嘉士利集團有限公司

Jiashili Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1285)

ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2016

FINANCIAL HIGHLIGHTS

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2016

	NOTES	2016 RMB'000	2015 RMB'000
Revenue	3	**1,105,771**	1,006,228
Cost of sales		**(726,382)**	(653,953)
Gross profit		**379,389**	352,275
Other income		**14,703**	13,193
Selling and distribution expenses		**(167,717)**	(127,748)
Administrative expenses		**(64,197)**	(59,132)
Other expenses		**(38,164)**	(42,159)
Other gains and losses	4	**(8,920)**	(186)
Profit before tax		**115,094**	136,243
Income tax expense	5	**(25,457)**	(31,092)
Profit for the year	6	**89,637**	105,151
Other comprehensive (expenses) income			
Item 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 sales of available-for-sale investment		**(1,535)**	—
Other comprehensive (expense) income for the year		**(2,389)**	2,389
Total comprehensive income for the year attributable to the owners of the Company		**87,248**	107,540
Earnings per share	8		
— Basic (RMB cents)		**21.60**	25.34
— Diluted (RMB cents)		**21.60**	25.33

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At December 31, 2016

	NOTES	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**326,322**	224,351
Prepaid lease payments		**36,970**	11,449
Intangible asset		**500**	1,000
Investment in an associate		**—**	—
Investment in a joint venture		**—**	—
Available-for-sale investment	*9*	**—**	22,189
Other receivables and deposits	*10*	**7,624**	5,396
		371,416	264,385
CURRENT ASSETS			
Inventories		**47,578**	38,716
Prepaid lease payments		**1,099**	493
Trade, bills and other receivables	*10*	**53,192**	90,308
Income tax recoverable		**482**	498
Pledged bank deposits	*11*	**3,623**	5,388
Bank balances and cash	*11*	**428,027**	510,085
		534,001	645,488
CURRENT LIABILITIES			
Trade, bills and other payables	*12*	**169,300**	153,046
Advances from customers	*13*	**112,640**	34,123
Income tax payables		**4,931**	5,063
Provisions	*14*	**—**	6,967
		286,871	199,199
NET CURRENT ASSETS		**247,130**	446,289
TOTAL ASSETS LESS CURRENT LIABILITIES		**618,546**	710,674
NON-CURRENT LIABILITIES			
Convertible redeemable bond	*15*	**—**	133,914
Deferred income		**11,708**	9,413
Deferred tax liabilities		**2,135**	2,068
		13,843	145,395
NET ASSETS		**604,703**	565,279
CAPITAL AND RESERVES			
Share capital	*16*	**3,285**	3,285
Reserves		**601,418**	561,994
TOTAL EQUITY		**604,703**	565,279

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Island on December 19, 2013. Its immediate and ultimate holding company is Kaiyuan Investment Limited. Its ultimate controlling shareholder is Mr. Huang Xianming and his family. The address of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The address of the principal place of business of the Company is Room 701A, East Ocean Center, 98 Granville Road, Kowloon, Hong Kong.

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

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

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

Amendments to IFRSs that are mandatorily effective for the current year

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

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

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

New and amendments to IFRSs issued but not yet effective

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

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

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

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

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

IFRS 16 Leases

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

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

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

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

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

Furthermore, extensive disclosures are required by IFRS 16.

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

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

3. REVENUE AND SEGMENT INFORMATION

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

Segment assets and liabilities

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

Other segment information

Amounts included in the measurement of segment results:

Year ended December 31, 2016

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

Year ended December 31, 2015

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

Entity-wide disclosures

Revenue from major products

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

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

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

Geographical information

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

	Revenue from external customers		**Non-current assets**	
	2016 ***RMB'000***	2015 *RMB'000*	**2016** ***RMB'000***	2015 *RMB'000*
PRC	**1,104,322**	1,005,081	**371,411**	242,183
Others *(Note)*	**1,449**	1,147	**5**	22,202
	1,105,771	1,006,228	**371,416**	264,385

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

Information about major customers

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

4. OTHER GAINS AND LOSSES

	2016	2015
	RMB'000	*RMB'000*
Impairment loss on amount due from an associate	**(12,250)**	—
Fair value loss on modified convertible redeemable bond *(note 15)*	**(6,920)**	—
Loss on disposal of property, plant and equipment	**(499)**	(1,209)
Reversal of provision for relocation expenses *(note 14)*	**4,950**	—
Fair value gain on structured deposits	**3,264**	5,923
Gain on disposal of available-for-sale investment	**1,535**	—
Gain on early redemption of modified convertible redeemable bond *(note 15)*	**727**	—
Net foreign exchange gain (loss)	**273**	(887)
Fair value loss on convertible redeemable bond *(note 15)*	**—**	(4,013)
	(8,920)	(186)

5. INCOME TAX EXPENSE

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

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

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

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

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

The Group's subsidiaries that the PRC tax resident are required to withhold the PRC withholding tax of 10% on dividend payment to their non-PRC resident immediate holding company, registered in Hong Kong, when and if undistributed earnings are declared to be paid as dividends out of profits that arose on or after April 4, 2014, when the group reorganisation as set out in Group's annual report for the year ended December 31, 2015 (the "Group

Reorganisation") completed, unless such dividend payment is qualified for the 5% reduced tax rate under the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income ("PRC-HK DTA").

In the opinion of the directors, Jiashili (Hong Kong) Limited ("Jiashili HK"), which was incorporated on December 24, 2013 in Hong Kong, was managed and controlled in Hong Kong and is qualified as a Hong Kong tax resident. The application of Hong Kong resident certificate was prepared in 2016 and target to submit in 2017. On the basis that Jiashili HK also meets the requirement of enjoying 5% reduced tax rate under Guoshuifa 2009 No.601 and Guoshuihan 2009 No.81 (e.g. beneficial ownership, shareholding percentage and holding period), hence it should be qualified to enjoy a reduced withholding tax rate of 5% on dividend income for the whole years 2015 and 2016 pursuant to PRC-HK DTA.

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

6. PROFIT FOR THE YEAR

	2016	2015
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Directors' and chief executive's remuneration	**5,557**	7,452
Other staff costs:		
Salaries and allowances	**137,205**	103,424
Contributions to retirement benefits scheme	**12,938**	10,905
Share-based compensations	**3,933**	5,573
Total staff costs	**159,633**	127,354
Depreciation of property, plant and equipment	**23,410**	20,432
Amortisation of intangible asset (included in cost of sales)	**500**	500
Total depreciation and amortisation	**23,910**	20,932
Release of prepaid lease payments	**544**	493
Cost of inventories recognised as expenses (with no impairment loss of inventories recognised (2015: RMB755,000))	**726,382**	653,953
Share-based compensations to consultants in investor relation profession (included in administrative expenses)	**—**	1,716
Rental expense under operating lease in respect of land and buildings	**4,868**	2,836

7. DIVIDENDS

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

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

8. EARNINGS PER SHARE

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

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

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

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

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

9. AVAILABLE-FOR-SALE INVESTMENT

	2016	2015
	RMB'000	*RMB'000*
Listed investment:		
— Equity securities listed in Hong Kong (Note)	**—**	22,189

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

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

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

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

Trade and bills receivables

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

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

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

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

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

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

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

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

Other receivables

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

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

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

Other receivables and deposits

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

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

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

11. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

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

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

	Bank balances	**Pledged bank deposits**
At December 31, 2015	0.01%–0.35%	0.01%–0.35%
At December 31, 2016	0.01%–0.35%	0.01%–0.35%

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

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

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

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

12. TRADE, BILLS AND OTHER PAYABLES

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

Trade and bills payables

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

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

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

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

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

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

13. ADVANCES FROM CUSTOMERS

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

14. PROVISIONS

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

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

15. CONVERTIBLE REDEEMABLE BOND

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

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

Coupon interest rate:	4% per annum
Interest rate for redemption:	10% per annum
Payment of interest:	The interest will be payable in arrears every 12 months starting from the first interest payment on the first anniversary of the issue date of the convertible redeemable bond.
Conversion rights:	The convertible redeemable bondholder shall have the right, to convert all or any part, given that the minimum amount of conversion each time shall be at least either (i) 9,687,500 conversion shares (representing 30% of the total number of conversion shares); or (ii) the aggregate of the trading volume of the shares on the Stock Exchange for 30 consecutive trading days immediately prior to the date of the conversion notice, whichever is lower.
Conversion price:	Conversion price shall be deemed to be references to follows: (i) During the first year from the date of issuance shall be HK$4.80 per share; (ii) During the second year from the date of issuance shall be HK$5.12 per share; (iii) During the third year from the date of issuance shall be HK$5.80 per share.
Conversion period:	The period commencing from the issue date of the convertible redeemable bond and ending on the maturity date, provided that the minimum amount of any conversion shall result in at least either: (i) 9,687,500 conversion shares; or (ii) the aggregate of the trading volume of the shares of the Company as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to the conversion date, whichever is lower. The number of shares to be issued on conversion of the bond will be determined by dividing the principal amount of the bond to be converted by the conversion price in effect at the conversion date.
Early redemption right:	The Company has the right of early redemption for whole or part of the bond at any time after the end of 18 month from the issue date to the maturity date. The redemption price for the convertible redeemable bond shall be equal to 100% outstanding principal so redeemed (i) Plus cumulative return of 10% per annum; (ii) Plus default interest (if any) payable minus interest paid by the Company; (iii) Minus any interest paid in respect of the principal amount so redeemed.

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

The fair value of the convertible redeemable bond was determined by the directors with reference to a valuation report carried out by an independent valuer.

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

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

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

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

On September 27, 2016, the Company successfully retracted and redeemed, at a consideration of US$21,556,000 (equivalent to approximately RMB143,665,000) of its unsecured convertible redeemable bond with the maturity date on December 15, 2018.

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

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

16. SHARE CAPITAL

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

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

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

17. CAPITAL COMMITMENTS

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

Notes:

1. On November 24, 2016, a subsidiary of the Group entered in an agreement with 好鄰居股份有限公司 in respect of the incorporation of an associate. Subseqment to the year end, such subsidiary entered into another agreement with 好鄰居股份有限公司 to transfer its entire shares in associate at nil consideration.

2. On December 16, 2015, a subsidiary of the Group entered in a partnership agreement (the "Partnership Agreement") with Xizang Fujia Food Investment Center (Limited Partnership) 西藏復嘉食品投資中心(有限合夥) ("Xizang Fujia") and Shanghai Fosun Wei Shi Equity Investment Fund Phase 1 上海復星惟實一期股權投資基金合夥企業 ("Fosun Weishi 1 Equity Fund") in respect of the establishment of an investment fund and the subscription of interest therein. Subsequent to the reporting period, the establishment of the investment fund was suspended and a subsidiary of the Group is in the process of cancellation of the Partnership Agreement.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

I. Marketing

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

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

II. Supply chain

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

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

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

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

III. Other aspects

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

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

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

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

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

FUTURE PROSPECT

Increasingly higher requirements on food quality from the public

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

Coming trend to emphasize food health among the public

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

Diversification in sales channels

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

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

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

FINANCIAL REVIEW

Revenue

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

	2016			2015			**Changes in**	
Sales volume/Revenue	**Tonne**	***RMB (million)***	**Revenue contribution**	Tonne	*RMB (million)*	Revenue contribution	**Sales volume**	**Revenue**
Breakfast biscuits series	**34,377**	**357.9**	**32.4%**	34,162	357.8	35.5%	**+0.63%**	**+0.03%**
Crisp biscuits series	**23,019**	**289.5**	**26.2%**	20,559	252.1	25.0%	**+12.0%**	**+14.8%**
Sandwiches biscuits series	**15,067**	**233.5**	**21.1%**	12,490	190.9	19.0%	**+20.6%**	**+22.3%**
Wafer series	**6,625**	**94.5**	**8.5%**	5,114	76.0	7.6%	**+29.5%**	**+24.3%**
Others	**9,876**	**130.4**	**11.8%**	10,196	129.4	12.9%	**−3.1%**	**+0.8%**
Total	**88,964**	**1,105.8**	**100%**	82,521	1,006.2	100.0%	**+7.8%**	**+9.9%**

Breakfast biscuits series

For the year ended December 31, 2016, revenue from breakfast biscuits series rose by approximately 0.03% to RMB357.9 million while sales volume increased by approximately 0.63% to 34,377 tonnes. Such increase in revenue remained stable.

Crisp biscuits series

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

Sandwiches biscuits series

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

Wafer series

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

Gross profit and gross profit margin

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

	2016		2015		Changes in	
	Gross profit *RMB (million)*	**Gross profit margin**	Gross profit *RMB (million)*	Gross profit margin	Gross profit *RMB (million)*	Gross profit margin (percentage points)
Breakfast biscuits series	**121.2**	**33.9%**	127.1	35.5%	−5.9	−1.6
Crisp biscuits series	**97.3**	**33.6%**	89.2	35.4%	8.1	−1.8
Sandwiches biscuits series	**90.5**	**38.8%**	79.3	41.5%	11.2	−2.7
Wafer series	**28.8**	**30.5%**	23.3	30.7%	5.5	−0.2
Others	**41.6**	**31.9%**	33.4	25.8%	8.2	+6.1
Overall	**379.4**	**34.3%**	352.3	35.0%	27.1	−0.7

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

Other income

Other income for the year ended December 31, 2016 increased to approximately RMB14.7 million from approximately RMB13.2 million for the previous year. Other income represents mainly the government grants and bank interest income.

Selling and distribution expenses

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

Administrative expenses

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

Other expenses

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

Other gains and losses

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

Income tax expenses

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

Profit for the year

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

Financial position and liquidity

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

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

Contingent liabilities and guarantees

As at December 31, 2016, the Group did not provide any guarantees to any third parties and had no significant contingent liabilities.

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

During the year ended December 31, 2016, there were no material acquisitions or disposals made by the Group nor future plans for material investment or capital assets.

Capital structure

The Group maintains a prudent and treasury policy with regard to its business operation, During the year ended December 31, 2016, the Group did not have any bank borrowings and its operation was mainly financed by funds generated from its operation, IPO proceeds and the proceeds from the issue of the Convertible Bond.

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

	Net proceeds from IPO		
	Available	**Used**	**Unused**
	HK$ million	*HK$ million*	*HK$ million*
Increasing the recognition and awareness of our brands and expansion of our distribution and sales network	167.4	102.1	65.3
Infrastructure investment in respect of the purchase and installation of more advanced and automated machineries and the upgrading of our existing production facilities in our production plants	38.6	38.6	–
Research and development activities in order to refine our existing product offerings and develop new products	36.0	36.0	–
Repayment of the principal amount and the accrued interest under the convertible promissory note issued to Actis Investment Holdings No. 151 Limited (now known as Rich Tea Investments Limited)	100.0	100.0	—
Working capital and other general corporate purpose	38.0	—	38.0
	380.0	276.7	103.3

Cash and cash equivalents held by the Group were mainly denominated in Hong Kong dollars ("HK$"), RMB and United Stated dollars. The Group's revenue is mainly denominated in RMB, while its costs and expenses are mainly denominated HK$ and RMB. A major portion of the Group's assets, liabilities, revenues and payments during the year ended December 31, 2016 were denominated in either HK$ or RMB, therefore the Board considers that the risk from exposure to foreign exchange rate fluctuations is not significant. The Group does not have a formal hedging policy and has not entered into any material foreign currency exchange contracts or derivative transactions to hedge against its currency risks.

Human resources

As at December 31, 2016, the Group had a total of 2,960 full-time staff based in Hong Kong and the PRC. The Group's remuneration packages are generally structured with reference to market terms and individual merits. The Group operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries. The Group also made contributions to provident funds, elderly insurance, medical insurance, unemployment insurance and work-related injury insurance in accordance with appropriate laws and regulations in the PRC. The Group has also adopted a share option scheme to provide incentive or reward to eligible high-calibre employees and attract human resources that are valuable to the Group.

SUBSEQUENT EVENTS

Transfer of shares in associate

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

Incorporation of wholly-owned subsidiary

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

Suspension and cancellation of investment fund

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

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 announcement, the Company has complied with the code provisions under the Code, except for the deviation from the code provision A.2.1 which requires that the roles of chairman and chief executive officer to be separate and not performed by the same individual. Key corporate governance principles and practices of the Company as well as details relating to the foregoing deviation are summarised below.

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

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

During the year, there was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established to review the Group's financial reporting, internal controls, corporate governance and risk management matters and to make relevant recommendations to the Board. During the year and up to the date of this announcement, the Audit Committee comprises all independent non-executive Directors, namely Mr. Kam Robert (being the Chairman of the Audit Committee), Ms. Ho Man Kay, and Mr. Cheung Yuan Tak (resigned on January 16, 2017) and Mr. Ma Xiaoqiang (appointed on January 16, 2017). During the year, the Audit Committee had held two meetings, and had reviewed and approved the audit fee for the year ended December 31, 2016, considered internal control review findings, the annual report of the Group for the year ended December 31, 2015 and the interim report of the Group for the six months ended June 30, 2016, as well as the reports prepared by the external auditor covering major findings in the course of its audit/review.

The Audit Committee has reviewed the annual results for the year ended December 31, 2016 before the results were submitted to the Board for approval.

ANNUAL GENERAL MEETING

The annual general meeting ("2016 AGM") of the Company will be held in Hong Kong on or before June 5, 2017. Notice of the 2016 AGM will be issued and disseminated to shareholders of the Company in due course.

FINAL DIVIDEND

The Board has resolved to recommended the payment of a final dividend of HK15.00 cents per share for the year ended December 31, 2016 (2015: HK15.00 cents), to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at June 14, 2017. Subject to the approval by the shareholders of the Company, the final dividend will be paid on or about June 20, 2017.

CLOSURE OF REGISTER OF MEMBERS

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

SCOPE OF WORK OF MESSERS DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, Messers. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messers. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagement or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messers. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the Company's website (www.gdjsl.com) and the Stock Exchange's website (http://www.hkexnews.hk). The annual report for the year ended December 31, 2016 will be despatched to the shareholders of the Company and will be made available on the websites of the Company and the Stock Exchange in due course in accordance with the Listing Rules.

ACKNOWLEDGEMENT

The Directors would like to take this opportunity to express their sincere thanks to our shareholders and to our staff for their commitment and diligence during the year.

By order of the Board
Jiashili Group Limited
Huang Xianming
Chairman

Hong Kong, March 31, 2017

As at the date of this announcement, the Board comprises Mr. Huang Xianming, Mr. Tan Chaojun, Mr. Chen Minghui as executive Directors; Mr. Lin Xiao as a non-executive Director; Mr. Kam Robert, Ms. Ho Man Kay and Mr. Ma Xiaoqiang as independent non-executive Directors.