嘉士利®

嘉士利集團有限公司

JIASHILI GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1285

ANNUAL REPORT 2016

CONTENT

香薄趣
JiashiLi
果乐果香
BREAKFAST BISCUITS
早餐饼干
儿童成长小早餐
Wafer
JIASHILI BISCUITS
威化饼干

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Huang Xianming
(Chairman and Chief Executive Officer)
Mr. Tan Chaojun *(Vice Chairman)*
Mr. Chen Minghui
Mr. Lu Jianxiong *(resigned on January 1, 2017)*
Mr. Lee Ping Nam *(resigned on January 1, 2017)*

Non-Executive Director

Mr. Lin Xiao

Independent Non-Executive Directors

Mr. Kam Robert
Ms. Ho Man Kay
Mr. Cheung Yuen Tak *(resigned on January 16, 2017)*
Mr. Ma Xiaoqiang *(appointed on January 16, 2017)*

COMPANY SECRETARY

Mr. Yau Chung Hang, FCCA

AUDIT COMMITTEE

Mr. Kam Robert *(Chairman of the Audit Committee)*
Ms. Ho Man Kay
Mr. Cheung Yuen Tak *(resigned on January 16, 2017)*
Mr. Ma Xiaoqiang *(appointed on January 16, 2017)*

REMUNERATION COMMITTEE

Ms. Ho Man Kay
(Chairman of the Remuneration Committee)
Mr. Huang Xianming
Mr. Kam Robert
Mr. Cheung Yuen Tak *(resigned on January 16, 2017)*
Mr. Ma Xiaoqiang *(appointed on January 16, 2017)*

NOMINATION COMMITTEE

Mr. Huang Xianming
(Chairman of the Nomination Committee)
Mr. Kam Robert
Ms. Ho Man Kay
Mr. Cheung Yuen Tak *(resigned on January 16, 2017)*
Mr. Ma Xiaoqiang *(appointed on January 16, 2017)*

AUTHORISED REPRESENTATIVES

Mr. Huang Xianming
Mr. Yau Chung Hang

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

Corporate Information

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
98 Granville Road
Kowloon
Hong Kong

CORPORATE WEBSITE

www.gdjsl.com

STOCK CODE

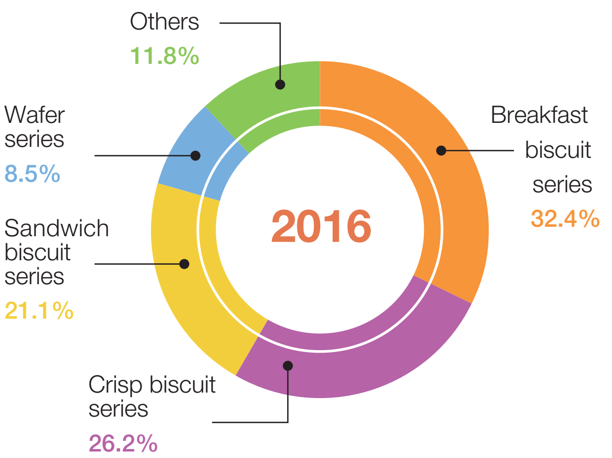
1285

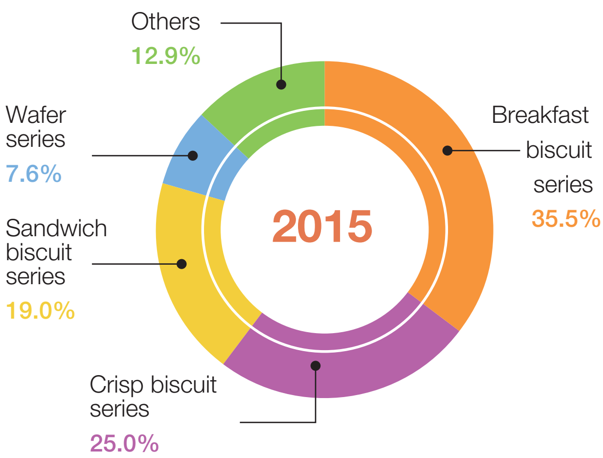
LISTING DATE

September 25, 2014

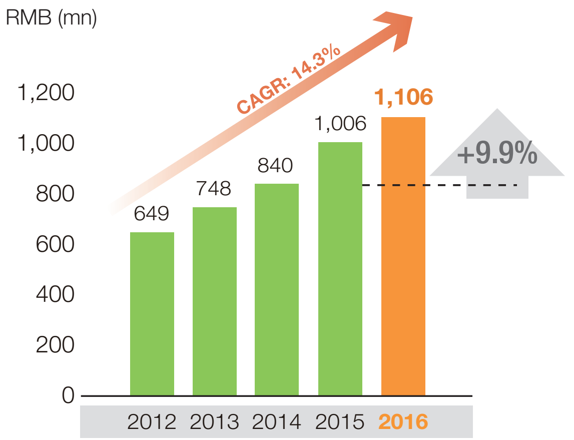
FINANCIAL HIGHLIGHTS

REVENUE BREAKDOWN BY MAJOR PRODUCT SEGMENTS

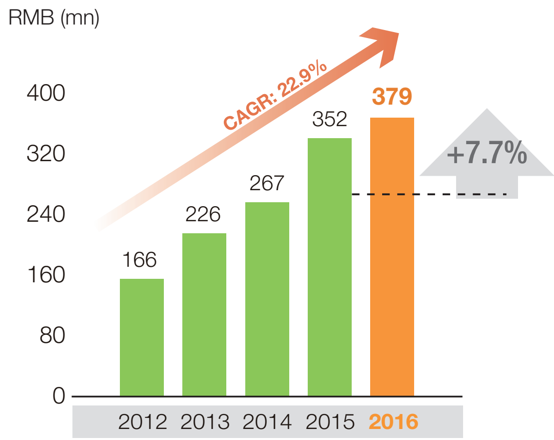




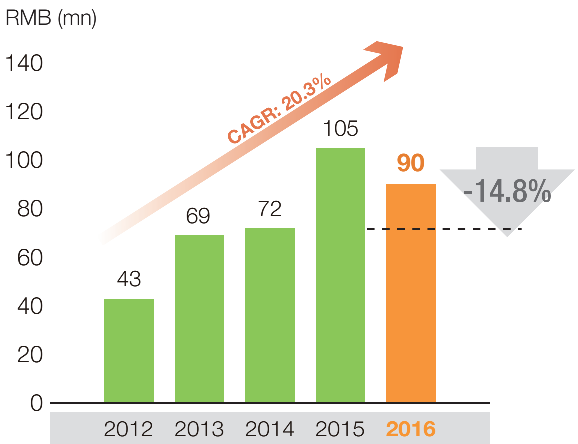
REVENUE



GROSS PROFIT



PROFIT FOR THE YEAR



Financial Highlights

	Year ended December 31,		Increase/ decrease
	2016	2015	
	(RMB'000)	(RMB'000)	
Revenue	**1,105,771**	1,006,228	↑9.9%
Gross profit	**379,389**	352,275	↑7.7%
Gross profit margin	**34.3%**	35.0%	↓0.7 percentage point
Profit for the year	**89,637**	105,151	↓14.8%
Profit and total comprehensive income for the year attributable to the owners of the Company	**87,248**	107,540	↓18.9%
Earnings before interest, tax, depreciation and amortisation	**139,004**	157,175	↓11.6%
Earnings per share			
— Basic (RMB cents)	**21.60**	25.34	↓14.8%
— Diluted (RMB cents)	**21.60**	25.33	↓14.7%
Net profit margin	**8.1%**	10.5%	↓2.4 percentage points
Proposed final dividend per share (HKD)	**0.15**	0.15	Nil

CHAIRMAN STATEMENT

Dear shareholders,

On behalf 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, 2016 (the "Year").

Established in 1966, Jiashili officially welcomed its 60th anniversary in 2016 and the Group has accumulated a wealth of experience over the past years. Besides, 2017 is the third year following the successful listing of the Group on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and the capital platform in Hong Kong has laid a solid foundation for the Group's capital base and enhanced its brand awareness and recognition, which in return is the strongest supporter of our long-term development. During the Year, we actively expanded our sales network, launched new products and expanded its businesses on e-commerce platforms with a view to inheriting the spirit of "JIASHILI-benefit thousands of families" in the future and to firmly maintain our leading position in China's biscuits market.

With the concerted efforts across the Group, the sales volume of Jiashili continued to hit a new record with the total sales volume reached approximately 88,964 tonnes in 2016. Driven by the increase in sales volume, the Group's revenue increased by 9.9% to RMB1,105.8 million during the Year. Gross profit also reached RMB379.4 million, representing an increase of 7.7% over the same period last year, while gross profit margin dropped slightly by 0.7 percentage point to 34.3% (2015: 35.0%), mainly due to the increase in costs of major raw material. However, profit for the year of the Company decreased by 14.8% to RMB89.6 million (2015: RMB105.2 million) due to the upsurge in operating costs.

MARKET REVIEW

In recent years, the biscuit sector in China has been growing rapidly and its current size has reached over RMB50 billion with an annual growth rate of approximately 11.3%. Despite the rapid development, China still falls far behind other developed countries in the biscuit sector in terms of both the ratio of the sector's output value to that of the food industry and the per capita consumption. With increasing per capita income, the promotion of "two-child" policy and changes in the tastes of consumer groups, the biscuit sector, or even the snack industry, will experience structural changes and there are still huge potentials to be explored.

Chairman Statement

According to the National Bureau of Statistics, the per capita disposable income of urban residents in China increased from RMB26,467 in 2013 to RMB 33,616 in 2016, representing a CAGR of 8.3%. The per capita disposable income of rural residents increased more rapidly at a CAGR of 9.5% from approximately RMB9,430 in 2013 to RMB12,363 in 2016. With the increasing income of urban and rural residents, their demand for snacks such as biscuits has consequently become stronger, which has promoted the growth in consumption and retail sales in China's biscuit market. In addition to boosting the purchase of biscuits, the consumers' requirements on the quality of biscuits and snacks are also becoming increasingly higher due to the increasing income. As a result, biscuits featured by natural ingredients, low fat and high fiber have become increasingly popular in China. The Group believes that the biscuit market will gradually move towards product diversification and innovative products will emerge. In addition to traditional fast-food biscuits, biscuits that advocate health and carry great flavours also enjoy a tremendous potential in the market and a diversified range of products will be able to meet the tastes and needs of different consumer groups.

On the other hand, the Chinese government relaxed restrictions on the fertility policy and ended the 30-year "one-child" policy in 2015. Now, a couple is allowed to have up to two children. The implementation of the two-child policy has gradually raised the domestic birth rate and brought about changes in China's overall population structure. With the increase in the number of infants, it is expected that the demand for infants' foods and children's biscuit series will grow stronger and the market will expand rapidly.

FUTURE PROSPECT

Over a long history of sixty years, Jiashili has developed itself from a private biscuits company into one of the largest local biscuits brands in China and possesses a leading position in China's biscuits sector. With the slowdown in China's economic growth and intense peer competition, the management expects that the business environment will continue to be harsh and challenging in the future. Leveraging on the long history of the Group, its innovative research and development capabilities and the effective operation of the management, Jiashili will firmly forge ahead to overcome difficulties and make breakthroughs amid adversity. In the next few years, we will implement the following strategies to seek long-term and sustainable development.

Firstly, the Group will explore the market of the products for infants and children to further expand its customer base. With the launch of two-child policy by the government, the consumer groups of infants and children are expected to surge and the market size will expand rapidly. Meanwhile, the improvement of people's income and living standards has led to a continued and significant increase in their spending on children's products, thus there exists huge demand in the market of the products for infants and children. In order to capture the business opportunities in the market, Jiashili will make great efforts to introduce a wide range of products, including small round-shaped biscuits with Chinese zodiac signs, alphabet coconut milk biscuits, coated finger biscuits and cake slices, etc. At the same time, the Group will conduct a wide range of publicity campaigns to strengthen the consumers' recognition and awareness with its unique mascot "Lucky Kid (吉利仔)" characterized by traditional Chinese elements, and will also carry out outdoor roadshows in major cities with a view to building its brand awareness and boosting the sales. The Group wishes to develop more infants and children-related products in the future to bring new momentum to the growth of overall business.

On the other hand, in order to diversify the product portfolio, the Group will enter the cake sector. At present, the size of the packaged cake and bread market is over RMB200 billion and the market is growing at an annual rate of higher than 8%. In recent years, the cakes made with the innovative technology of "steaming", by virtue of their taste and flavor advantages, have been spreading rapidly and won the hearts of a vast range of customers. In view of this, the Group has introduced the cake production technology and equipment from Japan and developed new products for catering to the current tastes of young people. This will not only gradually make the brand of Jiashili more youthful, but also expand the revenue source and bring more diversified choices for the customers.

Expansion of sales channels is also one of the Group's core objectives. At present, Jiashili has a mature and well-established sales team and more than 200,000 points of sales covering the northeast, northwest, central and east regions of China. As the production scale grows gradually, the Group plans to improve the penetration rate of its products by increasing both the number of distributors and points of sales in 2017, to capture more sales opportunities. Meanwhile, the Group will actively expand its businesses on e-commerce platforms and strengthen the efforts in online promotion with a view to achieving the long-term goal of setting up its own business platform in the future.

Going forward, Jiashili Group will continue to adhere to the business philosophy of "JIASHILI-benefit thousands of families" to serve a wide range of consumers. In order to speed up the development of the Group, we are committed to seeking synergic business cooperation and M&A opportunities in the market. We will continue to strive for excellence to become the benchmark in China's baking industry and maintain a leading position amongst the competitors, and make every endeavor to bring long-term and generous return for the Group and its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Jiashili is the largest local biscuit brand in the PRC with irreplaceable influence in the biscuit market. The Group's brand enjoys the leading position in the biscuit market in the PRC with a long history that can be traced back to 60 years ago. Our products mainly include breakfast biscuits series, crisp biscuits series, sandwiches biscuits series, wafer series and other series.

Over the years, we've been adhering to the business philosophy of "JIASHILI-benefit thousands of families" to provide high-quality products to the consumers in the PRC. By virtue of our outstanding reputation and superior quality, we've won wide support and recognition for our brand and products.

Looking back on the year 2016, the Group recorded a satisfactory business performance, with its revenue amounting to RMB1,105.8 million, representing a year-on-year growth of approximately 9.9% as compared with that of RMB1,006.2 million in the last year. Its gross profit amounted to RMB379.4 million, representing an increase of approximately 7.7% as compared with that of RMB352.3 million in the last year; gross profit margin dropped slightly by 0.7 percentage point to 34.3% mainly due to the increase in raw material costs. During the year, the Group sponsored the online entertainment program of "Lu Han (鹿晗)", and therefore, approximately RMB11.0 million of advertising expense was recognized on this sponsorship. On top of that, rental expenses increased by approximately RMB4.0 million due to a new plant which located next to our headquarter in Kaiping, PRC has been rented. As a result, profit for the year of the Group decreased by 14.8% to RMB89.6 million, with the basic earnings per share amounting to RMB21.60 cents.

The Group's key efforts during the year are set out below:

I. Marketing

1. With a view to promoting the brand of Jiashili, we held a total of 40,757 (2015: 37,491) sample tasting events throughout the Year.

2. In order to improve our brand awareness and make our brand more youthful, in February 2016, for the first time, we exclusively sponsored the online entertainment program "Hello, are you Lu Han? (《你好，是鹿晗嗎？》)" performed by the youth idol "Lu Han". Lu Han enjoys high popularity among the young generations, and the program has recorded over 100 million hits accumulatively on Weibo alone with only eight episodes published so far, ranking the first continuously in terms of the number of hits and leaving other entertainment programs during the same period far behind, e.g. 4.6 times more than the program in the second place. Besides, the webpage for topic discussions regarding this program has recorded over 900 million hits in total, with nearly 2.0 million discussions on related topics and nearly 30 thousand followers, making the program unbeatable among others in terms of the spreading speed of topic discussions. In this regard, this program has managed to make our brand more youthful and attract a group of new young consumers in the meanwhile, thus significantly improving the brand awareness of Jiashili.

II. Supply chain

1. According to statistics, Henan Province topped the others in the baking food industry in terms of the sales and total profit. The Group closed down its plants in Xingtai City, Hebei Province, in February 2016, and opened up a new production plant in Tangyin County, Henan Province in July. This new plant occupies an area of approximately 35,000 square meters, and operates two production lines mainly producing breakfast biscuits and crisp biscuits with a production capacity of up to 14,000 tonnes. The geographical distribution of the Group's production capacity has been optimized by virtue of the strategic location of the plant, thus laying a foundation for the Group to capture the consumption needs in North China and Northwest China.

2. In respect of production, the Group introduced a 12,000-tonne production line with advanced production technologies and equipment from Japan, which comprises the production lines for steaming and baking cakes. This production line was successfully installed in June, passed trial production in October, and is expected to achieve mass production in 2017. Pastries have an enormous market in the PRC, and enjoy a much higher market share than biscuits in terms of retail sales. Therefore, the Company can not only diversify its product categories but also expand its sources of revenue, improve its profitability and enlarge its market share by introducing the cake series.

3. In respect of products, the Group upgraded and redesigned the packages of various product lines in the year, so as to attract customers with the brand new images of the products and also provide them with more options. Benefiting from the above, the average unit price of our products rose to approximately RMB12,429 per tonne, representing an increase of approximately 1.9% as compared with that of last year.

4. During the year, the Group also exerted active efforts in promoting product upgrade, with new flavors offered for various products. For instance, the Group launched premium high-fiber baked breakfast products, targeting office workers focusing on health. On the other hand, the Group also developed new flavors for the crisp biscuits series, including meat floss and desiccated coconut, etc. Meanwhile, the Group also developed enrobed wafer products with new flavors such as matcha and chocolate. All the new products have been developed based on the flavor preferences of the young at the moment, as an important move of the Group to make the Jiashili brand more youthful, and with a view to providing more options to the consumers. During the year, revenue amounted to approximately RMB13.0 million were generated from the sales of such new products.

III. Other aspects

1. During the year, Jiashili won numerous awards and was highly recognized in the industry. In February 2016, the Group was selected as one of the "Innovative Pilot Enterprises in Guangdong Province" and received the "Golden Client of 2015" plaque from the Agricultural Bank of China, Jiangmen Branch. The Group is the only group in Kaiping City that has been awarded the title of "Golden Client" by the Agricultural Bank of China for two consecutive years. The Group was also selected as one of "Top 500 Enterprises in Guangdong Province", "Top 100 Enterprises of Manufacturing Industry in Guangdong Province" and "Top 100 Private Enterprises in Guangdong Province" in October. Besides, in November, the Group was assessed as the "Enterprise of Contractual Performance and Creditworthiness for Twenty-three Consecutive Years" by the Administration for Industry and Commerce of Guangdong Province.

Management Discussion and Analysis

2. Our Group has a long history that has left a profound impression to the market, and it is generally recognised as a reputable time-honoured brand. In June, Jiashili was granted the title of "Time-honoured Brand in Guangdong Province" by Guangdong Time-honoured Brands Association. Subsequently, the Group's fruit jam sandwiches biscuits were also rated as one of the "Twenty Classic Products of Chinese Time-honoured Brands in 2016" in November. These awards and recognitions are of extraordinary significance to us, which has proved that the Group has been highly praised by consumers over the past 60 years and that Jiashili as a brand is generally recognised as a powerful time-honoured brand.

3. 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."

4. The Group attaches great importance to the growth and development of its staff, so it has continued to provide a wide range of training programs. During the Year, a total of "124" employees obtained the national technical qualification of "senior food inspector", which has laid an important foundation for the key talents who will enhance the competitiveness of the Company in the future to improve the sustainable development ability of the Group.

5. It is worth remembering that 2016 is the 60th anniversary of the establishment of Jiashili. The Group organized a series of magnificent celebrations to enhance its brand awareness and to remunerate the staff, including opening ceremonies for Guangdong time-honoured brands, supplier conference, distributer conference, sales fairs for new products, celebration party, etc. There were key government leaders including the deputy mayor of Jiangmen City Liang Xuzan, the deputy secretary-general of Jiangmen Municipal Government Liang Qihua, the secretary of Kaiping Municipal Party Committee and director of Kaiping Municipal People's Congress Huang Yaoxiong, the deputy secretary of Kaiping Municipal Party Committee and acting mayor of Kaiping City Pang Zhenghua, as well as friends from all walks of life, investment shareholders, capital securities representatives, Jiashili's distributors, Jiashili suppliers, and staff at the headquarters of Jiashili Group, totaling more than 3,300 people, attending such activities. These activities also attracted over 30 media such as CCTV, HNTV (湖南衛視), Dragon TV (東方衛視), Guangdong TV (廣東電視台), Xinhua News Agency Guangdong Branch (新華社廣東分社), Nanfang Daily (南方日報), Guangzhou Daily (廣州日報), IFEND.COM (鳳凰網) and GD.QQ.COM (騰訊大粵網) to interview us and were spread through WeChat, Weibo, QQ, etc. As such, the outside world obtains a deep understanding towards Jiashili, which we believe will enhance the sales volume of the Group in the future.

FUTURE PROSPECT

Increasingly higher requirements on food quality from the public

With the launch of the "two-child policy" by the government, the overall population structure in China has been improved, and the newly-born population will be an important driving force for the growth in food consumption. We believe that the future growth of demand in food industry will be gradually shifted from the "quantity-driven" mode to the "value-driven" mode, in a way from "eat a lot" to "eat well". Therefore, the Group will continue to enhance the quality of its foods and build high standards of food safety management system and risk prevention mechanism within the Group, so that the public can enjoy Jiashili's products while the Group's market positioning will be also enhanced.

Coming trend to emphasize food health among the public

Low calorie, low fat and low sugar will become the up and coming trend for snack. Snacks labeling with keywords like "eat green", "natural" and "health" will be a key and preferred option for people to choose. At the same time, the consumer groups of snacks tend to be more extensive that the fashionable youth and the white-collar who pay special attention on keeping slim and beautiful will become the mainstream. Therefore, the Group will position its food in medium and high-end market, with low sugar and high fiber as the main features, with a view to attract the attention of the public and make such foods be their choice.

Diversification in sales channels

Urbanization brings changes and upgrades to the shopping patterns. People's shopping channels have been gradually changed from traditional grocery stores and marketplaces to supermarkets and convenience stores. According to the market research, there is a general slowdown in the sales growth in traditional channels while the sales growth of new channels such as supermarkets, small supermarkets and convenience stores has increased by 9%. In light of this, we will focus our sales channels on supermarkets and convenience stores, hoping to bring more conveniences to the general public and facilitate the sales and promotion of our products.

China's e-commerce is gradually developing into a focus across the food industry

The turnover of China's e-commerce market is growing rapidly year by year as compared to the traditional retail channels as the "Millennial Generation" has become the main consumer group. In China, online platforms have become the fastest growing distribution channels. Food e-commerce in China is divided into two major categories: one is integrated platforms, such as Taobao.com and JD.COM, which are platforms featured by high traffic volume, attracting the manufacturers of food and fresh products by providing them a platform to sell their products. The other one is vertical e-commerce platforms, which focus on areas of food and fresh products and provide their own logistical services with a geographic coverage over certain regions, such as womai.com and yhd.com. Under this trend, the Company has therefore set up e-commerce stores on "Tmall.com" and "yhd.com", wishing to move closer to the young consumers and broaden the consumer base of Jiashili.

FINANCIAL REVIEW

Revenue

The revenue of the Group increased to RMB1,105.8 million for the year ended December 31, 2016 from RMB1,006.2 million for the year ended December 31, 2015, representing an increase of approximately RMB99.6 million or 9.9%. Breakdown of the revenue and sales volume by category for the year ended December 31, 2016 and the comparative figures are set out as follows:

	2016			2015			Changes in	
Sales volume/Revenue	**Tonne**	**RMB (million)**	**Revenue contribution**	Tonne	RMB (million)	Revenue contribution	Sales volume	Revenue
Breakfast biscuits series	**34,377**	**357.9**	**32.4%**	34,162	357.8	35.5%	+0.6%	+0.0%
Crisp biscuits series	**23,019**	**289.5**	**26.2%**	20,559	252.1	25.0%	+12.0%	+14.8%
Sandwiches biscuits series	**15,067**	**233.5**	**21.1%**	12,490	190.9	19.0%	+20.6%	+22.3%
Wafer series	**6,625**	**94.5**	**8.5%**	5,114	76.0	7.6%	+29.5%	+24.3%
Others	**9,876**	**130.4**	**11.8%**	10,196	129.4	12.9%	–3.1%	+0.8%
Total	**88,964**	**1,105.8**	**100.0%**	82,521	1,006.2	100.0%	+7.8%	+9.9%

Breakfast biscuits series

For the year ended December 31, 2016, revenue from breakfast biscuits series rose minimally to RMB357.9 million while sales volume increased by approximately 0.6% to 34,377 tonnes. Such increase in revenue remained stable.

Crisp biscuits series

Growth in revenue and sales volume of crisp biscuit series are approximately 14.8% and 12.0% respectively when compared to 2015. Such increase was primarily attributable to the launching of new flavours of crisp biscuits.

Sandwiches biscuits series

During the Year, revenue from sandwiches biscuits rose by 22.3% to RMB233.5 million while sales volume increased by approximately 20.6% to 15,067 tonnes. Such increase was primarily attributable to successful marketing strategies which targeting to the youth consumers.

Wafer series

Growth in revenue and sales volume of wafer series are approximately 24.3% and 29.5% respectively when compared to 2015. Such increase was primarily attributable to new market developments.

Gross profit and gross profit margin

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

	2016		2015		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	121.2	33.9%	127.1	35.5%	–5.9	–1.6
Crisp biscuits series	97.3	33.6%	89.2	35.4%	8.1	–1.8
Sandwiches biscuits series	90.5	38.8%	79.3	41.5%	11.2	–2.7
Wafer series	28.8	30.5%	23.3	30.7%	5.5	–0.2
Others	41.6	31.9%	33.4	25.8%	8.2	+6.1
Total/Overall	379.4	34.3%	352.3	35.0%	27.1	–0.7

For the year ended December 31, 2016, gross profit amounted to RMB379.4 million, representing a year-on-year increase of 7.7%. Gross profit margin slightly reduced to 34.3% in 2016, representing a decrease of 0.7 percentage point. Decrease in gross profit margin was primarily the result of upsurge in raw material costs.

Other income

Other income for the year ended December 31, 2016 increased to approximately RMB14.7 million from approximately RMB13.2 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, 2016, the selling and distribution expenses amounted to approximately RMB167.7 million, representing a year-on-year increase of approximately RMB40.0 million, or 31.3%. Selling and distribution expenses consist primarily of advertising and transportation expenses, promotion expenses and salaries and benefits for our sales and marketing staff. Such increase in selling and distribution expenses for the year is mainly due to the expenditure in sponsoring the online entertainment program.

Administrative expenses

For the year ended December 31, 2016, the administrative expenses amounted to approximately RMB64.2 million, representing an increase of approximately RMB5.1 million or 8.6%. Administrative expenses mainly consist of staff costs, other tax expenses and rental expenses. Increase in the administrative expenses was primarily due to the increase in rental expenses for the new plant in Kaiping, PRC.

Other expenses

Other expenses, amounting to RMB38.2 million in 2016, represented a decrease of approximately 9.5% as compared to that in 2015. Such expenses reduction was primarily due to incurrence of the one-off provision for relocation expenses in 2015.

Other gains and losses

The Group recorded net other losses of approximately RMB8.9 million for the year ended December 31, 2016, representing primarily impairment loss on amount due from an associate, fair value loss on modified convertible redeemable bond and loss on disposal of property, plant and equipment, which together were offset by net foreign exchange gain, reversal of provision for relocation expenses, fair value gain of structural deposits, gain on disposal of available-for-sale investment and gain on early redemption of modified convertible redeemable bond.

Income tax expenses

Income tax decreased from RMB31.1 million for the year ended December 31, 2015 to RMB25.5 million for the year ended December 31, 2016. Such decrease was primarily the result of decrease in profit before tax.

Profit for the year

As a result of the aforementioned factors, profit for the year decreased by 14.8% to RMB89.6 million for the year ended December 31, 2016 from RMB105.2 million for the year ended December 31, 2015.

Financial position and liquidity

As at December 31, 2016, the Group had cash and cash equivalents which amounted to approximately RMB428.0 million (2015: RMB510.1 million) while the net current assets was approximately RMB247.1 million (2015: RMB446.3 million). Daily operations of the Group have been well supported by internal fund and credit facilities granted by banks which amounted to approximately RMB328.0 million as at December 31, 2016. Such bank facilities were granted by the banks by credit and without any pledge of assets. As at December 31, 2016, the Group had pledged bank deposits of approximately RMB3.6 million to secure the bills payable issued to suppliers. As at December 31, 2016, the Group had no outstanding bank borrowings (2015: Nil). Other than such, the Group did not have any charge on assets as at December 31, 2016.

As at December 31, 2016, the Group was in a net cash position (2015: net cash). As at December 31, 2016, the Group had capital commitments of approximately RMB310.5 million (2015: RMB140.5 million). Such amount of capital commitments as at December 31, 2016 are for acquisition of property, plant and equipment, acquisition of land use right, establishment of an associate, establishment of an investment fund and establishment of a joint venture of approximately RMB36.4 million, RMB1.8 million, RMB4.9 million, RMB133.7 million and RMB133.7 million respectively.

Contingent liabilities and guarantees

As at December 31, 2016, 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

During the year ended December 31, 2016, there were no material acquisitions or disposals made by the Group 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, 2016, 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 Bond.

The total net proceeds raised from the IPO of the Company were approximately HK$380 million after deduction of related listing expenses. The use of 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.

Cash and cash equivalents held by the Group were mainly denominated in Hong Kong dollars ("HK$"), RMB and United Stated dollars. The Group's revenue is mainly denominated in RMB, while its costs and expenses are mainly denominated HK$ and RMB. A major portion of the Group's assets, liabilities, revenues and payments during the year ended December 31, 2016 were denominated in either HK$ 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, 2016, the Group had a total of 2,960 full-time staff based in Hong Kong and the PRC. The Group's remuneration packages are generally structured with reference to market terms and individual merits. The Group operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries. The Group also made contributions to provident funds, elderly insurance, medical insurance, unemployment insurance and work-related injury insurance in accordance with appropriate laws and regulations in the PRC. The Group has also adopted a share option scheme to provide incentive or reward to eligible high-calibre employees and attract human resources that are valuable to the Group. 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 RMB159.6 million.

SUBSEQUENT EVENTS

Transfer of ownership interests in associate

In February 2017, a subsidiary of the Group entered into an agreement with 好鄰居股份有限公司 to transfer its entire ownership interests in an associate at nil consideration. The transfer of ownership interests was completed on February 16, 2017.

Incorporation of wholly-owned subsidiary

In January 2017, the Group incorporated a wholly-owned subsidiary, namely 開平市利嘉實業投資有限公司, which principal activity is provision of financial services. The Group injected investment capital of RMB 30,000,000 in February 2017.

Suspension and cancellation of investment fund

In March 2017, the establishment of investment fund with Xizang Fujia and Fosun Weishi 1 Equity Fund was suspended and a subsidiary of the Group is in the process of cancellation of the Partnership Agreement. The cancellation is expected to be completed by June 2017.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1 ABOUT THIS REPORT

1.1 JIASHILI-BENEFIT THOUSANDS OF FAMILIES

Jiashili Group Limited is a large-scale biscuit manufacturer, established for 60 years, aspires to provide quality products and create values for the society. The Group has extended its business from producing biscuits to other food, for markets in more than 30 China and 20 overseas regions. All of the Group's products are manufactured at its 3 production plants in China. The Group's biscuit series include breakfast biscuit, crisp biscuit, sandwich biscuit, wafer and others. Meanwhile, the Group also sells mooncakes and other cakes as souvenirs.

The Group continues to uphold its corporate spirits of "People, Credibility, Quality, Efficiency" and motto of "Jiashili benefit thousands of families" throughout the realization of the Group's aspiration. In view of all the efforts paid, the Group has received more than 250 awards and recognitions since establishment, and has become the largest biscuit manufacturer in China.

1.2 REPORTING SCOPE

This Environmental, Social and Governance (ESG) report is the first social responsibility related report published by the Group. The purpose of this report is to enhance the transparency on the Group's sustainability strategy and contribution through disclosing the ESG matters to stakeholders. Ultimately, the Group hopes to receive constructive comments and suggestions to further improve its sustainability management.

Unless otherwise stated, this report covers the ESG efforts and contributions of the Group within 2016 financial year (i.e., 1 January 2016 to 31 December 2016).

The business scopes included in this report are the three production plants of the Group, situated in Guangdong Province, Jiangsu Province and Henan Province.

1.3 REPORTING PRINCIPLES

This report is prepared in accordance with the Appendix 27 Environmental, Social and Governance Reporting Guide of the Listing Rules of the Hong Kong Exchanges and Clearing Limited (HKEx). This report has incorporated reporting principles of materiality, quantitative, balance and consistency. The information relating to the Group's corporate governance is discussed in the Group's annual report according to the Appendix 14 Code of Corporate Governance of the Listing Rules of the HKEx.

During the reporting year, the Group has conducted several exercises to determine the material issues to be reported in the ESG report. The Group has engaged both internal and external stakeholder to gather their opinions on the report content. The Group also benchmarked this ESG report with reports from industry peers to further enrich the report content.

This report was prepared by Allied Environmental Consultants Limited. The contents of the report were prepared on the basis of outstanding information collected and have been approved by the Group's senior management team.

1.4 COMMENTS AND SUGGESTIONS

Your comments are valuable to the Group's continuous improvement on operations. The Group welcomes any comments from readers with the following contact information:

Product Inquiries Hotline: 400-633-3876
Product Complaints Email: cpts@gdjsl.com

2 CREATE LIVELINESS FOR THE ENVIRONMENT

The Group as one of the largest biscuit manufacturers in China embraces the responsibility of protecting and improving the environment, and sets an example in the industry. The Group has committed to operate responsibly in order to create a lively environment.

The Group's environmental strategy:

- Put in effort in prevention to achieve zero pollution, build public trust through compliance with regulations and uphold integrity

In view of the Group's environmental strategy, the Group has established environmental policies following the international environmental management system standard ISO 14001:2004 to manage and minimize any significant and/or potential environmental impacts.

- Fully comply with environmental laws and regulations relating to emission, wastewater discharge and waste handling

- Conduct regular monitoring internally or from third parties and improve performances regarding significant environmental impacts, including emission and wastewater discharge

- Review environmental policies and strategies at least once a year and make continuous improvement

- Provide environmental trainings for employees to raise awareness on environmental protection

The Group has implemented various environmental mitigation measures to take control of its environmental impacts to an acceptable level. The Group has complied with all the environmental related regulations regarding emissions, wastewater discharge and waste handling in the financial year. Guangdong Jiashili Food Group Company Limited (hereinafter "Guangdong Jiashili") has been rewarded as Clean Production Enterprises recognizing its efforts on environmental protection.

2.2 EMISSIONS

2.2.1 ATMOSPHERIC EMISSIONS

The Group has operated 28 production lines, manufacturing products such as breakfast biscuit, crisp biscuit, sandwich biscuit, wafer and cake. During the operations, electricity is consumed to operate machinery while natural gas and diesel are utilized to generate steam. These operations would generate greenhouse gases and air pollutants. To prevent and treat emissions, the Group has formulated an emission control policy endeavored to protect human health. The emission control policy guides the Group in formulating the environmental mitigation measures as stated below.

BOILER EMISSION MANAGEMENT

Boilers generate steam through combustion of diesel or natural gas, to cook jam and syrup for sandwich biscuit. During the process, greenhouse gases and air pollutants are emitted. To reduce fugitive dust emission, the emitted particulate matters are captured by 25m high bag-filter.

BAKED FUME CONTROL

The baking process would emit oily fumes and odour into the atmosphere. Considering the impact, the Group conducts all baking processes in enclosed machines to prevent any leakage of baked fume, ensure that no fugitive emissions are released without proper treatment.

DUST CONTROL

During the raw materials input and flour sieving process, it will inevitably generate dust, affecting the health of employees. In order to alleviate the dust problem, Guangdong Jiashili has installed baffle on the sifter to prevent dust from leaking. Ultimately it reduces the difficulty of cleaning and the impact on air quality.

Similar to flour sieving process, during the sugar powder grinding process, dust is emitted. During the financial year, Guangdong Jiashili has conducted sugar grinding process in enclosed machine to reduce the dust emissions, while arranged dust filter to avoid dust from affecting the external environment.

2.2.2 WASTEWATER TREATMENT

The air-conditioning cooling agent and cleaning process contribute the largest proportion of wastewater. To treat wastewater, the Group has constructed wastewater treatment facilities in the production plants to ensure all water discharged comply with national standard. The Group adopts anaerobic and aerobic biological treatment process to purify wastewater. On top of it, investments are made on facilities to connect rainwater pipe directly to the city's sewage pipeline network, in order to prevent rainwater from overloading the wastewater treatment process. All wastewater discharge has conformed to the "Discharge limits of water pollutants".

2.3 USE OF RESOURCES

2.3.1 ENERGY REDUCTION

Energy is a crucial element in driving the whole production process. The Group has endeavored to effectively utilize and conserve energy resources while maximize the product output. Therefore, the Group has launched energy conservation measures and established an energy quantifying system in overseeing the Group's energy consumption.

HIGH EFFICIENCY LIGHTING EQUIPMENT

To maintain or even improve the lighting performances, the Group has replaced most of the fluorescent lightings with LED lightings that conserve energy effectively and reduce the Group's expenditure on energy. This lighting measure is made based on scientific consideration through comparing the effectiveness of LED light, incandescent light and energy saving light bulb. LED light has a better lighting performance under the same watts, longer lifespan and is free from radiation.

HEAT REUSE SYSTEM

In addition, the Group continues to streamline the whole production process in order to further conserve energy. In the financial year, the Group has started the construction project on reusing waste heat from air compressor. The high temperature lubricant in the air compressor heats up water. The hot water produced can be used in employees' dormitory, to regulate temperature in syrup transport and cleaning. The project will be launched in 2017 and is able to effectively conserve electricity.

Within the financial year, attributing to the energy management system and above-mentioned measures, the Group has successfully reduced 3% of energy consumption as compared with last year.

2.3.2 RESOURCE REUSE

The Group has devoted considerable efforts into resource management. The Group has formulated a waste handling guideline to give direction to different departments in recycling and managing solid waste, while raising employees' environmental protection awareness. The Group is committed to limit waste generation throughout the production process with several waste conservation initiatives, to efficiently recycle the wastes generated during biscuit production process.

RECYCLE LEFTOVER BITS AND PIECES

During the delivery of materials, dough and semi-finished products are possible to drop from delivery belts, as leftover bits and pieces. Leftover bits and pieces are often edible, which the Group attempts to recycle them for other uses. The Group has installed trays within delivery belts to collect the leftover properly. Leftover are then sold to recycle companies to turn them into pest bail or animal feed. This financial year, the Group has recycled approximately 408 tonnes of leftover.

REUSE PACKAGING MATERIALS

Packaging materials of the Group are mainly paper boxes, packaging bags, and plastic cans and buckets from raw materials. The Group has a procedure for handling packaging materials effectively, therefore preventing exploiting natural resources. Usable packaging materials will return to suppliers, if applicable, for reuse. Fragmented packaging materials yet recyclable are sent to recycling stations. For those cannot be reused nor recycled will be properly handled by waste handling companies. In the financial year, the Group has recycled approximately 1,600,000 bags and buckets, 1,173.8 tonnes paper boxes and 8.5 tonnes other materials, demonstrating the Group's commitments on material conservation.

2.3.3 WATER CONSERVATION

REUSE COOLING WATER

To reduce water consumption, the Group has installed cooling water circulation system to reduce freshwater intake. Cooling water are reused in production process. The subsequent action for the Group will continue to identify water consumption patterns among different production process, and hence provide scientific information to tailor further water conservation measures in the future.

PEDALLED FAUCET

The Group has installed pedalled faucets in bathrooms to reduce extra water output and energy consumption. Pedalled faucet is a replacement of sensor faucet, which can more effectively control water output through pedelling. Once the personnel stops pedelling, water output stops instantly to facilitate the control of water output.

3 CREATE VALUE FOR CUSTOMERS

The Group endeavors to closely connect with all stakeholders, in particular the customers and suppliers, in addressing their needs appropriately. To achieve this, stringent quality control serves as the important guiding principles to respond to stakeholders' demands. From procurement, product manufacturing and customer protection, the Group has a quality control system in place and adheres to all relevant regulations and laws, such as product health and safety, advertising, labelling and privacy matters. In the financial year, no related non-compliance case was found.

3.2 SUPPLY CHAIN MANAGEMENT

The initial step to ensure product quality is to select appropriate suppliers through close communication and material check. The Group has a set of internal criteria on supplier selection in assessing the quality of materials and capability of suppliers. Only suppliers who fulfil the Group's criteria can be listed on the list of qualify suppliers and provide raw materials for the Group. The Group has regularly assessed suppliers through site visits and monthly material assessments to manage any risks on supply chain.

To prevent problematic raw materials from entering the production chain, the Group has evaluated quality of raw materials following stringent requirements. The Group developed raw materials assessment requirement adhering to the national standards, thoroughly implementing food safety controls on heavy metals, pesticides, microbes, pathogen and chemical additives. Raw materials are evaluated by internal departments and/or professional companies to ensure no risks on food safety is resulted.

The Group will further strengthen the environmental and social risks management on supply chain, in order to stabilize and ensure a quality production chain.

3.3 QUALITY CONTROL

The Group adheres firmly to its motto "Quality-foremost", to safeguard product quality, innovation and brand recognition. To achieve it, the Group has developed an internal quality control policy following national GB/T 19001-2008, and certified under international ISO 9001: 2008 and Good Manufacturing Process (GMP) standard. The Group will regularly carry out internal site inspections to ensure products and production facilities are in good status. Online quality control system also assists in overseeing the whole production process by providing real-time data.

3.4 FOOD SAFETY

The main goal for the Group's quality control is to ensure food safety. The Group is committed to the following:

- Convey the importance of meeting customer satisfaction and regulations to employees through trainings, advertisings and/or meetings
- Develop strategies and objectives for food safety management systems
- Regularly review the suitability, adequacy and effectiveness of the food safety management system
- Provide adequate resources to ensure effective operation of the food safety management system, and achieve continuous improvement on the system and increase customer satisfaction

To achieve the Group's food safety commitments, the Group has a set of management system covering communication, resource management and risk analysis to ensure effective control on food safety. The Group has established a food safety committee to regularly conduct trainings and assessments. To respond to the Group's expectation on food safety, food safety training is also included in the annual training program to provide employees with the most appropriate market information and strengthen their knowledges.

Food safety committee also oversees the quality management network covering the company, production area and production workforce to ensure food safety system is executed. Responsible personnel included in the quality management network bear the responsibility to supervise the execution of quality measures, starting from procurement, raw material assessment, production process and end products' assessment. Online quality control system is also in place to assist the quality assurance works through providing real-time monitoring data.

3.4.2 OPERATION

The Group follows GMP standards to formulate a series of hygienic measures on production areas and material handling process, therefore minimizing the risks on food safety. The Group's hygienic measures include prevention on cross contamination, pests control, cleaning and sterilization plan, and employee personal hygiene requirements. Before taking up works in the production areas, every employee is required to pass food safety and skills training. The Group strictly manages the cleaning and sterilization plan, and employee personal hygiene requirements through conducting daily GMP inspections.

3.4.3 PRODUCT QUALITY ASSURANCE PROCESS

Product quality assurance process is important for continuous improvement in product quality. The Group has organized weekly product review meetings, inviting participation from various departments, including product development, production and quality control department etc., to enhance efficiency of food safety measures. The Group will arrange sample tests on products and packaging materials with national recognized professional company to examine the quality. Once any disqualified products are found, the Group will immediately recall products and conduct analysis meeting to analyze the causes of problems, suggest corrective measures and document the disqualify issues.

Under the stringent food safety management system, no food safety related hazards happened within the Group in the financial year.

3.5 PRODUCT LABELLING

Providing customers the accurate product information is one of the corporate responsibilities the Group values. All product labels (such as nutritional content and product safety) have to be verified by professional company.

3.6 CUSTOMER PRIVACY

All customer information collected will be stored in a system controlled with access authority set, therefore ensuring high protection on customer privacy. To access the customer information, departments or employees have to apply for the access rights. All dealings on customer information comply with relevant laws and regulations.

4 CREATE OPPORTUNITIES FOR EMPLOYEES

Employees are the foundation for corporate development. The Group endeavors to provide suitable remuneration packages, development and training opportunities to employees, improve their skills and knowledges. Therefore, they can achieve well-rounded development.

4.2 PEOPLE-ORIENTED SPIRIT

Employees of the Group shall arm with the qualities of integrity, conscientiousness, responsibility, enthusiasm, therefore the Group adheres to the fair and impartial principles in recruitment. Throughout the process of hiring and promotion, the Group employs candidates matched with the above-mentioned qualities and were capable to discharging duties.

People — oriented is another important corporate value of the Group, which leads to protection of employees' basic human rights and the provision of suitable working environment through the employment system. The Group's employment system includes recruitment promotion, remuneration and dismissal, work hours and rest period. The group strives to convey the principle of anti-discrimination to employees in different positions and build a harmonious and equitable working environment. Any employment decisions on recruitment and dismissal, promotion, remuneration review, working hours and rest periods are not based on any considerations on the personnel's race, sex, identity, age and disability. At the same time, the Group understands the need for rest period, it prohibits any deprivation of employees to rest, or to force employees to work overtime, to ensure that employees enjoy the basic labor rights. All employment aspects have strictly complied with relevant laws and regulations.

Another realization of people-oriented value is the prohibition of the recruitment of child labor and forced labor. After admission, employees are required to provide valid identification documents for internal review and documentation, making sure that employees meet the Group's age and identification expectations. In the financial year, the Group has complied with all the laws and regulation related to child and forced labor.

4.3 HEALTH AND SAFETY

The Group values the protection of employees' health and safety, in order to prevent, control and eliminate occupational hazards. To achieve it, the Group has formulated occupational health and safety-related system in accordance with the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases. The Group has complied with all occupational health and safety related laws and regulation during the financial year. The Group commits to:

- Establish Safety Management Department to oversee the implementation of occupational health system and to carry out occupational hazards identification

- Conduct regular physical examinations for employees who expose to toxic and hazardous substances, and establish employee occupational health records including personal information cards, test results of workplace occupational risk, previous occupational physical examination results, and other occupational health care data

- Regularly provide adequate protection equipment such as gloves, goggles, masks, protective shoes

- Maintain, repair and regularly test occupational health protection facilities

- Regularly conduct emergency evacuation drill to enhance staff awareness on emergency matters

4.4 DEVELOPMENT AND TRAINING

The Group believes that the cultivation of human resources is the foundation of corporate development. Therefore, the Group has established relevant training policy to systematically improve and implement employees training program, build up employees' professional skills and quality. The policy includes information on training principles/rights and obligations, mode of trainings, budgets, disciplinary requirements, records, assessment and review, in order to achieve efficient management and organization of employees training. To provide good training environment, Guangdong Jiashili has constructed a building of School of Management, mainly provided personnel training.

Aligning with the initiatives on employee trainings, the Group develops annual training plan with a series of preparatory work, such as distributing training surveys and reviewing last year's training programs. Every year at the beginning of December, the Human Resources Department will collect information on the training and development needs from each department. Ultimately, a training program, including training categories, training contents, target employees and training hours, is developed based on the information and feedback collected.

Before discharge to works, employees will receive orientation training in order to understand the Group's culture and systems, as well as learn knowledge for the job position and professional skills. After completing the training, assessment on employees is conducted in the form of written test or real life practices. The examination results will be recorded in the new employee documents.

Format of on-the-job training is more diversified compared to orientation training. It includes internal training and external training. Internal training is organized by the Group, examples include safety training and production site records training. For some training programs that cannot be organized as internal training, employees can participate through external training courses such as first aid training and health-related talk. After the trainings, employees are required to either write a training report, actual application on jobs or take examination to summarize the learning outcomes.

During the financial year, the training plan is based on the development needs of the Group's listing matters, which gives priorities to internal training, treats external training as supplement. The Group has invested approximately 320,000 RMB on employee's training and development.

4.5 ANTI-CORRUPTION

The Group upholds integrity as one of the core principles. The Group requires employees, business partners, suppliers or other partners to follow and respect the Group's principles of integrity when conducting business dealings. The Group has developed relevant management policy to ensure that the Group's expectations on anti-corruption expectations are effectively communicated. The Group has complied with all relevant anti-corruption laws and regulations and has not found any significant corruption related legal cases.

5 CREATE HARMONY FOR SOCIETY

"Jiashili benefit thousands of families"—the motto has guided the Group to develop responsibly, sustainably and stably for 60 years, to create benefits for shareholders and contribute to the society. In particular, after the current Chairman of the Board Mr. Huang Xianming joined the Group in 2007, he has proactively organized the Group's social responsibility work, and developed a long-term donation and poverty alleviation plan and system.

5.2 CARE FOR THE DISADVANTAGED

Care for the disadvantaged is one of the focus area of the Group's social investment within the financial year. The Group has organized a wedding in Kaiping Linglong town for 3 couples, who has rehabilitated from Leprosy. Due to various historical reasons, Leprosy rehabilitants in the village were prohibited from marriage and lived under discrimination. The Group has assisted in realizing their wishes to hold a collective wedding with resources and financial supports.

5.3 POVERTY ALLEVIATION

The Group proactively gives support to the impoverished in the society, so that they can live with more hope and dignity. Providing resources and financial supports for poor areas can only satisfy the urgent needs. To long term alleviate poverty situation, it is crucial to establish a sound education system. The Group has contributed in developing education system to cultivate the impoverished climbing up the social ladder.

The Group has proactively funded the Project Hope in helping the development of basic education in impoverished areas. Project Hope aims at inviting both national and international donations to protect teenagers' right to education regardless of their financial condition, to improve facilities in village primary school, and to build the Hope School.

5.4 DISASTER RELIEF

The impact from natural disasters has become increasingly destructive. The Group strives to contribute with the greatest efforts to help the affected residents in the disaster areas. In particular, Anhui and Hunan province suffered from flooding which happened once every 100 years, led to serious land sliding, building destruction, and numerous death and injuries. The Group proactively donated to the affected areas, hoped to alleviate the distress situation.

5.5 CROSS-ORGANIZATIONAL COOPERATION

Relying on efforts from one corporate alone is difficult to construct a harmonious society comprehensively. Over the years, the Group has collaborated closely with different charitable organizations to help solve the social problems more effectively. The Group continues to donate to Kaiping Charity Federation, Jiangmen Charity Club and Overseas Friendship Association of Guangdong Cantonese Zhujixiang Descendents to support their works on elderly, poverty alleviation, disaster relief or promotion of Cantonese culture etc.

In addition, the Group has also been fortunate to become one of the large taxpayers in Jiangmen and Kaiping for many years to support the government in its governance works and contribute to the economic development of the city. The Group has partnered with the South China University of Technology and Wuyi University separately to build platforms providing knowledge or resources to local corporates.

Society is constructed by different stakeholders, included customers, suppliers, employees and the above-mentioned community members. To create a harmonious society, the Group has been adhering to its corporate spirits and motto, striving to improve social wellbeing and respond to different stakeholders. To achieve it, the Group has created values for the environment, customers, employees and the community in this financial year, demonstrating the "Jiashili-benefit thousands of families" spirit. At the same time, the Group has also committed to uphold and put forward the corporate spirit in the coming year to continue contributing to the society.

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

During the year ended December 31, 2016, the Board of the Company was 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 *(resigned on January 1, 2017)*
Mr. Lee Ping Nam *(resigned on January 1, 2017)*

Non-Executive Director

Mr. Lin Xiao

Independent Non-Executive Directors

Mr. Kam Robert
Ms. Ho Man Kay
Mr. Cheung Yuen Tak *(resigned on January 16, 2017)*

The biographical information of the Directors is set out on pages 40 to 42 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

During the year ended December 31, 2016, four 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 May 20, 2016 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, 2015. 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	4	4
Mr. Tan Chaojun	1	1	4	4
Mr. Chen Minghui	0	1	4	4
Mr. Lu Jianxiong	0	1	4	4
Mr. Lee Ping Nam	0	1	4	4
Non-Executive Director				
Mr. Lin Xiao	0	1	4	4
Independent Non-Executive Directors				
Mr. Kam Robert	1	1	4	4
Ms. Ho Man Kay	0	1	4	4
Mr. Cheung Yuen Tak	0	1	4	4

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 one to 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 not more than 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, 2016 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	✓
Non-Executive Director	
Mr. Lin Xiao	✓
Independent Non-Executive Directors	
Mr. Kam Robert	✓
Ms. Ho Man Kay	✓
Mr. Cheung Yuen Tak	✓

COMMITTEES OF THE BOARD

Remuneration Committee

During the year ended December 31, 2016, the Remuneration Committee had four members comprising one executive Director and three Independent Non-executive Directors: Ms. Ho Man Kay, Mr. Kam Robert, Mr. Cheung Yuen Tak 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, 2016, two 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	2	2
Mr. Huang Xianming	2	2
Mr. Kam Robert	2	2
Mr. Cheung Yuen Tak	2	2

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 2016:

Group *(Note)*	**Remuneration (RMB)**	**Numbers of Individuals**
1	0–859,000	11
2	859,000–1,288,000	3

Note:

Group 1 includes 6 Directors and 5 members of senior management.

Group 2 includes 3 Directors and nil 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

During the year ended December 31, 2016, the Audit Committee had 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.

During the year ended December 31, 2016, the Audit Committee had three meetings 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	3	3
Ms. Ho Man Kay	3	3
Mr. Cheung Yuen Tak	3	3

During the meetings, the Audit Committee had approved the audit fee for the year ended December 31, 2016, considered internal control review findings, the annual report of the Group for the year ended December 31, 2015 and the interim report of the Group for the six months ended June 30, 2016, 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, 2016, the total fee paid/payable in respect of audit services to the external auditors of the Group was approximately RMB1,507,000, and approximately RMB80,000 was incurred by the Company 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

During the year ended December 31, 2016, the Nomination Committee had 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 Xianming 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, 2016, the Nomination Committee held two meetings 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	2	2
Ms. Ho Man Kay	2	2
Mr. Kam Robert	2	2
Mr. Cheung Yuen Tak	2	2

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 2016 annual general meeting. The Committee considered the 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, 2016.

INTERNAL CONTROLS

For the year ended December 31, 2016, 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 45, 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 (中國烙烤食品糖製品工業協會第四屆理事會副理事長) and a vice chairman of the Federation of Industry and Commerce of Jiangmen (江門市工商業聯合會副主席). Mr. Huang was also elected the chairman of Kaiping Association of Food Industry (開平市食品行業協會) in May 2013.

Mr. Tan Chaojun (譚朝均), aged 51, 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 48, 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.

Biographical Details of Directors and Senior Management Profile

Mr. Lu Jianxiong (盧健雄), aged 47, 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. Lu has resigned as an executive Director on January 1, 2017.

Mr. Lee Ping Nam (李炳南), aged 59, 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. Mr. Lee has resigned as an executive Director on January 1, 2017.

NON-EXECUTIVE DIRECTOR

Mr. Lin Xiao (林曉), age 49, 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 59, 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 55, 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 61, 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. Mr. Cheung has resigned as an independent non-executive Director on January 16, 2017.

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)	44	March 2014	May 2014	Chief financial officer and company secretary
Mr. Xu Huayu (許華裕)	42	June 2005	May 2014	Director of sales
Mr. Chen Songhuan (陳松浣)	49	June 2005	May 2014	Director of production
Mr. Yang Zhiyong (楊志勇)	44	June 2012	May 2014	Vice president

Mr. Yau Chung Hang (邱仲珩), age 44, 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.

Biographical Details of Directors and Senior Management Profile

Mr. Xu Huayu (許華裕), age 42, 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 49, 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 44, 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, 2016.

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, 2016 is set out in note 5 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, 2016, are set out in the "Chairman's Statement" on pages 6 to 8 and the "Management Discussion and Analysis" on pages 9 to 17 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 (906 distributors as at December 31, 2016, compared to 720 distributors as at December 31, 2015). 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 67 of this annual report. The Board has proposed a final dividend of HK15.00 cents per share for the year ended December 31, 2016 (2015: HK15.00 cents), to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at June 14, 2017. Subject to the approval of the Company's shareholders at the forthcoming annual general meeting of the Company (the "2017 AGM"), the final dividend will be paid on or about June 20, 2017.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2017 AGM, the register of members of the Company will be closed from May 26, 2017 to June 5, 2017 (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 2017 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 25, 2017. For determining the entitlement to receive the proposed final dividend, the register of members of the Company will be closed from June 12, 2017 to June 14, 2017 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to receive the proposed final dividend, all transfer of shares of the Company accompanied by the relevant share certificate(s) and appropriate transfer form(s) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on June 9, 2017.

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	**Used**	**Unused**
	HKD million	HKD million	HKD million
Increasing the recognition and awareness of our brands and expansion of our distribution and sales network	167.4	102.1	65.3
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	36.0	—
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	276.7	103.3

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, 2016, the Group had 906 distributors and more than 200,000 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, 2016, there were more than 600 distributors which have managed to contribute sales of over RMB300,000 each to the Group. Moreover, 26 cities within the Group's distribution network have recorded revenue of over RMB10 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, 2016, 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, 2016, the Group had a total of 2,960 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, 2016, 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 RMB159.6 million (2015: RMB127.4 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, 2016 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 7.9% of the Group's turnover and sales to the Group's largest customer was approximately 2.6% of the Group's total revenue.

During the year, the aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 35.3% 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 14 to the consolidated financial statements.

SHARE CAPITAL

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

RESERVES

At December 31, 2016, the Company's reserves available for distribution amounted to approximately HK$463.9 million. 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 losses 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, 2016.

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 RMB1.8 million (2015: RMB786,000) during the year ended December 31, 2016.

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 140 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, 2016.

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 ("Peak Reinsurance"), 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. 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 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 and it had been fully redeemed on September 27, 2016 under the deed of amendment entered into between the Company and Peak Reinsurance. Details of the convertible redeemable bond and the deed of amendment are set out in the announcement of the Company dated December 7, 2015 and September 25, 2016 respectively.

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 exercised. Options to subscribe for an aggregate of 41,500,000 shares (representing approximately 10% 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, 2016 are as follows:

				Number of share options				
Category of grantees	**Date of grant**	**Exercise period**	**Exercise price per share**	**At 1.1.2016**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**At 31.12.2016**
Consultants in investor relation profession	17.2.2015	17.2.2015–31.12.2015	HK$4.00	10,000,000	–	–	(10,000,000)	–
Mr. Wu Meng-cher	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	–	–	(10,000,000)	2,000,000

Note:

(1) 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 30 to the consolidated financial statements contained in this annual report.

SUBSIDIARIES

Details of the Company's subsidiaries as at the date of this report are set out in note 40 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 RMB13.0 million (2015: RMB10.9 million) represent contributions paid and payable to the retirement benefit scheme during the year ended December 31, 2016.

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 *(resigned on January 1, 2017)*
Mr. Lee Ping Nam *(resigned on January 1, 2017)*

Non-Executive Director

Mr. Lin Xiao

Independent Non-Executive Directors

Mr. Kam Robert
Ms. Ho Man Kay
Mr. Cheung Yuen Tak *(resigned on January 16, 2017)*
Mr. Ma Xiaoqiang *(appointed on January 16, 2017)*

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. Ma Xiaoqiang 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 over 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 40 to 43.

DIRECTORS' SERVICE CONTRACTS

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

Mr. Ma Xiaoqiang has signed a letter of appointment with the Company for an initial term of one year commencing from January 16, 2017, and will continue thereafter until terminated by not less than three months' notice in writing served by either party. Apart from Mr. Ma, 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 38 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, 2016, 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, 2016, 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%
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%

Name of shareholders	Nature of interest	Number of shares held	Approximate percentage of issued share capital
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%

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.

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the "Corporate Governance Report" section set out on pages 29 to 39.

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, 2016 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, 2016.

AUDITOR

The consolidated financial statements for the year ended December 31, 2016 have been audited by Deloitte Touche Tohmatsu. A resolution for the reappointment of Deloitte Touche Tohmatsu 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 31, 2017

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE MEMBERS OF JIASHILI GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

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 67 to 139, which comprise the consolidated statement of financial position as at December 31, 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Key audit matters	How our audit addressed the key audit matters
Occurrence of revenue	
We identified the occurrence of revenue as a key audit matter because revenue is one of the key significances of the consolidated financial statements and most of the revenue is generated from various distributors. The sales of biscuits are recognised as revenue when the goods are delivered and titles have passed. The Group recognised revenue from sales of biscuits of RMB1,106 million for the year ended December 31, 2016. The accounting policy of revenue and details of revenue are set out in notes 3 and 5, respectively, to the consolidated financial statements.	Our procedures in relation to occurrence of revenue included: • Understanding the revenue recognition policies of the Group and evaluating the consistent application of respective policies; • Understanding and testing the key controls relating to the revenue recognition; • Performing tests of details by tracing to invoices and delivery notes to ensure the occurrence of transactions; • Verifying authenticity of value added tax invoices issued by the Group on a sample basis; • Arranging sales confirmations to distributors, on a sample basis, for the occurrence of the transactions and performing background search on major distributors; • Performing tests on sales return record of distributors provided by the management, on a sample basis, if any, to ensure the sales return is properly recorded; and • Comparing monthly revenue analysis with historical financial information for any material fluctuations.

KEY AUDIT MATTERS *(continued)*

Key audit matters	How our audit addressed the key audit matters
Estimated allowance of inventories	
We identified estimated allowance of inventories as a key audit matter because of significant balance involved and nature of the inventories, such as flour, sugar and biscuits, are with relatively short useful life, in which management's judgement and estimation are involved in identifying aged, obsolete and damaged inventories and estimating the allowance of inventories. The management identifies the aged, obsolete and damaged inventories based on expiry date and conditions of the inventories and estimates the allowance with reference to the net realisable value. The carrying amount of the Group's inventories as at December 31, 2016 was RMB48 million. Details relating to the estimation uncertainty of the Group's inventories are set out in note 4 to the consolidated financial statements.	Our procedures in relation to estimated allowance of inventories included: • Obtaining an understanding of internal control on how allowance for inventories is estimated by the management; • Discussing with the management and evaluating the aged, obsolete, and damaged inventories identified by the management and reviewing the aging and date of expiry listing analysis on inventories; • Tracing a selection of inventories to the subsequent usage, sales and selling price based on the inventories movement records and sales invoices. • Assessing the reasonableness of the allowance of inventories by comparing the carrying value of inventories with respective net realisable value; and • Recalculating inventory allowance using management estimates to verify the accuracy of allowance schedule.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Lau Chi Kin, Kinson.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 31, 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2016

	NOTES	2016 RMB'000	2015 RMB'000
Revenue	5	**1,105,771**	1,006,228
Cost of sales		**(726,382)**	(653,953)
Gross profit		**379,389**	352,275
Other income	6	**14,703**	13,193
Selling and distribution expenses		**(167,717)**	(127,748)
Administrative expenses		**(64,197)**	(59,132)
Other expenses	7	**(38,164)**	(42,159)
Other gains and losses	8	**(8,920)**	(186)
Profit before tax		**115,094**	136,243
Income tax expense	9	**(25,457)**	(31,092)
Profit for the year	10	**89,637**	105,151
Other comprehensive (expenses) income			
Items that may be reclassified subsequently to profit or loss			
(Decrease) increase in fair value of available-for-sale investment		**(854)**	2,389
Cumulative gain reclassified to profit or loss on sale of available-for-sale investment		**(1,535)**	—
Other comprehensive (expenses) income for the year		**(2,389)**	2,389
Total comprehensive income for the year attributable to the owners of the Company		**87,248**	107,540
Earnings per share	13		
— Basic (RMB cents)		**21.60**	25.34
— Diluted (RMB cents)		**21.60**	25.33

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2016

	NOTES	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	326,322	224,351
Prepaid lease payments	15	36,970	11,449
Intangible asset	16	500	1,000
Investment in an associate	17	—	—
Investment in a joint venture	18	—	—
Available-for-sale investment	19	—	22,189
Other receivables and deposits	21	7,624	5,396
		371,416	264,385
CURRENT ASSETS			
Inventories	20	47,578	38,716
Prepaid lease payments	15	1,099	493
Trade, bills and other receivables	21	53,192	90,308
Income tax recoverable		482	498
Pledged bank deposits	22	3,623	5,388
Bank balances and cash	22	428,027	510,085
		534,001	645,488
CURRENT LIABILITIES			
Trade, bills and other payables	23	169,300	153,046
Advances from customers	24	112,640	34,123
Income tax payables		4,931	5,063
Provisions	25	—	6,967
		286,871	199,199
NET CURRENT ASSETS		247,130	446,289
TOTAL ASSETS LESS CURRENT LIABILITIES		618,546	710,674

Consolidated Statement of Financial Position

At December 31, 2016

	NOTES	2016 RMB'000	2015 RMB'000
NON-CURRENT LIABILITIES			
Convertible redeemable bond	26	–	133,914
Deferred income	27	11,708	9,413
Deferred tax liability	28	2,135	2,068
		13,843	145,395
NET ASSETS		604,703	565,279
CAPITAL AND RESERVES			
Share capital	29	3,285	3,285
Reserves		601,418	561,994
TOTAL EQUITY		604,703	565,279

The consolidated financial statements on pages 67 to 139 were approved and authorised for issue by the board of directors on March 31, 2017 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, 2016

	Share capital RMB'000	Share premium RMB'000 (Note a)	Investment revaluation reserve RMB'000 (Note b)	Share options reserve RMB'000 (Note c)	Special reserve RMB'000 (Note d)	Contribution reserve RMB'000	Statutory reserves RMB'000 (Note e)	Accumulated profits RMB'000	Total RMB'000
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
Increase in fair value of 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 recognised as distribution (note 12)	—	(19,715)	—	—	—	—	—	—	(19,715)
Share-based compensations (note 30)	—	—	—	9,569	—	—	—	—	9,569
At January 1, 2016	**3,285**	**463,859**	**2,389**	**11,735**	**(107,000)**	**18,333**	**62,292**	**110,386**	**565,279**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**89,637**	**89,637**
Decrease in fair value of available-for-sale investment	**—**	**—**	**(854)**	**—**	**—**	**—**	**—**	**—**	**(854)**
Cumulative gain reclassified to profit or loss on sale of available-for-sale investment	**—**	**—**	**(1,535)**	**—**	**—**	**—**	**—**	**—**	**(1,535)**
Other comprehensive expenses for the year	**—**	**—**	**(2,389)**	**—**	**—**	**—**	**—**	**—**	**(2,389)**
Total comprehensive (expenses) income for the year	**—**	**—**	**(2,389)**	**—**	**—**	**—**	**—**	**89,637**	**87,248**
Appropriations	**—**	**—**	**—**	**—**	**—**	**—**	**24,972**	**(24,972)**	**—**
Dividend recognised as distribution (note 12)	**—**	**(52,678)**	**—**	**—**	**—**	**—**	**—**	**—**	**(52,678)**
Share-based compensations (note 30)	**—**	**—**	**—**	**4,854**	**—**	**—**	**—**	**—**	**4,854**
At December 31, 2016	**3,285**	**411,181**	**—**	**16,589**	**(107,000)**	**18,333**	**87,264**	**175,051**	**604,703**

Consolidated Statement of Changes in Equity

For the year ended December 31, 2016

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 19.

c. Amounts represent equity reserve arising from share-based compensations under pre-IPO share option scheme and share option schemes of the Group provided to directors, employees and certain consultants in investor relation professions, details are set out in note 30.

d. Amount represents the paid-in capital of the subsidiaries acquired of RMB120 million less the payment of cash to the ultimate controlling shareholder of RMB227 million in May 2014 pursuant to a group reorganisation resulting in a reduction of net assets of the Group, which accounted for as a deemed distribution recognised in equity directly.

e. 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 subsidiaries in accordance with their Articles of Association. Statutory surplus reserve amounting to approximately RMB58,176,000 (2015: RMB41,528,000) as at December 31, 2016 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 RMB29,088,000 (2015: RMB20,764,000) as at December 31, 2016 can be used to expand the existing operations of the relevant subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2016

	NOTES	2016 RMB'000	2015 RMB'000
OPERATING ACTIVITIES			
Profit for the year		89,637	105,151
Adjustments for:			
Amortisation of intangible asset		500	500
Bank interest income		(4,405)	(4,276)
Depreciation of property, plant and equipment		23,410	20,432
Dividend income from available-for-sale investment		(698)	—
Fair value gain on structured deposits		(3,264)	(5,923)
Fair value loss on convertible redeemable bond	26	—	4,013
Fair value loss on modified convertible redeemable bond	26	6,920	—
Gain on disposal of available-for-sale investment		(1,535)	—
Gain on early redemption of modified convertible redeemable bond	26	(727)	—
Impairment loss on amount due from an associate		12,250	—
Impairment of inventories		—	755
Income tax expense		25,457	31,092
Loss on disposal of property, plant and equipment		499	1,209
Release of prepaid lease payments		544	493
Release of deferred income		(605)	(250)
(Reversal of) allowance for doubtful debts		(53)	123
(Reversal of) provisions for relocation expenses	25	(4,950)	6,967
Share-based compensations expenses	30	4,854	9,569
Operating cash flows before movements in working capital		147,834	169,855
(Increase) decrease in inventories		(8,862)	5,240
Decrease (Increase) in trade, bills and other receivables	41	18,764	(3,017)
Increase in other deposits	41	(2,228)	(2,250)
Increase in trade, bills and other payables		13,928	31,082
Increase (decrease) in advances from customers		78,517	(3,497)
Decrease in provision	25	(2,017)	—
Cash generated from operations		245,936	197,413
Income tax paid		(25,506)	(26,532)
NET CASH FROM OPERATING ACTIVITIES		220,430	170,881

Consolidated Statement of Cash Flows

For the year ended December 31, 2016

	NOTES	2016 RMB'000	2015 RMB'000
INVESTING ACTIVITIES			
Investments in structured deposits		(300,000)	(350,000)
Purchase of property, plant and equipment		(126,763)	(40,805)
Acquisition of land use rights		(42,075)	—
Advance to an associate		(12,250)	—
Placement of pledged bank deposits		(10,103)	(25,751)
Deposit paid for acquisition of an investment		(3,000)	—
Deposit paid for acquisition of a land use right		(360)	—
Proceeds from structured deposits upon maturity		303,264	355,923
Proceeds from disposal of available-for-sale investment		23,182	—
Release of pledged bank deposits		11,868	22,290
Receipts of asset-related government grants	27	2,900	7,663
Interest received		4,405	4,276
Proceeds from disposal of property, plant and equipment		943	24
Dividend received from available-for-sale investment		698	—
Loan advance paid	21	—	(20,000)
Acquisition of available-for-sale investment	19	—	(19,356)
Deposit paid for acquisition of properties	21	—	(3,000)
Transaction costs directly attributable for the acquisition of available-for-sale investment	19	—	(195)
NET CASH USED IN INVESTING ACTIVITIES		(147,291)	(68,931)
FINANCING ACTIVITIES			
Redemption of modified convertible redeemable bond	26	(143,665)	—
Dividends paid	12	(52,678)	(19,715)
Repayment of loan advance		(3,000)	—
Loan advance received		42,435	—
Issuance of convertible redeemable bond	26	—	129,404
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(156,908)	109,689
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(83,769)	211,639
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		510,085	298,198
Effect of foreign exchange rate changes		1,711	248
CASH AND CASH EQUIVALENTS AT END OF THE YEAR comprising bank balances and cash		428,027	510,085

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 Investment Limited. Its ultimate controlling shareholder is Mr. Huang Xianming and his family. 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. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

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

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 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.

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

New and amendments to IFRSs issued but not yet effective

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

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRIC 22	Foreign Currency Translations and Advance Consideration[1]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendment to IFRS 4	Applying IFRS 9 Finance Instruments with IFRS 4 Insurance Contracts[1]
Amendment to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 7	Disclosure Initiative[4]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendment to IFRS 40	Transfer of Investment Property[1]
Amendment to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle[5]

1 Effective for annual periods beginning on or after January 1, 2018
2 Effective for annual periods beginning on or after January 1, 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after January 1, 2017
5 Effective for annual periods beginning on or after January 1, 2017 or January 1, 2018, as appropriate

IFRS 9 *Financial Instruments*

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of IFRS 9 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.

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

IFRS 9 *Financial Instruments (continued)*

- 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 such changes 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 is 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.

Based on the Group's financial instruments and risk management policies as at December 31, 2016, application of IFRS 9 in the future may have an impact on the classification and measurement of the Group's financial assets. The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

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

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

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

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.

In 2016, the International Accounting Standards Board ("IASB") issued Clarification to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of IFRS 15 in the future may have an impact on the amounts reported (e.g. recognition of bulk discount/rebates, sales return) as the timing of revenue recognition may be affected/and the amounts of revenue recognised are subject to variable consideration constraints, and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review. In addition, the application of IFRS 15 in the future may result in more disclosures in the consolidated financial statements.

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

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

IFRS 16 *Leases* *(continued)*

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at December 31, 2016, the Group has non-cancellable operating lease commitments of approximately RMB19,649,000 as disclosed in note 35. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Group completes a detailed review.

Except for the above, the Group does not anticipate that the application of these amendment will have a material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by IASB. 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 consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at revalued amounts at the end of each reporting period, as explained in the accounting policies below.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases* and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

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

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

The principal accounting policies are set out below.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

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

Investments in an associate and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in an associate and a joint venture *(continued)*

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3. 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 is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Property, plant and equipment

Property, plant and equipment including 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 lessor

Rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct cost incurred in negotiating and arranging on operating lease are added to the carrying amount of the leased asset.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as liability. The aggregate benefits of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease.

Foreign currencies

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

Exchange differences arising 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.

3. 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 property, plant and equipment 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 whose primary condition is that the Group should acquire land use rights are recognised as a deduction from the carrying amount of the prepaid lease payments in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the relevant lease terms.

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 state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are recognised as expenses when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment arrangement

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 30.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

Taxation

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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.

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. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for a prospective basis.

Internally-generated intangible assets — research and development expenditure

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets *(continued)*

Internally-generated intangible assets — research and development expenditure *(continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 ("FVTPL")) 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.

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.

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 AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity securities held by the Group that are traded in an active market are classified as AFS and are stated 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. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividend is established. 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).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade, bills and other receivables, amount due from an associate, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (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 when the effect of discounting is immaterial.

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 or 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 a default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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 changes 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).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

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

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.

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 investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

Financial liabilities and equity instruments

Debt 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 liability at FVTPL

A financial liability other than a financial liability held for trading that 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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Financial liability at FVTPL (continued)

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

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

Convertible redeemable bond is measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the convertible redeemable bond 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 and points 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 recognises 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 sum of 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, 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.

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.

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

Estimated allowance 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. Regular operational procedures have been in place to monitor the allowance of inventories due to the significant balance involved and nature of the inventories are with relatively short useful life, such as flour, sugar and biscuits. The management identify the aged, obsolete and damaged inventories based on expiry date and estimate the allowance with reference to the net realisable value. Although the Group carries out regular 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, 2016, the carrying amounts of inventories of the Group were approximately RMB47,578,000 (2015: RMB38,716,000).

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, 2016, the carrying amounts of property, plant and equipment of the Group were approximately RMB326,322,000 (2015: RMB224,351,000). Details of the useful lives of the property, plant and equipment are disclosed in note 14.

Estimated impairment of trade receivables and amount due from an associate

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, 2016, the carrying amounts of trade receivables of the Group were approximately RMB21,979,000, net of allowance for doubtful debts of RMB135,000 (2015: RMB15,061,000, net of allowance of doubtful debts of RMB188,000).

During the year ended December 31, 2016, an impairment loss of RMB12,250,000 has been recognised for the entire amount due from an associate, which was advanced by a subsidiary of the Group during the year, details are set out in note 17.

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

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 32(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.

5. 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 operating segments 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 3.

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.

Other segment information

Amounts included in the measurement of segment results:

Year ended December 31, 2016

	Biscuits operation RMB'000	Unallocated RMB'000	Total RMB'000
Depreciation of property, plant and equipment	20,950	2,460	23,410
Amortisation of intangible asset	500	—	500
Release of prepaid lease payments	544	—	544

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Other segment information *(continued)*

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

Entity-wide disclosures

Revenue from major products

The following is an analysis of the Group's revenue and gross profit from its major products:

	2016 RMB'000	2015 RMB'000
Revenue by products		
Breakfast biscuits	**357,919**	357,750
Crisp biscuits	**289,468**	252,161
Sandwich biscuits	**233,485**	190,882
Wafers	**94,460**	75,952
Others (Note)	**130,439**	129,483
	1,105,771	1,006,228
Gross profit by products		
Breakfast biscuits	**121,152**	127,163
Crisp biscuits	**97,340**	89,169
Sandwich biscuits	**90,515**	79,254
Wafers	**28,831**	23,334
Others (Note)	**41,551**	33,355
	379,389	352,275

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

5. 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	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
PRC	**1,104,322**	1,005,081	**371,411**	242,183
Others (Note)	**1,449**	1,147	**5**	22,202
	1,105,771	1,006,228	**371,416**	264,385

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

Information about major customers

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

6. OTHER INCOME

	2016 RMB'000	2015 RMB'000
Government grants (note 27)	**8,477**	7,879
Bank interest income	**4,405**	4,276
Rental income	**775**	129
Dividend income from available-for-sale investment	**698**	—
Other non-operating income	**348**	909
	14,703	13,193

7. OTHER EXPENSES

	2016 RMB'000	2015 RMB'000
Research and development expenses	**36,248**	32,592
Donation expenses	**1,806**	786
Legal and professional fees	**86**	1,738
Other non-operating expenses	**24**	76
Provision for relocation expenses (note 25)	**—**	6,967
	38,164	42,159

8. OTHER GAINS AND LOSSES

	2016 RMB'000	2015 RMB'000
Impairment loss on amount due from an associate (note 17)	**(12,250)**	—
Fair value loss on modified convertible redeemable bond (note 26)	**(6,920)**	—
Loss on disposal of property, plant and equipment	**(499)**	(1,209)
Reversal of provision for relocation expenses (note 25)	**4,950**	—
Fair value gain on structured deposits	**3,264**	5,923
Gain on disposal of available-for-sale investment	**1,535**	—
Gain on early redemption of modified convertible redeemable bond (note 26)	**727**	—
Net foreign exchange gain (loss)	**273**	(887)
Fair value loss on convertible redeemable bond (note 26)	**—**	(4,013)
	(8,920)	(186)

9. INCOME TAX EXPENSE

	2016 RMB'000	2015 RMB'000
PRC Enterprise Income Tax ("EIT")		
— Current tax	**22,972**	29,382
— Under(over)provision in prior year	**350**	(358)
Deferred tax expense (note 28)	**2,135**	2,068
	25,457	31,092

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

The Group's operating subsidiary, Guangdong Jiashili Food Group Company Limited ("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 the PRC tax resident are required to withhold the PRC withholding tax of 10% on dividend payment to their non-PRC resident immediate holding company, registered in Hong Kong, when and if undistributed earnings are declared to be paid as dividends out of profits that arose on or after April 4, 2014, when the group reorganisation as set out in Group's annual report for the year ended December 31, 2015 (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 (Hong Kong) Limited ("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 was prepared in 2016 are target to submit in 2017. On the basis that 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), hence, it should be qualified to enjoy a reduced withholding tax rate of 5% on dividend income for the whole years 2015 and 2016 pursuant to PRC-HK DTA.

9. 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:

	2016 RMB'000	2015 RMB'000
Profit before tax	**115,094**	136,243
Tax at PRC Tax rate of 25%	**28,774**	34,061
Tax effect on concessionary tax rate	**(7,989)**	(10,432)
Tax effect on concessionary policy on research and development expenses (Note)	**(4,229)**	(3,850)
Tax effect of income not taxable for tax purpose	**(82)**	(76)
Tax effect of expenses not deductible for tax purpose	**7,930**	6,378
Tax effect of tax losses not recognised	**98**	423
Effect of different tax rates of a subsidiary operating in Hong Kong	**51**	939
Tax effect of 5% withholding tax on undistributed profits of the PRC subsidiaries	**2,135**	2,068
Under(overprovision) in prior year	**350**	(358)
Utilisation of deductible temporary difference previously not recognised	**(1,742)**	—
Tax effect of deductible temporary difference not recognised	**—**	1,742
Others	**161**	197
Income tax expense recognised in profit or loss	**25,457**	31,092

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

10. PROFIT FOR THE YEAR

	2016 RMB'000	2015 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' and chief executive's remuneration (note 11)	5,557	7,452
Other staff costs:		
Salaries and allowances	137,205	103,424
Contributions to retirement benefits scheme	12,938	10,905
Share-based compensations	3,933	5,573
Total staff costs	159,633	127,354
Depreciation of property, plant and equipment	23,410	20,432
Amortisation of intangible asset (included in cost of sales)	500	500
Total depreciation and amortisation	23,910	20,932
(Reversal of) allowance for doubtful debts	(53)	123
Release of prepaid lease payments	544	493
Auditors' remuneration	1,507	1,420
Cost of inventories recognised as expenses (with no impairment loss of inventories recognised (2015: RMB755,000))	726,382	653,953
Legal and professional fees (included in administrative expenses)	3,140	2,811
Legal and professional fees (included in other expenses) (note 7)	86	1,738
Total legal and professional fees	3,226	4,549
Share-based compensations to consultants in investor relation profession (included in administrative expenses) (note 30)	–	1,716
Rental expense under operating lease in respect of land and buildings	4,868	2,836
Loss on disposal of property, plant and equipment	499	1,209

11. 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:

	2016 RMB'000	2015 RMB'000
Salaries and allowances	**4,365**	4,832
Discretionary bonus	**249**	322
Contributions to retirement benefits scheme	**22**	18
Share-based compensations	**921**	2,280
	5,557	7,452

Year ended December 31, 2016

	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)*	155	919	89	1	293	1,457
Mr. Tan Chaojun 譚朝均	155	669	69	7	227	1,127
Mr. Chen Minghui 陳明輝	155	422	48	7	214	846
Mr. Lu Jianxiong 盧健雄 (resigned on January 1, 2017)	155	360	43	7	187	752
Mr. Lee Ping Nam 李炳南 (resigned on January 1, 2017)	155	755	–	–	–	910
Non-executive Director (Note b)						
Mr. Lin Xiao 林曉	–	–	–	–	–	–
Independent Non-executive Director (Note c)						
Mr. Kam Robert 甘廷仲	155	–	–	–	–	155
Ms. Ho Man Kay 何文琪	155	–	–	–	–	155
Mr. Cheung Yuen Tak 張元德 (resigned on January 16, 2017)	155	–	–	–	–	155
	1,240	3,125	249	22	921	5,557

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

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

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 Director (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

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.

11. 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, 2016 were determined by the management having regard to the performance of the directors of the Company and the Group's results from operation.

Mr. Huang Xianming has also been employed by Guangdong Zhongchen Industrial Group Company Limited (廣東中晨實業集團有限公司) ("Zhongchen"), a former immediate holding company of Guangdong Jiashili prior to the Group Reorganisation, which is currently owned by Mr. Huang Xianming, the ultimate controlling shareholder of the Company. The payment of his contributions to retirement benefits scheme was centralised and made by Zhongchen for the year in which the amount are considered to be insignificant.

For the year ended December 31, 2016, none of the directors of the Company has waived or agreed to waive any emoluments.

Employees' remuneration

The five highest paid individuals included four (2015: four) directors for the year ended December 31, 2016. The emoluments of the remaining one (2015: one) individuals for the year ended December 31, 2016, are as follows:

	2016 RMB'000	2015 RMB'000
Salaries and allowances	**766**	863
Contributions to retirement benefits scheme	**15**	15
Share-based compensations	**133**	240
	914	1,118

Their emoluments were within the following bands:

	No. of individuals	
	2016	2015
Nil to HK$1,000,000 (equivalent to nil to RMB859,000)	**–**	–
HK$1,000,001 to HK$1,500,000 (equivalent to RMB859,000 to RMB1,288,000)	**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.

12. DIVIDENDS

	2016 RMB'000	2015 RMB'000
Dividend for ordinary shareholders of the Company recognised as distribution during the year:		
2015 Final — HK15 cents (2015: 2014 final dividend HK6 cents) per share	52,678	19,715

Subsequent to the end of the reporting period, final dividend of HK15.00 cents (2015: HK15.00 cents) per share, amounting to approximately HK$62,250,000 (equivalent to approximately RMB55,050,000) (2015: approximately HK$62,250,000 (equivalent to approximately RMB52,678,000)), has been proposed by the directors and is subject to the approval by the shareholders at the forthcoming Annual General Meeting of the Company.

13. EARNINGS PER SHARE

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

	2016 RMB'000	2015 RMB'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	89,637	105,151

	2016 '000	2015 '000 (Note b)
Number of shares		
Weighted average number of ordinary shares for the purpose of weighted basic earnings per share	415,000	415,000
Effect of dilutive potential ordinary shares:		
— Share options (Note a)	—	69
Weighted average number of ordinary shares for the purpose of diluted earnings per share	415,000	415,069
Basic earnings per share (RMB cents)	21.60	25.34
Diluted earnings per share (RMB cents)	21.60	25.33

13. EARNINGS PER SHARE *(continued)*

Note a: The computation of diluted earnings per share for the year ended December 31, 2016 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 2016.

Note b: The computation of diluted earnings per share for the year ended December 31, 2015 did 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.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvement RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At January 1, 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 January 1, 2016	124,726	7,016	130,141	18,057	6,456	1,901	288,297
Additions	2,884	–	36,269	5,229	858	81,583	126,823
Transfer	5,956	24,020	–	–	–	(29,976)	–
Disposals	–	–	(3,622)	(615)	(245)	–	(4,482)
At December 31, 2016	**133,566**	**31,036**	**162,788**	**22,671**	**7,069**	**53,508**	**410,638**
ACCUMULATED DEPRECIATION							
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 January 1, 2016	13,870	–	37,867	7,839	4,370	–	63,946
Provided for the year	6,063	–	12,708	3,561	1,078	–	23,410
Eliminated on disposals	–	–	(2,346)	(593)	(101)	–	(3,040)
At December 31, 2016	**19,933**	**–**	**48,229**	**10,807**	**5,347**	**–**	**84,316**
CARRYING VALUES							
At December 31, 2016	**113,633**	**31,036**	**114,559**	**11,864**	**1,722**	**53,508**	**326,322**
At December 31, 2015	110,856	7,016	92,274	10,218	2,086	1,901	224,351

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.

15. PREPAID LEASE PAYMENTS

	The Group RMB'000
CARRYING VALUES	
At January 1, 2015	12,435
Released to profit or loss	(493)
At December 31, 2015	11,942
Additions (Note)	26,671
Released to profit or loss	(544)
At December 31, 2016	**38,069**

	2016 RMB'000	2015 RMB'000
Analysed for reporting purpose:		
Current assets	**1,099**	493
Non-current assets	**36,970**	11,449
	38,069	11,942

Note: During the year ended December 31, 2015, the Group entered into a development agreement with 湯陰縣人民政府 for investing in Henan province. Under the development agreement, Henan Jiashili Food Company Limited ("Henan Jiashili"), an indirect wholly owned subsidiary of the Company, was required to acquire certain land use rights in Henan and satisfy prescribed performance requirements. During the year ended December 31, 2016, Henan Jiashili acquired a land use right at consideration of RMB42,075,000 through open auction with deed estate tax payable of RMB1,031,000 and a government subsidy of RMB16,435,000 through discharging the Group's obligation arised from the acquisition of such land use right.

The land use right are recorded at nominal amount of the consideration paid and deed estate tax payable net-off with government subsidy in the consolidated statement of financial position.

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 44 years.

16. INTANGIBLE ASSET

	Trademark RMB'000
COST	
At January 1, 2015, December 31, 2015 and December 31, 2016	5,000
AMORTISATION	
At January 1, 2015	3,500
Charge for the year	500
At December 31, 2015	4,000
Charge for the year	500
At December 31, 2016	**4,500**
CARRYING VALUES	
At December 31, 2016	**500**
At December 31, 2015	1,000

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

17. INVESTMENT IN AN ASSOCIATE

	2016 RMB'000	2015 RMB'000
Cost of investment in an associate	–	–

Details of the Group's associate at the end of the reporting period are as follows:

Name of entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2016	2015	2016	2015	
Fujian Lidajia Food Company Limited* 福建利大家食品有限公司	PRC	PRC	49%	N/A	33.33%	N/A	Inactive

* English name for identification purpose only.

Note: During the year ended December 31, 2016, a subsidiary of the Group had established an associate with an independent third party, 好鄰居股份有限公司. Pursuant to the articles of association, the registered capital is RMB10 million, among which, RMB5.1 million and RMB4.9 million are to be contributed by 好鄰居股份有限公司 and a subsidiary of the Group, respectively. As at year ended December 31, 2016, the associate remained inactive and both parties had not yet injected investment capital in the associate, details of the capital commitment are set out in note 36. Subsequent to the year end, the Group entered into another agreement with 好鄰居股份有限公司 to transfer its entire ownership interests in Fujian Lidajia Food Company Limited at nil consideration, details of the subsequent event are set out in note 42.

During the year ended December 31, 2016, a subsidiary of the Group advanced RMB12,250,000 to 福建利大家食品有限公司 for a potential investment project. The Group ceased to participate in the potential investment project and the full advanced amount of RMB12,250,000 should had been refunded back to the Group before the year ended December 31, 2016. There are no collaterals held by the Group over the amount due from this associate and it was overdue as at the end of the reporting date. In the opinion of the directors, the recoverability of the amount due from an associate as at year ended December 31, 2016 is considered remote due to the default in payment thus a full impairment has been recognised accordingly.

Summarised financial information of an associate

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs. The associate is accounted for using the equity method in these consolidated financial statements.

17. INVESTMENT IN AN ASSOCIATE *(continued)*

Summarised financial information of an associates *(continued)*

Fujian Lidajia Food Company Limited

	2016 RMB'000	2015 RMB'000
Current assets		
Other receivable	25,000	–
Current liabilities		
Amounts due to shareholders	(25,000)	–

Reconciliation of the above summarise financial information to the carrying amount of the Group's interest in Fujian Lidajia Food Company Limited recognised in the consolidated financial statements:

	2016 RMB'000	2015 RMB'000
Net asset of Fujian Lidajia Food Company Limited	–	–
Proportion of the Group's ownership interest in Fujian Lidajia Food Company Limited	49%	–
	–	–

18. INVESTMENT IN A JOINT VENTURE

	2016 RMB'000	2015 RMB'000
Cost of investment in a joint venture	–	–

Details of the Group's joint venture at the end of the reporting period are as follows:

Name of entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2016	2015	2016	2015	
深圳前海星旻利股權投資合夥企業(有限合夥)	PRC	PRC	89.1%	N/A	33.33%	N/A	Inactive

18. INVESTMENT IN A JOINT VENTURE *(continued)*

Note: During the year ended December 31, 2016, a subsidiary of the Group had established a joint venture together with two independent third parties 亞東複嘉食品投資中心(有限合夥) and 杭州浙商成長股權投資基金合夥企業(有限合夥). Pursuant to the joint venture agreement, the total registered capital is RMB150 million, among which, RMB1.5 million is to be contributed by 亞東複嘉食品投資中心(有限合夥) as the general partner, RMB133.65 million and RMB14.85 million are to be contributed by a subsidiary of the Group and 杭州浙商成長股權投資基金合夥企業(有限合夥), respectively, as the limited partner. As at year ended December 31, 2016, the joint venture remained inactive with nil carrying amount on the balance sheet, as a result, no summary of financial information of joint venture has been presented. All parties had not yet injected investment capital in the joint venture, details of the capital commitment are set out in note 36.

19. AVAILABLE-FOR-SALE INVESTMENT

	2016 RMB'000	2015 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.

In the current year, the Group disposed of its entire listed investment in SKL and a gain on disposal of approximately RMB1,535,000 has been recognised in profit or loss.

20. INVENTORIES

	2016 RMB'000	2015 RMB'000
Raw materials and packing materials	**31,273**	23,579
Work-in-progress	**265**	190
Finished goods	**16,040**	14,947
	47,578	38,716

21. TRADE, BILLS AND OTHER RECEIVABLES/OTHER RECEIVABLES AND DEPOSITS

	2016 RMB'000	2015 RMB'000
Trade receivables	**22,114**	15,249
Less: Allowance for doubtful debts	**(135)**	(188)
Trade receivables, net	**21,979**	15,061
Bills receivables	**2,178**	16,316
Total trade and bills receivables	**24,157**	31,377
Prepayments for purchase of raw materials	**24,115**	33,848
Other receivables	**5,319**	22,625
Other prepayments	**1,824**	2,458
Rental and utility deposits	**1,300**	2,250
Deposit for acquisition of an investment	**3,000**	—
Deposit for acquisition of property, plant and equipment	**741**	146
Deposit for acquisition of a land use right	**360**	—
Deposit for acquisition of properties	**—**	3,000
	60,816	95,704
Less: Amount shown under current assets	**(53,192)**	(90,308)
Amount shown under non-current assets as other receivables and deposits	**7,624**	5,396

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 customers' credit quality and defines their 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 represents credit sales to certain customers. The Group generally allows a credit period of 30 to 180 days from the invoice date for trade receivables and a further credit period ranging from 90 to 180 days for bills receivable of these external customers based on bills issue date.

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

Trade and bills receivables *(continued)*

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

	2016 RMB'000	2015 RMB'000
Within 2 months	16,937	12,940
Over 2 months but within 3 months	3,715	1,891
Over 3 months but within 6 months	1,327	230
	21,979	15,061

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of approximately RMB144,000 (2015: RMB230,000), 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.

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

	2016 RMB'000	2015 RMB'000
Over 1 month but within 3 months	144	230

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

	2016 RMB'000	2015 RMB'000
Within 1 month	—	2,900
Over 1 month but within 3 months	688	3,521
Over 3 months but within 6 months	1,490	9,895
	2,178	16,316

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

Trade and bills receivables *(continued)*

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.

Movements in the allowance for doubtful debts:

	2016 RMB'000	2015 RMB'000
At beginning of year	188	761
Additions during the year	—	123
Reversal during the year	(53)	—
Write off during the year	—	(696)
At end of year	135	188

Age of impaired receivables:

	2016 RMB'000	2015 RMB'000
Within 1 year	135	188

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

Other receivables

As at December 31, 2015, there was RMB 20,000,000 loan advanced to 湯陰縣人民政府, the amount was 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 a supplementary agreement with 湯陰縣人民政府 to acquire a land use right and other properties interests with a consideration of RMB23,000,000, and settled by converting this RMB20,000,000 loan advanced and a deposit of RMB3,000,000 paid by the Group into a deposit for acquisition of the land use rights and other properties interests (the "Deposit"). Upon the expiry of the supplementary agreement in June 2016, the Group entered into another supplementary agreement with 湯陰縣人民政府 for converting the Deposit into a short term loan after negotiation between the directors of the Company and 湯陰縣人民政府 due to the change in the Group's business plan and its resources allocation.

In August 2016, Henan Jiashili entered into a financing agreement with 安陽友昌物業管理有限公司 ("安陽友昌") in which 安陽友昌 paid the deposit amounted to RMB3,000,000 on behalf of the Group to 河南省安陽市中級人民法院 for acquiring the land use right in Henan, the amount is unsecured, interest-free and repayable by December 31, 2016. The amount has been fully settled during the year. The Group further entered into another agreement with 湯陰縣產業集聚區弘達投資有限公司 ("弘達") and 湯陰縣人民政府 for (1) advancing a total of approximately RMB39,400,000 from 弘達 for acquiring the land use right; and (2) 弘達 agreed to set-off part of its advance with the aforementioned short term loan amounted to RMB23,000,000 receivable from 湯陰縣人民政府; and (3) 湯陰縣人民政府 agreed to settle the remaining advance payable balance of RMB16,435,000 on behalf of the Group to 弘達 as a government subsidy for the acquisition of the land use right.

The remaining other receivables balance mainly represent advances to staff (due within one year) of RMB1,258,000 (2015: nil) and other miscellaneous receivables.

Other receivables and deposits

Other receivables represent advances to staff, which are unsecured, non-interest bearing and amounts are repayable ranging from three to seven years of RMB2,223,000 (2015: nil) and therefore classified as non-current.

The fair value of other receivables is determined based on the present value of the estimated future cash flows and discounted using the prevailing market rate at the end of the reporting period. The imputed interest income on the other receivables is RMB14,000 (2015: nil). The effective interest rate is ranging from 4.75% to 4.9% (2015: nil) per annum.

Other deposits represent i) a deposit of RMB3,000,000 paid by the Group as upfront payment for an investment; ii) rental and utility deposits due after one year; iii) deposits for acquisition of property, plant and equipment; and iv) deposit for acquisition of land use right.

22. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

At December 31, 2016, pledged bank deposit of RMB3,623,000 (December 31, 2015: pledged bank deposit and bank balances of RMB221,945,000) carry fixed interest rates ranged from 0.70% to 1.21% per annum.

Bank balances of RMB428,027,000 (December 31, 2015: RMB293,528,000) carry interest at floating interest rates per annum as follows:

	Bank balances
At December 31, 2015	0.01%–0.35%
At December 31, 2016	0.01%–0.35%

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

	2016 RMB'000	2015 RMB'000
RMB	**402,652**	292,984
Hong Kong Dollars ("HK$")	**28,313**	124,500
US Dollars ("US$")	**685**	97,989
	431,650	515,473

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.

23. TRADE, BILLS AND OTHER PAYABLES

	2016 RMB'000	2015 RMB'000
Trade payables	63,483	68,710
Bills payables	22,000	15,922
Total trade and bills payables	85,483	84,632
Accrued expenses	25,266	16,196
Transportation fee payables	18,639	17,608
Payroll and welfare payables	20,758	14,791
Construction costs payables	5,676	5,021
Other payables	2,996	1,746
Output value-added-tax and other tax payables	10,482	13,052
	169,300	153,046

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 analysis of trade payables by age, presented based on the invoice date at the end of each reporting period:

	2016 RMB'000	2015 RMB'000
Within 3 months	63,167	68,478
Over 3 months but within 6 months	111	43
Over 6 months but within 1 year	205	—
Over 1 year	—	189
	63,483	68,710

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

Trade and bills payables *(continued)*

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

	2016 RMB'000	2015 RMB'000
Within 3 months	22,000	3,172
Over 3 months but within 6 months	—	12,750
	22,000	15,922

The bills payables are secured by the pledged bank deposits as disclosed in note 22.

24. ADVANCES FROM CUSTOMERS

The Group entered into goods supply contracts with customers and received advance payments from customers which are interest-free. As at December 31, 2016 and 2015, the advances are included in current liabilities based on the estimated amounts of purchase of goods within one year.

25. PROVISIONS

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.

During the year ended December 31, 2016, the relocation of manufacturing plant has been completed and reversal of provision on relocation of plant and equipment of approximately RMB4,950,000 has been recognised in profit or loss in the current year.

26. 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.

26. 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.
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.

26. CONVERTIBLE REDEEMABLE BOND *(continued)*

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 redeemable bond at the issue date and December 31, 2016 are set out in note 32(c)(i).

The principal amount of original convertible redeemable bond outstanding as at December 31, 2015 was US$20,626,000 (equivalent to RMB134 million).

On September 23, 2016, the Company and bond holders entered into a deed of amendment and agreed a modification to the terms of the convertible redeemable bond. The following modification has been made and are effective on September 23, 2016:

(i) The company has the right of early redemption for whole or part of the bond at any time after the issue date.

Convertible redeemable bond is measured at fair value and the change in fair value due to the terms amendment would be recognised in profit or loss immediately. The Group engaged an independent qualified professional valuer to carry out a fair value assessment on the convertible redeemable bond after modification of terms, which is approximately US$21,665,700 (equivalent to approximately RMB144,393,000) at a discount rate of 7.6%. As a result, the fair value loss on modification of terms of the convertible redeemable bond of approximately US$1,039,500 (equivalent to approximately RMB6,920,000), being the difference between the fair value at the date of modification and carrying amount of the convertible redeemable bond as at December 31, 2015 , is recognised in the profit or loss. Furthermore, the Company incurred transaction costs of HK$100,500 (equivalent to approximately RMB86,000) in relation to the modification recognised in the statement of profit or loss.

On September 27, 2016, the Company successfully retracted and redeemed, at a consideration of US$21,556,000 (equivalent to approximately RMB$143,665,000) of its unsecured convertible redeemable bond with the maturity date on December 15, 2018.

26. CONVERTIBLE REDEEMABLE BOND *(continued)*

The movement of the convertible redeemable bond for the years is set out below:

	2016 RMB'000	2015 RMB'000
At January 1/date of issuance as December 16, 2015	**133,914**	129,404
Fair value loss on convertible redeemable bond	**—**	4,013
Fair value loss on modified convertible redeemable bond	**6,920**	—
Exchange realignment	**3,558**	497
Gain on early redemption of modified convertible redeemable bond	**(727)**	—
Redemption of modified convertible redeemable bond	**(143,665)**	—
At December 31	**—**	133,914

27. DEFERRED INCOME

Amounts credited to profit or loss during the year:

	2016 RMB'000	2015 RMB'000
Incentive subsidies (Note a)	**7,872**	7,629
Released from asset-related government subsidies (Note b)	**605**	250
	8,477	7,879

The movement of deferred income is as follows:

	2016 RMB'000	2015 RMB'000
At beginning of year	**9,413**	2,000
Receipts of subsidies related to property, plant and equipment (Note b)	**2,900**	7,663
Release to profit or loss during the year (Note b)	**(605)**	(250)
At end of year	**11,708**	9,413

Notes:

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

(b) 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) above. The subsidies were granted on a discretionary basis to the Group during the year.

28. DEFERRED TAX LIABILITY

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

	Undistributed profits of subsidiaries RMB'000
At January 1, 2015	1,712
Released upon declaration of dividend by Guangdong Jiashili	(1,712)
Charge to profit or loss (note 9)	2,068
At December 31, 2015 and January 1, 2016	2,068
Released upon declaration of dividend by Guangdong Jiashili	(2,068)
Charge to profit or loss (note 9)	2,135
At December 31, 2016	**2,135**

As at December 31, 2016, the Group has unrecognised deferred tax liability in relation to PRC withholding tax on undistributed earnings in certain of its PRC subsidiaries of RMB142,357,000 (2015: RMB145,411,000), 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, 2016 is 5% (2015: 5%).

At December 31, 2016, Group has unused tax losses of RMB4,702,000 (December 31, 2015: RMB4,067,000) 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, 2016, the Group has deductible temporary differences of nil (December 31, 2015: RMB6,967,000). 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.

29. SHARE CAPITAL

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

	Number of shares	Share capital HK$
Authorised:		
At December 31, 2015 and December 31, 2016		
— Ordinary shares of HK$0.01 each	8,000,000,000	80,000,000
Issued and fully paid:		
At December 31, 2015 and December 31, 2016		
— Ordinary shares of HK$0.01 each	415,000,000	4,150,000

	At December 31, 2016 and 2015 RMB'000
Presented in the consolidated financial statements	3,285

30. 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 authorised 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.

30. SHARE OPTION SCHEME *(continued)*

Pre-IPO Share Option Scheme *(continued)*

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, 2016:

For the year ended December 31, 2016

Category of grantees	Date of grant	Exercise period	Exercise price per share	At 1.1.2016	Granted during the year	Exercised during the year	At 12.31.2016
				Number of share options			
Directors of the Company	9.25.2014	9.25.2015–9.25.2019	HK$3.45	862,500	–	–	862,500
	9.25.2014	9.25.2016–9.25.2019	HK$3.45	862,500	–	–	862,500
	9.25.2014	9.25.2017–9.25.2019	HK$3.45	862,500	–	–	862,500
	9.25.2014	9.25.2018–9.25.2019	HK$3.45	862,500	–	–	862,500
Employees of the Group	9.25.2014	9.25.2015–9.25.2019	HK$3.45	2,862,500	–	–	2,862,500
	9.25.2014	9.25.2016–9.25.2019	HK$3.45	2,862,500	–	–	2,862,500
	9.25.2014	9.25.2017–9.25.2019	HK$3.45	2,862,500	–	–	2,862,500
	9.25.2014	9.25.2018–9.25.2019	HK$3.45	2,862,500	–	–	2,862,500
Total				14,900,000	–	–	14,900,000
Exercisable at year ended							7,450,000

For the year ended December 31, 2015

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 12.31.2015
				Number of share options			
Directors of the Company	9.25.2014	9.25.2015–9.25.2019	HK$3.45	862,500	–	–	862,500
	9.25.2014	9.25.2016–9.25.2019	HK$3.45	862,500	–	–	862,500
	9.25.2014	9.25.2017–9.25.2019	HK$3.45	862,500	–	–	862,500
	9.25.2014	9.25.2018–9.25.2019	HK$3.45	862,500	–	–	862,500
Employees of the Group	9.25.2014	9.25.2015–9.25.2019	HK$3.45	2,862,500	–	–	2,862,500
	9.25.2014	9.25.2016–9.25.2019	HK$3.45	2,862,500	–	–	2,862,500
	9.25.2014	9.25.2017–9.25.2019	HK$3.45	2,862,500	–	–	2,862,500
	9.25.2014	9.25.2018–9.25.2019	HK$3.45	2,862,500	–	–	2,862,500
Total				14,900,000	–	–	14,900,000
Exercisable at year ended							3,725,000

30. SHARE OPTION SCHEME *(continued)*

Pre-IPO Share Option Scheme *(continued)*

The fair value of these options at date of grant was approximately RMB15,607,000, of which approximately RMB3,977,000 were charged to the profit or loss for the year ended December 31, 2016 (2015: RMB7,229,000).

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 was 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 of (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.

30. 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, 2016:

For the year ended December 31, 2016

Category of grantees	Date of grant	Exercise period	Exercise price per share	Number of share options At 1.1.2016	Granted during the year	Exercised during the year	Lapsed during the year	At 12.31.2016
Consultants in investor relation profession	2.17.2015	2.17.2015–12.31.2015	HK$4.00	10,000,000	–	–	(10,000,000)	–
Mr. Wu Meng-cher (Note)	6.12.2015	6.12.2016–6.12.2020	HK$4.58	500,000	–	–	–	500,000
	6.12.2015	6.12.2017–6.12.2020	HK$4.58	500,000	–	–	–	500,000
	6.12.2015	6.12.2018–6.12.2020	HK$4.58	500,000	–	–	–	500,000
	6.12.2015	6.12.2019–6.12.2020	HK$4.58	500,000	–	–	–	500,000
Total				12,000,000	–	–	(10,000,000)	2,000,000
Exercisable at year ended								500,000

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 12.31.2015
Consultants in investor relation profession	2.17.2015	2.17.2015–12.31.2015	HK$4.00	—	10,000,000	—	10,000,000
Mr. Wu Meng-cher (Note)	6.12.2015	6.12.2016–6.12.2020	HK$4.58	—	500,000	—	500,000
	6.12.2015	6.12.2017–6.12.2020	HK$4.58	—	500,000	—	500,000
	6.12.2015	6.12.2018–6.12.2020	HK$4.58	—	500,000	—	500,000
	6.12.2015	6.12.2019–6.12.2020	HK$4.58	—	500,000	—	500,000
Total				—	12,000,000	—	12,000,000
Exercisable at year ended							10,000,000

Note: Mr. Wu Meng-cher was formerly a Director and resigned as a Director on December 1, 2015.

30. SHARE OPTION SCHEME *(continued)*

Share Option Scheme *(continued)*

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 the full amount for consultants in investor relation profession was charged to the profit or loss for the year ended December 31, 2015 and approximately RMB877,000 for a staff of the Company was charged to the profit or loss for the year ended December 31, 2016 (2015: RMB624,000).

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

31. 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.

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016 RMB'000	2015 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalent)	461,126	569,475
Available-for-sale investment	–	22,189
Financial liabilities		
Convertible redeemable bond designated at FVTPL	–	133,914
Amortised cost	133,552	123,798

(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.

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

	2016 RMB'000	2015 RMB'000
Available-for-sale investment	–	22,189
Cash and bank balance	28,313	124,500
Other payables	–	(36)
	28,313	146,653

32. FINANCIAL INSTRUMENTS *(continued)*

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

Currency risk *(continued)*

US$ monetary asset and liability

	2016 RMB'000	2015 RMB'000
Bank balances and cash	685	97,989
Convertible redeemable bond	–	(133,914)
	685	(35,925)

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 RMB1,416,000 (2015: RMB7,333,000) for the year ended December 31, 2016. 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 RMB34,000 for the year ended December 31, 2016 and decrease/increase in the Group's profit before tax for the year of approximately RMB1,796,000 for the year ended December 31, 2015.

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, 2016 would increase/decrease by approximately RMB428,000 (2015: RMB294,000).

32. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk

As at December 31, 2016, 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.

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 81% (2015: 88%) of the Group's total trade receivables as at December 31, 2016, 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.

For amount due from an associate, the Group performs periodic review on the financial position of the associate, its settlement status and other contractual conditions to ensure it is financially viable to settle the debts due to the Group and adequate impairment loss is made for irrecoverable amount. In this regard, the management of the Group consider 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, 2016. 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.

32. 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 RMB'000	3–6 months RMB'000	6 months to 1 year RMB'000	1 to 3 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At December 31, 2016							
Trade, bills and other payables	—	119,552	14,000	—	—	133,552	133,552
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

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

32. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value

(i) Fair value of the Group's financial assets and 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.

Financial assets and liability	Fair value	Fair value hierarchy	Valuation technique and key inputs	Relationship of unobservable inputs to fair value
Convertible redeemable bond	December 31, 2016: nil (December 31, 2015: RMB133,914,000)	Level 3	Binomial tree option pricing	The higher the discount rate, the lower the fair value.
			Key unobservable inputs are: discount rate, remaining time to maturity, expected volatility and dividend yield	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, 2016: nil (December 31, 2015: RMB22,189,000)	Level 1	Quoted bid price in an active market	N/A

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, 2016, fair value gain of RMB3,264,000 (2015: RMB5,923,000) were related to structured deposits 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 measured 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.

33. TRANSFERS OF FINANCIAL ASSETS

The following were the Group's bills receivables as at December 31, 2016 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:

	2016 RMB'000	2015 RMB'000
Bills receivables endorsed to suppliers with full recourse	1,000	8,895
Associated trade payables relating to the endorsement of bills receivables	1,000	8,895

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSET		
Interests in subsidiaries	77,237	77,237
Amounts due from subsidiaries	404,806	551,230
	482,043	628,467
CURRENT ASSETS		
Prepayment	—	122
Bank balances	2	2
	2	124
CURRENT LIABILITY		
Accruals and other payable	2,169	1,578
NET CURRENT LIABILITIES	(2,167)	(1,454)
NON-CURRENT LIABILITY		
Convertible redeemable bond	—	133,914
NET ASSETS	479,876	493,099
CAPITAL AND RESERVES		
Share capital	3,285	3,285
Reserves	476,591	489,814
TOTAL EQUITY	479,876	493,099

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(continued)

Movement in the Company's reserve

	Share capital RMB'000	Share premium RMB'000	Share options reserves RMB'000	Accumulated (loss) profits RMB'000	Total RMB'000
At January 1, 2015	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 12)	—	(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
Profit and total comprehensive income for the year	—	—	—	34,601	34,601
Dividend declared (note 12)	—	(52,678)	—	—	(52,678)
Share-based compensations	—	—	4,854	—	4,854
At December 31, 2016	**3,285**	**411,181**	**16,589**	**48,821**	**479,876**

35. OPERATING LEASE

The Group as lessee

Minimum lease payments under operating lease were approximately RMB4,868,000 (2015: RMB2,836,000), which represents the rent paid by the Group for land and buildings for the year ended December 31, 2016. Leases for land and buildings are negotiated for a term ranging from one to six years (2015: one to six 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:

	2016 RMB'000	2015 RMB'000
Within one year	**4,524**	4,694
In the second to fifth years inclusive	**15,125**	17,009
Over five years	**—**	2,450
	19,649	24,153

35. OPERATING LEASE *(continued)*

The Group as lessor

Property rental income earned during the year was RMB775,000 (2015: RMB129,000) 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:

	2016 **RMB'000**	2015 RMB'000
Within one year	**775**	775
In the second to fifth years inclusive	**2,132**	2,778
	2,907	3,553

36. CAPITAL COMMITMENTS

	2016 **RMB'000**	2015 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**36,521**	6,894
Capital expenditure in respect of acquisition of land use right contracted for but not provided in the consolidated financial statements	**1,828**	—
Capital expenditure in respect of the establishment of an associate contracted for but not provided in the consolidated financial statements (Note 1)	**4,900**	—
Capital expenditure in respect of the establishment of an investment fund contracted for but not provided in the consolidated financial statements (Note 2)	**133,650**	133,650
Capital expenditure in respect of the establishment of a joint venture contracted for but not provided in the consolidated financial statements (Note 3)	**133,650**	—

36. CAPITAL COMMITMENTS *(continued)*

Notes:

1. On November 24, 2016, a subsidiary of the Group entered in an agreement with 好鄰居股份有限公司 in respect of the incorporation of an associate. Subsequent to the year end, such subsidiary entered into another agreement with 好鄰居股份有限公司 to transfer its entire ownership interests in Fujian Lidajia Food Company Limited at nil consideration. Details of the associate and subsequent event are set out in notes 17 and 42, respectively.

2. On December 16, 2015, a subsidiary of the Group entered in a partnership agreement (the "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. Subsequent to the reporting period, the establishment of the investment fund was suspended and a subsidiary of the Group is in the process of cancellation of the Partnership Agreement.

3. On January 28, 2016, a subsidiary of the Group entered in a joint venture agreement with 亞東複嘉食品投資中心(有限合夥) and 杭州浙商成長股權投資基金合夥企業(有限合夥) in respect of the incorporation of a joint venture. Details of the joint venture are set out in note 18.

37. PLEDGED OF ASSETS

As at December 31, 2016 and 2015, the following items were used to secure banking facilities granted to the Group:

	2016 RMB'000	2015 RMB'000
Pledged bank deposits	**3,623**	5,388

38. RELATED PARTY DISCLOSURES

Related Party Transactions

	2016 RMB'000	2015 RMB'000
Sale of goods		
Zhongchen	23	31

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. Mr. Huang Xianming is the director of Zhongchen and the Group.

Key management personnel

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

	2016 RMB'000	2015 RMB'000
Short-term benefits	7,183	7,363
Post-employment benefits	66	94
Share-based compensations	1,694	3,672
	8,943	11,129

39. 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 RMB12,960,000 (2015: RMB10,923,000) represent contributions paid and payable to the retirement benefit scheme during the year ended December 31, 2016.

40. GENERAL INFORMATION OF SUBSIDIARIES

Details of subsidiaries directly and indirectly hold by the Company at the end of the reporting period are set out below:

Name of subsidiary	Place and date of establishment/ incorporations	Registered capital/ issued and fully paid-up share capital	Equity interest attributable to the Company at December 31, 2016	2015	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
Henan Jiashili Food Company Limited* 河南嘉士利食品有限公司	PRC June 18, 2015	Registered capital of RMB50,000,000 and paid-up capital of RMB50,000,000	100%	100%	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%	Manufacture and sale of biscuits

* English name for identification purpose only.
^ The subsidiary was deregistered on August 15, 2016.

41. MAJOR NON-CASH TRANSACTION

During the year ended 2016, the loan advanced and deposit paid to a local government authority in Tangyin Country in Henan Province, the PRC, amounted RMB20,000,000 and RMB3,000,000, respectively, were utilised for acquisition of the land use rights.

42. EVENTS AFTER THE REPORTING PERIOD

Transfer of ownership interests in an associate

In February 2017, the Group entered into an agreement with 好鄰居股份有限公司 to transfer its entire ownership interests in Fujian Lidajia Food Company Limited at nil consideration. The transfer of ownership interests has been completed on February 16, 2017.

Incorporation of wholly-owned subsidiary

In January 2017, the Group incorporated a wholly-owned subsidiary, namely 開平市利嘉實業投資有限公司, which principal activity is provision of financial services. The Group injected investment capital of RMB30,000,000 in February 2017.

Suspension and cancellation of investment fund

In March 2017, the establishment of investment fund with Xizang Fujia and Fosun Weishi 1 Equity Fund was suspended and the Group is in the process of cancellation of the Partnership Agreement. The cancellation is expected to be completed by June 2017.

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				
	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
CONTINUING OPERATION					
Revenue	1,105,771	1,006,228	840,058	747,771	649,488
Cost of sales	(726,382)	(653,953)	(571,557)	(522,120)	(483,707)
Gross profit	379,389	352,275	268,501	225,651	165,781
Other Income	14,703	13,193	9,298	6,919	11,004
Selling and distribution expenses	(167,717)	(127,748)	(101,688)	(87,932)	(69,191)
Administrative expenses	(64,197)	(59,132)	(38,421)	(29,595)	(29,470)
Finance costs	—	—	(2,341)	(2,448)	(606)
Other expenses, gains and losses	(47,084)	(42,345)	(45,516)	(30,466)	(22,970)
Profit before tax	115,094	136,243	89,833	82,129	54,548
Income tax expense	(25,457)	(31,092)	(18,205)	(14,268)	(11,745)
Profit for the year from continuing operation	89,637	105,151	71,628	67,861	42,803
DISCONTINUED OPERATION					
Profit for the year from discontinued operation	—	—	61	1,408	645
OTHER COMPREHENSIVE (EXPENSES) INCOME					
Items that may be reclassified subsequently to profit or loss					
(Decrease) increase fair value of available-for-sale investment	(854)	2,389	—	—	—
Cumulative gain reclassified to profit or loss on sale of available-for-sales investment	(1,535)	—	—	—	—
Other comprehensive (expenses) income for the year	(2,389)	2,389	—	—	—
Profit and total comprehensive income for the year attributable to the owners of the Company	87,248	107,540	71,689	69,269	43,448

ASSETS AND LIABILITIES

	As at December 31				
	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
TOTAL ASSETS	905,417	909,873	630,859	402,470	306,857
TOTAL LIABILITIES	(300,714)	(344,594)	(162,974)	(252,068)	(204,715)
	604,703	565,279	467,885	150,402	102,142