	48
Independent Non-executive Directors (Note c)						
Mr. Kam Robert 甘廷仲						
(appointed on August 21, 2014)	48	–	–	–	–	48
Ms. Ho Man Kay 何文琪						
(appointed on August 21, 2014)	48	–	–	–	–	48
Mr. Wu I-ting 吳一梃						
(appointed on August 21, 2014 and resigned on November 13, 2014)	28	–	–	–	–	28
Mr. Wu Meng-cher 吳孟哲						
(appointed on November 13, 2014)	19	–	–	–	–	19
	811	352	–	18	502	1,683

Notes:

(a) The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

(b) The non-executive directors' emoluments shown above were mainly for their services as director of the Company or its subsidiaries.

(c) The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

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

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

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

Performance related bonus for the year ended December 31, 2015 were determined by the management having regard to the performance of the directors of the Company and the Group's results from operations.

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

For the year ended December 31, 2015, none of the directors of the Company has waived or agreed to waive any emoluments.

Employees' remuneration

The five highest paid individuals included four (2014: one) director for the year ended December 31, 2015. The emoluments of the remaining one (2014: four) individuals for the year ended December 31, 2015, are as follows:

	2015 RMB'000	2014 RMB'000
Salaries and allowances	863	1,894
Contributions to retirement benefits scheme	15	30
Share-based compensations	240	305
	1,118	2,229

Their emoluments were within the following bands:

	No. of individuals	
	2015	2014
Nil to HK$1,000,000 (equivalent to nil to RMB838,000)	–	3
HK$1,000,001 to HK$1,500,000 (equivalent to RMB838,000 to RMB1,257,000)	1	1

During the year, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. DIVIDENDS

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

Subsequent to the end of the reporting period, final dividend of HK15.00 cents (2014: HK6.00 cents) per share, amounting to approximately HK$62,250,000 (equivalent to approximately RMB52,678,000) (2014: approximately HK$24,900,000 (equivalent to approximately RMB19,175,000)), has been proposed by the directors and is subject to the approval by the shareholders at the forthcoming Annual General Meeting of the Company.

16. EARNINGS PER SHARE

From continuing and discontinued operations

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

	2015 RMB'000	2014 RMB'000
Earnings		
Profit for the year attributable to owners of the Company	105,151	71,689
Less: Undistributable earnings attributable to preferred shares	–	(6,340)
Earnings for the purpose of basic earnings per share	105,151	65,349
Add: Fair value loss on convertible promissory note	–	2,679
Undistributable earnings attributable to preferred shares	–	6,340
Less: Exchange gain on convertible promissory note	–	(207)
Earnings for the purpose of diluted earnings per share	105,151	74,161

16. EARNINGS PER SHARE *(continued)*

From continuing and discontinued operations *(continued)*

	2015 '000	2014 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	415,000	286,370
Effect of dilutive potential ordinary shares:		
– Share options (Note a)	69	–
– Preferred share (Note b)	–	27,781
– Convertible promissory note (Note c)	–	17,521
Weighted average number of ordinary shares for the purpose of diluted earnings per share	415,069	331,672
Basic earnings per share from continuing and discontinued operations (RMB cents)	25.34	22.82
Diluted earnings per share from continuing and discontinued operations (RMB cents)	25.33	22.36

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

Notes:

The computation of diluted earnings per share for the year ended December 31, 2015 does not assume the conversion of the Company's outstanding convertible redeemable bond since this assumed conversion would result in an increase in earnings per share from continuing operations.

(a) The computation of diluted earnings per share for the year ended December 31, 2014 does not assume the exercise of the Company's outstanding share options because the exercise price of those options was higher than the average market price for 2014.

(b) The computation on the effect of dilutive ordinary shares on preferred shares for the year ended December 31, 2014 is adjusted for the weighted average number of shares for the period they were outstanding before conversation, taking into account the effect of the Capitalisation.

(c) The computation on the effect of dilutive potential ordinary shares on the convertible promissory note in adjusted for the weighted average number of shares for the period they were outstanding before redemption, taking into account the effect of the Capitalisation.

16. EARNINGS PER SHARE *(continued)*

From continuing operations

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

Earnings figures are calculated as follows:

	2015 RMB'000	2014 RMB'000
Earnings		
Profit for the year attributable to owners of the Company	105,151	71,689
Less: Undistributable earnings attributable to preferred shares	–	(6,340)
	105,151	65,349
Profit for the year from discontinued operations	–	(61)
Earnings for the purpose of basic earnings per share from continuing operations	105,151	65,288
Add: Fair value loss on convertible promissory note	–	2,679
Undistributable earnings attributable to preferred shares	–	6,340
Less: Exchange gain on convertible promissory note	–	(207)
Earnings for the purpose of diluted earnings per share from continuing operations	105,151	74,100
Basic earnings per share from continuing operations (RMB cents)	25.34	22.80
Diluted earnings per share from continuing operations (RMB cents)	25.33	22.34

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

From discontinued operations

During the year ended December 31, 2014, basic earnings per share for the discontinued operations is RMB0.02 cents per share and diluted earnings per share for the discontinued operations is RMB0.02 cents per share, based on the profit for the year from the discontinued operations of RMB61,000 and the denominators detailed above for both basic and diluted earnings per share from continuing and discontinued operations.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvement	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At January 1, 2014	56,322	–	123,748	7,308	4,368	54,919	246,665
Additions	13,363	–	14,826	5,442	779	15,713	50,123
Transfer	65,678	–	455	–	–	(66,133)	–
Disposals	(5)	–	(753)	(194)	(295)	–	(1,247)
Disposal of a subsidiary (note 13)	(13,083)	–	(33,128)	(375)	–	(1,197)	(47,783)
At January 1, 2015	122,275	–	105,148	12,181	4,852	3,302	247,758
Additions	–	–	25,437	5,970	1,604	10,012	43,023
Transfer	2,451	7,016	1,946	–	–	(11,413)	–
Disposals	–	–	(2,390)	(94)	–	–	(2,484)
At December 31, 2015	124,726	7,016	130,141	18,057	6,456	1,901	288,297
ACCUMULATED DEPRECIATION							
At January 1, 2014	7,269	–	25,789	3,982	2,541	–	39,581
Provided for the year	2,342	–	9,088	1,852	1,008	–	14,290
Eliminated on disposals	(2)	–	(436)	(160)	(280)	–	(878)
Eliminated on disposal of a subsidiary (note 13)	(1,526)	–	(6,395)	(307)	–	–	(8,228)
At January 1, 2015	8,083	–	28,046	5,367	3,269	–	44,765
Provided for the year	5,787	–	11,004	2,540	1,101	–	20,432
Eliminated on disposals	–	–	(1,183)	(68)	–	–	(1,251)
At December 31, 2015	13,870	–	37,867	7,839	4,370	–	63,946
CARRYING VALUES							
At December 31, 2015	110,856	7,016	92,274	10,218	2,086	1,901	224,351
At December 31, 2014	114,192	–	77,102	6,814	1,583	3,302	202,993

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

The above items of property, plant and equipment (other than construction in progress) are depreciated on a straight-line basis over the following years after taking into account the residual values:

Buildings	20 years
Leasehold improvement	6 years
Plant and machinery	5 to 10 years
Office equipment	3 to 5 years
Motor vehicles	5 years

The Group's buildings are located in the PRC.

Note:

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

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

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

18. PREPAID LEASE PAYMENTS

	The Group RMB'000
CARRYING VALUES	
At January 1, 2014	12,244
Additions (Note)	2,500
Released to profit or loss	(482)
Disposal of a subsidiary (note 13)	(1,827)
At December 31, 2014	12,435
Released to profit or loss	(493)
At December 31, 2015	11,942

	2015 RMB'000	2014 RMB'000
Analyzed for reporting purpose:		
Current assets	**493**	493
Non-current assets	**11,449**	11,942
	11,942	12,435

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

The Group's prepaid lease payments comprise leasehold interest in land in the PRC. Land use rights are released to profit or loss over the lease terms ranged from 30 to 42 years.

19. INTANGIBLE ASSET

	Trademark RMB'000
COST	
At January 1, 2014, December 31, 2014 and December 31, 2015	5,000
AMORTISATION	
At January 1, 2014	3,000
Charge for the year	500
At December 31, 2014	3,500
Charge for the year	500
At December 31, 2015	4,000
CARRYING VALUES	
At December 31, 2015	1,000
At December 31, 2014	1,500

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

20. AVAILABLE-FOR-SALE INVESTMENT

	2015 RMB'000	2014 RMB'000
Listed investment:		
– Equity securities listed in Hong Kong (Note)	22,189	–

Note: On August 24, 2015, the Group invested US$3,000,000 (equivalent to approximately RMB19,356,000) and incurred approximately RMB195,000 transaction costs to acquire 8,125,000 shares in China Shun Ke Long Holdings Limited ("SKL"), a listed company in Hong Kong at HK$2.88 per share which represents 0.4% equity interests in SKL.

21. INVENTORIES

	2015 RMB'000	2014 RMB'000
Raw materials and packing materials	23,579	24,012
Work-in-progress	190	644
Finished goods	14,947	20,055
	38,716	44,711

22. TRADE, BILLS AND OTHER RECEIVABLES/OTHER DEPOSITS

	2015 RMB'000	2014 RMB'000
Trade receivables	15,249	13,007
Less: Allowance for doubtful debts	(188)	(761)
Trade receivables, net	15,061	12,246
Bills receivables	16,316	18,293
Total trade and bills receivables	31,377	30,539
Prepayments for purchase of raw materials	33,848	28,071
Other prepayments	2,458	6,198
Other receivables	22,625	1,911
Deposit for acquisition of properties	3,000	–
Rental and utility deposits	2,250	–
Deposit for acquisition of property, plant and equipment	146	262
	95,704	66,981
Less: Amount shown under current assets	(90,308)	(66,719)
Amount shown under non-current assets as other deposits	5,396	262

22. TRADE, BILLS AND OTHER RECEIVABLES/OTHER DEPOSITS *(continued)*

Trade and bills receivables

The Group generally adopted a policy to require advance payment from majority of their customers before the delivery of goods.

Before accepting any new customers, the Group assesses the potential customer's credit quality and defines its credit limit based on the reputation of the customers in the industry. Limits attributed to customers are reviewed regularly.

The trade and bills receivables balances at the end of each reporting period mainly represented the credit sales to certain customers. The Group generally allows a credit period of 30 to 90 days from the invoice date for trade receivables and a further credit period ranging from 90 to 180 days for bills receivable of these external customers based on bills issue date.

The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date, which approximate the respective revenue recognition dates at the end of the reporting period.

	2015 RMB'000	2014 RMB'000
Within 2 months	12,940	6,228
Over 2 months but within 3 months	1,891	6,007
Over 3 months but within 6 months	230	10
Over 6 months but within 1 year	–	1
	15,061	12,246

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of approximately RMB230,000 (2014: RMB11,000), which are past due at the end of the reporting period. Considering the high credibility of these customers, good track record with the Group and subsequent settlements, the management of the Group believes that no impairment allowance is necessary in respect of the remaining unsettled balances. The Group does not hold any collateral over these balances.

22. TRADE, BILLS AND OTHER RECEIVABLES/OTHER DEPOSITS *(continued)*

Trade and bills receivables *(continued)*

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

	2015 RMB'000	2014 RMB'000
Over 1 month but within 3 months	230	11

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

	2015 RMB'000	2014 RMB'000
Within 1 month	2,900	4,470
Over 1 month but within 3 months	3,521	8,573
Over 3 months but within 6 months	9,895	5,250
	16,316	18,293

In determining the recoverability of bills receivables, the Group considers any change in the credit quality of the bills issuers from the date credit was initially granted up to the end of the reporting period. In the opinion of management of the Group, the bills receivables that are not past due nor impaired at the end of each reporting period are of good credit quality.

At December 31, 2015, the Group has pledged bills receivables of nil (2014: RMB5,944,000) for its bills payable facility as disclosed in note 24.

22. TRADE, BILLS AND OTHER RECEIVABLES/OTHER DEPOSITS *(continued)*

Trade and bills receivables *(continued)*

Movements in the allowance for doubtful debts:

	2015 RMB'000	2014 RMB'000
At beginning of year	761	38
Additions during the year	123	723
Write off during the year	(696)	–
At end of year	188	761

Age of impaired receivables:

	2015 RMB'000	2014 RMB'000
Within 1 year	188	723
Over 3 years	–	38
	188	761

Other receivables

Included in the Group's other receivables, there is RMB20,000,000 loan advanced to a local government authority in Tangyin County in Henan Province, the PRC.

The amount is unsecured, interest-free and repayable in three months from the date of lending. Upon expiry of such loan advanced in February 2016, the Group entered into an agreement with such local government authority to acquire a land use right and other properties interests with a consideration of RMB23,000,000, and settle by converting this RMB20,000,000 loan advanced and a deposit of RMB3,000,000 paid by the Group (included in other deposits below) into a deposit for acquisition of the land use rights and other properties interests. The remaining balance mainly represent (i) advances to staff for business purposes and (ii) other miscellaneous receivables.

Other deposits

Amounts represent i) the aforesaid deposit of RMB3,000,000 for the acquisition of the properties in Tangyin County in Henan Province, the PRC as their new manufacturing plant; ii) rental and utility deposits due after one year; and iii) deposits for acquisition of property, plant and equipment.

23. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

At December 31, 2015, bank balances of RMB221,945,000 (December 31, 2014: nil) carry fixed interest rates ranged from 0.70% to 1.21% per annum.

Pledged bank balances and bank balances of RMB293,528,000 (December 31, 2014: RMB300,125,000) carry interest at floating interest rates per annum as follows:

	Bank balances	**Pledged bank deposits**
At December 31, 2014	0.01% – 0.35%	0.01% – 0.35%
At December 31, 2015	0.01% – 0.35%	0.01% – 0.35%

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

	2015 RMB'000	2014 RMB'000
RMB	**292,984**	203,856
Hong Kong Dollars ("HK$")	**124,500**	16,071
US Dollars ("US$")	**97,989**	80,198
	515,473	300,125

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

Pledged bank deposits represent deposits pledged to banks to secure the banking facility and bills payable issued to suppliers of the Group for the purchase of raw materials.

24. TRADE, BILLS AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables	**68,710**	63,246
Bills payables	**15,922**	1,000
Total trade and bills payables	**84,632**	64,246
Accrued expenses	**16,196**	10,003
Transportation fee payables	**17,608**	14,342
Payroll and welfare payables	**14,791**	16,427
Construction costs payables	**5,021**	3,970
Other payables	**1,746**	2,977
Output value-added-tax and other tax payables	**13,052**	7,202
	153,046	119,167

Trade and bills payables

The credit period of trade payables and bills payables is normally within 7 days to 45 days from the invoice date and 3 to 6 months from the bills issue date, respectively. The Group has financial risk management policies in place to ensure that all payables are settled within the credit limit frame.

The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	2015 RMB'000	2014 RMB'000
Within 3 months	**68,478**	62,112
Over 3 months but within 6 months	**43**	228
Over 6 months but within 1 year	**–**	104
Over 1 year	**189**	802
	68,710	63,246

24. TRADE, BILLS AND OTHER PAYABLES *(continued)*

Trade and bills payables *(continued)*

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

	2015 RMB'000	2014 RMB'000
Within 3 months	3,172	1,000
Over 3 months but within 6 months	12,750	–
	15,922	1,000

The bills payables are secured by the bills receivables and pledged bank deposits as disclosed in notes 22 and 23, respectively.

25. ADVANCES FROM CUSTOMERS

The Group entered into goods supply contracts with customers and received advance payments from customers which are interest-free. As at December 31, 2015 and 2014, the advances are included in current liabilities based on the estimated amounts of purchase of goods within one year.

26. PROVISIONS

The amount represents provisions in relation to the relocation of one of the Group's manufacturing plants in the PRC. During the year ended December 31, 2015, the Group approved a detailed relocation plan and has raised a valid expectation in those affected that the plan will be carried out by starting to implement that plan. The amount is based on the best estimate from the management for the total expected expenditures directly attributable to the relocation plan and has not been discounted for the purpose of measuring the provision because the effect is not material.

27. CONVERTIBLE REDEEMABLE BOND

On December 7, 2015, the Company entered into a subscription agreement with Peak Reinsurance Company Limited ("Peak Reinsurance") pursuant to which the Company conditionally agreed to issue, and Peak Reinsurance conditionally agreed to subscribe for, the convertible redeemable bond with the principal amount of US$20,000,000 (equivalent to approximately RMB129 million) with maturity for 3 years from the date of issuance. The convertible redeemable bond was subsequently issued to Peak Reinsurance on December 16, 2015.

27. CONVERTIBLE REDEEMABLE BOND *(continued)*

The principal terms of the convertible redeemable bond are set out as below:

Coupon interest rate:	4% per annum
Interest rate for redemption:	10% per annum
Payment of interest:	The interest will be payable in arrears every 12 months starting from the first interest payment on the first anniversary of the issue date of the convertible redeemable bond.
Conversion rights:	The convertible redeemable bondholder shall have the right, to convert all or any part, given that the minimum amount of conversion each time shall be at least either (i) 9,687,500 conversion shares (representing 30% of the total number of conversion shares); or (ii) the aggregate of the trading volume of the shares on the Stock Exchange for 30 consecutive trading days immediately prior to the date of the conversion notice, whichever is lower.
Conversion price:	Conversion price shall be deemed to be references to follows: (i) During the first year from the date of issuance shall be HK$4.80 per share; (ii) During the second year from the date of issuance shall be HK$5.12 per share; (iii) During the third year from the date of issuance shall be HK$5.80 per share.
Conversion period:	The period commencing from the issue date of the convertible redeemable bond and ending on the maturity date, provided that the minimum amount of any conversion shall result in at least either: (i) 9,687,500 conversion shares; or (ii) the aggregate of the trading volume of the shares of the Company as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to the conversion date, whichever is lower. The number of shares to be issued on conversion of the bond will be determined by dividing the principal amount of the bond to be converted by the conversion price in effect at the conversion date.

27. CONVERTIBLE REDEEMABLE BOND *(continued)*

Early redemption right: The Company has the right of early redemption for whole or part of the bond at any time after the end of 18 month from the issue date to the maturity date. The redemption price for the convertible redeemable bond shall be equal to 100% outstanding principal so redeemed

(i) Plus cumulative return of 10% per annum;
(ii) Plus default interest (if any) payable minus interest paid by the Company;
(iii) Minus any interest paid in respect of the principal amount so redeemed.

At the date of issuance, the convertible redeemable bond was designated as financial liability at FVTPL. Subsequently, the convertible redeemable bond was measured at fair value with changes in fair value recognised in profit or loss.

The fair value of the convertible redeemable bond was determined by the directors with reference to a valuation report carried out by an independent valuer. Details of the valuation technique in determining the fair value of the convertible redemption bond at the issue date and December 31, 2015 are set out in note 35(c)(i).

The movement of the convertible redeemable bond for the year ended December 31, 2015 is set out below:

	2015 RMB'000
At the date of issuance on December 16, 2015	129,404
Fair value loss on convertible redeemable bond	4,013
Exchange loss	497
At December 31, 2015	133,914

28. DEFERRED INCOME

Amounts credited to profit or loss during the year:

	2015 RMB'000	2014 RMB'000
Subsidies related to tax refund (Note a)	–	346
Incentive subsidies for listing (Note b)	–	2,000
Incentive subsidies (Note c)	7,629	5,560
Released from asset-related government subsidies (Note d)	250	–
	7,879	7,906

The movement of deferred income is as follows:

	2015 RMB'000	2014 RMB'000
At beginning of year	2,000	4,390
Receipts of subsidies related to property, plant and equipment (Note d)	7,663	2,000
Release to profit or loss during the year (Note d)	(250)	–
Disposal of a subsidiary (note 13)	–	(4,390)
At end of year	9,413	2,000

Notes:

(a) It relates to an amount received by a subsidiary from a local government for its investments in Suqian City. The subsidiary can apply to the local government authority for refund of tax paid. The amount of tax refund would be determined based on the tax paid by the subsidiary.

(b) The Group received government subsidies for reward on the completion of listing on the Stock Exchange.

(c) Incentive subsidies were received from a local government for improvement of working capital and compensation of research and development expenses incurred.

(d) The Group received government subsidies for the compensation of capital expenditures on the plant and machinery which are deferred and amortised to profit or loss over the estimated useful lives of the respective assets when they are ready to use.

There are no unfulfilled conditions or other contingencies attached to the grants under (a), (b) and (c) above. The subsidies were granted on a discretionary basis to the Group during the year.

29. DEFERRED TAX

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

	Accelerated tax depreciation RMB'000	Undistributed profits of subsidiaries RMB'000	Total RMB'000
At January 1, 2014	133	–	133
(Credit) charge to profit or loss (note 11)	(10)	1,712	1,702
Disposal of a subsidiary (note 13)	(123)	–	(123)
At December 31, 2014 and January 1, 2015	–	1,712	1,712
Released upon declaration of dividend by Guangdong Jiashili	–	(1,712)	(1,712)
Charge to profit or loss (note 11)	–	2,068	2,068
At December 31, 2015	–	2,068	2,068

As at December 31, 2015, the Group has unrecognised deferred tax liability in relation to PRC withholding tax on undistributed earnings in certain of its PRC subsidiaries of RMB145,411,000 (2014: RMB51,360,000), as it is the intention of the directors to retain the earnings with these subsidiaries for their future business development. The dividend withholding tax rate for the profit earned in the PRC subsidiaries for the year ended December 31, 2015 is 5% (2014: 10%).

At December 31, 2015, Group has unused tax losses of RMB4,067,000 (December 31, 2014: RMB1,503,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

At December 31, 2015, the Group has deductible temporary differences of RMB6,967,000 (December 31, 2014: nil). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

30. CONVERTIBLE PROMISSORY NOTE

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

30. CONVERTIBLE PROMISSORY NOTE *(continued)*

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

Interest rate:	8% per annum on the outstanding principal amount compounded annually, accruing on a daily basis from the issue date
Payment of interest:	Interest is accrued and payable upon repayment or prepayment of the principal amount (in any event no later than the maturity date)
Default interest:	15% per annum on the outstanding amount compounded daily, accruing from the date of occurrence of event of default
Prepayment:	The Company may prepay any and all principal amount payable by it by delivery of prior written notice of no less than 10 business days to the holder of the convertible promissory note
Conversion:	Any amount due and unpaid by the Company on the date falling 3 months after the maturity date is convertible into such number of Series A Preferred Shares, being the result of multiplying the then total number of shares of the Company (on a fully-diluted and as converted basis) by the ratio of the RMB equivalent of the unpaid amount to RMB800,000,000
Guarantee:	A guarantee was granted by Mr. Huang in favor of Actis 151 to guarantee the repayment obligations of the Company under the convertible promissory note. Such guarantee will lapse upon listing of the shares of the Company on the Stock Exchange (the “Listing”).
Share mortgage /charge:	On April 16, 2014, each of Mr. Huang, Great Logistics Global Limited (“Great Logistics”), Kaiyuan and Jiashili HK entered into separate share mortgage/charge agreements with Actis 151, pursuant to which the following shares/equity interest are charged in favor of Actis 151 to secure the repayment obligations of the Company under the convertible promissory note: (i) Share mortgage over the shares of Great Logistics; (ii) Share mortgage over the shares of Kaiyuan which were held by Great Logistics; (iii) Share mortgage over the shares of the Company which were held by Kaiyuan; and (iv) Charge over the entire equity interest in Guangdong Jiashili which was held by Jiashili HK.

30. CONVERTIBLE PROMISSORY NOTE *(continued)*

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

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

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

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

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

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

31. SHARE CAPITAL – ORDINARY SHARES

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

	Number of shares	Share capital – ordinary shares HK$
Ordinary shares at par value of HK$0.01 each		
Authorised:		
At December 31, 2014 and December 31, 2015	8,000,000,000	80,000,000
Issued and fully paid:		
Issuance of new shares at date of incorporation	1	–
Issuance of new shares on April 15, 2014	9,999	100
Conversion of preferred shares on September 25, 2014	60,000,000	600,000
Capitalisation issue on September 25, 2014	239,990,000	2,399,900
Issuance of new shares on September 25, 2014	100,000,000	1,000,000
Issuance of new shares on October 10, 2014	15,000,000	150,000
At December 31, 2014 and December 31, 2015	415,000,000	4,150,000

	At December 31, 2015 and 2014 RMB'000
Presented in the consolidated financial statements	3,285

The paid-in capital amounted to RMB120,000,000 at December 31, 2013 represented the registered and paid-in capital of Guangdong Jiashili. The paid-in capital was transferred to special reserve upon completion of the Group Reorganisation on April 4, 2014.

32. SHARE CAPITAL – PREFERRED SHARES

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

	Number of shares	Share capital – preferred share HK$
Authorised:		
Preferred shares at par value of HK$0.01 each		
At April 14, 2014 and December 31, 2014	4,370	44
Issued and fully paid:		
Issuance of new shares on April 14, 2014	2,500	25
Conversion to ordinary shares on September 25, 2014 (Note)	(2,500)	(25)
At December 31, 2014 and December 31, 2015	–	–

Note:

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

33. SHARE OPTION SCHEME

Pre-IPO Share Option Scheme

The Company has conditionally adopted a pre-IPO share option scheme ("Pre-IPO Share Option Scheme") on August 21, 2014 to provide incentives and rewards to the director and employees of the Group for their future contribution and to retain key and senior employees of the Group. The Group is authorized to issue options to a maximum of 10% of the shares in issue on the listing on September 25, 2014 under the Pre-IPO Share Option Scheme.

The total number of options granted to the directors and employees under the Pre-IPO Share Option scheme is 14,900,000 on the listing date of September 25, 2014 at the exercise price of HK$3.45 per share, determined with reference to the costs per share acquired by the pre-IPO investors, subject to any adjustment made in the manner as contemplated under the Pre-IPO Share Option Scheme.

The following table discloses the details of and movements in the share options granted under the Pre-IPO Share Option Scheme for the year ended December 31, 2015:

For the year ended December 31, 2015

				Number of share options			
Category of grantees	Date of grant	Exercise period	Exercise price per share	At 1.1.2015	Granted during the year	Exercised during the year	At 31.12.2015
Directors of the Company	25.9.2014	25.9.2015–25.9.2019	HK$3.45	862,500	–	–	862,500
	25.9.2014	25.9.2016–25.9.2019	HK$3.45	862,500	–	–	862,500
	25.9.2014	25.9.2017–25.9.2019	HK$3.45	862,500	–	–	862,500
	25.9.2014	25.9.2018–25.9.2019	HK$3.45	862,500	–	–	862,500
Employees of the Group	25.9.2014	25.9.2015–25.9.2019	HK$3.45	2,862,500	–	–	2,862,500
	25.9.2014	25.9.2016–25.9.2019	HK$3.45	2,862,500	–	–	2,862,500
	25.9.2014	25.9.2017–25.9.2019	HK$3.45	2,862,500	–	–	2,862,500
	25.9.2014	25.9.2018–25.9.2019	HK$3.45	2,862,500	–	–	2,862,500
Total				14,900,000	–	–	14,900,000
Exercisable at year ended							3,725,000

33. SHARE OPTION SCHEME *(continued)*

Pre-IPO Share Option Scheme *(continued)*

For the year ended December 31, 2014

Category of grantees	Date of grant	Exercise period	Exercise price per share	At 25.9.2014	Number of share options Granted during the year	Exercised during the year	At 31.12.2014
Directors of the Company	25.9.2014	25.9.2015–25.9.2019	HK$3.45	–	862,500	–	862,500
	25.9.2014	25.9.2016–25.9.2019	HK$3.45	–	862,500	–	862,500
	25.9.2014	25.9.2017–25.9.2019	HK$3.45	–	862,500	–	862,500
	25.9.2014	25.9.2018–25.9.2019	HK$3.45	–	862,500	–	862,500
Employees of the Group	25.9.2014	25.9.2015–25.9.2019	HK$3.45	–	2,862,500	–	2,862,500
	25.9.2014	25.9.2016–25.9.2019	HK$3.45	–	2,862,500	–	2,862,500
	25.9.2014	25.9.2017–25.9.2019	HK$3.45	–	2,862,500	–	2,862,500
	25.9.2014	25.9.2018–25.9.2019	HK$3.45	–	2,862,500	–	2,862,500
Total				–	14,900,000	–	14,900,000
Exercisable at year ended							–

The fair value of these options at date of grant was approximately RMB15,607,000, of which approximately RMB7,229,000 were charged to the profit or loss for the year ended December 31, 2015 (2014: RMB2,166,000).

33. SHARE OPTION SCHEME *(continued)*

Pre-IPO Share Option Scheme *(continued)*

For the year ended December 31, 2014 *(continued)*

The fair value of share options are measured by Binominal Model, using the following assumptions:

	On September 25, 2014
Share price (HK$)	3.89
Exercise price (HK$)	3.45
Risk-free rate	1.424%
Dividend yield	1.057%
Volatility	34.77%
Expiry date	September 25, 2019
Suboptimal factor	3.0

Share Option Scheme

The Company has conditionally adopted a share option scheme on August 21, 2014 to enable the Company to grant options to the eligible person as incentives or rewards for their contribution to the Group. The Group is authorised to issue options to a maximum of 10% of the shares in issue as at the listing date under the share option scheme.

The total number of options granted to consultants in investor relation profession under share option scheme is 10,000,000 on February 17, 2015 at exercise price of HK$4.00 per share. The exercise price is determined by the board of directors of the Company at its absolute discretion and shall not be less than the highest of (i) the closing price of HK$3.66 per share as quoted in the Stock Exchange's daily quotation sheet on the grant date; (ii) the average closing price of approximately HK$3.632 per share as quoted in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the grant date; and (iii) the nominal value of HK$0.01 per share; subject to adjustments. Upon acceptance of the options, the eligible person shall pay HK$1.00 to the Company by way of consideration for the grant. The options were offered for acceptance for a period of 28 days from the date on which the options were granted. There is no vesting condition attached to the options.

The total number of options granted to the directors under the share option scheme was 2,000,000 on June 12, 2015 at exercise price of HK$4.58 per share. The exercise price is determined by the board of directors of the Company at its absolute discretion and shall not be less than the highest (i) the closing price of HK$4.580 per share as quoted in the daily quotation sheet of The Stock Exchange on the grant date; (ii) the average closing price of approximately HK$4.536 per share as quoted in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the grant date; and (iii) the nominal value of HK$0.01 per share.

33. SHARE OPTION SCHEME *(continued)*

Share Option Scheme *(continued)*

The following table discloses the details of the share options and movements in the share options granted under the share option scheme for the year ended December 31, 2015:

For the year ended December 31, 2015

Category of grantees	Date of grant	Exercise period	Exercise price per share	Number of share options At 1.1.2015	Granted during the year	Exercised during the year	At 31.12.2015
Consultants in investor relation profession	17.2.2015	17.2.2015–31.12.2015	HK$4.00	–	10,000,000	–	10,000,000
Director of the Company	12.6.2015	12.6.2016–12.6.2020	HK$4.58	–	500,000	–	500,000
	12.6.2015	12.6.2017–12.6.2020	HK$4.58	–	500,000	–	500,000
	12.6.2015	12.6.2018–12.6.2020	HK$4.58	–	500,000	–	500,000
	12.6.2015	12.6.2019–12.6.2020	HK$4.58	–	500,000	–	500,000
Total				–	12,000,000	–	12,000,000
Exercisable at year ended							10,000,000

The fair value of the options granted on February 17, 2015 and June 12, 2015 were approximately RMB1,716,000 and RMB2,408,000 respectively, of which approximately RMB1,716,000 for consultants in investor relation profession and RMB624,000 for a director of the Company were charged to the profit or loss for the year ended December 31, 2015, respectively.

The fair value of share options are measured by Binominal Model, using the following assumptions:

	On February 17, 2015	On June 12, 2015
Share price (HK$)	3.66	4.58
Exercise price (HK$)	4.00	4.58
Risk-free rate	0.118%	1.314%
Dividend yield	1.64%	1.31%
Volatility	26.69%	33.93%
Expiry date	January 1, 2016	June 12, 2020
Suboptimal factor	2.2	2.8

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to equity owners through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged during the year.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, and accumulated profits and reserves.

The management of the Group reviews the capital structure periodically. As part of this review, the management considers the cost of capital and the risks associated with the capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends and raising of new capital as well as the issue of new debt.

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2015 RMB'000	2014 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalent)	574,725	332,575
Available-for-sale investment	22,189	–
Financial liabilities		
Convertible redeemable bond designated at FVTPL	133,914	–
Amortised cost	123,798	101,962

(b) Financial risk management objectives and policies

The management monitors and manages the financial risks relating to the operations of the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks include market risk (including interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

35. FINANCIAL INSTRUMENTS *(continued)*

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

Currency risk

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

HK$ monetary assets and liabilities

	2015 RMB'000	2014 RMB'000
Available-for-sale investment	22,189	–
Cash and bank balance	124,500	16,071
Trade and other receivable	–	67
Other payables	(36)	(514)
	146,653	15,624

US$ monetary assets and liability

	2015 RMB'000	2014 RMB'000
Bank balances and cash	97,989	80,198
Convertible redeemable bond	(133,914)	–
	(35,925)	80,198

Based on the above net exposures, and assuming that all other variables remain constant, a 5% depreciation/appreciation of the HK$ against the RMB would result in an decrease/increase in the Group's profit before tax for the year of approximately RMB7,333,000 (2014: RMB781,000) for the year ended December 31, 2015. A 5% depreciation/appreciation of the US$ against the RMB would result in an increase/decrease in the Group's profit before tax for the year of approximately RMB1,796,000 for the year ended December 31, 2015 and decrease/increase in the Group's profit before tax for the year of approximately RMB4,010,000 for the year ended December 31, 2014.

35. FINANCIAL INSTRUMENTS *(continued)*

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to cash flow interest rate risk on the variable rate of interest earned on the bank balances. The Group is also exposed to fair value interest rate risk in relation to fixed-rate bank balances. The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The management of the Group monitor interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The Group is mainly exposed to interest rates quoted by the People's Bank of China.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. The following sensitivity analysis represents management's assessment of the reasonably possible change in interest rates.

Variable-rate bank balances

If interest rates of the variable-rate bank balances had been 10 basis points higher/lower and all other variables were held constant, the Group's profit before tax for the year ended December 31, 2015 would increase/decrease by approximately RMB294,000 (2014: RMB300,000).

Credit risk

As at December 31, 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

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

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

35. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk *(continued)*

The trade receivables balances at the end of each reporting period mainly represented the credit sales to certain customers. With respective to these credit sales, the Group has concentration of credit risk as 88% (2014: 90%) of the Group's total trade receivables as at December 31, 2015, were due from five customers. Those five customers are with good creditworthiness based on historical settlement record. In order to minimize the concentration of credit risk, the management of the Group is responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure follow-up action is taken to recover overdue debts. The management of the Group also performs periodic evaluations and customer visits to ensure the Group's exposure to bad debts is not significant and adequate impairment losses are made for irrecoverable amount. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the Group closely monitors their cash position resulting from its operations and maintains a level of cash and cash equivalents deemed adequate by the management to meet in full its financial obligations as they fall due for the foreseeable future. The management also monitors the utilisation of bank facilities.

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms as at December 31, 2015. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

35. FINANCIAL INSTRUMENTS *(continued)*

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

Liquidity risk *(continued)*

Liquidity and interest risk tables

	Weighted average interest rate	Repayable on demand or within 3 months	3–6 months	6 months to 1 year	1 to 3 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2015							
Trade, bills and other payables	–	123,798	–	–	–	123,798	123,798
Convertible redeemable bond	10	–	–	12,940	155,284	168,224*	133,914
		123,798	–	12,940	155,284	292,022	257,712
At December 31, 2014							
Trade, bills and other payables	–	101,962	–	–	–	101,962	101,962

* The amount represents the redemption amount of the convertible redeemable bond at the maturity date assuming no conversion or early redemption taken place.

(c) Fair value

(i) Fair value of the Group's financial liabilities are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

35. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value *(continued)*

(i) Fair value of the Group's financial assets and liabilities are measured at fair value on a recurring basis *(continued)*

Financial asset and liability	Fair value	Fair value hierarchy	Valuation technique and key inputs	Relationship of unobservable inputs to fair value
Convertible redeemable bond	December 31, 2015: RMB133,914,000 (December 31, 2014: Nil)	Level 3	Binomial tree option pricing Key unobservable inputs are: discount rate, remaining time to maturity, expected volatility and dividend yield	The higher the discount rate, the lower the fair value. The shorter the remaining time to maturity, the lower the fair value. The higher the expected volatility and dividend yield, the higher the fair value.
Listed available-for-sale investment	December 31, 2015: RMB22,189,000 (December 31, 2014: Nil)	Level 1	Quoted bid price in an active market	N/A

35. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value *(continued)*

(i) Fair value of the Group's financial liabilities are measured at fair value on a recurring basis *(continued)*

The Group's structured deposits was measured at fair value. The fair value was derived from valuation techniques that included unobservable input, being expected yields of money market instruments and debt instruments invested by banks and a discount rate that reflects the credit risk of the banks.

Included in other gain and losses for the year ended December 31, 2015, fair value gain of RMB5,923,000 (2014: nil) were related to structured deposits measured at fair value through profit or loss.

During the year ended December 31, 2014, Actis 151 subscribed and purchased a convertible promissory note issued by the Company with a principal amount of US$12,700,000 (equivalent to RMB78,109,000) on April 16, 2014, the convertible promissory note was mature on September 25, 2014.

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

Included in other gain and losses for the year ended December 31, 2014, fair value gain of RMB2,679,000 were related to convertible promissory note measured at fair value through profit or loss.

There is no transfer between Level 1, 2 and 3 in the current year.

(ii) Fair value financial assets and financial liabilities that are not measure at fair value on a recurring basis

The directors consider that the carrying amounts of other financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values using discounted cash flow valuation technique.

36. TRANSFERS OF FINANCIAL ASSETS

The following were the Group's bills receivables as at December 31, 2015 that were transferred to suppliers by endorsing those bills receivables on a full recourse basis. If the bills receivables are not paid at maturity, the suppliers have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the bills receivables and has recognised the associated trade payables. These financial assets are carried at amortised cost in the Group's consolidated statements of financial position.

At the end of the reporting period, the carrying amount of the bills receivables that have been transferred but have not been derecognised and the amount of the associated liabilities are as follows:

	2015 RMB'000	2014 RMB'000
Bills receivables endorsed to suppliers with full recourse	8,895	6,813
Associated trade payables relating to the endorsement of bills receivables	8,895	6,813

37. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	2015	2014
	RMB'000	RMB'000
NON-CURRENT ASSET		
Interests in subsidiaries	**77,237**	77,237
Amounts due from subsidiaries	**551,230**	404,507
	628,467	481,744
CURRENT ASSETS		
Prepayment	**122**	–
Bank balances	**2**	3
	124	3
CURRENT LIABILITY		
Accruals and other payable	**1,578**	1,883
NET CURRENT LIABILITIES	**(1,454)**	(1,880)
NON-CURRENT LIABILITY		
Convertible redeemable bond	**133,914**	–
NET ASSETS	**493,099**	479,864
CAPITAL AND RESERVES		
Share capital	**3,285**	3,285
Reserves	**489,814**	476,579
TOTAL EQUITY	**493,099**	479,864

37. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

Movement the Company's in reserve

	Share capital RMB'000	Share premium RMB'000	Share options reserve RMB'000	Accumulated (loss) profits RMB'000	Total RMB'000
At January 1, 2014	–	–	–	–	–
Loss and total comprehensive expenses for the year	–	–	–	(9,161)	(9,161)
Issuance of preferred shares	–	165,588	–	–	165,588
Issuance of ordinary shares	3,285	335,868	–	–	339,153
Share issue expenses	–	(15,507)	–	–	(15,507)
Capitalisation issue	–	(1,900)	–	–	(1,900)
Conversion of preferred shares	–	(475)	–	–	(475)
Share-based compensations	–	–	2,166	–	2,166
At December 31, 2014	3,285	483,574	2,166	(9,161)	479,864
Profit and total comprehensive income for the year	–	–	–	23,381	23,381
Dividend declared (note 15)	–	(19,715)	–	–	(19,715)
Share-based compensations	–	–	9,569	–	9,569
At December 31, 2015	3,285	463,859	11,735	14,220	493,099

38. OPERATING LEASE

The Group as lessee

Minimum lease payments under operating lease were approximately RMB2,836,000 (2014: RMB1,099,000), which represents the rent paid by the Group for land and buildings for the year ended December 31, 2015. Leases for land and buildings are negotiated for a term ranged from one to six years (2014: one to two years) with fixed rental.

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating lease which fall due as follows:

	2015 **RMB'000**	2014 RMB'000
Within one year	**4,694**	501
In the second to fifth years inclusive	**17,009**	676
Over five years	**2,450**	–
	24,153	1,177

The Group as lessor

Property rental income earned during the year was RMB129,000 (2014: nil) from the sub-lease of the properties under operating lease where the Group is the lessee.

At the end of each reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2015 **RMB'000**	2014 RMB'000
Within one year	**775**	–
In the second to fifth years inclusive	**2,778**	–
	3,553	–

39. CAPITAL COMMITMENTS

	2015 RMB'000	2014 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**6,894**	982
Capital expenditure in respect of the establishment of an investment fund contracted for but not provided in the consolidated financial statements (Note)	**133,650**	–

Note: On December 16, 2015, the Group entered in a partnership agreement with Xizang Fujia Food Investment Center (Limited Partnership) 西藏復嘉食品投資中心(有限合夥) ("Xizang Fujia") and Shanghai Fosun Wei Shi Equity Investment Fund Phase 1 上海復星惟實一期股權投資基金合夥企業 ("Fosun Weishi 1 Equity Fund") in respect of the establishment of an investment fund and the subscription of interest therein. Pursuant to the partnership agreement, the total capital commitment for the fund is RMB150 million, among which, RMB1.5 million is to be contributed by Xizang Fujia as the general partner, RMB133.65 million and RMB14.85 million are to be contributed by the Company and Fosun Weishi 1 Equity Fund, respectively, as the limited partners. Details of the establishment of the investment fund are set out in the Company's announcement dated December 16, 2015.

40. PLEDGED OF ASSETS

As at December 31, 2015 and 2014, the following items were used to secure banking facilities granted to the Group:

		2015 RMB'000	2014 RMB'000
(a)	Pledged bank deposits	**5,388**	1,927
(b)	Pledge of bills receivable	**–**	5,944
		5,388	7,871

41. RELATED PARTY DISCLOSURES

Related Party Transactions

	2015 RMB'000	2014 RMB'000
Sale of goods		
Zhongchen	31	71

The above transactions were carried out in the ordinary course of business and conducted in accordance with the terms and conditions mutually agreed by both parties.

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

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

Key management personnel

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

	2015 RMB'000	2014 RMB'000
Short-term benefits	7,363	3,345
Post-employment benefits	94	55
Share-based compensations	3,672	880
	11,129	4,280

42. RETIREMENT BENEFIT PLAN

The employees of the Group are members of the state-managed retirement benefit scheme operated by the PRC government. The Group is required to contribute a certain percentage of basic payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

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

The total expense recognised in profit or loss of approximately RMB10,923,000 (2014: RMB8,672,000) represent contributions paid and payable to the retirement benefit scheme during the year ended December 31, 2015.

43. SUBSIDIARIES

As at December 31, 2015, the Group has equity interests in the following subsidiaries:

Name of subsidiaries	Place and date of establishment/ incorporations	Registered capital/issued and fully paid-up share capital	Equity interest attributable to the Company at December 31, 2015	2014	Principal activities
Direct					
Jiashili Limited 嘉士利有限公司	British Virgin Islands December 6, 2013	Ordinary shares of US$50,000 and paid-up capital of nil	100%	100%	Investment holding
Indirect					
Guangdong Jiashili Food Group Co., Limited* 廣東嘉士利食品集團有限公司	PRC June 8, 2005	Registered capital of RMB220,000,000 and paid-up capital of RMB220,000,000	100%	100%	Investment holding and manufacturing and sale of confectioneries
Jiangsu Jiashili Food Company Limited 江蘇嘉士利食品有限公司	PRC September 30, 2009	Registered capital of RMB50,000,000 and paid-up capital of RMB50,000,000	100%	100%	Wholesale and retail of pre-packaged food and manufacture and sale of biscuits

43. SUBSIDIARIES *(continued)*

Name of subsidiaries	Place and date of establishment/ incorporations	Registered capital/issued and fully paid-up share capital	Equity interest attributable to the Company at December 31, 2015	2014	Principal activities
Anyang Jiashili Food Company Limited* 安陽嘉士利食品有限公司	PRC June 18, 2015	Registered capital of RMB50,000,000 and paid-up capital of nil	100%	N/A	Manufacture and sale of biscuits
Jiashili (Hong Kong) Limited 嘉士利(香港)有限公司	Hong Kong December 24, 2013	Ordinary shares of HK$10,000 and paid-up capital of nil	100%	100%	Investment holding
Xingtai Jiashili Food Company Limited* 邢台嘉士利食品有限公司	PRC August 19, 2008	Registered capital of RMB5,000,000 and paid-up capital of RMB5,000,000	100%	100%	Manufacture and sale of biscuits

* English name for reference only

44. MAJOR NON-CASH TRANSACTION

During the year, the provisions of RMB6,967,000 was recognised in relation to the relocation of one of the Group's manufacturing plants in the PRC. The amount is expected to be settled upon the completion of the relocation.

45. EVENTS AFTER THE REPORTING PERIOD

Acquisition of a land use right and other properties interests

In February 2016, the Group entered into an agreement with a local government authority in Tangyin County, Henan Province, the PRC, to acquire a land use right and other properties interests with a consideration of RMB23,000,000, and settle by converting the RMB20,000,000 loan advanced and a deposit of RMB3,000,000 paid by the Group (both set out in note 22) into a deposit for acquisition of a land use rights and other properties interests. Up to the date of this report, the acquisition is in process and expected to be completed by end of June 2016.

Relocation of manufacturing plants

On February 18, 2016, the closure of Xingtai Jiashili Food Company Limited ("Xingtai Jiashili") was approved at its equity owners' meeting and at the board of directors of Guangdong Jiashili. Up to the date of this report, the Group is the process of relocating the operation of Xingtai Jiashili to its subsidiary, Anyang Jiashili Food Company Limited established in Tangyin County, Henan Province, the PRC.

FIVE-YEAR FINANCIAL SUMMARY

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

RESULTS

	Year ended December 31				
	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
CONTINUING OPERATION					
Revenue	1,006,228	840,058	747,771	649,488	565,276
Cost of sales	(653,953)	(571,557)	(522,120)	(483,707)	(433,243)
Gross profit	352,275	268,501	225,651	165,781	132,033
Other Income	13,193	9,298	6,919	11,004	3,023
Selling and distribution expenses	(127,748)	(101,688)	(87,932)	(69,191)	(60,127)
Administrative expenses	(59,132)	(38,421)	(29,595)	(29,470)	(20,820)
Finance costs	–	(2,341)	(2,448)	(606)	(1,191)
Other expenses, gain and losses	(42,345)	(45,516)	(30,466)	(22,970)	(18,508)
Profit before tax	136,243	89,833	82,129	54,548	34,410
Income tax expense	(31,092)	(18,205)	(14,268)	(11,745)	(9,508)
Profit for the year from continuing operation	105,151	71,628	67,861	42,803	24,902
DISCONTINUED OPERATION					
Profit (loss) for the year from discontinued operation	–	61	1,408	645	3,573
OTHER COMPREHENSIVE INCOME					
Fair value gain on available-for-sale investment	2,389	–	–	–	–
Profit and total comprehensive income for the year attributable to the owners of the Company	107,540	71,689	69,269	43,448	28,475

ASSETS AND LIABILITIES

	As at December 31				
	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
TOTAL ASSETS	909,873	630,859	402,470	306,857	249,052
TOTAL LIABILITIES	(344,594)	(162,974)	(252,068)	(204,715)	(146,083)
	565,279	467,885	150,402	102,142	102,969