嘉士利集團有限公司

JIASHILI GROUP LIMITED

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

ANNUAL 2017 REPORT

CONTENT

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Non-Executive Director

Mr. Lin Xiao

Independent Non-Executive Directors

Mr. Kam Robert
Ms. Ho Man Kay
Mr. Ma Xiaoqiang

COMPANY SECRETARY

Mr. Shoom Chin Wan, FCPA, ACIS, CTA

AUDIT COMMITTEE

Mr. Kam Robert *(Chairman of the Audit Committee)*
Ms. Ho Man Kay
Mr. Ma Xiaoqiang

REMUNERATION COMMITTEE

Ms. Ho Man Kay
(Chairman of the Remuneration Committee)
Mr. Huang Xianming
Mr. Kam Robert
Mr. Ma Xiaoqiang

NOMINATION COMMITTEE

Mr. Huang Xianming
(Chairman of the Nomination Committee)
Mr. Kam Robert
Ms. Ho Man Kay
Mr. Ma Xiaoqiang

AUTHORISED REPRESENTATIVES

Mr. Huang Xianming
Mr. Shoom Chin Wan

AUDITORS

Deloitte Touche Tohmatsu

PRINCIPAL BANKER

Bank of Communications, Hong Kong Branch

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

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

HEADQUARTER IN PRC

No. 18 Gangkou Road, Changsha
Kaiping
Guangdong
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 701A East Ocean Center
98 Granville Road
Kowloon
Hong Kong

CORPORATE WEBSITE

www.gdjsl.com

STOCK CODE

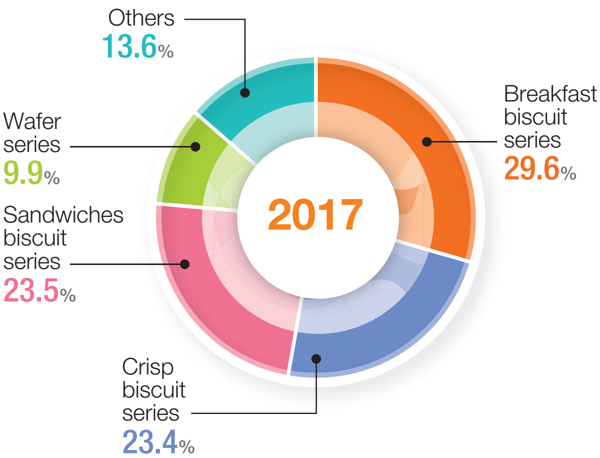
1285

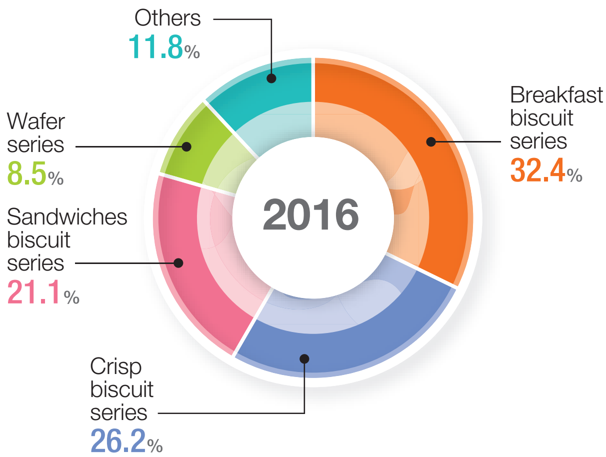
LISTING DATE

September 25, 2014

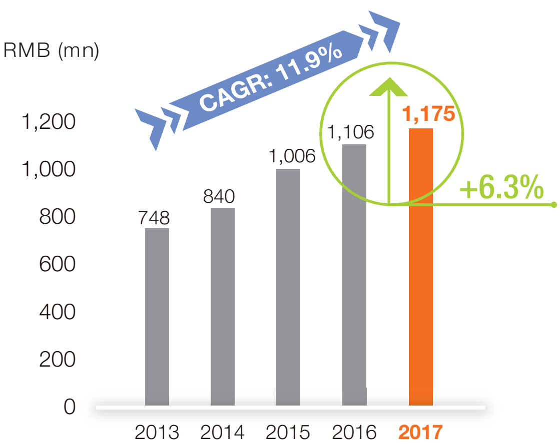
FINANCIAL HIGHLIGHTS

REVENUE BREAKDOWN BY MAJOR PRODUCT SEGMENTS

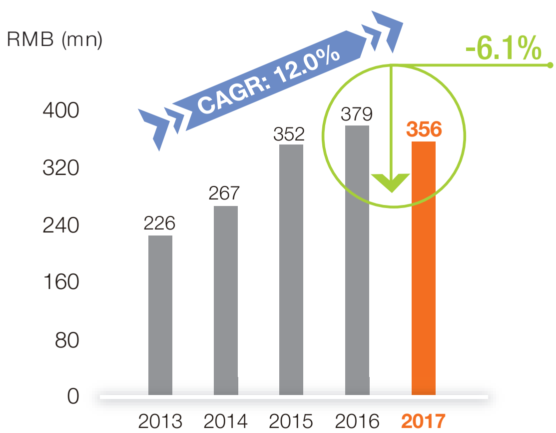




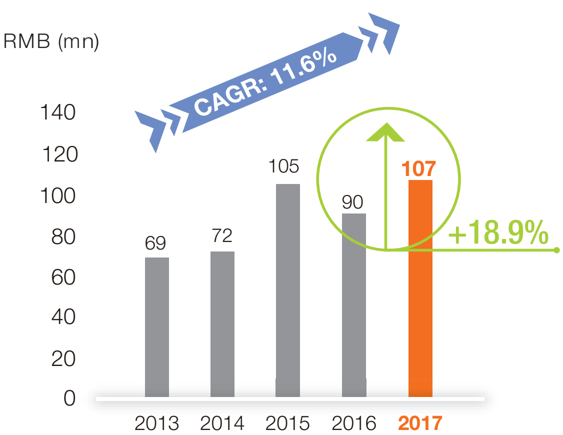
REVENUE



GROSS PROFIT



PROFIT FOR THE YEAR



Financial Highlights

	Year ended December 31, 2017 (RMB'000)	2016 (RMB'000)	Increase/ decrease
Revenue	**1,174,977**	1,105,771	↑ 6.3%
Gross profit	**356,403**	379,389	↓ 6.1%
Gross profit margin	**30.3%**	34.3%	↓ 4.0 percentage points
Profit for the year	**106,566**	89,637	↑ 18.9%
Total comprehensive income for the year	**106,566**	87,248	↑ 22.1%
Earnings before interest, tax, depreciation and amortisation	**166,800**	139,004	↑ 20.0%
Earnings per share			
— Basic and diluted (RMB cents)	**25.68**	21.60	↑ 18.9%
Net profit margin	**9.1%**	8.1%	↑ 1.0 percentage point
Proposed final dividend per share (HKD)	**0.15**	0.15	Nil

CHAIRMAN'S 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 for the year of 2017.

2017 was a year filled with both challenges and opportunities for Jiashili. The Company still maintained rapid momentum of growth among different challenges. Throughout the year of 2017, the slowdown of domestic consumption on biscuits and fierce local competitions accompanied with astronomic increase in prices of raw material and packaging materials that makes business environments more turbulent and volatile. Despite the abovementioned challenges, in 2017 our Group has hit record high in both revenue and profit since listing in 2014.

In 2017, our Group's revenue increased by 6.3% year-on-year to hit record high RMB1,175 million while profit for the year surged to record high RMB107 million, increased by 18.9% year-on-year as compared with that of 2016. However, the gross profit margin decreased from 34.3% in 2016 to 30.3% in 2017, a drop of 4.0 percentage points due to the increase in cost of raw materials and packaging materials. The sales volume reached 86,690 tonnes, representing a slight decrease of 2,274 tonnes or 2.6% drop compared with 2016. Over the year, the Group have been adhering to the business philosophy of "JIASHILI-benefit thousands of families and benefit to all people 嘉士利、利萬家、利大家" to provide delicious and high quality biscuits to the customers in the PRC.

INDUSTRY OVERVIEW

PRC biscuit market had been fast growing since 2000, traditional biscuits had experienced a decline because of customers changing tastes and consumption pattern and the young people prefer biscuits with different flavors and bakery products than salty snacks. Biscuits witness 5% total volume growth while retail value sales grow 9% to reach RMB60.8 billion in 2015 though PRC has declined to slow down its economy growth. Furthermore, the average unit price of biscuits in PRC is expected to increase due to the dynamic growth of premium biscuits market as customers have rising disposable money and follow the trend to buy premium biscuits as holiday gifts. Accordingly, the market grows at a stable rate over the previous period and will continue to expand both its volume and revenue. Moreover, a healthy lifestyle has spread widely among Chinese people so that they pay greater attention to what they eat every day. Thus, the changing concept gives the birth to the functional biscuits which have less sugar and more benefits for people's health. The Group believed a lot of developing space under this category of biscuit.

Chairman's Statement

BUSINESS REVIEW

Our Company has adopted business strategy of "JIASHILI, diversified product category" which has been very successful in the past and has built up brand loyalty anchoring delicious biscuits. The Company continued to devote its efforts on improving and upgrading the existing products and adding different flavors on biscuits, by optimizing and refreshing existing products portfolio together with the launching of new products in order to meet customer demands.

In 2017, our Group has two investments with one is engaged in manufacturing and selling of various candy bars and chocolate biscuits with target markets for those teenagers and youth as we aim to develop markets and promoting leisure biscuits for more younger generation. Another investment has involved in food and snack products in PRC. The Group has set up three-year initial development for these two investments hoping to broaden the Group's products portfolio.

In 2017, our Group has 1,106 distributors, an increase of approximately 22% from 2016. The Group devoted to expand and consolidate the sources of different distributors and provide assistance to those high performing distributors such as to offer them credit periods and incentives to promote their performance. In order to promote sales, increasing marketing and promotional efforts include TV advertising, tasting events and other promotional events and activities are underway in 2018. For sales through e-commerce, the Group continued to reinforce the development and optimization of e-commerce channels. The Group carried out multi perspective and comprehensive analysis and reform on its e-commerce channels to keep up with the latest developments. In 2017, revenue from e-commerce accounts for only 1.2% of the total revenue and we believed there are much room for the expansion of e-commerce platforms in the future.

Chairman's Statement

LOOKING FORWARD

Looking ahead in 2018 and onwards, macroeconomic environment in PRC tends to be in moderate growth while prices of raw materials still increasing that making it is more difficult to do business. We believed that maintain product quality and enhancement of distribution channels would be of the Group's priority jobs. Our Group's core value was committed to produce high quality and safety products for customers when they are in leisure hours. As a leading biscuit manufacturing in PRC, we strongly believed that based on our technical capabilities and stringent control on our production processes we are able to produce supreme quality biscuits for customers. Apart from existing sales distribution channels, we are strived for increasing more sales networks through large supermarkets, convenience stores and others. In order to speed up the overall expansion of our Group in terms of market share, distribution networks and variety of products, we are committed to seeking synergic advantage through mergers and acquisitions activities if such appropriate opportunities arise.

Since its listing, Jiashili has strived to maintain transparency and improve standards of corporate governance. We have maintained good communication with our investors. We are willing and hope to keep a closer tie with more stakeholders, and strengthen interaction with them to promote sound development of the Company. Over the year, the Group have been adhering to the business philosophy of "JIASHILI-benefit thousands of families and benefit to all people 嘉士利、利萬家、利大家".

We are honored to have a professional Board, an experienced and diligent management team, and industrious and intelligent employees. I wish to take this opportunity to express my sincere gratitude to all directors and employees for their assiduous efforts. We will make utmost efforts to attain sustainable growth and enhance our profitability and exert all our efforts to create the greatest value for our customers and bring the best returns to our shareholders.

Jiashili Group Limited
Huang Xianming
Chairman of the Board

March 29, 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is one of the largest local biscuit manufacturers in PRC with long history of famous brand name "JIASHILI嘉士利" for more than 60 years. Our Group offers mainly four biscuits series including breakfast biscuits series, crisp biscuits series, sandwiches biscuits series and wafer series. Over the year, the Group have been adhering to the business philosophy of "JIASHILI-benefit thousands of families and benefit to all people 嘉士利、利萬家、利大家" to provide delicious and high quality biscuits to the customers in the PRC.

2017 is a year that is full of challenging, biscuits have flooded every corner of PRC people's life. Mostly they are regarded as snacks to offer the leisure when people read books or watch movies. They also serve as the breakfast in the morning to provide people with the energy for a whole day. There exist plenty of categories of biscuits with different flavors in the PRC market. Despite being affected by a general slowdown in consumer market, the market demand for the Group's main product categories still maintained stable growth.

In 2017, the Group's revenue increased by approximately 6.3% year-on-year to approximately RMB1,175 million. Gross profit margin decreased by approximately 4.0 percentage points to 30.3% as compared with that of 2016 due to the increase in cost of raw materials and packaging materials. The operating expenses (selling and distribution expenses and administrative expenses) were well controlled, which decreased by 7.2% to approximately RMB215.2 million as compared with that of RMB231.9 million for the year 2016. Profit and total comprehensive income for the year attributable to the owners of the Company increased by 22.1% to approximately RMB106.6 million as compared with that of 2016 with a net profit margin of 9.1%. Earnings before interest, income tax, depreciation and amortization (EBITDA) grew by 20% to approximately RMB166.8 million over that of 2016.

During the year, the Group has invested in an associated company, Hong Kong Ruishiyue, which is engaged in manufacturing and selling of candy bars and chocolate biscuits with target markets for those teenagers and youth. Adherence to our Group diversification strategy, we aim to develop markets and promoting leisure biscuits for more younger generation. In addition, a joint venture partnership has been set up with 江門建粵利嘉產業投資合夥企業(有限合夥) mainly investing in food products in PRC. Our Group believed that both investments were still in their initial stage and need time for growth and development. Looking forward, we will keep close monitor on the future progress of these investments.

Our Group adopted business strategy of "JIASHILI, diversified product category" aiming at providing different biscuits categories with different flavors to customers in the PRC market. Dare to accept innovative idea and product development are the driving force for the Group's continuous development.

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

Production and supply chain

Enhancement of product quality, our Group strives for best quality with competitive prices, and zero customers complaints. This could be achieved by improved quality management and production and packaging processes. Through straight and stringent control on product safety, quality check and review will be implemented on each stages of production leads to costs reduction and enhancement of production efficiency. The total customers' complaints were reduced by 5.8% in 2017.

The Group has obtained a number of certification on ISO9001, ISO22000, ISO14000. Close supervision and monitoring on the quality of raw materials and packaging materials to ensure product safety at source. Our Group has a high quality review checks on our suppliers in order to ensure the sustainability of their business and also to ensure they can offer reliable supply to us. In 2017, the pass rate of raw materials has increased to 99.56% and the pass rate of packaging materials rose up to 99.91%. We believe, a high standard of good quality will give better assurance to our customers.

Our new production plant in Tangyin, Henan Province has launched production in 2017, the results was promising and meet our expectations in the first year of operation. The Tangyin factory has recorded sales of 15,448 tonnes of biscuits in 2017 accounted for approximately 17.8% of the total sales tonnes. Our Group will constantly review our production operations in different regions in order to fulfil customers demand in PRC market. In addition, the new production line of cake series has also been successfully launched in the second half of 2017 it represents our Group's expansion and diversification strategy for providing different categories of products to our customers.

Currently, our Group has obtained 31 patents on advanced technical improvements and production processes in biscuits, it indicates our Group's solid foundations on research and development and ongoing innovation and progress to meet customers needs. In 2017, research and development expenses amounted to approximately RMB 38.5 million increased by approximately 6.2% from last year. Research and development expenses accounted for approximately 3.3% of the total revenue.

Promotion and marketing strategy

In 2017, our Group has 1,106 distributors, the north china, the north east and the central China accounted for approximately 19%, 15% and 13% respectively.

Our Group adopted mainly with single brand of "JIASHILI嘉士利" with different products for different ages and varied consumption pattern with different preferences. In response to new China economic growth and fast changing market environment, the Group continued to adopt product perfection, tasty with different flavors and serve as a good companion in luxury and free time.

Our Group is undergoing consolidation in different distributor channels, aligning with different distributors through various channels such as supermarkets, shops, convenience stores and key accounts (KA) to fulfil our customers' needs. Some differentiated products are sold exclusive through specific channel to avoid possible conflicts among channels. We also strived for product differentiation in packaging and specifications among different channels and regions.

In terms of geographical revenue distribution, the north China accounted for approximately 14% of the 2017 revenue (2016: approximately 12.5%) representing of an increase of 1.5 percentage points from last year. While the South China accounted for approximately 10.5% of the 2017 revenue (2016: approximately 9.4%) an increase of 1.1 percentage points from last year. The South West China represents of approximately 7.5% of the 2017 revenue (2016: approximately 6.8%) an increase of 0.7 percentage point from last year. Our Group will continue and improve our product and diversification strategy and continue exploring different channels to meet the market demand.

FUTURE PROSPECT

2017 is a year full of challenging, and instability of industry environment, according to the Statistical Bulletin released by the National Bureau of Statistics of the PRC the annual growth rate of the society retail sales of consumer goods for 2017 was 10.2%, a decrease of 0.2 percentage point from 2016. According to the market survey report from AC Nelson, the second quarter of 2017, the retail sales amounts of biscuits in PRC recorded a year-on-year increase of 1.1% but a drop of 2.4% in sales volume year-on-year from last year of 2016. The consumption preferences of consumers were changing rapidly. The products in our industry became increasingly diversified. More intense competition among various biscuits manufacturers and increased sales promotions and discounts were allowed in the industry. Despite a slowdown in macroeconomic growth and the various challenges brought by other outside factors, our Group's sandwiches and wafer series have recorded a double-digit growth. Our breakfast series has recorded a slight decline by only 2.8% year-on-year from last year due to our product repositioning strategy.

The PRC's economy is expected to continue to slow down in 2018, while the GDP growth remains moderate. Raw materials and packaging material costs are continue to rise, biscuits and cake market will continue industry structural adjustment. The Group is optimistic about the development in 2018 and expects the economy will grow steadily. The Group will focus on its core competitiveness and leverage on its organizational abilities in innovation to grasp the market trend and consumers' preference, and to continue developing high-quality innovative products. It will also facilitate sales channel reform and create reasonable returns for all shareholders.

Following the increase in average national income level and spending power, consumers will aim at diet health accords with high health standards and will be very cautious in selecting healthy products, our Group adopts a high level quality review and control program to oversight the whole production process ensure from the purchase of raw materials till the end of packaging are in the stringent control and meet health standards.

Our Group will further enhance our distribution advantages in traditional channels in PRC to improve the comprehensive distributor management level and the direct control of the Group over retail terminals of retail shops, supermarkets, convenience stores. We will also explore e-commerce food distribution especially to cater for the needs of those youth generations who loves fast distribution and online consumptions experience. Currently, our Group already have agreement with "Taobao.com", "JD.com", "Tmall.com" and "yhd.com" to distribute our products and it has received well responses from customers. We will make more efforts on e-commerce platforms and endeavor to improve the sales network to lead the market development.

Our Group will continue to expand our business through product expansion in terms of variety of categories, products flavors and even in packaging design. In the future, we will have more co-operations and make mergers and acquisitions if the right time and opportunities exists so as to enhance corporate strength and actively explore overseas markets while consistently consolidating our leadership position in the PRC market. Our Group will persistently adhere our corporate philosophy of "JIASHILI-benefit thousands of families and benefit to all people 嘉士利、利萬家、利大家" for making every success and further advancement, as well as performing more efficient work in order to drive the Group towards a higher level.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

In 2017, the Group's revenue increased by approximately 6.3% to RMB1,175 million. Breakdown of the revenue and sales volume by product category for the year ended December 31, 2017 and the comparative figures for the year 2016 are as follows:

	2017			2016			Changes in	
Sales volume/Revenue	Tonne	RMB (million)	Revenue contribution	Tonne	RMB (million)	Revenue contribution	Sales volume	Revenue
Breakfast biscuits series	31,958	347.9	29.6%	34,377	357.9	32.4%	−7.0%	−2.8%
Crisp biscuits series	20,490	275.4	23.4%	23,019	289.5	26.2%	−11.0%	−4.9%
Sandwiches biscuits series	16,780	276.2	23.5%	15,067	233.5	21.1%	+11.4%	+18.3%
Wafer series	6,953	116.1	9.9%	6,625	94.5	8.5%	+5.0%	+22.9%
Others	10,509	159.4	13.6%	9,876	130.4	11.8%	+6.4%	+22.2%
Total	86,690	1,175.0	100.0%	88,964	1,105.8	100.0%	−2.6%	+6.3%

Breakfast biscuits series

The revenue generated from breakfast biscuits series accounted for approximately 29.6% of the Group's total turnover, representing a small drop from last year to approximately RMB347.9 million (2016: RMB357.9 million, representing approximately 32.4% of the Group's total turnover). The result was due to the change of the Group's product mix strategy and the change of customer's preference on breakfast biscuits, especially in the Southern regions of the PRC.

Crisp biscuits series

Sales of crisp biscuits series experiencing a first slide down, decreased by 4.9% to approximately RMB275.4 million (2016: approximately RMB289.5 million) as compared to the same period last year, which was mainly due to the keen competition and changing customers tastes.

Sandwiches biscuits series

Demand for sandwiches biscuits series of the Group remains strong. During the year, the revenue of sandwiches biscuits rose by 18.3% to approximately RMB276.2 million (2016: approximately RMB233.5 million), the sales volume reaches 16,780 tonnes representing an increase of 11.4% from last year. The revenue of sandwiches biscuits accounting for approximately 23.5% of the Group's total turnover, which became the second largest revenue driver product with high growth potential under the Group. The increase was due to the continued increased acceptance by the youth customers group and the introduction of different flavors on the products. Sandwiches biscuits series products will certainly become a new growth point and the Group will constantly improve the quality on that with an aims for gaining more market share.

Wafer series

During reporting period, the sales generated from wafer series amounted to approximately RMB116.1 million, an increase of 22.9% as compared with the corresponding period of last year (2016: approximately RMB94.5 million). Growth in sales volume rose by approximately 5% to 6,953 tonnes (2016: 6,625 tonnes).The results were primarily attributable to the success of the Group's marketing and pricing strategy and the wide market acceptance.

Other biscuits series

It is the Group's policy of actively seeking to expand the range of products with different quality and flavors to meet customer's expectations. During the year, revenue from other biscuits series rose by 22.2% to approximately RMB159.4 million (2016: approximately RMB130.4 million) while sales volume increased by approximately 6.4% to 10,509 tonnes (2016: 9,876 tonnes). The success of the product images and famous brand name of Jiashili were the reasons for the increase.

Gross profit and gross profit margin

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

	2017		2016		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	**101.4**	**29.1%**	121.2	33.9%	−19.8	−4.8%
Crisp biscuits series	**80.3**	**29.2%**	97.3	33.6%	−17.0	−4.4%
Sandwiches biscuits series	**96.0**	**34.8%**	90.5	38.8%	5.5	−4.0%
Wafer series	**32.6**	**28.1%**	28.8	30.5%	3.8	−2.4%
Others	**46.1**	**28.9%**	41.6	31.9%	4.5	−3.0%
Overall	**356.4**	**30.3%**	379.4	34.3%	−23	−4.0%

In 2017, gross profit amounted to approximately RMB356.4 million (2016: approximately RMB379.4 million), representing a year-on-year decrease of 6.1%. Gross profit margin has reduced to 30.3% in 2017, representing a decrease of 4.0 percentage points from last year. The decrease in gross profit margin was due to the increase in costs of raw materials and packaging materials.

The Group's primary cost of sales include raw material costs (such as sugar, palm oil, and wheat flour), packaging materials costs, manufacturing costs (such as depreciation, amortization and utilities), wages and salaries. Among them, the raw material costs represented approximately 51.8% of total cost of sales and the packaging materials costs represented approximately 24.6% of total cost of sales. In 2017, the costs of sugar and palm oil has increased by 18.2% and 9.2% respectively, while the costs of packaging material has tremendously increased by approximately 55% which deteriorate our gross profit margin. In response to the change in the prices of raw materials and packaging materials, our Group will take proactive measures such as purchasing in advance, we will further strengthen on cost control, reasonably adjust prices according to the market condition, optimize the product structure, and continue to launch more high-margin products.

Other income

Other income for the year ended December 31, 2017 increased by approximately 43.4% to approximately RMB21.1 million from last year. The increase was primarily due to the increase in Government grants of approximately RMB3.1 million and increase in interest income on bank deposits, loans receivables, entrusted loan receivables and certificate of deposit approximately RMB3.2 million.

Selling and distribution expenses

The selling and distribution expenses decreased by approximately 7.7% from RMB 167.7 million in 2016 to RMB154.8 million in 2017. The Group's selling expenses as a percentage of revenue decreased by 1.4 percentage points to 7.58% as compared with that of 2016. Distribution costs as a percentage of revenue decreased by 0.59 percentage point to 5.59% as compared with that of 2016.

Administrative expenses

During the year, the Group's administrative expenses decreased by approximately 5.9% to approximately RMB 60.4 million from last year (2016: approximately RMB64.2 million). The decline was mainly due to the Group's stringent cost control and increased in operating efficiency.

Other gains and losses

During the year, other gains was approximately RMB14.5 million, an increase of gains by approximately RMB23.4 million (2016: approximately RMB8.9 million losses) as compared with the corresponding period of last year. This is mainly attributable to the reversal of impairment loss from associate company provided in last year amounted to approximately RMB 12.2 million, also the fair value gain on structured deposits amounted approximately RMB2.4 million and the foreign exchange gain increased by approximately RMB0.85 million.

Income tax expenses

The Group's income tax expense decreased from approximately RMB25.5 million in 2016 to approximately RMB21.0 million in 2017 while the effective income tax rate (income tax divided by profit before tax) decreased by 5.6 percentage points from 22.1% in 2016 to 16.5% in 2017.

Total comprehensive income for the year

Total comprehensive income for the year increased by 22.1% from approximately RMB87.2 million in 2016 to approximately RMB106.6 million in 2017 benefiting from the stringent control on operating costs and increase of operating efficiency.

Inventories

Inventories as at December 31 2017 was approximately RMB72.4 million, an increase of approximately RMB24.8 million from approximately RMB47.6 million as at December 31, 2016 while the total amounts of raw materials and packaging materials accounted for approximately 62.8% of the total inventories. The increase as at the end of the year was mainly attributable to the purchases of raw materials and packaging materials in anticipation of an increase of their future prices and finished goods keeping to meet the demand from the Lunar Chinese New year in 2018.

Trade, bills and other receivables

The Group's trade, bills and other receivables increased by 70.3% from RMB53.2 million as at December 31, 2016 to RMB90.6 million as at December 31, 2017 primarily due to a growth of revenue from our major distributors and e-commerce and higher credit facilities offered to a few long-term high-performing distributors which led to an increase of receivables. The Group maintained a tight credit control policy on credit facilities grant to customers, in 2017 the trade, bills and other receivables turnover days was nearly the same from last year, a slight decrease from 23.68 days in 2016 to 22.33 days in 2017.

Financial position and liquidity

We finance our operations and capital expenditure primarily by internally generated cash flows as well as banking facilities provided by principal bankers. The cash position of the Group was strong during the year. As at December 31, 2017, the Group had cash and cash equivalents amounted to approximately RMB419.1 million (2016: approximately RMB428.0 million). The banking facilities provided by bankers were secured by the pledge of our bank deposits. As at December 31, 2017, the pledged bank deposits were approximately RMB19.5 million (2016: approximately RMB3.6 million).

The Directors believed that the Group will be in a strong and healthy position and has sufficient resources in support of its working capital requirement and meet its foreseeable capital expenditure. As at December 31, 2017, the Group's net current assets was approximately RMB218.3 million (2016: approximately RMB247.1 million). The current ratio of the Group as at December 31, 2017 was 1.48 (2016: 1.86). Total equity as at December 31, 2017 was approximately RMB658.8 million, an increase of 8.9% from approximately RMB604.7 million as at December 31, 2016.

Bank borrowings and gearing

As at December 31, 2017, the Group had bank borrowings of approximately RMB190.8 million with fixed-rate borrowings of approximately of RMB190.7 million (2016: Nil) and variable rate borrowings of approximately RMB0.1 million (2016: Nil). During the period, the interest rates on fixed rate bank borrowings was ranging from 1.57% to 4.35% while the interest rate on variable rate borrowings was 4.698%.

As at December 31, 2017, the Group was in a net cash position (cash and cash equivalents less borrowings) of approximately RMB228.4 million (2016: approximately RMB428.0 million). As at December 31, 2017, the gross gearing ratio (defined as total liabilities over total assets) was approximately 41.5% (2016: approximately 33.2%). Our net gearing ratio (borrowings net of cash and cash equivalents as a percentage of total equity) as at December 31 2017 was -0.35 time (2016: -0.71 time). The management will from time to time adopt prudent financial management policy to address changing financial conditions.

Contingent liabilities and guarantees

As at December 31, 2017, the Group did not provide any guarantees to any third parties and had no significant contingent liabilities.

Capital expenditure

During the period, the Group acquired property, plant and equipment of approximately RMB70.1 million (2016: approximately RMB 126.8 million) in line with a series of expansion of production facilities and upgrade of some of the old plant and production transformation by the Group.

Human resources and remuneration of employees

Our average number of employees was approximately 2,863 in 2017. Our total remuneration expenses in 2017 amounted to approximately RMB166.5 million, representing an increase of approximately 4.3% over the year 2016. The remuneration package of our employees includes fixed salary, commissions and allowances (where applicable), and performance-based year-end bonuses having regard to the performance of the Group and the individual.

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 ("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.

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, 2017, the Board of the Company was constituted by seven members, including three 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)*
Mr. Tan Chaojun *(Vice Chairman and Chief Executive Officer)*
Mr. Chen Minghui

Non-Executive Director

Mr. Lin Xiao

Independent Non-Executive Directors

Mr. Kam Robert
Ms. Ho Man Kay
Mr. Ma Xiaoqiang

The biographical information of the Directors is set out on pages 28 to 29 of this annual report.

The composition of the Board is well balanced with different skills set and diversity of knowledge. Each member of the Board must be able to demonstrate the skills, experience and knowledge required to contribute to the effectiveness of the Board.

The Role and Function of the Board

The Board is responsible for setting the Group's strategy and ensuring the necessary resources and capabilities are in place to deliver the strategic aims and objectives. It determines the Group's key policies and reviews management and financial performance. The Group's governance framework is designed to facilitate a combination of effective, entrepreneurial and prudent management, both to safeguard Shareholders' interests and to sustain the success of Jiashili over the longer term. This is achieved through a control framework which enables risk to be assessed and managed effectively. The Board sets the Group's core values and standards and ensures that these, together with the Group's obligations to its stakeholders, are understood throughout the Group.

Board Meetings and General Meeting

During the year ended December 31, 2017, 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 June 5, 2017 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, 2016. 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
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	1	1	4	4
Mr. Ma Xiaoqiang	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 of the Company. He is responsible for leadership of the Board, agreeing Board agendas and ensuring its effectiveness by requiring the provision of timely, accurate and clear information on all aspects of the Group's business, to enable the Board to take sound decisions and promote the success of the business. Mr. Tan Chaojun, is the Vice Chairman and the Chief Executive Officer of the Company responsible for developing the strategy for the business, in conjunction with the Board, ensuring it is implemented, and the operational management of the business.

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.

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and making recommendations to the Board on any changes required. Appointments are made on merit, based on objective criteria, including skills and experience and recognising the benefits of diversity on the Board. As part of the appointment process, prospective directors are required to confirm that they will be able to devote sufficient time to the Company to discharge their responsibilities effectively. Furthermore, all directors are required to inform the Company of changes in their commitments to ensure that they continue to be able to devote sufficient time to the Company.

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, 2017 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	✓
Non-Executive Director	
Mr. Lin Xiao	✓
Independent Non-Executive Directors	
Mr. Kam Robert	✓
Ms. Ho Man Kay	✓
Mr. Ma Xiaoqiang	✓

Summary of the Board's Work During the Year

During the year, the Board considered all matters reserved to the Board for decision, focusing in particular on the following:

- review of operations and current trading;
- approval of the interim financial statements;
- approval of the annual report and accounts;
- approval of the AGM resolutions;
- dividend policy;

- investor relations;
- treasury policy;
- growth and acquisition strategy;
- various acquisitions;
- adoption of the 2017 budget;
- review of the works of the Group's Audit Committee, Remuneration Committee and Nomination Committee.

Board Evaluation

The performance of the chairman, chief executive, the Board and its committees is evaluated formally annually against, amongst other things, their respective role profiles and terms of reference. The executive Directors are evaluated additionally against the agreed budget for the generation of revenue, profit and value to shareholders.

COMMITTEES OF THE BOARD

Remuneration Committee

During the year ended December 31, 2017, the Remuneration Committee had four members comprising one executive Director and three Independent Non-executive Directors: Ms. Ho Man Kay, Mr. Kam Robert, Mr. Ma Xiaoqiang 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, 2017, 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. Ma Xiaoqiang	1	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 2017:

Group *(Note)*	**Remuneration (RMB)**	**Numbers of Individuals**
1	0–859,000	6
2	859,000–1,288,000	2

Note:

Group 1 includes 4 Directors and 2 members of senior management.

Group 2 includes 2 Directors and nil members 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 12 to the consolidated financial statements contained in this annual report.

Audit Committee

During the year ended December 31, 2017, the Audit Committee had three members comprising three Independent Non-executive Directors: Mr. Kam Robert, Ms. Ho Man Kay and Mr. Ma Xiaoqiang 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, 2017, 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. Ma Xiaoqiang	2	3

During the meetings, the Audit Committee had approved the audit fee for the year ended December 31, 2017, considered internal control review findings, the annual report of the Group for the year ended December 31, 2016 and the interim report of the Group for the six months ended June 30, 2017, 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, 2017, the total fee paid/payable in respect of audit services to the external auditors of the Group was approximately RMB1,593,000, and approximately RMB106,000 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 meeting 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, 2017, 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. Ma Xiaoqiang 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, 2017, 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. Ma Xiaoqiang	1	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 2017 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. Shoom Chin Wan, 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, 2017.

INTERNAL CONTROLS

For the year ended December 31, 2017, the Board, through the Audit Committee, conducted a review of the effectiveness of the internal control and risk management 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 and risk management 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 and risk management systems and considered the systems are 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.

INVESTOR 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") and 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 46, is the chairman of the Board of our Company and was appointed as an executive Director of our Company on December 19, 2013. Mr. Huang became Controlling Shareholder and was appointed as chairman and chief executive officer of our Group in May 2007 and has been primarily responsible for overall operation and management, strategic planning and business development. Mr. Huang serves as the chairman of the board and a director of each of our subsidiaries. Since his acquisition of controlling stake in Guangdong Jiashili in May 2007, he has been focusing on the management and business development of our Group and had directed our business expansion from Guangdong province to other parts of China. Mr. Huang obtained a diploma of EMBA programme from Hong Kong International Business College (香港國際商學院) in January 2004. Mr. Huang is a vice chairman of the 4th Session of China Association of Bakery and Confectionary Industry (中國焙烤食品糖製品工業協會第四屆理事會副理事長) and a vice chairman of the Federation of Industry and Commerce of Jiangmen (江門市工商業聯合會副主席). Mr. Huang was also elected the chairman of Kaiping Association of Food Industry (開平市食品行業協會) in May 2013.

Mr. Tan Chaojun (譚朝均), aged 51, is the vice chairman and Chief Executive Officer 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 49, 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.

NON-EXECUTIVE DIRECTOR

Mr. Lin Xiao (林曉), age 50, 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 60, 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 56, 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. Ma Xiaoqiang (馬曉強), aged 35, graduated from Takada Junior College of Japan in 2004 majoring in information engineering. He was awarded a bachelor degree of operation science from Yokkaichi University of Japan in 2006 and a master degree of marketing from Mie University of Japan in 2008. Mr. Ma has over 8 years of work experience in international trading. Mr. Ma has been the chairman of Changjiang Trading Company Ltd. of Japan since 2008.

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. Shoom Chin Wan (岑展雲)	52	October 2017	December 2017	Chief financial officer and company secretary
Mr. Xu Huayu (許華裕)	43	June 2005	May 2014	Director of sales
Mr. Chen Songhuan (陳松浣)	50	June 2005	May 2014	Director of Supply Chain
Mr. Yang Zhiyong (楊志勇)	45	June 2012	May 2014	Vice president

Mr. Shoom Chin Wan (岑展雲), age 52, joined the Group in December 2017 and was appointed as chief financial officer and Company Secretary responsible for accounting and financial management of our Group. Mr. Shoom obtained the Bachelor of Business Administration from the Chinese University of Hong Kong. He has more than 25 years of experience in audit, finance and accounting. Prior to joining the Group, Mr. Shoom 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 Hong Kong Institute of Certified Public Accountants, an associate member of the Institute of Chartered Secretaries and Administrators, United Kingdom and Certified Tax Advisor, Hong Kong.

Mr. Xu Huayu (許華裕), age 43, 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 50, 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 45, 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. Shoom Chin Wan (岑展雲) has been appointed as the Company Secretary of our Company on December 1, 2017. Please refer to the sub-section headed "Senior management" above in this section for Mr. Shoom'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, 2017.

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, 2017 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, 2017, are set out in the "Chairman's Statement" on pages 6 to 8 and the "Management Discussion and Analysis" on pages 9 to 16 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 flavors options to its existing product series and improving their tastes, such as the cheese series, xylitol series, milk series and cake series. The Group has also planned to enter into other sectors in the food and snack industry, as well as continued to launch products which are more nutritional and healthier, in order to accommodate the increasing demand from consumers for more healthy products.

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 (1,106 distributors as at December 31, 2017, compared to 906 distributors as at December 31, 2016). 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 53 of this annual report. The Board has proposed a final dividend of HK15.00 cents per share for the year ended December 31, 2017 (2016: 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 25, 2018. 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 July 5, 2018.

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 June 12, 2018 to June 15, 2018 (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 4:30 p.m. on June 11, 2018. For determining the entitlement to receive the proposed final dividend, the register of members of the Company will be closed from June 22, 2018 to June 25, 2018 (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 4:30 p.m. on June 21, 2018.

USE OF PROCEEDS FROM IPO

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. Up to the date of this report, the respective use of the net IPO proceeds is as follows:

	Net proceeds from IPO		
	Available HK$ million	**Used** HK$ million	**Unused** HK$ million
Increasing the recognition and awareness of our brands and expansion of our distribution and sales network	167.40	147.3	20.1
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	38.60	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	359.9	20.1

RELATIONSHIPS WITH KEY STAKEHOLDERS

1. Dialogue with shareholders

We engage actively with analysts and investors and are open and transparent in our communications. Thus enables us to understand what analysts and investors think about our strategy and performance as we drive the business forward. Regular dialogue is maintained with analysts and investors through meetings, presentations, conferences and ad hoc events.

2. Relationship with distributors

Consistent with market practice, the Group sells its products primarily through distributors in the PRC. As at December 31, 2017, the Group had 1,106 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 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, 2017, there were more than 700 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.

3. 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 and 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, 2017, 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.

4. Relationship with employees

As at December 31, 2017, the Group had a total of 2,863 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, 2017, 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 RMB166.5 million (2016: RMB159.6 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, 2017 and 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 7.0% of the Group's turnover and sales to the Group's largest customer was approximately 1.8% of the Group's total revenue.

During the year, the aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 29.3% of the Group's total purchases, and the purchases attributable to the Group's largest supplier was approximately 8.6% 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 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 34 to the consolidated financial statements.

RESERVES

At December 31, 2017, the Company's reserves available for distribution amounted to approximately RMB356 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, 2017.

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 RMB2.6 million (2016: RMB1.8 million) during the year ended December 31, 2017.

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 132 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, 2017.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme as set out below, the Company has not entered into any equity-linked agreement during the year of 2017.

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, 2017 was disclosed on note 35 to the consolidated financial statements.

SUBSIDIARIES

Details of the Company's subsidiaries as at the date of this report are set out in note 45 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 RMB15.5 million (2016: RMB13.0 million) represent contributions paid and payable to the retirement benefit scheme during the year ended December 31, 2017.

DIRECTORS

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

Executive Directors

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

Non-Executive Director

Mr. Lin Xiao

Independent Non-Executive Directors

Mr. Kam Robert
Ms. Ho Man Kay
Mr. Ma Xiaoqiang

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.

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 28 to 31.

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 43 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, 2017, 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]	252,572,000 (L)[1]	60.86%
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, 2017, 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]	252,572,000	60.86%
Ms. Huang Cuihong	Interest in controlled corporation[1]; interest in family member[2]	252,572,000	60.86%
Ms. Huang Xianxian	Interest in controlled corporation[1]; interest in family member[2]	252,572,000	60.86%
Ms. Huang Rujiao	Interest in controlled corporation[1]; interest in family member[2]	252,572,000	60.86%
Ms. Huang Rujun	Interest in controlled corporation[1]; interest in family member[2]	252,572,000	60.86%
Great Logistics	Interest in controlled corporation[1]; interest in family member[2]	251,472,000	60.60%
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%

Name of shareholders	Nature of interest	Number of shares held	Approximate percentage of issued share capital
Actis 4 PCC	Interest in controlled corporation(3)	60,000,000	14.46%
Actis Global 4 LP	Interest in controlled corporation(3)	60,000,000	14.46%
Actis GP LLP	Interest in controlled corporation(3)	60,000,000	14.46%
Actis Investment Holdings Ship Limited ("Actis Ship")	Beneficial interest(3)	60,000,000	14.46%
Rich Tea Investment Limited ("Rich Tea")	Interest in controlled corporation(3)	60,000,000	14.46%

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 17 to 31.

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, 2017 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, 2017.

AUDITOR

The consolidated financial statements for the year ended December 31, 2017 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 29, 2018

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE MEMBERS OF JIASHILI GROUP LIMITED

(incorporated in 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 53 to 131, which comprise the consolidated statement of financial position as at December 31, 2017, 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, 2017, 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 the 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 from sale of biscuit products to distributors	
We identified occurrence of revenue from sales of biscuit products to distributors 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 has recognised revenue from sales of biscuits of RMB1,175 million for the year ended December 31, 2017. 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 from sales of biscuit products to distributors included: • Understanding the revenue recognition policies of the Group and evaluating the consistent application of respective policies; • Obtaining an understanding and testing of 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 revenue and sales return are 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 finished goods	
We identified estimated allowance of finished goods as a key audit matter because of significant balance involved and nature of the finished goods, such as biscuits and cakes, are with relatively short useful life, in which the management's judgement and estimation are involved in identifying aged, obsolete and damaged finished goods and estimating the allowance of finished goods. The carrying amount of the Group's finished goods as at December 31, 2017 was RMB27 million. The management identifies the aged, obsolete and damaged finished goods based on expiry date and conditions of the finished goods and estimates the allowance with reference to the net realisable value. Details relating to the estimation uncertainty of estimated allowance of inventories and the Group's inventories are set out in notes 4 and 20, respectively, to the consolidated financial statements.	Our procedures in relation to estimated allowance of finished goods included: • Obtaining an understanding of the key controls on how allowance for finished goods is estimated by the management; • Discussing with the management and evaluating the aged, obsolete, and damaged finished goods identified by the management and reviewing the aging and date of expiry listing analysis on finished goods; • Tracing a selection of finished goods to the subsequent usage, sales and selling prices based on the finished goods movement records and sales invoices; • Assessing the reasonableness of the allowance of finished goods by comparing the carrying value of finished goods with respective net realisable value; and • Recalculating finished good allowance using the 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.

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 29, 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2017

	NOTES	2017 RMB'000	2016 RMB'000
Revenue	5	1,174,977	1,105,771
Cost of sales		(818,574)	(726,382)
Gross profit		356,403	379,389
Other income	6	21,078	14,703
Selling and distribution expenses		(154,798)	(167,717)
Administrative expenses		(60,374)	(64,197)
Other expenses	7	(41,525)	(38,164)
Other gains and losses	8	14,506	(8,920)
Share of results of a joint venture		(9)	—
Finance costs	9	(7,680)	—
Profit before tax		127,601	115,094
Income tax expense	10	(21,035)	(25,457)
Profit for the year	11	106,566	89,637
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Decrease in fair value of available-for-sale investment		—	(854)
Cumulative gain reclassified to profit or loss on sale of available-for-sale investment upon disposal		—	(1,535)
Other comprehensive expense for the year		—	(2,389)
Total comprehensive income for the year		106,566	87,248
Earnings per share	14		
— Basic and diluted (RMB cents)		25.68	21.60

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2017

	NOTES	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	364,980	326,322
Prepaid lease payments	16	37,824	36,970
Intangible asset	17	—	500
Interests in associates	18	—	—
Interests in joint ventures	19	34,991	—
Other receivables and deposits	22	15,975	7,624
		453,770	371,416
CURRENT ASSETS			
Inventories	20	72,437	47,578
Prepaid lease payments	16	1,140	1,099
Loan receivables	21	35,000	—
Trade, bills and other receivables	22	90,581	53,192
Amount due from an associate	23	34,258	—
Amount due from a joint venture	24	100	—
Income tax recoverable		99	482
Financial assets designated as at fair value through profit or loss	27	185	—
Pledged bank deposits	28	19,523	3,623
Bank balances and cash	28	419,133	428,027
		672,456	534,001
CURRENT LIABILITIES			
Trade, bills and other payables	29	179,541	169,300
Advances from customers	30	75,745	112,640
Income tax payables		8,107	4,931
Borrowings	31	190,762	—
		454,155	286,871
NET CURRENT ASSETS		218,301	247,130
TOTAL ASSETS LESS CURRENT LIABILITIES		672,071	618,546

Consolidated Statement of Financial Position

At December 31, 2017

	NOTES	2017 RMB'000	2016 RMB'000
NON-CURRENT LIABILITIES			
Deferred income	32	**11,163**	11,708
Deferred tax liability	33	**2,143**	2,135
		13,306	13,843
NET ASSETS		**658,765**	604,703
CAPITAL AND RESERVES			
Share capital	34	**3,285**	3,285
Reserves		**655,480**	601,418
TOTAL EQUITY		**658,765**	604,703

The consolidated financial statements on pages 53 to 131 were approved and authorised for issue by the board of directors on March 29, 2018 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, 2017

	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 reserve RMB'000 (Note e)	Accumulated profits RMB'000	Total RMB'000
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 upon disposal	–	–	(1,535)	–	–	–	–	–	(1,535)
Other comprehensive expense for the year	–	–	(2,389)	–	–	–	–	–	(2,389)
Total comprehensive (expense) income for the year	–	–	(2,389)	–	–	–	–	89,637	87,248
Appropriations	–	–	–	–	–	–	24,972	(24,972)	–
Dividend recognised as distribution (note 13)	–	(52,678)	–	–	–	–	–	–	(52,678)
Share-based compensations (note 35)	–	–	–	4,854	–	–	–	–	4,854
At December 31, 2016 and January 1, 2017	**3,285**	**411,181**	**–**	**16,589**	**(107,000)**	**18,333**	**87,264**	**175,051**	**604,703**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**106,566**	**106,566**
Appropriations	**–**	**–**	**–**	**–**	**–**	**–**	**20,480**	**(20,480)**	**–**
Dividend recognised as distribution (note 13)	**–**	**(55,050)**	**–**	**–**	**–**	**–**	**–**	**–**	**(55,050)**
Share-based compensations (note 35)	**–**	**–**	**–**	**2,546**	**–**	**–**	**–**	**–**	**2,546**
At December 31, 2017	**3,285**	**356,131**	**–**	**19,135**	**(107,000)**	**18,333**	**107,744**	**261,137**	**658,765**

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 fair value of the Group's available-for-sale investment in equity securities listed in Hong Kong. The Group disposed of its entire listed investment during the year ended December 31, 2016.

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 professional, details are set out in note 35.

Consolidated Statement of Changes In Equity

For the year ended December 31, 2017

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 RMB71,829,000 (2016: RMB58,176,000) as at December 31, 2017 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 RMB35,915,000 (2016: RMB29,088,000) as at December 31, 2017 can be used to expand the existing operations of the relevant subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2017

	NOTES	2017 RMB'000	2016 RMB'000
OPERATING ACTIVITIES			
Profit for the year		106,566	89,637
Adjustments for:			
Allowance for (reversal of) doubtful debts		93	(53)
Amortisation of intangible asset		500	500
Depreciation of property, plant and equipment		31,019	23,410
Dividend income from available-for-sale investment		—	(698)
Fair value gain on structured deposits		(1,734)	(3,264)
Fair value loss on financial assets designated as at fair value through profit or loss	27	164	—
Fair value loss on modified convertible redeemable bond		—	6,920
Finance costs		7,680	—
Gain on disposal of available-for-sale investment		—	(1,535)
Gain on early redemption of modified convertible redeemable bond		—	(727)
Impairment loss recognised in respect of amount due from an associate		—	12,250
Impairment loss recognised in respect of prepayment		2,740	—
Income tax expense		21,035	25,457
Interest income		(7,591)	(4,405)
Loss on disposal of property, plant and equipment		439	499
Release of deferred income	32	(2,485)	(605)
Release of prepaid lease payments		1,140	544
Reversal of impairment loss on amount due from a former associate		(12,250)	—
Reversal of provision for relocation expenses		—	(4,950)
Share of results of a joint venture		9	—
Share-based compensations expenses	35	2,546	4,854
Operating cash flows before movements in working capital		149,871	147,834
Increase in inventories		(24,859)	(8,862)
(Increase) decrease in trade, bills and other receivables		(43,222)	18,764
Decrease (increase) in other deposits		3,717	(2,228)
Increase in amount due from an associate		(34,258)	—
Increase in trade, bills and other payables		422	13,928
(Decrease) increase in advances from customers		(36,895)	78,517
Decrease in provision		—	(2,017)

Consolidated Statement of Cash Flows

For the year ended December 31, 2017

	NOTES	2017 RMB'000	2016 RMB'000
Cash generated from operations		**14,776**	245,936
Income tax paid		**(17,468)**	(25,506)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		**(2,692)**	220,430
INVESTING ACTIVITIES			
Purchase of finance assets designated as at fair value through profit or loss	27	**(110,000)**	—
Investments in structured deposits		**(105,000)**	(300,000)
Investment in certificate of deposit	26	**(105,000)**	—
Purchase of property, plant and equipment		**(69,754)**	(126,763)
Loan advance paid		**(62,000)**	—
Investment in a joint venture	19	**(35,000)**	—
Placement of pledged bank deposits		**(21,400)**	(10,103)
Payment for entrusted loan receivable	25	**(15,000)**	—
Deposit paid for acquisition of property, plant and equipment		**(8,570)**	—
Deposit paid for acquisition of an investment		**(3,000)**	(3,000)
Acquisition of land use rights		**(1,675)**	(42,075)
Deposit paid for acquisition of a land use right		**(1,249)**	(360)
Advance to a joint venture		**(100)**	—
Proceeds from redemption of financial assets designated as at fair value through profit or loss	27	**109,651**	—
Proceeds from structured deposits upon maturity		**106,734**	303,264
Proceeds from investment in certificate of deposit upon maturity	26	**105,000**	—
Receipts of loans advance		**30,000**	—
Receipts of entrusted loan receivable	25	**15,000**	—
Repayment from a former associate		**12,250**	—
Interest received		**7,591**	4,405
Release of pledged bank deposits		**5,500**	11,868
Receipts of asset-related government grants	32	**1,940**	2,900
Proceeds from disposal of property, plant and equipment		**29**	943
Advance to an associate		**—**	(12,250)
Proceeds from disposal of available-for-sale investment		**—**	23,182
Dividend received from available-for-sale investment		**—**	698
NET CASH USED IN INVESTING ACTIVITIES		**(144,053)**	(147,291)

Consolidated Statement of Cash Flows

For the year ended December 31, 2017

	NOTE	2017 RMB'000	2016 RMB'000
FINANCING ACTIVITIES			
New bank borrowings raised		304,628	—
Loan advance received		9,819	42,435
Repayment of bank borrowings		(111,630)	—
Dividends paid	13	(55,050)	(52,678)
Interest paid		(7,680)	—
Redemption of modified convertible redeemable bond		—	(143,665)
Repayment of loan advance		—	(3,000)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		140,087	(156,908)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(6,658)	(83,769)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		428,027	510,085
Effect of foreign exchange rate changes		(2,236)	1,711
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash		419,133	428,027

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

1. GENERAL

Jiashili Group Limited (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 IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRSs 2014–2016 Cycle

Except as described below, 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.

Amendments to IAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 46. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 46, the application of these amendments has had no impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

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

New and revised IFRSs issued but not yet effective

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

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
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 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014–2016 Cycle[1]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015–2017 Cycle[2]

[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, 2021

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 fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at 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)*

- 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, 2017, the directors of the Company anticipate the following potential impact on initial application of IFRS 9;

Classification and measurement:

- Debt instruments classified as loan receivables carried at amortised cost as disclosed in notes 21, 22, 23 and 24 respectively: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of IFRS 9;

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under IAS 39.

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of IFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at January 1, 2018 would be increased as compared to the accumulated amount recognised under IAS 39 mainly attributable to expected credit losses provision on trade receivables, amounts due from an associate/a joint venture and deposits with financial institutions. Such further impairment recognised under expected credit loss model would reduce the opening accumulated profits at January 1, 2018.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

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

IFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

In 2016, the 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 result in more disclosures, however, the directors of the Company do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

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

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 while other operating lease payments are presented as operating cash flows. Upon application of 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 by the Group.

Under IAS 17, the Group has already recognised an asset for 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, 2017, the Group has non-cancellable operating lease commitments of approximately RMB14,826,000 as disclosed in note 40. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, 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.

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

IFRS 16 *Leases* *(continued)*

In addition, the Group currently considers refundable rental deposits paid of approximately RMB1,150,000 and refundable rental deposits received of approximately RMB129,000 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

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.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is 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 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*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement 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.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and joint ventures

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. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and joint ventures *(continued)*

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) upon disposal/partial disposal of the relevant associate or joint venture.

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

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 a 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 asset are consumed.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element 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 property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant 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 payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the 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.

Borrowing costs

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

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 35.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for 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 the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, 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 and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each 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 assets and liabilities 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets — research and development expenditure

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

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

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

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

Subsequent to initial recognition, internally-generated intangible assets are reported 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (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 in profit or loss.

Financial assets

The Group's financial assets are classified as financial assets at FVTPL 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 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 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.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is designated as at FVTPL.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Financial assets at FVTPL (continued)

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

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

Financial assets at FVTPL are stated 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 dividend or interest earned on the financial assets and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 37(c).

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 loan receivables, trade, bills and other receivables, amount due from an associate, amount due from a joint venture, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

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

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each 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 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

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 of 90 to 180 days, 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 carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment 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.

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 Company are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

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.

Financial liabilities at amortised cost

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

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 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.

Impairment of tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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 relevant 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 asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of tangible and intangible assets *(continued)*

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 (or a cash-generating unit) 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. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. 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. CRITICAL ACCOUNTING JUDGEMENTS AND 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 on-going 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Significant influence over Hong Kong Ruishiyue (International) Food Co., Limited ("Hong Kong Ruishiyue")

Note 18 describes that Hong Kong Ruishiyue is an associate of the Group while the Group only owns 5% ownership interest in Hong Kong Ruishiyue. The Group has significant influence over Hong Kong Ruishiyue by virtue of the contractual right to appoint two out of the four directors to the board of directors of that company, and resolution in deciding the associate's financial and operating policy requires approval by simple majority of the board.

Key sources of estimation uncertainty

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.

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 biscuit. The management identifies the aged, obsolete and damaged inventories based on expiry date and conditions of the finished goods and estimate the allowance with reference to the net realisable value. Although the Group carries out regular reviews on the net realisable value of inventories, the actual realisable value of inventories is not known until the sales is concluded.

As at December 31, 2017, the carrying amount of inventories of the Group was approximately RMB72,437,000 (2016: RMB47,578,000), of which RMB26,902,000 (2016: RMB16,040,000) were finished goods.

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, 2017, the carrying amount of property, plant and equipment of the Group was approximately RMB364,980,000 (2016: RMB326,322,000). Details of the useful lives of the property, plant and equipment are disclosed in note 15.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

Estimated impairment of loan receivables, trade receivables, amount due from an associate and amount due from a former associate

When there is objective evidence of impairment loss of loan receivables, trade receivables, amount due from an associate and amount due from a former associate, 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, 2017, the carrying amount of loan receivables of the Group was RMB35,000,000. At the end of the reporting period, there are no balance included in loan receivables that are past due or impaired.

As at December 31, 2017, the carrying amount of trade receivables of the Group was approximately RMB25,485,000, net of allowance of doubtful debts of RMB228,000 (2016: RMB21,979,000, net of allowance of doubtful debts of RMB135,000).

As at December 31, 2017, the carrying amount of amount due from an associate of the Group was approximately RMB34,258,000. At the end of the reporting period, no amount due from an associate is past due nor impaired.

During the year ended December 31, 2017, a reversal of impairment loss of RMB12,250,000 has been recognised for the entire amount due from a former associate, which was recovered by the Group during the year (2016: Nil, net of impairment loss of RMB12,250,000).

Fair value measurements and valuation processes

Some of the 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 37(c) provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various financial assets.

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 statement of profit or loss and other comprehensive income.

The accounting policies of the operating and 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 operating and reportable segment is not presented.

Other segment information

Amounts included in the measurement of segment results:

Year ended December 31, 2017

	Biscuits operation RMB'000	**Unallocated RMB'000**	**Total RMB'000**
Depreciation of property, plant and equipment	**27,139**	**3,880**	**31,019**
Amortisation of intangible asset	**500**	**—**	**500**
Release of prepaid lease payments	**1,140**	**—**	**1,140**

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Other segment information *(continued)*

Revenue from major products

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

	2017 RMB'000	2016 RMB'000
Revenue by products		
Breakfast biscuits	347,870	357,919
Crisp biscuits	275,388	289,468
Sandwich biscuits	276,153	233,485
Wafers	116,063	94,460
Others (Note)	159,503	130,439
	1,174,977	1,105,771
Gross profit by products		
Breakfast biscuits	101,357	121,152
Crisp biscuits	80,279	97,340
Sandwich biscuits	96,056	90,515
Wafers	32,582	28,831
Others (Note)	46,129	41,551
	356,403	379,389

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	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC (Country of domicile)	**1,173,024**	1,104,322	**453,769**	371,411
Others (Note)	**1,953**	1,449	**1**	5
	1,174,977	1,105,771	**453,770**	371,416

Note: Others represent export sales to locations other than the 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 both years.

6. OTHER INCOME

	2017	2016
	RMB'000	RMB'000
Government grants (note 32)	**11,629**	8,477
Interest income on:		
— Bank deposits	**2,542**	4,405
— Loan receivables (note 21)	**1,400**	—
— Entrusted loan receivable (note 25)	**1,205**	—
— Certificate of deposit (note 26)	**2,444**	—
Sales of packaging materials	**807**	266
Rental income	**739**	775
Other non-operating income	**312**	82
Dividend income from available-for-sale investment	**—**	698
	21,078	14,703

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

7. OTHER EXPENSES

	2017 RMB'000	2016 RMB'000
Research and development expenses	38,483	36,248
Donation expenses	2,575	1,806
Other non-operating expenses	467	24
Legal and professional fees	—	86
	41,525	38,164

8. OTHER GAINS AND LOSSES

	2017 RMB'000	2016 RMB'000
Reversal of impairment loss on amount due from a former associate	12,250	—
Fair value gain on structured deposits	1,734	3,264
Net foreign exchange gains	1,125	273
Loss on disposal of property, plant and equipment	(439)	(499)
Fair value loss on financial assets designated as at FVTPL (note 27)	(164)	—
Impairment loss on amount due from an associate	—	(12,250)
Fair value loss on modified convertible redeemable bond	—	(6,920)
Reversal of provision for relocation expenses	—	4,950
Gain on disposal of available-for-sale investment	—	1,535
Gain on early redemption of modified convertible redeemable bond	—	727
	14,506	(8,920)

9. FINANCE COSTS

	2017 RMB'000	2016 RMB'000
Interest on bank borrowings	7,680	—

10. INCOME TAX EXPENSE

	2017 RMB'000	2016 RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")		
— Current tax	18,908	22,972
— (Over) underprovision in prior year	(16)	350
	18,892	23,322
Deferred tax (note 33):		
PRC withholding tax	2,143	2,135
	21,035	25,457

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 the PRC Enterprise Income Tax pursuant to Articles 3 and 19 of the PRC Enterprise Income Tax Law.

10. INCOME TAX EXPENSE *(continued)*

The Group's subsidiaries that are the PRC tax resident are required to withhold the PRC withholding tax of 10% on dividend payment to their 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 the 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 (the "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 has been prepared and submitted in January 2018. On the basis that Jiashili HK also meets the requirement of enjoying 5% reduced tax rate under Bulletin [2015] No. 60 (國家稅務總局公告2015年第60號) (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 2016 and 2017 pursuant to the PRC-HK DTA.

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

	2017 RMB'000	2016 RMB'000
Profit before tax	**127,601**	115,094
Tax at PRC Tax rate of 25% (2016: 25%)	**31,900**	28,774
Tax effect on concessionary tax rate	**(10,444)**	(7,989)
Tax effect on concessionary policy on research and development expenses (Note)	**(4,658)**	(4,229)
Tax effect of income not taxable for tax purpose	**(3,332)**	(82)
Tax effect of expenses not deductible for tax purpose	**4,445**	8,028
Tax effect of tax losses not recognised	**202**	159
Tax effect on share of results of a joint venture	**2**	—
Effect of different tax rates of a subsidiary operating in Hong Kong	**(133)**	(108)
Tax effect of 5% withholding tax on undistributed profits of the PRC subsidiaries	**2,143**	2,135
(Over) underprovision in prior year	**(16)**	350
Utilisation of deductible temporary difference previously not recognised	**—**	(1,742)
Tax effect of deductible temporary difference not recognised	**907**	34
Others	**19**	127
Income tax expense recognised in profit or loss	**21,035**	25,457

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

11. PROFIT FOR THE YEAR

	2017 RMB'000	2016 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' and chief executive's remuneration (note 12)	3,569	5,557
Other staff costs:		
Salaries and allowances	145,264	137,205
Contributions to retirement benefits scheme	15,510	12,938
Share-based compensations	2,162	3,933
Total staff costs	166,505	159,633
Depreciation of property, plant and equipment	31,019	23,410
Amortisation of intangible asset (included in cost of sales)	500	500
Total depreciation and amortisation	31,519	23,910
Allowance for (reversal of) doubtful debts	93	(53)
Impairment loss recognised in respect of prepayment	2,740	—
Release of prepaid lease payments	1,140	544
Auditors' remuneration	1,593	1,507
Cost of inventories recognised as expenses with no impairment of inventories recognised	818,574	726,382
Legal and professional fees (included in administrative expenses)	6,176	3,140
Legal and professional fees (included in other expenses) (note 7)	—	86
Total legal and professional fees	6,176	3,226
Rental expense under operating lease in respect of land and buildings	4,125	4,868

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

12. 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:

	2017 RMB'000	2016 RMB'000
Salaries and allowances	2,960	4,365
Discretionary bonus	208	249
Contributions to retirement benefits scheme	17	22
Share-based compensations	384	921
	3,569	5,557

Year ended December 31, 2017

	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 *(Chairman)*	156	929	90	1	153	1,329
Mr. Tan Chaojun 譚朝均 *(Vice chairman and chief executive officer)*	156	676	69	8	119	1,028
Mr. Chen Minghui 陳明輝	156	425	49	8	112	750
Mr. Lu Jianxiong 盧健雄 (resigned on January 1, 2017)	–	–	–	–	–	–
Mr. Lee Ping Nam 李炳南 (resigned on January 1, 2017)	–	–	–	–	–	–
Non-executive Director						
Mr. Lin Xiao 林曉	–	–	–	–	–	–
Independent Non-executive Directors (Note b)						
Mr. Kam Robert 甘廷仲	156	–	–	–	–	156
Ms. Ho Man Kay 何文琪	156	–	–	–	–	156
Mr. Ma Xiao Qiang 馬曉強 (appointed on January 16, 2017)	150	–	–	–	–	150
Mr. Cheung Yuen Tak 張元德 (resigned on January 16, 2017)	–	–	–	–	–	–
	930	2,030	208	17	384	3,569

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

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

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

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 *(Chairman)*	155	919	89	1	293	1,457
Mr. Tan Chaojun 譚朝均						
(Vice chairman and chief executive officer)	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	155	360	43	7	187	752
Mr. Lee Ping Nam 李炳南	155	755	—	—	—	910
Non-executive Director						
Mr. Lin Xiao 林曉	—	—	—	—	—	—
Independent Non-executive Directors (Note b)						
Mr. Kam Robert 甘廷仲	155	—	—	—	—	155
Ms. Ho Man Kay 何文琪	155	—	—	—	—	155
Mr. Cheung Yuen Tak 張元德	155	—	—	—	—	155
	1,240	3,125	249	22	921	5,557

Notes:

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

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

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

Performance related bonus for the year ended December 31, 2017 were determined by the management having regard to the performance of the directors of the Company and the Group's results from operation.

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For the year ended December 31, 2017

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

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

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, 2017, none of the directors of the Company has waived or agreed to waive any emoluments (2016: Nil).

Employees' remuneration

The five highest paid individuals included three (2016: four) directors for the year ended December 31, 2017. The emoluments of the remaining two (2016: one) individuals for the year ended December 31, 2017, are as follows:

	2017 **RMB'000**	2016 RMB'000
Salaries and allowances	**1,062**	766
Contributions to retirement benefits scheme	**22**	15
Share-based compensations	**182**	133
	1,266	914

The number of the five highest paid employees including directors of the Company whose emoluments were within the following bands is as follows:

	No. of individuals	
	2017	2016
Nil to HK$1,000,000 (equivalent to nil to RMB859,000)	**3**	—
HK$1,000,001 to HK$1,500,000 (equivalent to RMB859,000 to RMB1,288,000)	**2**	5

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.

13. DIVIDEND

	2017 RMB'000	2016 RMB'000
Dividend for ordinary shareholders of the Company recognised as distribution during the year:		
2016 Final — HK15 cents (2016: 2015 final dividend of HK15 cents) per share	55,050	52,678

Subsequent to the end of the reporting period, final dividend of HK15 cents (2016: HK15 cents) per share, amounting to approximately HK$62,250,000 (equivalent to approximately RMB52,035,000) (2016: approximately HK$62,250,000 (equivalent to approximately RMB55,050,000)), has been proposed by the directors and is subject to the approval by the shareholders at the forthcoming Annual General Meeting of the Company.

14. 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:

	2017 RMB'000	2016 RMB'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	106,566	89,637

	2017 '000	2016 '000
Number of shares		
Number of ordinary shares for the purpose of basic and diluted earnings per share (Note)	415,000	415,000
Basic and diluted earnings per share (RMB cents)	25.68	21.60

Note: The computation of diluted earnings per share for the year ended December 31, 2017 and December 31, 2016 does not assume the exercise of the Company's outstanding share options because the exercise price of those share options was higher than the average market price for 2017 and 2016.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvement	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At January 1, 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 January 1, 2017	133,566	31,036	162,788	22,671	7,069	53,508	410,638
Additions	12,823	–	30,626	8,460	304	17,932	70,145
Transfer	37,124	–	22,783	4,971	91	(64,969)	–
Disposals	–	–	(654)	(444)	(467)	–	(1,565)
At December 31, 2017	**183,513**	**31,036**	**215,543**	**35,658**	**6,997**	**6,471**	**479,218**
ACCUMULATED DEPRECIATION							
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 January 1, 2017	19,933	–	48,229	10,807	5,347	–	84,316
Provided for the year	7,460	1,230	16,407	5,069	853	–	31,019
Eliminated on disposals	–	–	(286)	(367)	(444)	–	(1,097)
At December 31, 2017	**27,393**	**1,230**	**64,350**	**15,509**	**5,756**	**–**	**114,238**
CARRYING VALUES							
At December 31, 2017	**156,120**	**29,806**	**151,193**	**20,149**	**1,241**	**6,471**	**364,980**
At December 31, 2016	113,633	31,036	114,559	11,864	1,722	53,508	326,322

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.

16. PREPAID LEASE PAYMENTS

	The Group RMB'000
CARRYING VALUES	
At January 1, 2016	11,942
Additions (Note a)	26,671
Released to profit or loss	(544)
At December 31, 2016	38,069
Additions (Note b)	2,035
Released to profit or loss	(1,140)
At December 31, 2017	**38,964**

	2017 RMB'000	2016 RMB'000
Analysed for reporting purpose:		
Current assets	**1,140**	1,099
Non-current assets	**37,824**	36,970
	38,964	38,069

Note a: 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. The consideration of RMB42,075,000 was fully settled during the year ended December 31, 2016. A government subsidy of RMB16,435,000 was granted through discharging the Group's obligation arose 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.

Note b: During the year ended December 31, 2017, the Henan Jiashili acquired two land use rights, in which one of them was acquired from 湯陰縣財政局國庫 at consideration of RMB360,000, while another land was acquired from 安陽友昌物業管理有限公司 at consideration of RMB1,675,000, respectively.

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 50 years.

17. INTANGIBLE ASSET

	Trademark RMB'000
COST	
At January 1, 2016, December 31, 2016 and December 31, 2017	5,000
AMORTISATION	
At January 1, 2016	4,000
Charge for the year	500
At December 31, 2016	4,500
Charge for the year	500
At December 31, 2017	**5,000**
CARRYING VALUES	
At December 31, 2017	–
At December 31, 2016	500

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

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18. INTERESTS IN ASSOCIATES

	2017 RMB'000	2016 RMB'000
Cost of investments in associates — unlisted	–	–
Share of results of associates	–	–
	–	–

Details of the Group's associates at the end of the reporting periods are as follow:

Name of associate	Place of incorporation/ registration/ principal place of business	Proportion of ownership interest held by the Group 2017	2016	Proportion of voting rights held by the Group 2017	2016	Principal activity
Fujian Lidajia Food Company Limited* 福建利大家食品有限公司 (Note a)	The PRC	N/A	49%	N/A	33.33%	Inactive
Hong Kong Ruishiyue 香港瑞士樂(國際)食品有限公司 (Note b)	Hong Kong	5%	N/A	50%	N/A	Investment holding and manufacture and sale of biscuits

* English name for identification purpose only.

Notes:

(a) 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 December 31, 2016, the associate remained inactive and both parties had not yet injected investment capital into the associate, details of the capital commitment are set out in note 41. During the year ended December 31, 2017, the Group entered into a share transfer agreement with 好鄰居股份有限公司 for transferring its entire ownership interests in Fujian Lidajia Food Company Limited to 好鄰居股份有限公司 with nil consideration. The legal procedures of such transfer of ownership interests has been completed on February 16, 2017.

(b) During the year ended December 31, 2017, a subsidiary of the Group had established an associate with two independent third parties. Pursuant to the articles of association, the registered capital is US dollar ("US$") 3.7 million (approximately RMB25.2 million), among which, US$187,500 (approximately RMB1.3 million) to be contributed by a subsidiary of the Group. The board composition of the associate comprised of 4 directors, in which 2 of the directors were appointed by the Group and the remaining 2 directors were appointed by each of the two independent third parties, as such, the Group exercises significant influence in deciding the associate's financial and operating policy, the resolution of which required approval by simple majority of the board and accordingly accounts for its interest in Hong Kong Ruishiyue as an associate. During the year ended December 31, 2017, Hong Kong Ruishiyue incorporated a wholly foreign owned subsidiary, Guangdong Ruishiyue Food Co., Limited ("Guangdong Ruishiyue"), in the PRC (collectively referred to as "Hong Kong Ruishiyue Group"). As at December 31, 2017, all parties had not yet injected investment capital in the associate, details of the capital commitment are set out in note 41.

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18. INTERESTS IN ASSOCIATES *(continued)*

Summarised financial information of a material associate

Summarised financial information in respect of the Group's material 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.

Hong Kong Ruishiyue Group

	2017 **RMB'000**	2016 RMB'000
Current assets	**41,169**	—
Non-current assets	**3,895**	—
Current liabilities	**(46,065)**	—

	2017 **RMB'000**	2016 RMB'000
Revenue	**5,192**	—
Loss for the year	**(872)**	—
Other comprehensive expense for the year	**(129)**	—
Loss and total comprehensive expense for the year	**(1,001)**	—

18. INTERESTS IN ASSOCIATES *(continued)*

Summarised financial information of a material associate *(continued)*

Hong Kong Ruishiyue Group *(continued)*

Reconciliation of the above summarised financial information to the carrying amount of the Group's interest in Hong Kong Ruishiyue Group recognised in the consolidated financial statements:

	2017 RMB'000	2016 RMB'000
Net liabilities of Hong Kong Ruishiyue Group	(1,001)	–
Proportion of the Group's ownership interest in Hong Kong Ruishiyue Group	5%	–
	(50)	–
Loss and total comprehensive expense from Hong Kong Ruishiyue Group yet to be recognised	50	–
Carrying amount of the Group's interest in Hong Kong Ruishiyue Group	–	–

	2017 RMB'000	2016 RMB'000
The unrecognised share of loss and total comprehensive expense of Hong Kong Ruishiyue Group for the year	(50)	–

	2017 RMB'000	2016 RMB'000
Cumulative share of loss and total comprehensive expense of Hong Kong Ruishiyue Group	(50)	–

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19. INTERESTS IN JOINT VENTURES

	2017 RMB'000	2016 RMB'000
Cost of investments in joint ventures	35,000	—
Share of results of a joint venture	(9)	—
	34,991	—

Details of the Group's joint ventures at the end of the reporting periods are as follow:

Name of joint venture	Place 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
		2017	2016	2017	2016	
深圳前海星旻利股權投資合夥企業(有限合夥) (Note a)	The PRC	89.1%	89.1%	33.33%	33.33%	Inactive
江門建粵利嘉產業投資合夥企業(有限合夥) ("江門建粵利嘉") (Note b)	The PRC	34.98%	N/A	33.33%	N/A	Investment holding

Notes:

(a) 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. Each party to the joint venture can appoint one director to the Board and all the relevant activities require unanimous consent of the directors in board of directors meeting, and accordingly the Group concluded that it had joint control in 深圳前海星旻利股權投資合夥企業(有限合夥) and accounted for its interest in 深圳前海星旻利股權投資合夥企業(有限合夥) as a joint venture. As at December 31, 2017, the joint venture remained inactive with nil carrying amount on the consolidated statement of financial position, all parties had not yet injected investment capital in the joint venture, details of the capital commitment are set out in note 41.

(b) In June 2017, a subsidiary of the Group has entered into a partnership agreement ("Partnership Agreement") with two independent corporate partners to form a joint venture in the PRC with the principal business activity of investment in a specific company established in the PRC principally engaged in production and distribution of food products, namely 嘉士柏股份有限公司 ("嘉士柏"). Pursuant to the Partnership Agreement, a subsidiary of the Group has injected capital amounting to RMB35 million as limited partner. As all the relevant activities require unanimous consent of all partners of the partnership, the Group concluded that it had joint control in 江門建粵利嘉 and accounted for its interest in 江門建粵利嘉 as a joint venture.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

19. INTERESTS IN JOINT VENTURES *(continued)*

Summarised financial information of a material joint venture

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

江門建粵利嘉

	2017 RMB'000
Current asset	137
Non-current asset	100,000
Current liability	(106)

The above amounts of assets and liabilities include the following:

	2017 RMB'000
Cash and cash equivalents	137

	2017 RMB'000
Revenue	16
Loss and total comprehensive expense for the year	(27)

Reconciliation of the above summarised financial information to the carrying amount of the Group's interest in 江門建粵利嘉 recognised in the consolidated financial statements:

	2017 RMB'000
Net assets of 江門建粵利嘉	100,031
Proportion of the Group's ownership interest in 江門建粵利嘉	34.98%
Carrying amount of the Group's interest in 江門建粵利嘉	34,991

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20. INVENTORIES

	2017 RMB'000	2016 RMB'000
Raw materials and packing materials	**45,482**	31,273
Work-in-progress	**53**	265
Finished goods	**26,902**	16,040
	72,437	47,578

21. LOAN RECEIVABLES

As at December 31, 2017, the amounts represent loans advanced to independent third parties with aggregated principal value of RMB35,000,000 (2016: Nil). The amounts are unsecured, interest bearing at 16% per annum and guaranteed by other independent third parties. The amounts are repayable within one year.

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

	2017 RMB'000	2016 RMB'000
Trade receivables	**25,713**	22,114
Less: Allowance for doubtful debts	**(228)**	(135)
Trade receivables, net	**25,485**	21,979
Bills receivables	**12,392**	2,178
Total trade and bills receivables	**37,877**	24,157
Prepayments for purchase of raw materials (Note)	**41,901**	24,115
Other receivables	**6,949**	5,319
Other prepayments	**5,360**	1,824
Rental and utility deposits	**1,300**	1,300
Deposit for acquisition of an investment	**3,000**	—
Deposit for acquisition of property, plant and equipment	**8,920**	741
Deposit for acquisition of a land use right	**1,249**	360
Earnest money to a potential investee	**—**	3,000
	106,556	60,816
Less: Amount shown under current assets	**(90,581)**	(53,192)
Amount shown under non-current assets as other receivables and deposits	**15,975**	7,624

Note: Prepayments for purchase of raw materials mainly comprised prepayments for sugar, flour and oil, net of impairment of RMB2,740,000 (2016: Nil).

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

Trade and bills receivables

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

Before accepting any new customers, the Group assesses the potential 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 receivables of these external customers based on bills issue date.

The following is an analysis of trade receivables by age, 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.

	2017 **RMB'000**	2016 RMB'000
Within 2 months	**17,489**	16,937
Over 2 months but within 3 months	**5,979**	3,715
Over 3 months but within 6 months	**2,017**	1,327
	25,485	21,979

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of approximately RMB273,000 (2016: RMB144,000), 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:

	2017 **RMB'000**	2016 RMB'000
Over 1 month but within 3 months	**273**	144

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

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

Trade and bills receivables *(continued)*

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

	2017 RMB'000	2016 RMB'000
Over 1 month but within 3 months	6,200	688
Over 3 months but within 6 months	6,192	1,490
	12,392	2,178

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 the 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:

	2017 RMB'000	2016 RMB'000
At beginning of year	135	188
Impairment loss recognised on receivables	93	—
Impairment loss reversed	—	(53)
At end of year	228	135

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 RMB1,506,000 (2016: RMB2,223,000) and therefore classified as non-current.

The fair value of advances to staff are determined based on the present value of the estimated future cash flows and discounted using the prevailing market rate on initial recognition. The imputed interest income on the advances to staff is RMB141,000 (2016: RMB123,000). The effective interest rate is ranging from 4.75% to 4.9% (2016: 4.75% to 4.9%) per annum.

Deposits represent i) rental and utility deposits due after one year; ii) a deposit paid by the Group as upfront payment for an investment as detailed in note 41(5) to the consolidated financial statements; and iii) deposits for acquisition of property, plant and equipment; and iv) deposit for acquisition of a land use right.

23. AMOUNT DUE FROM AN ASSOCIATE

At December 31, 2017, the amount is unsecured, non-interest bearing and in the opinion of the Directors, such amount will be repaid or utilised to set off the Group's future purchase of finished goods from the associate within one year.

24. AMOUNT DUE FROM A JOINT VENTURE

The amount is unsecured, non-interest bearing and repayable on demand.

25. ENTRUSTED LOAN RECEIVABLE

In May 2017, the Group entered into an entrusted loan agreement with 開平市農村信用合作社, 開平市越輝裝飾工程有限公司 ("the Borrower") and 恩平鼎尚實業發展有限公司 ("the Guarantor"), in which the Group provided a loan of RMB15,000,000 (2016: Nil) to the Borrower through 開平市農村信用合作社 as the entrusted bank. The entrusted loan was secured by a land provided by the Guarantor and carried fixed interest rate at 6% per annum and an additional interest calculated as 8 months interest on the principal amount with maturity date of January 12, 2018. On December 29, 2017, the amount was early settled in its entirety.

26. INVESTMENT IN CERTIFICATE OF DEPOSIT

In June 2017, the Group acquired a certificate of deposit (the "COD") at consideration of RMB105,000,000 (2016: Nil), which was issued by a bank to an independent third party who then transferred the rights to cash flows of the COD to the Group, carrying fixed interest rate at 4.8% per annum with maturity date of December 14, 2017. The Group has fully redeemed the investment in COD upon the date of maturity.

27. FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets designated as at FVTPL represent the investment funds acquired from Guangfa Futures Co., Ltd. and Guangfa Securities Co., Ltd. during the year ended December 31, 2017 amounted to RMB110,000,000 (2016: Nil). The portfolio of the investment funds comprised of identified financial instruments that the Group manages together. The identified financial instruments include futures, shares and securities listed in the PRC and bank deposits.

On August 7, 2017, the Group fully redeemed the investment funds acquired from Guangfa Securities Co., Ltd. at fair value of RMB30,632,000, and on December 28, 2017, the Group redeemed majority of the investment funds acquired from Guangfa Futures Co., Ltd. at fair value of RMB79,019,000. Fair value loss of approximately RMB164,000 is charged to profit or loss for the year ended December 31, 2017 (2016: Nil).

28. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

At December 31, 2017, pledged bank deposits of RMB19,523,000 (December 31, 2016: pledged bank deposits and bank balances of RMB3,623,000) carry fixed interest rates ranged from 0.70% to 1.21% per annum.

Bank balances of RMB419,133,000 (December 31, 2016: RMB428,027,000) carry interest at floating interest rates per annum as follows:

	Bank balances
At December 31, 2016	0.01%–0.35%
At December 31, 2017	0.01%–2.09%

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

	2017 **RMB'000**	2016 RMB'000
RMB	**417,154**	402,652
Hong Kong Dollars ("HK$")	**7,961**	28,313
US Dollars ("US$")	**13,541**	685
	438,656	431,650

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 facilities and bills payables issued to suppliers of the Group for the purchase of raw materials.

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29. TRADE, BILLS AND OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables	80,117	63,483
Bills payables	15,000	22,000
Total trade and bills payables	95,117	85,483
Accrued expenses	16,453	25,266
Transportation fee payables	22,630	18,639
Payroll and welfare payables	21,052	20,758
Construction costs payables	3,373	5,676
Other payables	13,021	2,996
Output value-added-tax and other tax payables	7,895	10,482
	179,541	169,300

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:

	2017 RMB'000	2016 RMB'000
Within 3 months	79,527	63,167
Over 3 months but within 6 months	305	111
Over 6 months but within 1 year	159	205
Over 1 year	126	—
	80,117	63,483

29. 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:

	2017 RMB'000	2016 RMB'000
Within 3 months	–	22,000
Over 3 months but within 6 months	15,000	–
	15,000	22,000

The bills payables are secured by pledged bank deposits as disclosed in note 28.

Other payables

In November 2017, a subsidiary of the Group entered into an agreement with an independent third party, 湯陰縣產業集聚區弘達投資有限公司 ("弘達"), for advancing a total of RMB9,819,000 to finance the acquisition of a land use right and other properties interests. The amount is unsecured, non-interest bearing and repayable within one year.

30. 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, 2017 and 2016, the advances are included in current liabilities based on the estimated amounts of purchase of goods within one year.

31. BORROWINGS

	2017 RMB'000	2016 RMB'000
Bank borrowings — unsecured	190,762	–
The carrying amounts of the above borrowings are repayable within one year*	138,100	–
The carrying amounts of bank loans that contain a repayment on demand clause (shown under current liabilities) but repayable within one year	52,662	–
	190,762	–

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

31. BORROWINGS *(continued)*

The exposure of the Group's borrowings are as follows:

	2017 RMB'000	2016 RMB'000
Fixed-rate borrowings	190,662	–
Variable-rate borrowings	100	–
	190,762	–

The Group's variable-rate borrowings carry interest at the PRC Loan Prime Rate ("LPR") +0.398%.

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

	Year ended 2017	Year ended 2016
Effective interest rate:		
Fixed-rate borrowings	1.57% to 4.35%	N/A
Variable-rate borrowings	4.698%	N/A

The Group's borrowings that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	HK$ RMB'000
As at December 31, 2017	52,662
As at December 31, 2016	–

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32. DEFERRED INCOME

Amounts credited to profit or loss during the year:

	2017 RMB'000	2016 RMB'000
Incentive subsidies (Note a)	9,144	7,872
Released from asset-related government subsidies (Note b)	2,485	605
	11,629	8,477

The movement of deferred income is as follows:

	2017 RMB'000	2016 RMB'000
At beginning of year	11,708	9,413
Receipts of subsidies related to property, plant and equipment (Note b)	1,940	2,900
Release to profit or loss during the year (Note b)	(2,485)	(605)
At end of year	11,163	11,708

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.

33. 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, 2016	2,068
Released upon declaration of dividend by Guangdong Jiashili	(2,068)
Charge to profit or loss	2,135
At December 31, 2016 and January 1, 2017	2,135
Released upon declaration of dividend by Guangdong Jiashili	(2,135)
Charge to profit or loss	2,143
At December 31, 2017	**2,143**

As at December 31, 2017, the Group has unrecognised deferred tax liability in relation to the PRC withholding tax on undistributed earnings in certain of its PRC subsidiaries of RMB142,858,000 (2016: RMB142,357,000), as it is the intention of the directors to retain the remaining 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, 2017 is 5% (2016: 5%).

At December 31, 2017, the Group has unused tax losses of RMB5,510,000 (December 31, 2016: RMB4,702,000) 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, 2017, the Group has deductible temporary differences of RMB3,764,000 (December 31, 2016: RMB135,000). 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.

34. 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 January 1, 2016, December 31, 2016 and December 31, 2017		
— Ordinary shares of HK$0.01 each	8,000,000,000	80,000,000
Issued and fully paid:		
At January 1, 2016, December 31, 2016 and December 31, 2017		
— Ordinary shares of HK$0.01 each	415,000,000	4,150,000

	At December 31, 2017 and 2016
	RMB'000
Presented in the consolidated financial statements	3,285

35. 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 directors 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.

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, 2017:

For the year ended December 31, 2017

				Number of share options			
Category of grantees	Date of grant	Exercise period	Exercise price per share	At 1.1.2017	Granted during the year	Exercised during the year	At 12.31.2017
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							11,175,000

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35. SHARE OPTION SCHEME *(continued)*

Pre-IPO Share Option Scheme *(continued)*

For the year ended December 31, 2016

				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	At 12.31.2016
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

The fair value of these options at date of grant was approximately RMB15,607,000, of which approximately RMB2,080,000 were charged to the profit or loss for the year ended December 31, 2017 (2016: RMB3,977,000).

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

	On September 25, 2014 RMB'000
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

35. SHARE OPTION SCHEME *(continued)*

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 a former director 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.

The following table discloses the details of the share option and movement in the share option granted under the share option scheme for the year ended December 31, 2017:

For the year ended December 31, 2017

				Number of share options				
Category of grantees	Date of grant	Exercise period	Exercise price per share	At 1.1.2017	Granted during the year	Exercised during the year	Lapsed during the year	At 12.31.2017
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				2,000,000	–	–	–	2,000,000
Exercisable at year ended								1,000,000

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35. SHARE OPTION SCHEME *(continued)*

Share Option Scheme *(continued)*

For the year ended December 31, 2016

					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 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

Note: Mr. Wu Meng-cher was formerly a director and resigned as a director on December 1, 2015 and he is still under the employment of the Group.

The fair value of the option granted on June 12, 2015 was approximately RMB2,408,000, of which approximately RMB466,000 for a former director of the Company was charged to the profit or loss for the year ended December 31, 2017 (2016: RMB877,000).

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

	On June 12, 2015
Share price (HK$)	4.58
Exercise price (HK$)	4.58
Risk-free rate	1.314%
Dividend yield	1.31%
Volatility	33.93%
Expiry date	June 12, 2020
Suboptimal factor	2.8

36. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 31, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, and accumulated profits and reserves.

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

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 RMB'000	2016 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalent)	552,840	461,126
Designated as at FVTPL	185	—
Financial liabilities		
Amortised cost	345,955	133,552

(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 currency risk, 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.

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37. FINANCIAL INSTRUMENTS *(continued)*

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

Currency risk

The Group is exposed to currency risk attributable to the cash and bank balances, trade and other receivables, other payables and bank borrowings which are denominated in the currencies other than the functional currencies of the relevant group entities. 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

	2017 **RMB'000**	2016 RMB'000
Cash and bank balances	**7,961**	28,313
Trade and other receivables	**70**	—
Other payables	**(2,240)**	—
Bank borrowings	**(52,662)**	—
	(46,871)	28,313

US$ monetary asset and liability

	2017 **RMB'000**	2016 RMB'000
Cash and bank balances	**13,541**	685
Trade and other receivables	**3,251**	—
	16,792	685

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 increase/decrease in the Group's profit before tax for the year of approximately RMB2,344,000 for the year ended December 31, 2017 and decrease/increase in the Group's profit before tax for the year of approximately RMB1,416,000 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 RMB840,000 for the year ended December 31, 2017 and decrease/increase in the Group's profit before tax for the year of approximately RMB34,000 for the year ended December 31, 2016.

37. FINANCIAL INSTRUMENTS *(continued)*

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

Interest rate risk

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

The Group is exposed to cash flow interest rate risk on the variable rate bank balances (see note 28 for details) and variable-rate bank borrowings (see note 31 for details). 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 at the end of the reporting period. 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 the management's assessment of the reasonably possible change in interest rates.

Variable-rate bank balances and bank borrowings

If interest rates 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, 2017 would increase/decrease by approximately RMB419,000 (2016: RMB428,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and bank borrowings.

Credit risk

As at December 31, 2017, the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position best represents 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.

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.

37. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk *(continued)*

The trade receivables balances at the end of each reporting period mainly represented the credit sales to certain customers. With respective to these credit sales, the Group has concentration of credit risk as 73% (2016: 81%) of the Group's total trade receivables as at December 31, 2017, were due from five customers. Those five customers are with good creditworthiness based on historical settlement record. In order to minimise 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 amounts due from an associate and a joint venture, the Group performs periodic review on the financial positions of the associate and the joint venture, their 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.

For loan receivables, the Group performs periodic review on the financial position of the debtors, its settlement status and other contractual conditions to ensure it is financially viable to settle the loan receivables 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 monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at December 31, 2017, the Group has available unutilised bank facilities of approximately RMB539,238,000 (2016: RMB308,800,000).

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms as at December 31, 2017. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

37. FINANCIAL INSTRUMENTS *(continued)*

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

Liquidity risk *(continued)*

Liquidity and interest risk tables

	Weighted average interest rate	Repayable on demand or within 3 months	3–6 months	6 months to 1 year	1 to 3 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2017							
Trade, bills and other payables	–	155,193	–	–	–	155,193	155,193
Bank borrowings	3.4	129,077	62,936	–	–	192,013	190,762
		284,270	62,936	–	–	347,206	345,955
At December 31, 2016							
Trade, bills and other payables	–	119,552	14,000	–	–	133,552	133,552

Bank loans with a repayment on demand clause are included in the "Repayable on demand or within 3 months" time band in the above maturity analysis. As at December 31, 2017, the aggregate undiscounted principal amounts of these bank loans amounted to RMB52,984,000 (2016: Nil). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid within one year after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

	Maturity Analysis — Bank loans with a repayment on demand clause based on scheduled repayments		
	Less than 1 year	Total undiscounted cash outflows	Carrying amount
	RMB'000	RMB'000	RMB'000
As at December 31, 2017	52,984	52,984	52,662
As at December 31, 2016	–	–	–

37. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value

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

Some of the Group's financial assets 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 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/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	December 31, 2017	December 31, 2016		
Financial assets designated as at FVTPL	**Investment funds in the PRC: RMB185,000**	N/A	Level 2	Derived from quoted bid prices of underlying investments in an active market.

Included in other gains and losses for the year ended December 31, 2017, fair value loss of RMB796,000 (2016: Nil) was related to financial assets designated as at FVTPL held at December 31, 2017.

There were no transfers between Level 1, 2 and 3 during both years.

(ii) Fair value of 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 using discounted cash flow valuation technique approximate their fair values.

38. 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 statement of financial position.

38. TRANSFERS OF FINANCIAL ASSETS *(continued)*

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:

	2017 RMB'000	2016 RMB'000
Bills receivables endorsed to suppliers with full recourse	–	1,000
Associated trade payables relating to the endorsement of bills receivables	–	1,000

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS		
Interests in subsidiaries	77,237	77,237
Amounts due from subsidiaries	323,352	404,806
	400,589	482,043
CURRENT ASSETS		
Prepayment	3,252	–
Bank balances	627	2
	3,879	2
CURRENT LIABILITY		
Accruals and other payables	2,241	2,169
NET CURRENT ASSETS (LIABILITIES)	1,638	(2,167)
NET ASSETS	402,227	479,876
CAPITAL AND RESERVES		
Share capital	3,285	3,285
Reserves	398,942	476,591
TOTAL EQUITY	402,227	479,876

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(continued)

Movement in the Company's share capital and reserves

	Share capital RMB'000	Share premium RMB'000	Share options reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
At January 1, 2016	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 13)	–	(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
Loss and total comprehensive expense for the year	–	–	–	(25,145)	(25,145)
Dividend declared (note 13)	–	(55,050)	–	–	(55,050)
Share-based compensations	–	–	2,546	–	2,546
At December 31, 2017	**3,285**	**356,131**	**19,135**	**23,676**	**402,227**

40. OPERATING LEASE

The Group as lessee

Minimum lease payments under operating lease were approximately RMB4,125,000 (2016: RMB4,868,000), which represents the rent paid by the Group for land and buildings for the year ended December 31, 2017. Leases for land and buildings are negotiated for a term ranging from one to six years (2016: 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:

	2017 RMB'000	2016 RMB'000
Within one year	4,493	4,524
In the second to fifth years inclusive	10,333	15,125
	14,826	19,649

The Group as lessor

Property rental income earned during the year was RMB775,000 (2016: RMB775,000) 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:

	2017 RMB'000	2016 RMB'000
Within one year	775	775
In the second to fifth years inclusive	1,357	2,132
	2,132	2,907

41. CAPITAL COMMITMENTS

	2017 RMB'000	2016 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	38,341	36,521
Capital expenditure in respect of acquisition of land use right contracted for but not provided in the consolidated financial statements	1,249	1,828
Capital expenditure in respect of the establishment of an associate contracted for but not provided in the consolidated financial statements (Note 1)	1,270	—
Capital expenditure in respect of the establishment of an associate contracted for but not provided in the consolidated financial statements (Note 2)	—	4,900
Capital expenditure in respect of the establishment of an investment fund contracted for but not provided in the consolidated financial statements (Note 3)	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 4)	133,650	133,650
Capital expenditure in respect of the acquisition of a subsidiary contracted for but not provided in the consolidated financial statements (Note 5)	218,000	—

41. CAPITAL COMMITMENTS *(continued)*

Notes:

1. On June 25, 2017, a subsidiary of the Group had established an associate with two independent third parties. Details of the investment in this associate are set out in note 18(b).

2. On November 24, 2016, a subsidiary of the Group entered into an agreement with 好鄰居股份有限公司 in respect of the incorporation of an associate. During the year ended December 31, 2017, 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. The legal procedures of such transfer of ownership interests has been completed on February 16, 2017. Details of the investment in this associate are set out in note 18(a).

3. On December 16, 2015, a subsidiary of the Group entered into a partnership agreement (the "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. During the year ended December 31, 2017, the establishment of the investment fund was suspended and a subsidiary of the Group is in the process of cancellation of the Agreement.

4. On January 28, 2016, a subsidiary of the Group entered into 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 19(a).

5. On October 24, 2017, a subsidiary of the Group entered into a sales and purchase agreement (the "Sales and Purchase Agreement") with an independent third party in respect of the acquisition of 90% of the equity interests of its subsidiary (the "Acquiree"). Subsequent to the reporting period, the transaction lapsed as no equity interests of the Acquiree has been transferred to the Group on the date specified in the Sales and Purchase Agreement.

42. PLEDGED OF ASSETS

As at December 31, 2017 and 2016, the following items were used to secure banking facilities granted to the Group:

	2017 **RMB'000**	2016 RMB'000
Pledged bank deposits	**19,523**	3,623

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43. RELATED PARTY DISCLOSURES

Related Party Transactions

	2017 RMB'000	2016 RMB'000
Sale of goods		
Zhongchen (Note a)	25	23
Guandong Ruishiyue (Note b)	997	—
	1,022	23
Purchase of goods		
Guandong Ruishiyue (Note b)	5,192	—
Services expense paid		
Aurec Capital Ltd. ("Aurec") (Note c)	3,372	—

Notes:

(a) Zhongchen was a former immediate holding company of Guangdong Jiashili prior to the Group Reorganisation. It is currently owned by Mr. Huang Xianming, the ultimate controlling shareholder of the Group.

(b) The amount represents the sales and purchase of biscuits and confectioneries. The transactions were entered into in the normal course of business of the Group at terms mutually agreed between the parties.

(c) The amount represents the investment advisory service to be provided by Aurec, which is a minority shareholder of the Company. As at December 31, 2017, the Group prepaid investment advisory service fee of RMB3,372,000 to Aurec and it included in other prepayments in note 22.

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.

Related party balances

Details of balances with the Group's related parties are set out in notes 23 and 24.

43. RELATED PARTY DISCLOSURES *(continued)*

Key management personnel

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

	2017 RMB'000	2016 RMB'000
Short-term benefits	5,223	7,183
Post-employment benefits	206	66
Share-based compensations	887	1,694
	6,316	8,943

44. 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 RMB15,527,000 (2016: RMB12,960,000) represent contributions paid and payable to the retirement benefit scheme during the year ended December 31, 2017.

45. 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, 2017	2016	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	The 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	The 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	The 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*# 邢臺嘉士利食品有限公司	The PRC August 19, 2008	Registered capital of RMB5,000,000 and paid-up capital of RMB5,000,000	**N/A**	N/A	Manufacture and sale of biscuits
Kaiping Lijia Industrial Investment Company Limited*^ 開平市利嘉實業投資有限公司	The PRC January 22, 2017	Registered capital of RMB30,000,000 and paid-up capital of RMB30,000,000	**100%**	–	Investment holding

* English name for identification purpose only

\# The subsidiary was deregistered on August 15, 2016.

^ The subsidiary was established on January 22, 2017.

46. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings (note 31) RMB'000	Loan advance included in other payable (note 29) RMB'000	Dividend payable (note 13) RMB'000	Total RMB'000
At January 1, 2017	–	–	–	–
Financing cash flows	185,318	9,819	(55,050)	140,087
Foreign exchange translations	(2,236)	–	–	(2,236)
Interest expenses	7,680	–	–	7,680
Dividends	–	–	55,050	55,050
At December 31, 2017	190,762	9,819	–	200,581

47. EVENT AFTER THE REPORTING PERIOD

In January 2018, the Sales and Purchase Agreement as referred to in note 41(5) lapsed as the equity interests of the Acquiree has not been transferred to the Group on the date specified on the Sales and Purchase Agreement. The deposit amounting to RMB3,000,000 has been fully refunded in March 2018.

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				
	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
CONTINUING OPERATION					
Revenue	**1,174,977**	1,105,771	1,006,228	840,058	747,771
Cost of sales	**(818,574)**	(726,382)	(653,953)	(571,557)	(522,120)
Gross profit	**356,403**	379,389	352,275	268,501	225,651
Other Income	**21,078**	14,703	13,193	9,298	6,919
Selling and distribution expenses	**(154,798)**	(167,717)	(127,748)	(101,688)	(87,932)
Administrative expenses	**(60,374)**	(64,197)	(59,132)	(38,421)	(29,595)
Finance costs	**(7,680)**	–	–	(2,341)	(2,448)
Other expenses, gains and losses	**(27,019)**	(47,084)	(42,345)	(45,516)	(30,466)
Share of results of a joint venture	**(9)**	–	–	–	–
Profit before tax	**127,601**	115,094	136,243	89,833	82,129
Income tax expense	**(21,035)**	(25,457)	(31,092)	(18,205)	(14,268)
Profit for the year from continuing operation	**106,566**	89,637	105,151	71,628	67,861
DISCONTINUED OPERATION					
Profit for the year from discontinued operation	**–**	–	–	61	1,408
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-sales investment	**–**	(1,535)	–	–	–
Other comprehensive (expenses) income for the year	**–**	(2,389)	2,389	–	–
Total comprehensive income for the year	**106,566**	87,248	107,540	71,689	69,269

ASSETS AND LIABILITIES

	As at December 31				
	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
TOTAL ASSETS	**1,126,226**	905,417	909,873	630,859	402,470
TOTAL LIABILITIES	**(467,461)**	(300,714)	(344,594)	(162,974)	(252,068)
	658,765	604,703	565,279	467,885	150,402