親親食品集團（開曼）股份有限公司

QINQIN FOODSTUFFS GROUP (CAYMAN) COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock code: 1583

LISTING BY WAY OF INTRODUCTION ON THE MAIN BOARD OF
THE STOCK EXCHANGE OF HONG KONG LIMITED

Sole Sponsor

BofA Merrill Lynch

IMPORTANT

You are advised to exercise caution when reading this document. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Qinqin Foodstuffs Group (Cayman) Company Limited
親親食品集團(開曼)股份有限公司

(Incorporated in the Cayman Islands with limited liability)

**LISTING BY WAY OF INTRODUCTION
OF THE ENTIRE ISSUED SHARE CAPITAL OF THE COMPANY
ON THE MAIN BOARD OF
THE STOCK EXCHANGE OF HONG KONG LIMITED
Stock code: 1583**

Sole Sponsor

BofA Merrill Lynch

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This listing document is published in connection with the Listing on the Main Board of the Stock Exchange and contains particulars given in compliance with the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules solely for the purpose of giving information with regard to our Group.

The listing document does not constitute an offer of, nor is it calculated to invite offers for, Shares or other securities of the Company, nor have any such Shares or other securities been allotted or issued with a view to any of them being offered for sale to or subscription by the public. No Shares will be allotted or issued in connection with, or pursuant to, this listing document.

Neither this listing document nor any copy hereof may be released, forwarded or distributed, directly or indirectly, in or into the PRC or any other jurisdiction where such release or distribution might be unlawful.

The Hengan Shareholders and the Beneficial Hengan Shareholders located or resident in jurisdictions other than Hong Kong should refer to the important information set out in the sections headed "*The Distribution and Spin-off – The Distribution and Spin-off – Non-Qualifying Hengan Shareholders*" and "*Appendix IV – General Information – E. Information for Hengan Shareholders and Beneficial Hengan Shareholders residing or located outside Hong Kong and Registered Hengan Shareholders holding Hengan Shares on their behalf*" in this listing document.

Your attention is drawn to the section headed "*Risk Factors*" in this listing document.

Information regarding the proposed arrangements for the listing of, and dealings and settlement of dealings in, the Shares following completion of the Spin-off is set out in the section headed "*Information About This Listing Document and the Spin-off*" in this listing document.

24 June 2016

	Date[1]
Last day of dealings in Hengan Shares on a cum entitlement basis on	Monday, 27 June 2016
First day of dealings in Hengan Shares on an ex entitlement basis on	Tuesday, 28 June 2016
Latest time for lodging transfers of the Hengan Shares cum entitlement to our Shares pursuant to the Distribution at	4:30 p.m. on Wednesday, 29 June 2016
Registers of members of Hengan close from	Thursday, 30 June 2016 to Tuesday, 5 July 2016
Record Date	Tuesday, 5 July 2016
Registers of members of Hengan re-open on	Wednesday, 6 July 2016
Share certificates for our Shares to be despatched[2] on	Thursday, 7 July 2016
Dealings in our Shares on the Stock Exchange expected to commence[2] at	9:00 a.m. on Friday, 8 July 2016
Payment to the Non-Qualifying Hengan Shareholders of the net proceeds of the sale of our Shares which they would otherwise receive pursuant to the Distribution on or around[3]	Friday, 5 August 2016

Notes:

(1) All dates and times refer to Hong Kong dates and times, unless otherwise stated. If there is any change in the expected timetable or if the Listing does not proceed, our Company will make an announcement as soon as practicable thereafter.

(2) The Share certificates are expected to be despatched to Qualifying Hengan Shareholders (except for any Non-Qualifying Hengan Shareholders) on 7 July 2016. The Share certificates will only become valid if the Distribution becomes unconditional. In the event the Distribution does not become unconditional, dealings in the Shares on the Stock Exchange will not commence on 8 July 2016. Investors who trade in the Shares prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

(3) Non-Qualifying Hengan Shareholders will be entitled to the Distribution but will not receive our Shares. Instead, they will receive a cash amount equal to the net proceeds of the sale of our Shares to which they would otherwise be entitled pursuant to the Distribution after dealings in our Shares commence on the Stock Exchange at the prevailing market price. The proceeds of such sale, net of expenses, will be paid to the relevant Non-Qualifying Hengan Shareholders in Hong Kong dollars.

By reference to the information provided to the Hengan Board and our Board as at the Latest Practicable Date, the Excluded Jurisdictions would include Canada. The Hengan Board and our Board do not propose to distribute our Shares to the Non-Qualifying Hengan Shareholders in Canada as part of the Distribution. If the Excluded Jurisdiction(s) turns out to be different, Hengan will announce, after the Record Date, the Excluded Jurisdiction(s). Such announcement is expected to be made on or before the Listing Date. Further information is set out in the section headed "*The Distribution and Spin-off*" in this listing document.

IMPORTANT NOTICE

We have not authorised anyone to provide you with information that is different from what is contained in this listing document. Any information or representation not made in this listing document must not be relied on by you as having been authorised by us, the Sole Sponsor, Hengan or any of our or their respective directors, officers, employees, agents or representatives or any other person or party involved in the Spin-off.

CONTENTS

This summary is intended to give you an overview of the information contained in this listing document. Since it is a summary, it does not contain all the information that may be important to you. You should read the listing document in its entirety.

OVERVIEW

We are one of the leading manufacturers of jelly products in the PRC and a national producer of crackers and chips, seasoning products, and bakery, confectionery and other products. Over the last 25 years, we have evolved from a local processor of flour and instant noodles into a national food and snacks company with strong brand recognition and a diversified product portfolio. According to Euromonitor, our jelly products had the third-largest market share of 9.2% in terms of 2014 retail sales value in the PRC.

Our long history and strong brand recognition are key factors in our success. We first established our “Qinqin (親親)” and “Shangerry (香格里)” brands in the 1990s for food and snacks products. We have a diversified product portfolio of jelly products, crackers and chips, seasoning products, and bakery, confectionery and other products which are distributed across a nationwide sales and distribution network covering all provinces, municipal cities and autonomous regions in the PRC. As at 31 December 2015, we contracted with 2,023 distributors, which sell our products to sub-distributors, retailers (including online retailers) and their key accounts, which primarily include supermarkets, community stores and convenience stores. In addition, we sell our products through direct relationships with our key accounts and online sales platforms.

As at 31 December 2015, we had eight strategically located production facilities. Each of our production facilities utilizes standardized and automated production processes, which allow us to manufacture our products efficiently and, together with our stringent quality control standards, to produce consistently high-quality food and snacks products.

OUR BUSINESS MODEL

Our Brands and Products

We operate our business through four product segments: (i) jelly products, (ii) crackers and chips, (iii) seasoning products, and (iv) bakery, confectionery and other products. We sell our products under the following key brands: Qinqin (親親), Shangerry (香格里), Elegant (艾莉格) and Victoria (維樂多). We consistently seek to introduce new products and enhance our existing products with new packaging and flavors by drawing on the strength and capabilities of our sales and marketing team, as well as our research and development team. Our wide range of product offerings allow us to target different market segments and capture a broad consumer base, such as consumers belonging to different age groups and having different taste preferences in different regions.

Product Segment	Key Brands	Key Product Types
Jelly Products	Qinqin (親親)	Fruit jelly, pudding jelly, jelly with fruit pulps and yogurt jelly
Crackers and Chips	Qinqin (親親)	Potato chips, prawn slices, prawn crackers, fish-shaped chips, potato fries and grain rolls
Seasoning Products	Shangerry (香格里) Victoria (維樂多)	Chicken essence, chicken powder, spareribs powder, hotpot powder, flavor enhancers and seaweed
Bakery, Confectionery and Other Products	Elegant (艾莉格) Qinqin (親親)	Waffles, custard cake, chocolate and assorted candies

For further details, please refer to the section headed "*Business – Our Brands and Products*" in this listing document.

The following table sets forth our revenue by product segment for the periods indicated:

	For the year ended 31 December					
	2013		2014		2015	
	RMB ('000)	% of total revenue	RMB ('000)	% of total revenue	RMB ('000)	% of total revenue
Jelly Products	806,725	63.0	729,300	60.0	613,800	60.2
Crackers and Chips	281,748	22.0	290,643	23.9	246,328	24.1
Seasoning Products	118,739	9.3	121,355	9.9	104,838	10.3
Bakery, Confectionery and Other Products	73,142	5.7	74,837	6.2	55,085	5.4
Total	1,280,354	100.0	1,216,135	100.0	1,020,051	100.0

The following table sets forth our gross profit and gross profit margin by product segment for the periods indicated:

	For the year ended 31 December					
	2013		2014		2015	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB ('000)	(%)	RMB ('000)	(%)	RMB ('000)	(%)
Jelly Products	342,732	42.5	307,455	42.2	260,472	42.4
Crackers and Chips	122,351	43.4	132,710	45.7	113,910	46.2
Seasoning Products	45,738	38.5	45,235	37.3	40,340	38.5
Bakery, Confectionery and Other Products	31,098	42.5	29,829	39.9	16,215	29.4
Total	541,919	42.3	515,229	42.4	430,937	42.2

Our revenue and profit margins depend on our product mix and product offerings. A number of our primary raw materials, such as sugar, flour and palm oil are commodities. Their prices are affected by commodity price fluctuations, supply and demand, logistics costs and government regulation and policies. Fluctuations in the prices of primary and other important raw materials may effectively offset each other or may have a noticeable impact on our cost of sales and gross profits. Depending on the product category, we have limited ability to pass all of the price increases to our distributors, direct key accounts and other customers.

Our gross profit decreased during the Track Record Period which was mainly due to a decrease in sales volume, which we believe resulted from negative consumer sentiment affecting our jelly products following the media reports regarding the use of toxic gelatin in food production by some of our competitors in the industry in 2012, and again in 2014 (the "**Toxic Gelatin Incident(s)**"), as well as weakened consumer spending in our target markets across all of our product segments in 2015, which typically comprise second and third tier cities as we implement a mass-market strategy. According to Euromonitor, in the PRC snacks market, especially jelly products market, the growth of snacks products with higher selling price has been one of the major factors contributing to the overall growth in the PRC snacks market despite the slowdown in economic growth in the PRC in 2015, since this consumer base is less price-sensitive and more willing to pay for non-necessities such as snacks even during slowdown in economic growth. On the other hand, demand for non-necessities such as snacks in second and lower tier cities were more vulnerable to the unfavorable economic changes. The completion of the Potato Chips OEM Arrangement in early 2015, the revenue of which was reorganized net of related cost, also resulted in a reduction in our 2015 gross profit and a fall in our gross profit margin in our bakery, confectionery and other products category. For further details, please refer to the section headed "*Financial Information – Key Factors Affecting Our Results of Operations*" in this listing document.

The following table sets forth our sales volume by product segment for the periods indicated:

	For the year ended 31 December		
	2013	**2014**	**2015**
	Tons	**Tons**	**Tons**
Jelly Products	107,474	97,280	81,400
Crackers and Chips	12,708	12,988	10,854
Seasoning Products	9,729	9,590	7,998
Bakery Products	225	358	730
Confectionery Products	1,423	1,528	1,072

The following table sets forth our average selling price per ton by product segment for the periods indicated:

	For the year ended 31 December		
	2013	**2014**	**2015**
	RMB ('000)/ton	**RMB ('000)/ton**	**RMB ('000)/ton**
Jelly Products	7.5	7.5	7.5
Crackers and Chips	22.2	22.4	22.7
Seasoning Products	12.2	12.7	13.1
Bakery Products	37.6	34.9	30.0
Confectionery Products	19.0	18.9	19.3

Our product average selling price were relatively stable during the Track Record Period. The average selling price of our bakery products decreased as a result of our increased promotional activities to boost sales volume at a lower average selling price.

Sales and Distribution

We have a nationwide sales and distribution network in the PRC. As at 31 December 2015, we contracted with 2,023 distributors, which sell our products to sub-distributors, retailers (including online retailers) and their key accounts, which primarily include supermarkets, community stores and convenience stores. Our sales and distribution network covers all provinces, municipal cities and autonomous regions in the PRC, which allows us to leverage on the strength of the distribution channels of our distributors to efficiently distribute our products and reach consumers in different regions of the PRC.

In addition, as at 31 December 2015, we have established relationships with nine direct key accounts which primarily included supermarkets. We also established relationships with online sales operators to market and sell our products online to cater for changing consumer consumption patterns in the PRC.

We also manufacture products under OEM arrangements. For the years ended 31 December 2013, 2014 and 2015, our sales to our OEM customers accounted for 2.0%, 2.1% and 0.6% of our total revenue, respectively. For further details, please refer to the section headed "*Business – Our Customers – OEM*" in this listing document.

The following table sets forth our revenue by sales channel for the periods indicated:

	For the year ended 31 December					
	2013		2014		2015	
	RMB ('000)	% of total revenue	RMB ('000)	% of total revenue	RMB ('000)	% of total revenue
Distributors *(Note 1)*	1,161,654	90.7	1,121,444	92.2	955,541	93.7
Direct Key Accounts *(Note 2)*	83,117	6.5	61,689	5.1	52,163	5.1
Others *(Note 3)*	35,583	2.8	33,002	2.7	12,347	1.2
Total	1,280,354	100.0	1,216,135	100.0	1,020,051	100.0

Notes:

1. Our distributors sell our products to sub-distributors, retailers and their key accounts.
2. Our direct key accounts primarily include supermarkets that we sell our products to directly.
3. These other customers primarily include OEM customers and customers of our online sales.

We take various measures to manage our distribution network, including designating geographical regions for each distributor to minimize the risk of cannibalization. We believe that our measures, together with the requirement for distributors to pay us on a payment-before-delivery basis and our "no return or exchange unless defective" policies for our distributors, help our sales reflect genuine market demand of our products and avoid the risk of inventory accumulation by our distributors. Nonetheless, due to the large number of our distributors and size of the market, there may be difficulty in monitoring all aspects of the actual manner of sales by our distributors and their sub-distributors, key accounts and retailers. If distributors fail to comply with our distribution agreements or to manage their sub-distributors, key accounts or other customers, it may give rise to risks of channel stuffing and cannibalization, which could adversely affect our business. For further details on our measures for managing our sales network, please refer to the sections headed "*Business – Sales and Distribution Network*" and "*Business – Our Customers*", and for details of the risks of channel-stuffing and cannibalization, please refer to the sections headed "*Risk Factors – We have limited control over the practice and manner of sales by our distributors, and the sub-distributors, key accounts and retailers of our distributors*" in this listing document.

Pricing Policy

We take into consideration a wide variety of factors in determining our pricing policy, including the demand for and supply of our products, anticipated market trends, cost of raw materials, production costs, historical sales data and prices of our competitors' products. To facilitate efficient management of our distributors, we have implemented a uniform pricing policy by charging distributors our ex-factory price and adopting a standardized distribution agreement for all our distributors.

Our Production Facilities

We produce a substantial majority of our products. As at 31 December 2015, we had eight production facilities strategically located across the PRC, namely Fujian, Hubei, Henan, Shaanxi, Shandong and Liaoning Provinces. As at 31 December 2015, our production facilities operated a total of 54 production lines for the production of our jelly products, crackers and chips, seasoning products and bakery products. All our production facilities are automated with standardized production processes, which allow us to manufacture our products efficiently and, together with our stringent quality control standards, to produce consistently high-quality food and snacks products. For our confectionery and cake products, we outsourced production to external subcontracting manufacturers during the Track Record Period. As at the Latest Practicable Date, we have ceased to outsource the production of cake products and manufacture such products in our own production facilities.

All our production facilities and production lines have been designed to comply with the national quality control standards of the PRC. We have also maintained ISO 9001, ISO 22000 and HACCP certifications for certain of our production facilities.

The following table sets forth our utilization rates at different production facilities during the Track Record Period:

Products	2013	2014	2015
Jelly Products	83% to 101%*(Note)*	62% to 91%	54% to 76%
Crackers and Chips	60% to 98%	46% to 87%	43% to 71%
Seasoning Products	97%	88%	76%
Bakery Products	6%	9%	8% to 12%

Note: Annual production capacity for our jelly products is calculated based on 260 effective production days a year, using 18 working hours per day. Utilization rate exceeded 100% due to production hours exceeding the assumptions set out above.

For the years ended 31 December 2014 and 2015, the decreases in the utilization rate for various production lines were due to our declined sales and weakened demand for food and snacks products in our target markets in the PRC, as further explained on page 3 and in the sections headed "*Financial Information – Key Factors Affecting Our Results of Operations – General Economic Conditions and Consumer Demand for Our Products in the PRC*" and "*Financial Information – Key Factors Affecting Our Results of Operations – Product and Service Mix*" in this listing document.

For further details on our production, please refer to the section headed "*Business – Production*" in this listing document.

Raw Material and Suppliers

We source our raw materials, consisting of the ingredients for our products as well as packaging materials, from various domestic suppliers. We also use various consumables in our production process. The ingredients for our products primarily include sugar, canned fruits, syrup, flour, colloid, seaweed, palm oil and corn starch. All raw materials provided by our suppliers are required to meet our quality standards and/or the applicable national standards in the PRC. The costs of our raw materials and consumables used recorded in our combined income statements during the years ended 31 December 2013, 2014 and 2015 amounted to approximately RMB583.7 million, RMB497.6 million and RMB435.3 million, respectively, accounting for 79.0%, 71.0% and 73.9% of our cost of sales for each respective period.

We select our suppliers based on price, product quality, safety and market reputation. We typically collaborate with reliable and reputable suppliers of our raw materials. We have had stable relationships with many of our suppliers of raw materials, and we generally have various sources of supply for each type of raw material to reduce the reliance on a single supplier and to make reference to prevailing market prices for the same raw material. During the Track Record Period, we have not encountered any delay in delivery of raw materials that would materially affect our production process. As at the Latest Practicable Date, we have not had any material disputes with our suppliers or any material impediments in extending our supply contracts.

For further information, please refer to the section headed "*Business – Raw Materials and Suppliers*" in this listing document.

OUR COMPETITIVE STRENGTHS

We believe that our success to date and our potential for future growth are attributable to a combination of the following competitive strengths:

- Solid foundation in China's food and snacks industry underpinned by over 25 years of heritage and strong nationwide brand recognition

- Extensive nationwide sales and distribution network with established relationships with distributors and direct key accounts
- Diversified product portfolio and research and development capabilities that enable us to cater to changing consumer preferences and reach a broad consumer base
- Strategically located production facilities and a standardized and automated production system that upholds stringent quality control and high standards of food safety
- Strong multi-channel marketing capability
- Experienced, stable and visionary management team to support our development

According to Euromonitor, in respect of jelly products and crackers and chips, the PRC markets are fragmented with a large number of players due to low market entry barriers. Competition in the food and snacks industry in the PRC has been, and is expected to remain, intense. We believe that our competitive strengths can differentiate us from our competitors and continue to drive our future success.

OUR COMPETITIVE STRATEGIES

Our principal objective is to enhance our position in the food and snacks market in the PRC and become one of the largest manufacturers of food and snacks products nationwide. We intend to achieve our objective by implementing the following strategies:

- Expand our product portfolio to meet changing consumer preferences and continue to enhance our brand recognition
- Continue to strengthen our distribution network in the PRC by enhancing existing relationships with distributors and increasing our sales to direct key accounts and online sales platforms
- Upgrade our production facilities and equipment to improve our production efficiency and capability
- Continue to uphold stringent food safety and quality control standards

SUMMARY COMBINED FINANCIAL INFORMATION

The below summary combined financial information for the three financial years ended 31 December 2015 should be read together with the combined financial information in "*Appendix I – Accountant's Report*" in this listing document, including the accompanying notes and the information set forth in "*Financial Information*" in this listing document. The combined financial information was prepared in accordance with the HKFRS.

Summary Combined Income Statements

	For the year ended 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Revenue	1,280,354	1,216,135	1,020,051
Cost of sales	(738,435)	(700,906)	(589,114)
Gross profit	541,919	515,229	430,937
Other income and other gains – net	1,456	15,905	8,934
Distribution costs	(336,705)	(335,695)	(294,300)
Administrative expenses	(97,874)	(77,445)	(69,411)
Operating profit	108,796	117,994	76,160
Finance income	4,008	8,536	11,859
Finance costs	(438)	(245)	(198)
Finance income – net	3,570	8,291	11,661
Profit before income tax	112,366	126,285	87,821
Income tax expense	(27,984)	(34,666)	(24,069)
Profit for the year, all attributable to shareholders of our Company	84,382	91,619	63,752

Summary Combined Statement of Financial Position Information

	As at 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Current assets	392,602	399,646	357,543
Current liabilities	354,711	256,614	125,974
Net current assets	37,891	143,032	231,569
Total assets	851,634	843,885	775,000
Total liabilities	359,174	260,225	129,766
Total equity	492,460	583,660	645,234

DIVIDEND POLICY

We did not declare any dividend during the Track Record Period. All amounts of dividends paid and dividends payable during the Track Record Period were in respect of dividend declared prior to the commencement of the Track Record Period on 1 January 2013. We may declare dividends in the future after taking into account our results of operations, earnings, our capital requirements and surplus, our general financial condition, contractual restrictions, and other factors as our Directors may deem relevant at such time. Whether we pay a dividend and the amount of such dividend will depend on our results of operations, cash flows, financial condition, cash dividends we receive from our subsidiaries, future business prospects, statutory and regulatory restrictions and other factors that our Directors deem relevant. As a Cayman Islands company, any dividend recommendation will be at the absolute discretion of our Directors. Our Board currently intends, subject to the above limitations, and in the absence of any circumstances which might reduce the amount of available distributable reserves, whether by losses or otherwise, to distribute to Shareholders approximately 20% of our future profits attributable to the equity holders of our Company.

MAJOR RISK FACTORS

There are certain risks involved in our operations and in connection with the Listing. Many of these risks are beyond our Group's control and can be categorized into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to the PRC; and (iv) risks relating to the Spin-off and our Shares. Amongst these risks, we believe the ones that could be comparatively material include:

- We may be adversely affected by any potential food safety and health issues with our raw materials and finished products or in the general food and snacks industry
- Our business is subject to changing consumer preferences, demand, income and spending patterns. Our efforts in developing, launching and promoting new products and enhancing our existing products may not be successful, and decline in consumer spending could affect our sales
- Our business relies significantly on the strength of our brands and reputation, as well as the trust and confidence of our consumers

The risks mentioned above are not the only significant risks that may affect our business and results of operations. As different investors may have different interpretations and standards for determining materiality of a risk, you are cautioned that you should carefully read the entire section headed "*Risk Factors*" in this listing document.

BACKGROUND INFORMATION OF OUR GROUP AND HENGAN GROUP

Hengan was incorporated in the Cayman Islands on 22 July 1998 and has been listed on the Main Board of the Stock Exchange since December 1998. As at the Latest Practicable Date, Hengan's principal business was the manufacturing, distribution and sale of personal hygiene products and food and snacks products in the PRC, Hong Kong and certain overseas markets.

Our Company was incorporated in the Cayman Islands on 14 January 2016 and has become the holding company of our Group on 14 April 2016. Our Group principally engages in the manufacturing, distribution and sale of food and snacks products in the PRC.

On 5 February 2016, Hengan submitted a proposal for the Spin-off to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules and has obtained confirmation from the Stock Exchange on 4 March 2016 that it may proceed with the proposal.

Immediately after the Reorganization but before the Distribution, Hengan will indirectly own 51% of our entire issued capital. Upon Listing, our Company will cease to be a subsidiary of Hengan and our Group will be spun off from the Hengan Group. Hengan Group will continue its principal business of manufacturing, distribution and sale of personal hygiene products, whereas our Group will focus on the food and snacks business.

Hengan's directors and our Directors consider that the Spin-off is in the interests of Hengan Group and our Group for, amongst others, the following reasons:

(a) our Group's food and snacks business is of a sufficient size to warrant the Spin-off;

(b) the Spin-off will separate Hengan's personal hygiene products business from our Group's food and snacks business and increase the operational and financial transparency of each line of business. Such segregation will enable investors and financiers to appraise, amongst others, the risks and returns of each of Hengan's remaining business and our Group's business separately and to make their investment decisions accordingly. Investors will have the opportunity to realise the value of their investment in our Group;

(c) the listing of the shares of our Company provides a direct and additional platform for our Group to secure funding to support our Group's expansion plan and growth;

(d) the share performance of our Company can serve as a separate benchmark for shareholders and the investing public to evaluate the performance of our Group which could in turn serve as an incentive for the management of our Group to seek improvement and raise management and operating efficiency of our Group on an ongoing basis;

(e) as a listed company, our Group would be able to offer an equity based incentive programme (such as a stock option, share option or share award scheme) to our employees that correlates directly to their performance. Our Group would therefore be in a better position to motivate our employees with incentive programmes that are closely aligned with the objective of creating value for our Group's shareholders; and

(f) the Spin-off will allow the management teams of both Hengan and our Group to focus more effectively on their respective core business and improve their abilities to recruit, motivate and retain key management personnel for each line of business as well as to expediently and effectively capitalise on any business opportunities that may arise.

THE DISTRIBUTION AND SPIN-OFF

On 17 June 2016, the board of directors of Hengan declared a conditional special interim dividend to the Qualifying Hengan Shareholders. The Distribution will be satisfied by way of a distribution in specie to the Qualifying Hengan Shareholders of the entire issued share capital of our Company held by Hengan (representing 51% of our issued share capital), on the basis of one Share for every five Hengan Shares held on the Record Date. The Distribution was approved by the shareholders of Hengan on 18 May 2016 as required under article 152 of the articles of association of Hengan.

The Spin-off will be implemented in compliance with the Listing Rules, including Practice Note 15 to the Listing Rules. As the Spin-off will be effected by way of introduction with no offering of new Shares or any other securities, there will be no dilution of the attributable interest of the Qualifying Shareholders.

The Spin-off is conditional upon the Listing Committee granting the listing of, and permission to deal in, the Shares in issue on the Main Board of the Stock Exchange and such approval not having been revoked prior to completion of the Spin-off.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted combined net tangible assets of the Group attributable to equity holders of the Company prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purpose only, and is set out here to illustrate the effect of the Listing on the combined net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2015 as if the Listing had taken place on that date.

Due to its hypothetical nature, the unaudited pro forma statement of adjusted combined net tangible assets of the Group attributable to equity holders of the Company may not give a true picture of the combined net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2015 or any future date following the Listing and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2015	Estimated expenses relating to the Listing	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to equity holders of the Company	Unaudited pro forma adjusted combined net tangible assets per Share	Unaudited pro forma adjusted combined net tangible assets per Share
	RMB ('000) *(Note 1)*	**RMB ('000)** *(Note 2)*	**RMB ('000)**	**RMB** *(Note 3)*	**HKD** *(Note 4)*
Based on 475,696,557 Shares in issue prior to the Listing (*Note 3*)	640,104	(21,442)	618,662	1.301	1.561

Notes:

1. The audited combined net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2015 is extracted from the financial information contained in the Accountant's Report set out in Appendix I to this listing document which is based on the audited combined net assets of the Group attributable to equity holders of the Company as at 31 December 2015 of RMB645,234,000 less intangible assets of RMB5,130,000.

2. The amount represents estimated expenses relating to the Listing expected to be incurred by the Group subsequent to 31 December 2015 which mainly include professional fees for the Sole Sponsor, the Company's legal advisers and the reporting accountant, and other listing expenses.

3. The unaudited pro forma adjusted combined net tangible assets attributable to shareholders of the Company per share is RMB1.301 (equivalent to approximately HKD1.561), which is based on that 475,696,557 shares were in issue immediately prior to the Listing taking into no account of the effect of exercise of outstanding options granted pursuant to the share option scheme of Hengan Group adopted on 26 May 2011 and convertible rights attached to outstanding convertible bonds held by certain holders subsequent to 31 December 2015.

4. For the purpose of this unaudited pro forma adjusted combined net tangible assets per share, the amounts stated in Renminbi are converted into Hong Kong dollars at a rate of RMB1.00 to HKD1.200. No representation is made that Renminbi has been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

5. No adjustment has been made to reflect any trading result, or other transaction of the Group entered into subsequent to 31 December 2015.

LISTING EXPENSES

We did not incur any listing expenses during the Track Record Period. We expect to incur approximately RMB21.4 million of listing expenses after the Track Record Period, which will be recognized as expenses in our combined income statements for the financial year ending 31 December 2016, a substantial portion of which would be recognized in our combined income statements for the six months ending 30 June 2016.

RECENT DEVELOPMENTS

Based on our unaudited management accounts, we recorded a moderate increase in the average monthly revenue and gross profit for the four months ended 30 April 2016 as compared to the average monthly revenue and gross profit for the year ended 31 December 2015, respectively. Nevertheless, we expect a moderate decline in our revenue and gross profit for the six months ending 30 June 2016 as compared to the six months ended 30 June 2015 as we did not, and do not intend to, engage in any sales and marketing campaign of a scale similar to an enhanced sales and marketing campaign we conducted in the first half of 2015 which had a short term positive effect on the revenue and gross profit for the period. As at 30 April 2016, we recorded an increase in our net current assets as compared to that at 31 December 2015. For further details, please refer to the section headed "*Financial Information – Net Current Assets*" in this listing document.

Our Group expects to recognize one-off expenses of approximately RMB21.4 million in connection with the Spin-off in our combined income statements for the financial year ending 31 December 2016, a substantial portion of which would be recognized in our combined income statements for the six months ending 30 June 2016. Our Group anticipates that these expenses will have a significant negative impact on our Group's results of operations and financial conditions in the six months ending 30 June 2016 and the financial year ending 31 December 2016.

Our Directors confirm that, save for the listing expenses for the Spin-off and the aforesaid effect of our sales and marketing campaign in the first half of 2015, as far as they are aware, there had been no material adverse change in our financial or trading position or prospects since 31 December 2015, being the date to which, our Company's latest audited combined financial statements where prepared as set forth in the section headed "*Appendix I – Accountant's Report*" in this listing document, up to the date of this listing document. As far as the Directors are aware, there was no material change in the general market conditions that had affected or would affect our Group's business operations or financial condition materially and adversely.

In this listing document, the following expressions and terms shall have the meanings set out below unless the context otherwise requires. Certain terms are explained in the section headed "Glossary of Technical Terms" in this listing document.

"Andong Factory"	our production facilities constructed on the Andong Land situated within the Jinjiang Industrial Zone, Fujian province with a total construction area of approximately 58,709 sq.m
"Andong Land"	a plot of land with a total site area of approximately 91,349 sq.m which we occupy as our Andong Factory
"Articles" or "Articles of Association"	the articles of association of the Company conditionally adopted on 17 June 2016 to become effective upon the Listing, and as amended from time to time, a summary of which is set out in Appendix III to this listing document
"Beneficial Hengan Shareholder"	a beneficial owner of Hengan Shares whose Hengan Shares are registered in the name of a Registered Hengan Shareholder
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Cayman Islands Companies Law" or "Companies Law"	the Companies Law Cap. 22, (Law 3 of 1961) of the Cayman Islands, as consolidated and revised from time to time
"CCASS"	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
"CCASS Clearing Participant(s)"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant(s)"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant

"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
"ChinaClear"	China Securities Depository and Clearing Corporation Limited
"Circular"	the circular to be issued by Hengan to its shareholders in relation to the Distribution
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Company" or "our Company"	Qinqin Foodstuffs Group (Cayman) Company Limited (親親食品集團(開曼)股份有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 14 January 2016 under the Cayman Islands Companies Law
"connected person"	has the meaning ascribed thereto under the Listing Rules
"Convertible Bonds"	the convertible bonds of Hengan issued on 27 June 2013 in the aggregate amount of HK$5,434 million which remained outstanding as at the Latest Practicable Date, of which an aggregate amount of HK$4,933 million are expected to be redeemed before the Record Date
"CSRC"	China Securities Regulatory Commission (中華人民共和國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
"Director(s)"	director(s) of the Company
"Distribution"	a conditional special interim dividend declared by Hengan to be satisfied by way of a distribution in specie of the entire issued share capital of the Company owned by Hengan (representing 51% of the entire issued share capital of the Company) to Qualifying Hengan Shareholder(s) (in the case of Non-Qualifying Hengan Shareholder(s), a cash amount equal to the net proceeds of the sale of the Shares to which such Non-Qualifying Hengan Shareholder(s) would otherwise have been entitled), subject to the satisfaction of the Spin-off Condition

"Easy Success"	Easy Success International Investment Limited (順成國際投資有限公司), a limited liability company incorporated on 4 March 2005 in the BVI and owned as to 57.3% by Mr. Wu Huolu, 12.8% by Ms. Cai Liqiong, 29.7% by Mr. Ng Hing Yam and 0.3% by Mr. Go On Sui as at the Latest Practicable Date
"EIT"	enterprise income tax
"Euromonitor"	Euromonitor International Limited, a global research organization established in 1972 that provides strategy research for consumer markets
"Ever Town"	Ever Town Investments Limited (永登投資有限公司), a company incorporated in the BVI on 7 February 2008 and a wholly-owned subsidiary of Hengan as at the Latest Practicable Date
"Excluded Jurisdiction(s)"	in respect of the Distribution, such territory or territories which our Board and the Hengan Board, based on such enquiries as may be made, consider it necessary or expedient to exclude from the distribution of Shares under the Distribution on account of the legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange. By reference to the information provided to the Hengan Board and the Board as at the Latest Practicable Date, the Excluded Jurisdiction would be Canada
"Framework Agreement"	the agreement dated 17 June 2016 entered into between Quanzhou QinQin and Fujian Shuncheng Flour Industry Development Co., Ltd* (福建順成麵業發展股份有限公司) in relation to the supply of flour to members of our Group
"Fujian QinQin"	QinQin Incorporated Co. Ltd (Fujian)* (福建親親股份有限公司), a sino-foreign equity joint venture company established under the laws of PRC on 18 December 1998 and an indirect wholly-owned subsidiary of our Company
"Fushun Nanfang"	Fushun Nanfang Food Industry Co., Ltd.* (撫順南方食品工業有限公司), a sino-foreign equity joint venture company established under the laws of PRC on 2 August 2001 and an indirect wholly-owned subsidiary of our Company

"Fushun QinQin"	Fushun QinQin Food Industry Development Co., Ltd* (撫順親親食品工業發展有限公司), a sino-foreign equity joint venture company established under the laws of PRC on 30 December 2002 and an indirect wholly-owned subsidiary of our Company
"GDP"	gross domestic product
"Gmor"	Gmor Capital Limited (聚茂資本有限公司), a limited liability company corporated in the BVI on 14 August 2014 and wholly owned by Mr. Wu Fumao as at the Latest Practicable Date
"Group", "our Group", "we" or "us"	our Company and our subsidiaries
"Hengan"	Hengan International Group Company Limited, a company incorporated in the Cayman Islands and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1044)
"Hengan Board"	the board of directors of Hengan
"Hengan Group"	Hengan and its subsidiaries (excluding the Group)
"Hengan PRC Stock Connect Investor(s)"	the PRC southbound trading investor(s) through Shanghai-Hong Kong Stock Connect who hold Hengan Shares through ChinaClear as nominee
"Hengan Share(s)"	ordinary share(s) which have a nominal value of HK$0.10 each in the capital of Hengan
"Hengan Shareholder(s)"	holder(s) of Hengan Shares
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Hui Family Trust"	the family trust of which Mr. Hui Lin Chit is settlor and beneficiary
"Independent Third Party"	an individual or a company who is not connected (within the meaning of the Listing Rules) with any directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates
"Jinjiang Southern Food"	Jinjiang Southern Food Company Limited* (晉江南方食品工業有限公司), a company incorporated under the laws of PRC in October 1991 and dissolved on 24 October 2001
"Latest Practicable Date"	14 June 2016, being the latest practicable date for the purpose of ascertaining certain information contained in this listing document prior to its publication
"Listing"	the listing by way of introduction of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing sub-committee of the board of the Stock Exchange
"Listing Date"	the date, expected to be on or about Friday, 8 July 2016, on which the Shares are listed on the Stock Exchange and from which date dealings in the Shares are permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Luohe Linying"	Luohe Linying QinQin Food Industry Co., Ltd.* (漯河臨潁親親食品工業有限公司), a sino-foreign equity joint venture company established under the laws of PRC on 30 July 2001 and an indirect wholly-owned subsidiary of our Company
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the memorandum of association of the Company conditionally adopted on 17 June 2016 to become effective upon the Listing, and as amended from time to time, a summary of which is set out in Appendix III to this listing document
"MOFCOM"	the PRC Ministry of Commerce (中華人民共和國商務部)

"M&A Rules"	the Rules on the Merger and Acquisition of Domestic Enterprises by Foreign Investors 《關於外國投資者併購境內企業的規定》which became effective in September 2006 and re-issued in June 2009
"Non-Qualifying Hengan Shareholder(s)"	those Overseas Hengan Shareholder(s) whose name(s) appear in the register of members of Hengan on the Record Date and whose address(es) as shown in such register are in any of the Excluded Jurisdictions and any Hengan Shareholder(s) or Beneficial Hengan Shareholder(s) at that time who are otherwise known by Hengan to be resident in any of the Excluded Jurisdictions
"NPC"	The National People's Congress of the PRC
"Overseas Hengan Shareholder(s)"	a Hengan Shareholder whose address, as shown on the register of members of Hengan as at the Record Date, is in any jurisdiction other than Hong Kong
"Potato Chips OEM Arrangement"	the OEM arrangement between our Group and a PRC subsidiary of a popular foreign food snacks company, an Independent Third Party, entered into on 5 October 2004, pursuant to which we manufactured potato chips under their brand
"PRC" or "China"	the People's Republic of China excluding, for the purpose of this listing document, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, unless otherwise specified
"PRC Legal Advisers"	Global Law Office
"QinQin Business"	QinQin Business Trade Co., Ltd.* (泉州親親商貿有限公司), a limited liability company established under the laws of PRC on 18 August 2009 and an indirect wholly-owned subsidiary of our Company
"QinQin BVI"	QinQin Foodstuffs Group Company Limited (親親食品集團有限公司), a limited liability company incorporated in the BVI on 19 May 2008 and a direct wholly-owned subsidiary of our Company
"QinQin BVI Transfer"	the proposed transfer of the entire interest in QinQin BVI to our Company

"QinQin Hong Kong"	Qinqin Foodstuffs Group (Hong Kong) Company Limited (親親食品集團(香港)股份有限公司), a limited liability company incorporated in Hong Kong on 2 May 2008 and an indirect wholly-owned subsidiary of our Company
"Qualifying Hengan Shareholder(s)"	Hengan Shareholder(s) whose name(s) appear(s) on the register of members of Hengan on the Record Date
"Quanzhou QinQin"	Quanzhou QinQin Foodstuff Co., Ltd.* (泉州親親食品有限公司), a wholly foreign-owned enterprise established under the laws of PRC on 24 February 2004 and an indirect wholly-owned subsidiary of our Company
"Quanzhou Southern Food"	Southern Food Company Limited* (南洋食品(泉州)有限公司), a company incorporated under the laws of PRC in September 1993 and dissolved on 24 October 2001
"Record Date"	Tuesday, 5 July 2016, being the record date for ascertaining entitlements to the Distribution
"Registered Hengan Shareholder(s)"	in respect of a Beneficial Hengan Shareholder, any nominee, trustee, depositary or any other authorized custodian or third-party whose name is entered in the register of members of Hengan as the holder of Hengan Shares in which the Beneficial Hengan Shareholder is beneficially interested
"Reorganization"	the corporate reorganization of our Group in preparation for the Listing as set out in the section headed "*History, Reorganization and Corporate Structure*" in this listing document, pursuant to which we became the holding company of various subsidiaries
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAFE Circular No. 37"	the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》(匯發[2014] 37 號), effective on 4 July 2014

"SAFE Circular No. 75"	the Notice of SAFE on Issues relating to Foreign Exchange Control on Fund Raising by Domestic Residents through Offshore Special Purpose Vehicles and Round-trip Investments 《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》(匯發[2005] 75 號), effective on 21 October 2005
"SAT"	State Administration of Taxation of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	share(s) of HK$0.01 each in the share capital of the Company
"Share Registrar"	Tricor Investor Services Limited
"Shareholder(s)"	holder(s) of our Share(s)
"Sole Sponsor"	Merrill Lynch Far East Limited, which is licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) of the regulated activities as defined under the SFO
"Spin-off"	the spin-off of the Company by way of the Listing to be effected by the Distribution
"Spin-off Condition"	the condition to Listing, namely the Listing Committee granting the listing of, and permission to deal in, the Shares in issue on the Main Board of the Stock Exchange and such approval not having been revoked prior to completion of the Spin-off
"sq.m"	square meters
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Sze's Family Trust"	the family trust of which Mr. Sze Man Bok is settlor and beneficiary
"Taian QinQin"	Taian QinQin Food Co., Ltd.* (泰安親親食品有限公司), a sino-foreign equity joint venture company established under the laws of PRC on 2 January 2001 and an indirect wholly-owned subsidiary of our Company

"Total Good"	Total Good Group Limited (全好集團有限公司), a company incorporated in the BVI on 23 May 2008 and is ultimately owned as to 36.6% by Mr. Wu Huolu, 12.7% by Mr. Hui Ching Lau, 23.5% by Mr. Wu Fumao, 8.2% by Ms. Cai Liqiong, 18.9% by Mr. Ng Hing Yam and 0.2% by Mr. Go On Sui as at the Latest Practicable Date
"Track Record Period"	the period comprising the three financial years ended 31 December 2015
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "USD"	United States dollars, the lawful currency of the United States
"Wudai Flour Factory"	Fujian Jinjiang Anhai Wudai Flour Factory* (福建省晉江市安海梧埭麵粉廠), a collectively owned enterprise established under the laws of PRC in May 1990 and dissolved on 28 December 2002
"Xiantao QinQin"	Xiantao QinQin Food Industry Co., Ltd.* (仙桃親親食品工業有限公司), a sino-foreign equity joint venture company established under the laws of PRC on 10 August 2001 and an indirect wholly-owned subsidiary of our Company
"Xianyang QinQin"	Xianyang QinQin Foods Stuff Co., Ltd.* (咸陽親親食品有限公司), a wholly foreign-owned enterprise established under the laws of PRC on 16 August 2004 and an indirect wholly-owned subsidiary of our Company

In this listing document:

- Certain amounts set out in this listing document have been rounded. Accordingly, figures shown as totals of certain amounts may not be an arithmetic sum of such amounts.

- Unless otherwise specified, amounts denominated in RMB have been translated into HK$ at the rate of HK$1.20 = RMB1.00 and amounts in US$ have been translated into HK$ at the rate of US$1.00 = HK$7.80. Such conversions shall not be construed as representations that amounts in RMB or US$ were or may have been converted into HK$ and vice versa at such rates or any other exchanges rates.

- For ease of reference, certain terms relating to laws or regulations in the PRC have been included in this listing document in both the Chinese and English languages and in the event of any inconsistency between the Chinese terms mentioned in this listing document and their English translation, the Chinese terms shall prevail.

* *For reference purposes only*

This glossary contains definitions of certain terms used in this listing document in connection with our Group and our business. Some of these definitions may not correspond to standard industry definitions.

"HACCP"	Hazard Analysis and Critical Control Points, a systematic preventative approach to food safety that addresses physical, chemical and biological hazards as a means of prevention rather than finished product inspection
"ISO"	International Organization for Standardization
"ISO 9001"	a set of standards and guidelines relating to quality management systems and maintained by ISO, representing an international consensus on good quality management practices
"ISO 22000"	a standard developed by ISO dealing with food safety, specifying the requirements for food safety management systems
"OEM"	acronym for original equipment manufacturing, a business that manufactures goods or equipment for branding and resale by others

This listing document contains forward-looking statements that state our Company's belief, expectations, or intentions for the future. These forward-looking statements reflect the current view of our Company with respect to future events and are, by their nature, subject to significant risks, assumptions and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- potential food safety and health issues with our raw materials or products or in the general food and snacks industry;
- changing consumer preferences, demand, income and spending patterns;
- the strength of our brands and reputation, as well as the trust and confidence of our consumers;
- fluctuation in raw material prices;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

The words "aim", "anticipate", "believe", "consider", "could", "estimate", "expect", "forecast", "going forward", "intend", "may", "might", "ought to", "plan", "potential", "project", "propose", "seek", "shall", "should", "will", "would" and similar expressions, as they relate to our Group or our management, are intended to identify a number of these forward-looking statements. These forward-looking statements reflecting the views of our management with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this listing document. One or more of these risks or uncertainties may materialise, or underlying assumptions may prove incorrect.

Subject to the requirements of the Listing Rules and applicable laws, our Group does not have any obligation nor does our Group intend to publicly update or otherwise revise the forward-looking statements in this listing document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this listing document might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking statements. All forward-looking statements in this listing document are qualified by reference to this cautionary statement.

In this listing document, statements of or references to the intentions of our Company or any of our Directors are made as at the date of this listing document. Any such intentions may potentially change in light of future developments.

You should consider carefully all the information set out in this listing document and, in particular, the risks and uncertainties described below before making an investment in the Shares. The occurrence of any of the following events could harm our Group and our Group's business or financial condition, or results of our operations could be materially and adversely affected by any of these risks. If any of these events occur, the trading price of the Shares could decline and you may lose all or part of your investment.

There are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorised these risks and uncertainties into: (i) risks relating to our business; (ii) risk relating to our industry; (iii) risks relating to the PRC; and (iv) risks relating to the Spin-off and our Shares.

RISKS RELATING TO OUR BUSINESS

We may be adversely affected by any potential food safety and health issues with our raw materials and finished products or in the general food and snacks industry

If our raw materials or finished products are alleged or found to be spoiled, contaminated, tampered with, incorrectly labeled, unsafe or otherwise associated with food safety incidents, we could be subject to product liability claims, adverse publicity and regulatory investigation, intervention or penalties, product returns, any of which may result in increased costs as well as damage to our brands and reputation. Food safety and health issues may arise with respect to our products as a result of numerous factors, many of which may be outside our control, including as a result of actions by our suppliers, our subcontracting manufacturers, our distributors, their sub-distributors and key accounts. There can be no assurance that food safety and health issues relating to our raw materials or finished products will not occur during transportation, production, distribution or sales processes.

The food and snacks industry in China has in the past experienced problems related to contamination and food safety issues due to adulterated supplies of raw materials including packaging materials, as well as inadequate enforcement of food safety regulations and inspection procedures. For example, there were media reports regarding the use of toxic gelatin in food production by some of our competitors in the industry in 2012, and again in 2014. We believe negative consumer sentiment for jelly products following the Toxic Gelatin Incident in 2014 contributed to a decrease in our revenue and net profit for the years ended 31 December 2014 and 2015, even though our products did not contain such toxic gelatin and were not subject to other negative quality issues. Revenue attributable to our jelly products decreased by 15.8% from RMB729.3 million for the year ended 31 December 2014 to RMB613.8 million for the year ended 31 December 2015. Revenue attributable to our jelly products deceased by 9.6% from RMB806.7 million for the year ended 31 December 2013 to RMB729.3 million for the year ended 31 December 2014. Food safety and health-related incidents affecting food products may cause negative consumer sentiment which, depending on severity, can lead to a substantial drop in consumer demand for the affected product category even if our products are not contaminated.

Consequently, food safety and health issues involving our products or the market segment in which we operate may materially and adversely affect our business, financial condition and results of operations.

Our business is subject to changing consumer preferences, demand, income and spending patterns. Our efforts in developing, launching and promoting new products and enhancing our existing products may not be successful, and decline in consumer spending could affect our sales

We gauge consumer preferences and industry trends primarily by conducting market research, meeting with distributors to gauge product popularity and discuss market trends, and obtaining first-hand market information through collaboration with direct key accounts and communicating with consumers directly through our product tasting activities and social media accounts under text messaging applications and micro-blogging websites. Our business depends substantially on our ability to identify market trends and continuously adapt our brand perception and product portfolio to changes in consumer preferences and tastes, consumer income and consumer spending patterns. Our future success will depend on our ability to anticipate, identify or adapt to such changes. In addition, the food and snacks industry is highly competitive and consumers tend to shift their preferences whenever new products of different brands are introduced through various marketing and pricing strategies. Our future growth largely depends on our ability to continue to introduce new products and adapt our existing products. We cannot assure you that we will be able to adapt our brand image and product portfolio to changes in food and snacks trends in a timely manner or at all. We also cannot predict nor guarantee the success and profitability of our new products which we may seek to introduce. As part of our business strategies, we plan to continue our efforts on attracting more young customers with product attributes and marketing campaigns that appeal to young audiences. We also plan to continue to capitalize on the trend of growing health consciousness amongst end-customers with sugar-free and calcium-fortified product options. There is no assurance that we would succeed in identifying and adapting to the preferences of young customers or preferences for healthy diets, in competing with other snacks products manufacturers that target the same consumer groups or in reaching out to consumers who perceive snacks products as unhealthy food. In addition, we may not be able to react in a timely and cost-effective manner by adjusting the production schedule of products that are experiencing declining consumption. We suffered a decrease in revenue during the Track Record Period. In particular, our revenue attributable to our jelly products decreased by 15.8% from RMB729.3 million for the year ended 31 December 2014 to RMB613.8 million for the year ended 31 December 2015, and revenue attributable to our crackers and chips decreased by 15.2% from RMB290.6 million for the year ended 31 December 2014 to RMB246.3 million for the year ended 31 December 2015. We believe that the drop in revenue during the Track Record Period was attributable to a reduction in sales volume as a result of weakened consumer spending on non-necessities in our target markets typically comprising second and third tier cities as we implement a mass-market strategy. There is no assurance that we can successfully adopt business strategies to weather the impact of any drop in consumer spending or demand in the event of continuous economic downturn.

All the above factors may materially and adversely affect our business, results of operations and financial condition.

Our business relies significantly on the strength of our brands and reputation, as well as the trust and confidence of our consumers

We rely significantly on the strength of our brands and reputation in order to generate consumer demand for our products. Moreover, we rely significantly on a more limited number of brands than certain of our competitors which may make us more susceptible to any factors adversely affecting any one of our brands or reputation. In particular, products sold under our "Qinqin (親親)" brand accounted for a very substantial majority of our revenue during the Track Record Period. Our brands and reputation can be damaged by product defects, food safety and health issues (including product recalls), counterfeit products, ineffective customer service, product liability claims, consumer complaints, allegations or rumours, or negative publicity or results which may erode our reputation and consumer acceptance of our brands. For example, as is customary in the industry, we and our products have occasionally been the subject of news reports and allegations related to product quality and safety. Although we have not been materially impacted by such news reports or allegations, similar incidents in the future could materially and adversely affect consumer trust and confidence in our products. Additionally, our brand and reputation may be damaged by other actions of third parties over whom we have no or limited control, including our suppliers, our subcontracting manufacturers, our distributors, their sub-distributors, key accounts, as well as other industry participants entirely unrelated to us. In particular, we license certain of our brands, including our "Qinqin (親親)" brand, to a third party ("**Licensee**") on a limited basis. We entered into a licensing agreement with the Licensee in January 2007, pursuant to which, in consideration for a licensing fee, we agreed to license six of our trademarks to the Licensee for the production of cracker and chips (which the Licensee is only allowed to sell to distributors in South-western China) for a term commencing on 1 January 2007 and ending on 31 December 2017. We were of the view that our cooperation with the Licensee was commercially viable at the time of entering of the licensing agreement, considering that (i) as South-western China was not a key market of our Group given the comparatively low level of our sales in such region, the licensing arrangement can on one hand save our capital expenditure in setting up the manufacturing facilities, the production cost and also the market development cost on the other hand provide a way to generate a new source of revenue and sound return on investment; and (ii) the licensing agreement contains terms that sufficiently protect our interests, including the full indemnity provided by the Licensee in respect of any loss suffered by us in respect of claims resulting from product quality issues and any economic loss suffered by us in respect of any actual damage to the trademarks, and inspection rights over the manufacturing activities of the Licensee and the right to monitor the manner that the licensed trademarks were used. As part of the commercial arrangement, considering that at the time the licensing agreement was entered into, the Licensee was only a start-up business, the licensing fee under the licensing agreement was agreed to be 10% of the net profit of the Licensee for the relevant year (only when the Licensee can generate profit through the sales of the products). As the Licensee recorded no net profit during the Track Record Period, we received no licensing fee from the Licensee during such period. As such, in January 2016, we reached a commercial arrangement with the Licensee and entered into a supplemental agreement to the licensing agreement pursuant to which the licensing fee was adjusted to 10% of the revenue of the Licensee for each of 2016 and 2017. Although these licensing arrangements are not material to our business, they do expose us to the risk that our brands may be adversely affected by the actions of our licensees or the perception of their products. Additionally, our brands may be adversely affected by food safety and health issue not directly relating to our products. In the event that our brands or reputation are damaged or our consumers lose their trust and confidence in us, we may suffer a loss of revenue or market share, which could materially and adversely affect our business, financial condition and results of operations.

We face intense competition from our competitors in the food and snacks industry in the PRC

Competition in the food and snacks industry in the PRC is intense. There are a large number of domestic and international food and snacks manufacturers that sell their products in the PRC. We generally face competition based upon factors including brand recognition and reputation, flavor, quality, pricing, new product introductions and intensive advertising and other promotional campaigns. Some of our competitors may have substantially greater financial resources, product development capabilities or better brand recognition than we have. They may leverage on their financial strength to improve their production and marketing capabilities, diversify their product portfolio, locate their production facilities in strategic locations and recruit experienced management personnel. We cannot assure you that we will be able to react to and match the business development of our competitors in a timely manner or at all. We also cannot assure you that our competitors will not actively engage in activities designed to undermine our brands and product quality or to influence consumer confidence in our products. In addition, new competitors may seek to enter or expand into our industry. If we are unable to compete effectively with our competitors or if we fail to remain competitive, it could materially and adversely affect our business, financial condition and results of operations.

We operate in a highly competitive industry which may be subject to volatile market changes and other uncertainties beyond our control

Investors should note that our business has been, and may continue to be, affected by a combination of factors, including inherent features of the snacks products industry which are beyond our control. For example, consumer preferences and tastes are constantly changing and our success depends largely on our ability to adapt to these changes. Our business is also affected by the overall growth trend of the PRC economy and consumer spending in our target mass markets which typically comprise second and third tier cities, market competition as well as our positioning with respect to branding and pricing of our products, as further set out in the section headed "*Financial Information – Key Factors Affecting Our Results of Operations*" in this listing document. Whilst our Directors believe that consumer demand for snacks products in our target market is stabilizing from the impact of the slowdown in economic growth in the PRC, we operate in a highly competitive industry which may be subject to volatile market changes and other uncertainties beyond our control. Demand for some of our products throughout the year may also be influenced by holidays such as Chinese New Year and changes in seasons. Hence, our average monthly revenue and gross profit for the four months ended 30 April 2016 may not be representative of our results going forward and there is no assurance that we will be able to maintain similar levels of performance.

We are subject to price fluctuation in raw materials prices and could face shortage in supply of our raw materials

Our ability to profitably produce sufficient volumes of our products to meet consumer demand depends on a sufficient supply of our major raw materials at commercially reasonable prices. Our raw materials consist of the ingredients for our products as well as packaging materials. We also use various consumables for our production process. Cost of the ingredients for our products accounted for a majority of the cost of raw materials and consumables during the Track Record Period. Cost of raw materials and consumables used recorded in our combined income statements accounted for 79.0%, 71.0% and 73.9% of our total cost of sales for the years ended 31 December 2013, 2014 and

2015, respectively. Save for the Framework Agreement entered into after the Track Record Period, details of which are set out in the section headed "*Continuing Connected Transactions – B. Non-exempt Continuing Connected Transaction*" in this listing document, we do not have long-term contractual arrangements with our suppliers. If all or a significant number of our suppliers for any particular raw material and/or packaging material are unable or unwilling to meet our requirements, we could suffer shortages or significant cost increases. Changing raw material and/or packaging material suppliers in a significant scale may require long lead time.

In addition, the raw materials we use are subject to price volatility caused by external conditions, such as commodity price fluctuations, supply and demand, logistics costs and government regulation and policies. We have not hedged against changes in commodity prices, and we do not intend to enter into such hedges in the future. We expect that our raw material prices will continue to fluctuate and be affected by inflation in the future. As such, an increase in the price of our raw materials and packaging materials, inability to pass on or delay in passing on any increase in the costs of raw materials and packaging materials to our consumers or inability to identify and source from alternative suppliers may have a significant impact on our profit margins and our profitability. If we are unable to obtain raw materials in quantities and of the quality we require at commercially reasonable prices, our production volume, product quality or profitability may deteriorate, which in turn may have a material adverse effect on our business, financial condition and results of operations.

We rely on our third party distributors to sell and distribute our products

We rely on third-party distributors to sell and distribute our products. For the years ended 31 December 2013, 2014 and 2015, sales to our distributors accounted for approximately 90.7%, 92.2% and 93.7% of our total sales, respectively. As we mainly sell and distribute our products through our distributors, we depend on the performance of our distributors in order to continuously meet consumer demand for our products and to maintain and increase our sales volumes. However, the effectiveness of our distributors in selling our products may be affected by a number of factors, many of which are out of our control, including:

- our distributors maintaining relationships with sub-distributors, their key accounts and other retailers;
- our distributors' success in promoting our products;
- our distributors' own financial performance;
- our distributors' willingness to maintain relationships with us; and
- our ability to maintain and grow our distribution network.

In the event our distributors fail to effectively sell our products, it could result in a significant decrease in our sales volume, which may materially and adversely affect our business, financial condition and results of operations.

We do not enter into long-term arrangements with our distributors and we may fail to maintain these relationships or develop new ones

We generally enter into distribution agreements with our distributors for a one-year term. These agreements include a range of terms including the designated distribution area, minimum purchase requirement per order, sales target, incentives scheme and pricing policies. For efficiency and consistency in our management of distributors, we adopt a standardized distribution agreement. We may not be able to enter into new or renewal agreements with our distributors as they may choose to enter into arrangements with our competitors who may offer them access to a stronger product portfolio or more favourable economic terms, including lower minimum purchase levels, more attractive incentives and credit periods. The loss of our distributors could adversely affect our sales volume. There is no assurance that our current or future contracts with our distributors can be renewed or negotiated on terms and prices equivalent to or better than current terms and prices. Any disruption in our relationships with our distributors could affect our ability to maintain and grow our sales volume, which could materially and adversely affect our business, results of operations and financial position. In addition, there can be no assurance that we will be able to develop new relationships with additional distributors in order to expand our distribution network in the manner contemplated by our strategy.

We have limited control over the practice and manner of sales by our distributors, and the sub-distributors, key accounts and retailers of our distributors

We mainly sell our products through our distributors. Despite having in place our monitoring and management system, due to the large number of our distributors and size of the market, it is difficult to monitor all aspects of our distributors' practices thoroughly and substantively, in particular the risks of channel-stuffing and cannibalization. Our distribution agreements generally allow us to terminate the agreement and demand damages in the event of a specific or material breach by a distributor. Even though we have direct contractual relationships with our distributors, we cannot assure you that our distributors will at all times strictly adhere to the terms and conditions of the distribution agreements. For example, our distributor may sell beyond their designated distribution areas or deviate from our recommended prices. In the event our distributors breach the distribution agreements, there is no assurance that we will be able to obtain an adequate amount of compensation in a timely manner.

As we do not have any contractual relationships with nor control over the sub-distributors, key accounts or the other customers of our distributors, we rely on our distributors to manage their sub-distributors and their relationships with their key accounts and other customers. However, we have no recourse against our distributors for non-compliance or improper business practice of their sub-distributors, key accounts or other customers. Moreover, our distributors may fail to enforce the terms of our distribution agreements in their sub-distributors, key accounts and other customers. For example, we require our distributors to provide us with sales and performance data, including their sales volumes and inventory levels and we designate geographical coverage to minimize the risk of cannibalization. Breach of such terms by our distributors due to failure on their part to manage their sub-distributors, key accounts or other customers would defeat our intended business purposes. In addition, if our distributors, their sub-distributors, key accounts or other customers engage in improper business practices, it would damage our brands and reputation and cause negative impact on consumer perception of our products. All these factors may adversely affect our business, financial condition and results of operations.

We depend on our direct key accounts to sell our products and we may fail to maintain these relationships or develop new ones

We also sell our products to our direct key accounts which primarily comprise supermarkets, which accounted for approximately 6.5%, 5.1% and 5.1% of our total revenue for the years ended 31 December 2013, 2014 and 2015, respectively. We aim to increase our collaborations with direct key accounts. We typically enter into annual sales agreements with our direct key accounts. We offer our direct key accounts credit terms of 30 to 90 days from the date of issuance of invoice. In addition, we pay them for promoting our products in-store and offer discounts for large purchases made by them. Notwithstanding these incentives, our direct key accounts may favor our competitors by, for example, offering our competitors better shelf-space or launching promotional campaigns specifically for our competitors. There is no assurance that we will be able to establish new relationships with additional direct key accounts or maintain or increase collaborations with existing direct key accounts, or that our incentives provided to our direct key accounts will be effective in generating more sales for us. We are also exposed to the risk that direct key accounts may seek to impose more onerous terms on us when we enter into new or renewed sales agreements with them, such as higher promotional and marketing fees and longer credit periods. Credit arrangement with our direct key accounts adds pressure on our working capital and exposes us to the risks of default and bad debts. In addition, our direct key accounts are in general permitted to return to us expired or unsold products. If our direct key accounts fail to sell our products and return the unsold products to us, it could adversely affect our business, financial condition and results of operations. If we increase our collaborations with direct key accounts, the above risks will increase accordingly.

Failure to manage our distributorship and direct key accounts sales channel may give rise to potential cannibalization in the future and adversely affect our business

For the years ended 31 December 2013, 2014, 2015, our sales to direct key accounts constituted 6.5%, 5.1% and 5.1% of our revenue, respectively. Our revenue attributable to sales to direct key accounts had been relatively low, as compared to our revenue attributable to sales to distributors. Our Directors consider that our sales to direct key accounts did not give rise to any material risk of cannibalization in the past and currently expect that we will likely maintain a similar spread of sales between the two channels. Our distributorship channel and direct key accounts channel complement each other as the latter enables us to broaden our sales network by giving us access to supermarkets that prefer to purchase directly from manufacturers. In addition, in order to minimize direct competition between our distributorship channel and direct key accounts channel, it is our policy not to select the key accounts of our distributors as our direct key accounts for the same product. However, any change in the preference of direct key accounts to buy directly from manufacturers or from distributors, or any significant growth in our sales to direct key accounts in the future, may give rise to competition between our sales to distributors and direct key accounts. If we fail to balance our marketing efforts or otherwise fail to effectively manage the integration of our multiple sales channels, the competition among these channels may adversely affect our business, financial condition and results of operations.

Failure to integrate and manage our offline and online sales channels may result in potential cannibalization in the future and adversely affect our business

We sell our products through offline sales channels primarily comprising distributors and direct key accounts, as well as through online sales channels. In 2015, approximately 98.8% of our revenue was attributable to sales to distributors and direct key accounts. Our revenue generated by online sales channels had been relatively insignificant due to its developing stage and thus did not give rise to any material risk of cannibalization between offline and online sale channels in the past. However, as online and social media platforms continue to grow popular, any significant growth in our sales through online sales channels in the future may give rise to competition between offline and online sale channels. If we fail to balance the marketing efforts or optimize product mix and pricing strategies among our online and offline sales channels, or otherwise fail to effectively manage the integration of these channels, the competition among these channels may adversely affect our business, financial condition and results of operations.

Our customers may delay and/or default in their payments to us

Our trade receivables are largely related to our sales to direct key account customers, which accounted for approximately 6.5%, 5.1% and 5.1% of our revenue for the three years ended 31 December 2013, 2014 and 2015. We typically enter into annual sales agreements with our direct key accounts with credit terms of 30 to 90 days beginning from the date of issuance of invoice. We are therefore exposed to the risks of payment delay and/or default by our direct key account customers. As at 30 April 2016, we had collected 61.1% of the outstanding amount of our trade receivables as at 31 December 2015. Of the remaining 38.9% of the outstanding amount of our trade receivables as at 31 December 2015, being RMB8.8 million, RMB4.5 million was due from a direct key account with whom we entered into termination agreements in March 2016 and agreed that the outstanding sum would be paid within three months therefrom. We are currently actively taking steps to recover the remaining outstanding sums. Our Directors do not foresee there will be material difficulties in recovering the outstanding sums as the debtors do not have a poor credit history.

There is no assurance that our customers meet their payment obligations on time or in full, or that our trade receivables turnover days will not increase. The insolvency of our customers or otherwise inability to pay us on time may adversely affect our business, financial condition and results of operations.

Our business may be adversely affected by poor handling and delays in delivery by our third party logistics service providers

We rely on third party logistics providers to provide transportation services for the distribution of our products to our customers. Delivery disruptions may occur for various reasons many of which are beyond our control, including natural disasters, extreme weather, labor strikes and traffic conditions. In addition, poor handling by the logistics services providers could also cause damage to our products. If our products are not delivered to our customers on time, or are delivered damaged, even though the third party logistics providers are responsible for the risks associated with delivery according to our agreements with them, we may have to pay compensation to our distributors, retailers, key accounts and online sales providers. Poor handling and delays in delivery may adversely affect our reputation and cause losses to distributors, retailers, key accounts and online sales providers, which in turn may materially and adversely affect our business, financial condition and results of operations.

If subcontracting manufacturers do not produce products meeting our specifications or quality standards in sufficient volumes at commercially acceptable prices, our sales volumes and margins for the relevant products could be adversely affected

We currently subcontract all of the production of our confectionery products, and may in the future subcontract a greater portion of our production of products to meet increased demand for our existing products or our newly introduced products. We have less control over our subcontractor's production process than our own, and the risks of such products not being produced in the necessary volumes or at the appropriate quality levels are higher than if we manufacture in-house. Subcontracting manufacturers may fail to maintain the necessary licenses, permits and certificates to carry out production of our products, breach their obligations to produce our products on a timely basis, otherwise cease to conduct subcontracting business or fail to abide by our quality control requirements. Quality issues related to products produced by our subcontracting manufacturers for third parties may also be imputed to the products they manufacture for us and adversely affect our reputation.

We generally contract with our subcontracting manufacturers on an annual basis and expect to continue to do so with any subcontracting manufacturers we appoint in the future. Consequently, we are exposed to the risks of increased pricing for our subcontracted production and that we may be unable to appoint or re-appoint subcontracting manufacturers at commercial acceptable prices each year. If the subcontracting manufacturers we appoint do not produce products meeting our specifications in sufficient volumes at commercially acceptable prices, or we are unable to appoint subcontracting manufacturers to do so, we may have insufficient quantities of our products to meet demand for the relevant products and our sales volumes and margins for the relevant products could be adversely affected.

Our profit for the year ended 31 December 2015 decreased by RMB27.9 million or 30.4% as compared to the year ended 31 December 2014. We expect a moderate decline in revenue and gross profit in the first six months ending 30 June 2016 as compared to the first six months ended 30 June 2015 due to an enhanced sales and marketing campaign conducted in the first half of 2015. We also expect to recognize one-off expenses of approximately RMB21.4 million in connection with the Spin-off for the financial year ending 31 December 2016, a substantial portion of which would be recognized for the six months ending 30 June 2016. We anticipate that our Group's financial results would be significantly reduced for the six months ending 30 June 2016 and the year ending 31 December 2016

Our profit for the year ended 31 December 2015 decreased by RMB27.9 million or 30.4% as compared to the year ended 31 December 2014. Please refer to the section headed "*Financial Information – Period to Period Comparison of Results of Operations – The Year Ended 31 December 2015 Compared to the Year Ended 31 December 2014*" in this listing document for further details of the reasons for our revenue and profit decline for the year ended 31 December 2015. In addition, we expect a moderate decline in our revenue and gross profit for the six months ending 30 June 2016 as compared to the six months ended 30 June 2015, as we did not, and do not intend to, engage in sales and marketing campaign of a scale similar to an enhanced sales and marketing campaign we conducted in the first half of 2015 which had a short term positive effect on the revenue and gross profit for the period. Our revenue, expenses and financial results may vary from period to period in response to a variety of factors beyond our control and, accordingly, our results of operations and financial performance may not meet the expectations of market analysts or investors, which could cause the future price of our Company's Shares to decline.

Our Group expects to recognize substantial one-off expenses of approximately RMB21.4 million in connection with the Spin-off in our combined income statements for the financial year ending 31 December 2016, a substantial portion of which would be recognized in our combined income statements for the six months ending 30 June 2016. We anticipate that these expenses will have a significant negative impact on our Group's results of operations and financial conditions in the six months ending 30 June 2016 and the financial year ending 31 December 2016.

Our ability to compete may be hampered if our intellectual property rights are infringed by third-parties or, on the other hand, if we are alleged or found to have infringed the intellectual property rights of others

We have developed trademarks, patents, copyrights, industrial know-how, product formula, production processes, technologies and other intellectual property rights that we believe are of significant value to us. As at the Latest Practicable Date, we had 133 registered trademarks in the PRC and we were granted 31 patents in the PRC; we had 21 trademark applications pending and six patent applications pending in the PRC. However, there can be no assurance that our intellectual property rights will be adequate to protect our proprietary interests.

Counterfeiting and imitation of popular consumer and branded products occur in China. Most of our products are marketed under our core brands "Qinqin (親親)" and "Shangerry (香格里)" which are critical to our success. "Qinqin (親親)" is a well-recognized brand for jelly products, crackers and chips, and "Shangerry (香格里)" for our seasoning products in the PRC. We believe the popularity of our brand names may make them a target of counterfeiting or imitation by third parties. It may be possible for third parties to obtain and use our intellectual properties without authorization or for third parties to copy or imitate our intellectual properties hence causing confusion and mislead end-customers to believe the counterfeit products, which are usually of poor quality, are our products. This may adversely affect our sales, damage our reputation, or increase our administrative costs in respect of detection, investigation and prosecution. We cannot assure you that our intellectual properties will not be counterfeited or misappropriated by third parties and, if such counterfeiting or misappropriations do occur, whether we will be able to detect and deal with them effectively.

On the other hand, we cannot be certain that our intellectual property rights will not be challenged by third parties, whether with or without merit. Certain unrelated third parties may own intellectual property rights which may be considered to be similar to ours. In particular, similar trademarks and slogans registered or used by unrelated third parties may cause confusion in the market regarding our brand names and slogans. We are aware that trademarks that may be considered to bear some resemblance to our trademarks, including in relation to our core brands "Qinqin (親親)" and "Shangerry (香格里)", have been registered by third parties unrelated to us in the PRC and/or Hong Kong. Some of these unrelated third-party trademarks are also registered for food and beverage products. Our Directors have examined certain trademarks registered by third parties in the PRC and Hong Kong and are of the view that our trademarks can be differentiated from most of these unrelated third-party trademarks in various aspects, such as different artistic designs, dissimilarities in the overall appearance of the marks, different classes for which the trademarks are registered and/or, in some cases, different food products for which the trademarks are used. Our Directors believe that these differences and dissimilarities reduce the possible risk arising from potential claims which may be made by these unrelated third parties in respect of the use of our trademarks. We have also been advised by our PRC Legal Advisers that as at the Latest Practicable Date, trademarks legally registered by us were protected by the applicable laws and regulations in the PRC and can be duly used on the packaging or containers of our products. Although we were not aware of any pending or threatened claims against us for material infringement of intellectual property rights as at the Latest Practicable Date, there is no assurance that owners of similar trademarks and slogans will not institute litigation or other forms of proceedings against us, whether with or without merit. In addition, we could face difficulty and incur additional expenses during our future expansion because of the existence of any similar trademarks or slogans owned by unrelated third parties. Furthermore, if the market is confused as such and the general consumers are unable to differentiate our products with those that are produced by owners using similar trademarks and slogans, we will be exposed to the risk that our reputation can be adversely affected by the actions of others beyond our control, for example where these owners produce products that have low quality or possess safety and/or health issues. In the event that our brands or reputation are damaged or our consumers lose their trust and confidence in us, we may suffer a loss of revenue or market share, which could materially and adversely affect our business, financial condition and results of operations.

Although we currently do not sell or distribute our products under our brands in Hong Kong, there is no assurance that third parties who have registered trademarks in Hong Kong that may be considered to bear some resemblance to our trademarks will not challenge, complain or commence legal proceedings against us alleging infringement or unauthorized use of trademark, whether with or without merit.

We may from time to time be required to institute or be involved in litigation, arbitration or other forms of proceedings, including settlements, to enforce or defend our intellectual property rights, which would likely be time-consuming and expensive and would divert our management's time and attention regardless of their outcome. If any third party infringes our intellectual property rights or if we are alleged or found to have infringed the intellectual property rights of others, it may materially and adversely affect our business, financial condition and results of operations.

We may have to suspend or stop production at our Andong Factory due to property title defect or environmental non-compliance

Quanzhou QinQin operates at our Andong Factory for the production of crackers and chips, seasoning products and bakery products with a total annual production capacity of approximately 16,021 tons.

Quanzhou QinQin has signed an agreement with an Independent Third Party developer for the acquisition of the Andong Land pursuant to which the developer is required to assist Quanzhou QinQin in handling the land grant process for Quanzhou QinQin, including the payment of land premium which has been settled by Quanzhou QinQin. The grant of state-owned land use right certificates are subject to signing of a land grant contract with the relevant land bureau after requisition of the land for conversion thereof from farm land to land for construction and the tender, auction and listing procedure in accordance with the relevant PRC laws. These procedures have not yet completed and Quanzhou QinQin has not yet been granted state-owned land use right certificates or building ownership rights certificates for the properties as at the Latest Practicable Date. Pending the grant of land use rights by the government, we are subject to the risks of eviction by the government, demolition (if current usage of the land is in violation of overall land use planning) or confiscation (if there is no violation of overall land use planning) of all buildings and facilities erected on the land, and may also be subject to penalties based on the site area of the land at a rate of no more than RMB30 per sq.m (being approximately RMB2.7 million in total). In the event that we are evicted from the premises, we will need to relocate the existing production facilities. We would incur costs on relocation, which we currently estimate to be approximately RMB6.7 million, and to the extent that our other production facilities do not have capability or capacity to meet the production needs of Andong Factory, our production would be disrupted as we estimate the relocation of all production lines will complete within six months, which in turn could adversely affect our business, financial condition and results of operations in respect of the production activities of Andong Factory.

In addition, the Andong Factory commenced production in May 2011 before completion of the matching environmental protection facilities and receipt of the required environmental acceptance approval. We may be ordered by the competent department or environmental protection administration to stop the production or use of the facilities, and may be liable for a maximum fine of RMB100,000. As at the Latest Practicable Date, we were in the process of upgrading and modifying the related environmental protection facilities, and have applied for environmental acceptance approval. If we are ordered to stop the production of the relevant production lines, our production and sales could be adversely affected.

Please refer to the sections headed "*Business – Properties*" and "*Business – Legal Compliance and Proceedings*" for further details.

Defects related to our properties may affect our ability to use the properties

As at the Latest Practicable Date, we owned and occupied eleven parcels of land located in Fujian, Henan, Hubei, and Liaoning provinces in the PRC with a total site area of approximately 440,006 sq.m for our production facilities, ancillary facilities, offices and staff quarters. We have obtained state-owned land use right certificates and building ownership certificates in respect of these properties, except that we have not received land use rights certificates and building ownership certificates for our Andong Factory as at the Latest Practicable Date.

We have not been granted land use rights or building ownership rights certificates for the land and buildings of our Andong Factory. Please refer to the section headed "*Risk Factors – We may have to suspend or stop production at our Andong Factory due to property title defect or environmental non-compliance*" in this listing document for further details of the above property title defect.

As at the Latest Practicable Date, we rented properties on which our production facilities at Taian, Shandong province and Xianyang, Shaanxi province operate. The total construction area of these properties amounted to 15,160 sq.m. The lessors of these properties were unable to produce sufficient title documents to prove their rights to lease the property or the usage of the property. The lease agreements may be invalid if the lessors do not have proper title to the properties and we may be subject to eviction by the relevant government authorities and in the case of Xianyang, the risk of a fine and demolishment of the buildings thereon. In such event, we would incur costs on relocation and our operations at those production facilities would be disrupted, which in turn would adversely affect our business, financial condition and results of operations.

Please refer to the section headed "*Business – Properties*" in this listing document for further details of the defects related to properties.

We may not be able to renew leases for our existing production facilities on favourable terms or at all and we may be subject to eviction or compulsory land acquisitions

As at the Latest Practicable Date, our production facilities at Taian, Shandong province and Xianyang, Shaanxi province are located at properties leased by third parties. We use these two production facilities for the production of a portion of our crackers and chips. The leases for these properties expire in September 2016 and February 2018, respectively. Our lessor may opt not to renew the leases or may wish to increase the rent or change other terms and conditions and we will have to negotiate the terms of renewal. We may not be able to renew the relevant lease agreement on terms and conditions which are acceptable to us, or if our lease is not renewed, we may not be able to obtain alternative premises on comparable terms on a timely basis, or at all. In addition, the leases may be invalid as the lessors may not have proper title to the properties, and we are subject to the risk of being evicted from the properties and demolishment of the buildings on the properties. Please refer to the section headed "*Risk Factors – Defects Related to Our Properties May Affect Our Ability to Use the Properties*" in this listing document for further details. In the event that we need to close down our production facility upon expiry of a lease or because of the said title defects, our business may be disrupted and we may incur extra costs to relocate, and our business operations and financial condition may be adversely affected. In addition, the PRC government has the statutory power to acquire any real estate property for public interest. In the event of any compulsory acquisition by government of any of the properties at which our production facilities are situated, we will be forced to relocate to other locations, which could adversely affect our business, financial condition and results of operations.

Our business is dependent on the continuous operation of our production facilities

We produce our products at our eight production facilities. Our facilities are subject to operational risks, such as the breakdown or failure of our major equipment, power supply or maintenance, performance below expected levels of output or efficiency, obsolescence, labor disputes, natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. Where events that limit our ability to operate our facilities occur, we may need to incur substantial additional expenses to repair or replace the damaged equipment or facilities. The temporary closing down of one production facility may increase the production burden for the other production facilities. Our ability to manufacture and supply products and ability to meet delivery obligations to our customers would be disrupted, and our relationships with our customers could be damaged, which could materially and adversely affect our business, financial condition and results of operations.

In order to conduct maintenance, statutory inspections and testing, we may carry out planned shutdowns from time to time. We may also shut down plants for capacity expansion and equipment upgrades. Although we take precautions to minimize the risk of any significant operational problems at our facilities, our business, financial condition and results of operations may be adversely affected by any disruption of operations at our facilities, whether caused by any of the factors mentioned above or otherwise.

We may be subject to fines and penalties under PRC laws for failure to make full contributions for social insurance and housing provident funds for our employees

Under the applicable PRC laws, we are required to contribute, as an employer, to social insurance (including pension fund, unemployment insurance, medical insurance, work-related injury and maternity insurance) and housing provident funds for the benefit of our employees. During the Track Record Period, we have not made contributions to the social insurance and housing provident funds for certain employees (the "**Unpaid Social Welfare Contributions**") because those employees who are also required by law to make contributions chose not to enroll for the funds and also, in the latter case, to a lesser extent, because our staff in the human resources department were not familiar with the relevant procedures and requirements. The total amounts of unpaid contributions for the social insurance for the years ended 31 December 2013, 2014 and 2015 were approximately RMB4.4 million, RMB4.0 million and RMB3.8 million, respectively. The total amounts of unpaid contributions of housing provident funds for the years ended 31 December 2013, 2014 and 2015 were approximately RMB3.7 million, RMB3.5 million and RMB3.1 million, respectively. Owners of Total Good have undertaken to us to indemnify the relevant subsidiaries for losses in excess of the amount of liabilities provided for the Unpaid Social Welfare Contributions. We may be required by the relevant government authorities to make the Unpaid Social Welfare Contributions within a prescribed time period, and we are also subject to penalties for late payments. If the relevant PRC authorities order us to make the unpaid contributions or impose penalties on us, or if our provision in our income statements turns out to be insufficient, and we fail to enforce the indemnity given by the owners of Total Good, our business, financial condition and results of operations could be adversely affected.

Please refer to the section headed "*Business – Legal compliance and Proceedings*" in this listing document for further details.

Our performance depends on favorable labor relations with our employees and any decline in these relations or a shortage of labor and a rise in labor costs may have an adverse effect on our operations

The production and sales of food and snacks products is labor-intensive. As at 31 December 2015, we had a total of 2,846 employees, approximately 81.6% of whom were in our production team and our sales and marketing team. Our success is dependent on our ability to hire, train, retain and motivate our employees. If our employees are not satisfied with what we offer, such as remuneration package or working environment, we may not be able to retain them and to replace them with personnel of appropriate skill set at comparable costs. In such event or in the event that the regions near our production facilities do not have a sufficiently sizable labor force, we may need to expend additional resources to attract and recruit suitable employees. According to the China Statistical Year Book 2015, the average annual labor wages in the PRC for the manufacturing industry increased from approximately RMB30,916 in 2010 to RMB51,369 in 2014. Favorable labor relations are an essential factor that can affect the results of our operations, and any material increase in our labor costs may have an adverse effect of our results of operations.

Our employees are subject to risks of serious injury through the use of our production equipment

We use heavy machinery and equipment in our production processes such as compressing machine, cutting equipment and industrial mixing and rolling, which are potentially dangerous and may cause industrial accidents if not used properly. Any severe accident caused by the use of such equipment or machinery could interrupt our operations and result in legal and regulatory liabilities. While we provide work-related injury insurance for our employees, insurance coverage related to accidents resulting from the use of such equipment or tools may be inadequate to offset losses arising from claims related to such accidents, which could materially and adversely affect our reputation, business, financial condition and results of operations.

We may not be able to retain our core management team and key employees for our business operations

Our continued success depends significantly on the ongoing management by our senior management and key employees. We rely on our management team comprising our executive Directors and senior management as set out in the section headed "*Directors and Senior*

Management" in this listing document for their extensive knowledge and experience in our Group and the food and snacks industry, as well as their in-depth understanding of market conditions and the regulatory regime. Failure to retain any of these senior management members and key employees could adversely affect our ability to sustain and develop our business.

Furthermore, competition for qualified personnel in China is intense and the availability of suitable candidates is limited. Our competitors may seek to solicit our personnel and we may not be able to attract or retain suitably qualified personnel. Our failure to attract and retain qualified personnel could also materially and adversely affect our business, financial condition and results of operations.

Our insurance coverage may not be sufficient to cover all risks in relation to our business operations

As at the Latest Practicable Date, we maintained various insurance policies, covering employee-related insurance and damage to certain fixed assets of the production facilities, equipment and inventory. However, we do not maintain product liability insurance or business interruption insurance. In addition, there are certain types of losses, such as losses from war, acts of terrorism, earthquakes, typhoons, flooding and other natural disasters for which we cannot obtain insurance at a reasonable cost or at all. Please refer to the section headed "*Business – Insurance*" in this listing document for further details of our insurance coverage. If we experience product liability claims or disruptions to our business, or other events for which we are not insured, we would incur the resulting financial losses, and such losses may be substantial, particularly if our products are found to cause widespread injury, illness or death. Moreover, our insurance policies may include financial limits with respect to the losses from events for which we are insured. If we experience uninsured losses or losses in excess of our insurance coverage, it could materially and adversely affect our business, financial condition and results of operations.

Our facilities and operations may require continuous and substantial investment and upgrading

We have continued to invest and upgrade our production, distribution and other facilities to improve our production capability, increase our production lines, enhance the quality of our products and enhance the automation and cost-effectiveness of our products. Our research and development team develops new products and optimizes our existing products, and we require substantial investment and upgrading to apply these research results and to expand our production capacity and enhance our automation processes. If our investment and upgrading costs are higher than anticipated or our business does not develop as anticipated to appropriately utilize new or upgraded facilities, our costs and financial performance could be negatively affected.

Failure or security breach of our information technology system may disrupt our operations

We increasingly rely on information technology systems to process, transmit and store information in relation to our operations. For example, all of our production facilities, production processes and inventory management system utilize information technology to maximize efficiencies and minimize costs. Furthermore, a portion of the communications between our personnel and our suppliers, distributors and customers depends on information technology. Our information technology systems may be vulnerable to interruption due to a variety of events beyond our control, including but not limited to, natural disasters, telecommunications failures, computer viruses, hackers and other security issues. Any such interruption to our information technology system could disrupt our operations and negatively impact our production capacity and ability to fulfill sales orders, which could have an adverse effect on our business, financial condition and results of operations.

Our online sales depend on the proper operation of third party online platforms and any serious interruptions of these platforms could adversely affect our operations

The development of sales through third-party online platforms is part of our business strategy. We have launched profile pages and a sales channel on our third-party online platforms. However, we do not have control over the operation of third-party online platforms and such platform may be vulnerable to damage or interruptions such as power loss, computer viruses, international acts of hacking, vandalism and similar events. Any serious interruption or damage to the online shopping platform may have an adverse effect on our business, financial condition and results of operations. There is no assurance that our online sales strategy will be implemented in accordance with our plan or at all.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control in the future may have a material adverse effect on our business, financial condition and results of operations

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions we conduct our business, including our production facilities. These regions may be under the threat of typhoon, tornado, snow storm, earthquake, flood, drought, power shortages or failures, or are susceptible to epidemics, such as Severe Acute Respiratory Syndrome ("**SARS**"), avian influenza, H1N1 influenza, H5N1 influenza, H7N9 influenza or H3N2 influenza, potential wars or terrorist attacks, riots, disturbances or strikes. Serious natural disasters may result in a tremendous loss of lives and injury and destruction of assets and disrupt our business and operations. Severe communicable disease outbreaks could result in a widespread health crisis that could materially and adversely affect business activities in the affected regions, which could therefore materially affect our operations. Acts of war or terrorism, riots or disturbances may also injure or loss of lives to our employees, and disrupt our business network and operations. Any of these factors and other factors beyond our control could materially and adversely affect the overall business environment, as well as our business, financial condition and results of operations.

RISKS RELATING TO OUR INDUSTRY

China's food and snacks industry is significantly impacted by fluctuations in the domestic and global economy

The food and snacks industry in China is significantly impacted by fluctuations in the domestic and global economy. Our operations are dependent on the conditions and overall activity levels of the food and snacks industry. Changes in the domestic and global economy, such as GDP growth, inflation, interest rates, availability of and access to capital markets, consumer spending levels and government initiatives, could all affect our business and operations. Weak or volatile economic conditions may result in weakened consumer spending and hence decline in sales. It would also present a tougher and more competitive business environment for our suppliers, distributors and other business partners, which may then have an impact on their business dealings with us. For example, the global economic slowdown and turmoil in global financial markets in 2008 resulted in a general credit crunch, which led to credit tightening, liquidity problems for many industries, and a general lack of consumer confidence. Growth in the domestic economy in China has slowed down in recent years. In 2015, China recorded weakest GDP growth of 6.9% in 25 years. In 2015, we suffered a decrease in revenue across all of our product categories. For example, revenue attributable to our jelly products decreased by 15.8% from RMB729.3 million for the year ended 31 December 2014 to RMB613.8 million for the year ended 31 December 2015, and revenue attributable to our crackers and chips decreased by 15.2% from RMB290.6 million for the year ended 31 December 2014 to RMB246.3 million for the year ended 31 December 2015. We believe this reduction in revenue was attributable to a reduction in sales volume as a result of weakened consumer spending on non-necessities in our target markets typically comprising second and third tier cities as we implement a mass-market strategy. Despite constant efforts of the PRC government to implement measures to stabilise the financial system in the PRC, there is no assurance that such measures will revive growth in China. Any slowdown in the domestic or global economy could adversely affect our business, financial condition and results of operations.

The industry in which we operate is highly regulated, and we may fail to comply with existing and future laws, in particular food safety laws. Changes in existing laws may require us to incur significant capital expenditure

As a manufacturer of products intended for direct human consumption, we are subject to extensive government laws and regulations in relation to food safety in the PRC and countries of our export sales, and we are required to maintain various licences and permits in order to operate our business. For example, the Food Safety Law of the PRC (中華人民共和國食品安全法) requires all enterprises engaged in food production to obtain food production license. It also sets out stringent safety standards with respect to food and food additives, packaging and information to be disclosed on packaging, as well as safety requirements for food production and sites, facilities and equipment used for the transportation and sale of food. In addition, food and drug administrations at or above county level are empowered to conduct random testing of food. Further, the food and drug administrations and the quality supervision departments at or above the county level are empowered to enter into production facilities to conduct on-site inspection, sample testing of food, food additives and food-related products being produced.

We may be required to obtain certain certifications for exporting our products to certain overseas countries. Our production facilities and processes have to meet the standards required for such certifications. Our export sales accounted for approximately 0.6%, 0.5% and 0.5% for the years ended 31 December 2013, 2014 and 2015, respectively. If the standards qualifying for the certifications change and we are unable to meet these requirements, our ability to export may be hampered and our operation results may be adversely affected.

Failure to comply with food safety laws or other legal requirements applicable to our business in the PRC and countries of our export sales may result in fines, suspension of operations, loss of licenses, and in more extreme cases, criminal proceedings against us and our management. Any of these events will have an adverse impact on our business, results of operations and financial condition.

Further, there is no assurance that the PRC government or the governmental authorities of countries of which we export to will not impose additional or more stringent laws or regulations on food safety or otherwise related to our business in the future, the compliance of which may require us to incur significant capital expenditure.

Non-compliance with existing and future environmental laws may lead to imposition of fines penalties and other liabilities and our compliance costs may increase if environmental protection laws become more onerous

Our operations are subject to the PRC's environmental laws, rules and regulations which, among other things, require manufacturers to conduct an environmental impact assessment before engaging in new construction projects, pay fees in connection with activities that discharge waste materials, properly manage and dispose of hazardous substances, and impose fines and other penalties on activities that threaten the environment. Our annual capital expenditure on environmental protection was approximately RMB2.7 million, RMB1.9 million and RMB2.2 million for the years ended 31 December 2013, 2014 and 2015, respectively. Any violation of the applicable environmental laws, rules or regulations may result in fines, shutdown of production and obligation to take corrective measures. Further, any violation which is criminal in nature may result in criminal sanction. Moreover, violations of environmental laws or other environmental incidents may result in our liabilities to third parties. Consequently, any environmental non-compliance incidents could materially and adversely affect our business, financial condition and results of operations. As at the Latest Practicable Date, we were in the process of upgrading and modifying the related environmental protection facilities, and have applied for environmental acceptance approval. Please refer to the section headed "*Risk Factors – We may have to suspend or stop production at our Andong Factory due to property title defect or environmental non-compliance*" in this listing document for further details.

Further, there can be no assurance that the PRC government will not change existing laws or adopt more stringent environmental regulations. Due to the uncertainty of regulatory developments and the amount of environmental expenditures we may need to incur beyond those currently anticipated, we also cannot assure you that we will be in full compliance with the environmental regulations at all times. If such costs become prohibitively expensive, we may be forced to adjust, limit or cease certain aspects of our business operations.

Litigation or other legal proceedings may expose us to liability, and negatively impact our reputation

We may at times be involved in litigation or other legal proceedings during the ordinary course of business operations related to, among other things, product or other types of liability, labor disputes or contractual disputes that could have a material and adverse effect on our financial condition. If we become involved in any litigation or other legal proceedings in the future, the outcome of such proceedings could be uncertain and could result in settlements or outcomes which negatively impact our reputation and our financial condition. In addition, any litigation or legal proceedings could incur substantial legal expenses as well as significant time and attention of our management, diverting their attention from our business and operations.

In particular, we face an inherent risk of exposure to product liability claims in the event that the use of our products results in health or safety issues or damages. Please refer to the section headed "*Risk Factors – We may be adversely affected by any potential food safety and health issues with our raw materials and finished products or in the general food and snacks industry*" in this listing document for further details of the risks related to food safety and health issues. The end-consumers of our products may have the right to bring an action under tort and we may also be subject to tortious liabilities for any damages caused by defects of our products. According to the Tort Law of the PRC (中華人民共和國侵權責任法) which was promulgated by the Standing Committee of the NPC on 26 December 2009 and became effective since 1 July 2010, if financial damages or physical injuries are incurred to an individual due to substandard product quality, the manufacturer of the product and the seller shall assume civil liability in accordance with the laws. In addition, we export certain amount of our products from China to our overseas customers and we rely on other entities such as our agents and our foreign customers to comply with the relevant procedures and regulations.

There is no assurance that we would not be named as a defendant in a lawsuit or proceedings brought by end consumers in the future in respect of our products in the event that our products are found to be harmful for human consumption or detrimental to human health, resulting in illnesses or deaths of any persons. A successful claim against us in respect of our products or a material recall of our products may result in (i) significant financial costs to be incurred and management efforts to be spent in defending against such claim or other adverse allegations or rectifying such defects or making payment for damages; (ii) deterioration of our brand and corporate image; and (iii) material adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO THE PRC

We may be adversely affected by changes in political, social and economic policies, as well as governmental policies, in the PRC

Substantially all of our assets and business operations are currently located in the PRC. For the years ended 31 December 2013, 2014 and 2015, we derived 99.4%, 99.5% and 99.5% of our revenue from the sale of our products to customers in the PRC, respectively. Accordingly, our business, financial condition and results of operations are affected significantly by the economic, political and legal developments in the PRC.

The Chinese economy differs from the economies of most developed nations in many areas, including the degree of government involvement, the level of development, growth rate, foreign exchange control, access to financing and allocation of resources. As the PRC government continues to play an active role in the transition from a planned economy to a more market-driven economy, the PRC government continues to adopt reforms and policies, including ones which are unprecedented and experimental in nature. Changes in the PRC's political and social condition could therefore have a material effect on the economic condition of the country. Further, the Chinese economy has become increasingly linked with the global economy, and China is affected in various respects by downturns and recessions in major economies around the world. Any adverse change in the PRC's economic, social and political conditions could have a material adverse effect on PRC's overall economic growth, which in turn could have a material adverse effect on our business, financial condition and results of operations.

We may be deemed a PRC resident enterprise under the EIT law and be subject to PRC taxation on our worldwide income

We are a holding company incorporated under the laws of the Cayman Islands. Under the PRC Enterprise Income Tax Law (the "**EIT Law**") which came into effect 1 January 2008, and its implementation rules, enterprises organised under the laws of jurisdictions outside the PRC with their "de facto management bodies" located within the PRC may be considered "PRC tax resident enterprises" and subject to a uniform 25% PRC income tax on their worldwide income. The implementation rules to the EIT Law define the term "de facto management body" as a "body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise". The Notice on Identifying Chinese-Controlled Offshore Enterprises as Chinese Resident Enterprises in accordance with Criteria for Determining Place of Effective Management and the Administrative Measures on the Corporate Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial) issued in April 2009 and July 2011 set out certain criteria for specifying what constitutes a "de facto management body" in respect of enterprises that are established offshore by PRC enterprises. However, no such criteria are provided in these or other publications by the SAT in respect of enterprises established offshore by private individuals or foreign enterprises like us.

Therefore, it is unclear whether we will be deemed to be a "PRC tax resident enterprise" for the purpose of the EIT Law even though substantially all of our operations and management are currently based in the PRC. We are currently not treated as a PRC tax resident enterprise by the relevant tax authorities. Nonetheless, there is no assurance that we will not be treated as a PRC tax resident enterprise under the EIT Law and not be subject to the enterprise income tax rate of 25% on our global income in the future. If we are deemed to be a "PRC tax resident enterprise", we would be subject to PRC income taxes on our worldwide income, which may adversely affect our profitability and distributable profits to our shareholders.

As a holding company, we rely on the distribution of our PRC subsidiaries for funding

We are a holding company incorporated in the Cayman Islands and we operate our business principally through our subsidiaries in China. Therefore, the availability of funds to us to pay dividends to our shareholders and to service our indebtedness depends upon dividends received from these subsidiaries.

PRC laws permit dividends to be paid by our Chinese subsidiaries only out of their distributable profits determined in accordance with the PRC generally accepted accounting principles ("**PRC GAAP**"), which differ from the accounting principles and standards generally accepted in many other jurisdictions. The Chinese laws also require each of our Chinese subsidiaries to maintain a general reserve fund of 10% of its after-tax profits based on PRC GAAP, but are not required to do so once the cumulative amount of the general reserve fund reaches 50% or more of the relevant subsidiary's registered capital. Any of our Chinese subsidiaries that is a foreign invested enterprise may also be required to set aside individual funds for staff welfare, bonuses and development in accordance with Chinese laws. These reserve funds are not available for distribution as cash dividends.

Additionally, factors such as cash flows, restrictions in debt instruments, withholding tax and other arrangements may restrict our Chinese subsidiaries' ability to pay dividends to us and in turn restrict our ability to pay dividends to our Shareholders. Distributions by our Chinese subsidiaries to us in forms other than dividends may also be subject to government approvals and taxes. These restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our shareholders and to service any future indebtedness.

Dividends we pay to our investors are subject to PRC withholding taxes

We are incorporated under the laws of the Cayman Islands. According to the Circular of Ministry of Finance and the State Taxation Administration on Several Preferential Policies Relevant to Enterprise Income Tax, the undistributed profits earned by foreign investment enterprises prior to 1 January 2008 and distributed to foreign investors later shall be exempt from PRC withholding tax, whereas the profits earned and distributed after 1 January 2008 shall be subject to PRC withholding tax pursuant to the Enterprise Tax Law, which is currently set at 10%. A lower withholding tax rate of 5% may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investor. Due to the PRC withholding taxes, depending on the tax jurisdiction on the tax jurisdiction of the receiver, we may incur significant PRC tax liabilities when PRC profits are distributed to our ultimate shareholders.

Financial subsidies that we have enjoyed may be changed or terminated

Local Chinese governments have granted us various financial subsidies in recognition of our contribution to local economies and expansions of our production capacity. For the years ended 31 December 2013, 2014 and 2015, we recorded government grants of RMB4.2 million, RMB15.4 million and RMB11.4 million, respectively. These financial subsidies have been given at the discretion of the local governmental authorities. There is no assurance that we would continue to enjoy financial subsidies at the historical levels, or at all. Any change, suspension or termination of the above financial subsidies to us could adversely affect our financial condition, results of operations and cash flows.

We may be limited in our ability to expand our business or pursue certain funding transactions as a result of increased scrutiny by PRC tax authorities over the transfer of equity interests in PRC resident enterprises by a non-resident enterprise

On 3 February 2015, the PRC State Administration of Taxation issued the Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises ("**Circular 7**"). This regulation repealed certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on Non-Resident Enterprises ("**Circular 698**") and certain rules clarifying Circular 698. Circular 698 was issued by the PRC State Administration of Taxation on 10 December 2009. Circular 7 provides comprehensive guidelines relating to, and heightened the Chinese tax authorities' scrutiny on, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise ("**PRC Taxable Assets**"). For example, when a non-resident enterprise transfers equity interests in an overseas holding company that directly or indirectly holds certain PRC Taxable Assets and if the transfer is believed by the Chinese tax authorities to have no reasonable commercial purpose than to evade enterprise income tax, Circular 7 allows the Chinese tax authorities to reclassify this indirect transfer of PRC Taxable Assets into a direct transfer and impose on the non-resident enterprise a 10% rate of PRC enterprise income tax. Circular 7 exempts this tax, for examples, (i) where a non-resident enterprise derives income from an indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company in the public market, and (ii) where a non-resident enterprise transfers PRC Taxable Assets that it directly holds and an applicable tax treaty or arrangement exempts this transfer from PRC enterprise income tax. It remains unclear whether any exemptions under Circular 7 will be applicable to any future mergers, acquisitions or other investments that we may make outside China involving PRC Taxable Assets or to transfers of our Shares by our Shareholders. If the Chinese tax authorities impose PRC enterprise income taxes on these activities, it would undermine our ability to expand our business or seek financing through these transactions which may adversely affect our business, financial condition and results of operations.

Failure by our Shareholders who are PRC individual residents to make required applications and filings pursuant to regulations relating to offshore investments by PRC residents may prevent us from distributing dividends and expose us and our Shareholders who are PRC residents to liability under PRC law

SAFE Circular No. 37, which was promulgated by SAFE and replaced SAFE circular No. 75 and became effective on 4 July 2014, requires a PRC individual resident ("**PRC Resident**") to register with the local SAFE branch before establishing or controlling an offshores entity for the purpose of offshore equity financing involving onshore assets or equity interests held by them onshore. They must also make filings with SAFE thereafter upon the occurrence of certain changes in the capital structure. These registration and filing procedures are prerequisites for other approval and registration procedures necessary for capital inflow from offshore entities, such as inbound investment or shareholders' loans, or capital outflow to offshore entities, such as the payment of dividends, repayment of offshore shareholder loans, liquidation distributions, equity sale proceeds or refunds upon a capital reduction.

As SAFE Circular No. 37 was promulgated recently, it is unclear how this regulation and any future regulation concerning offshore or cross-border transactions will be interpreted, amended or implemented by the relevant government authorities. Our Shareholders or beneficial owners, who are PRC Residents, are subject to SAFE Circular No. 37 or other foreign exchange administrative regulations in respect of their investment in our Group. As at the Latest Practicable Date, to the best knowledge of our Directors, our PRC Resident Shareholder with offshore investments in our Group has registered with SAFE as to his offshore investments in accordance with SAFE Circular No. 37. Any failure by any of our Shareholder or beneficial owners, who are PRC Residents, to make the registrations or updates with SAFE may subject such Shareholder or beneficial owners to penalties under PRC foreign exchange administrative regulations, and may subject us to fines or other legal sanctions, limit our subsidiaries' ability to pay dividends or make other distributions, and adversely affect our business, financial condition and results of operations.

We may be limited in our ability to conduct foreign exchange transactions due to government control of foreign currency conversion

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditure from trade related transactions, can be made in foreign currencies without prior approval from the SAFE, by complying with certain procedural requirements. However, foreign exchange transactions in the capital account, including the foreign currency capital in any foreign-invested enterprise in China, the repayment of the principal amount of foreign currency loans and the payment pursuant to foreign currency guarantees, continue to be subject to significant foreign exchange controls and require prior approval from the SAFE or its local branch. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

Substantially all of our revenue is denominated in Renminbi, which is currently not a freely convertible currency. We will have to convert a portion of our Renminbi revenue or profit to meet our needs for foreign currency, such as the payment of dividends by the Company, if any are declared.

While current PRC laws and regulations permit conversion of Renminbi into foreign currencies for payment of current account items (including payment of dividends to foreign shareholders), any future change in PRC law or government policy may restrict the Company's ability to pay dividends and other current account items in foreign currencies or restrict the Company's ability to make payments without obtaining prior approval from the SAFE. If restrictions imposed by the PRC government prevent us from obtaining sufficient foreign currency to satisfy our currency demands, the Company may not be able to pay dividends in foreign currencies to Shareholders. In addition, if we fail to obtain approval from SAFE to convert Renminbi into any foreign currency, our capital expenditure plans, and even our business, financial condition and results of operations may be adversely affected.

PRC regulation of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from making additional capital contributions or loans to our major PRC subsidiaries

As an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries are subject to PRC regulations and approvals. For example, loans by us to our wholly owned PRC subsidiaries in China to finance their activities may not exceed statutory limits and must be registered with the SAFE or its local counterpart. Any capital contributions to our PRC subsidiaries must be approved by the MOFCOM or its local counterpart. In addition, the use of any Renminbi obtained from the settlement of capital of a foreign-invested enterprise for purposes within the business scope shall be approved by the applicable government authority, and may not be changed without approval from the SAFE. We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, in respect of future loans by us to our PRC subsidiaries or in respect of future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to capitalise or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

It may be difficult to effect service of process upon us or our Directors or senior management and enforcing foreign judgments against us, our Directors and senior management

A significant part of our assets and our subsidiaries are located in China. In addition, most of our Directors and senior management reside within China, and the assets of our Directors and senior management may also be located within China. As a result, it may not be possible to effect service of process outside China upon most of our Directors and senior management, including matters arising under applicable securities laws. Moreover, a judgment of a court of another jurisdiction may be reciprocally recognized or enforced if the jurisdiction has a treaty with China or if judgments of the PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of other requirements. We have been advised by our PRC counsel that China does not have treaties providing for the reciprocal enforcement of judgments of courts with Japan, the United States, the United Kingdom of Great Britain and Northern Ireland (the "**UK**") and most other western countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in these jurisdictions in relation to any matter not subject to a binding arbitration provision is subject to uncertainties.

We are subject to uncertainties in the Chinese legal system

Our subsidiaries and operations are principally based in China and are subject to the laws and regulations of China. The Chinese legal system is a civil law system based on written statutes. Unlike the common law legal system, prior court decisions in a civil law system have limited precedential value and are used only for reference. Furthermore, China's statutes are subject to the interpretation by the legislative bodies, the judicial authorities and the enforcement bodies, which are not always uniform. Since 1978, China has implemented laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commercial transactions, taxation and trade. Many of these laws and regulations are relatively new and subject to frequent changes and may not be consistently interpreted and implemented. There may also be new laws and regulations enacted to cover new economic activities in China. We cannot predict the effect of future developments in the Chinese legal system. These uncertainties in the Chinese legal system may adversely affect our business and limit the legal protection available to us and our shareholders.

RISKS RELATING TO THE SPIN-OFF AND OUR SHARES

Our Shareholders' interests in our Company's share capital may be diluted in the future

In order to expand our business, we may consider offering and issuing additional Shares or equity-linked securities in the future, which may result in dilution in our net tangible book value or earnings per Share. The Board has been granted a general mandate to issue Shares with an aggregate nominal value of not more than 20.0% of the aggregate nominal value of the ordinary share capital immediately following completion of the Spin-off, as described in "*Appendix IV – General Information – A. Further Information About Our Company*".

There is no existing public market for our Shares and their liquidity and market price may fluctuate

Prior to the Listing, there was no public market for, and no established price for, our Shares. Our Company has made an application for the listing of, and permission to deal in, our Shares on the Stock Exchange. The Listing, however, does not guarantee that an active and liquid trading market for our Shares will develop or, if it does develop, that it will be sustained following the Listing or that the market price of our Shares will not fluctuate following completion of the Listing. The price and trading volume of our Shares may be volatile. Factors such as the following may affect the volume and price at which our Shares will trade:

- actual or anticipated fluctuations in our results of operations;
- news regarding recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;

- general economic, market or regulatory conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies and other industries; and
- other events or factors beyond our Group's control.

Future issues, offers or sales of our Shares may adversely affect the prevailing market price of our Shares

Future issues of our Shares by our Company or the disposal of our Shares by any of our Shareholders or the perception that such issues or sale may occur, may negatively affect the prevailing market price of our Shares. Moreover, future sales or perceived sales of a substantial amount of our Shares or other securities relating to our Shares in the public market may cause a decrease in the market price of our Shares, or adversely affect our ability to raise capital in the future at a time and at a price which we deem appropriate. Our Shareholders may experience dilution in their holdings in the event we issue additional securities in future offerings.

We may not declare dividends on our Shares in the future

Whether we pay a dividend and the amount of such dividend will depend on our results of operations, cash flows, financial condition, cash dividends we receive from our subsidiaries, future business prospects, statutory and regulatory restrictions and other factors that our Directors deem relevant. As a Cayman Islands company, any dividend recommendation will be at the absolute discretion of our Directors. There is no assurance that dividends of any amount will be declared or distributed in any year.

Our Group cannot guarantee the accuracy of facts and other statistics with respect to the food and snacks industry and the PRC economy contained in this listing document

Certain facts and other statistics in this listing document relating to the food and snacks industry and the PRC economy are derived from various government publications and organisations that we believe to be reliable, as well as from a report prepared by Euromonitor. While we believe that such facts and statistics are appropriate sources for such information, and our Directors have taken reasonable care in the reproduction of the information and have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading, they have not been prepared or independently verified by the Group, the Sole Sponsor or any of the Group's or their respective affiliates or advisers. Therefore, Our Group makes no representation as to the accuracy of such facts and statistics, which may not be consistent with other information complied within or outside the PRC or available from other sources. Such facts and other statistics include the facts and statistics contained in this section, the sections headed "*Summary*", "*Industry Overview*" and "*Business*" in this listing document. Due to possibly flawed or ineffective sampling or discrepancies between published information and market practices or other reasons, such facts and statistics may be inaccurate or may not be comparable to official statistics and you should not place undue reliance on them. Accordingly, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

You may not have the same protection of your shareholder rights under Cayman Islands law compared to what you would have under Hong Kong law

Our Company's corporate affairs are governed by our Memorandum of Association and Articles of Association, the Companies Law, and the common law of the Cayman Islands. The rights of our Shareholders to take action against our Directors, the rights of minority shareholders to instigate actions and the fiduciary responsibilities of our Directors to our Company under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary responsibilities of our Directors under Cayman Islands law may not be the same as they would be under statutes or judicial precedent in Hong Kong. In particular, the Cayman Islands have different securities laws as compared to Hong Kong and may not provide the same protection to investors. Furthermore, shareholders of Cayman Islands companies may not have standing to initiate a shareholder derivative action in a Hong Kong court.

You may not be able to participate in rights offerings or to elect to receive stock dividends and may experience dilution of your shareholdings

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities, including our Shares. We will not distribute rights to holders of the Shares in the United States unless the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or are registered under the U.S. Securities Act. There can be no assurance that we will be able to establish an exemption from the registration requirements under the U.S. Securities Act, and we are under no obligation to file a registration statement with respect to these rights or underlying securities or to endeavor to have a registration statement declared effective under the U.S. Securities Act. Accordingly, holders of the Shares in the United States may be unable to participate in rights offerings and may experience dilution of their shareholdings in us as a result. In addition, if we are unable to sell rights that are not exercised or not distributed or if the sale is not lawful or reasonably practicable, we will allow the rights to lapse, in which case holders of the Shares will receive no value for these rights. We may, from time to time, offer a stock dividend election to all holders of our Shares, subject to applicable securities laws, in respect of future dividends. We will not, however, permit holders of our Shares to exercise such election unless the issuance of our Shares pursuant to such election is either exempt from registration under the U.S. Securities Act or registered under the U.S. Securities Act. There can be no assurance that we will be able to establish an exemption from the registration requirements under the U.S. Securities Act, and we are under no obligation to file a registration statement with respect to Shares issuable pursuant to these elections or to endeavour to have a registration statement declared effective under the U.S. Securities Act. In addition, we may choose not to offer such election to certain holders of our Shares, and may instead offer those holders of the Offer Shares dividends in the form of cash only. Accordingly, holders of Shares in the United States may be unable to elect to receive dividends in the form of our Shares rather than cash and may experience dilution of their shareholdings in us as a result.

You should read the entire listing document carefully and should not consider any particular statements or any information contained in press articles, media and/or research reports regarding us, our business and/or our industry without carefully considering the risks and other information contained in this listing document

There may be coverage in the press, media and/or research analyst coverage regarding our Group, our business, our industry and the Spin-off. There had been, prior to the publication of this listing document, and there may be, subsequent to the date of this listing document but prior to the completion of the Spin-off, press, media and/or research analyst coverage regarding our Group, our business, our industry and the Spin-off containing, among other matters, certain financial information, projections, valuations and other forward-looking information about us and the Spin-off. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any of the information in the media or publications other than this listing document is inconsistent or conflicts with the information contained in this listing document, we disclaim it. Accordingly, you should read the entire listing document carefully and should not rely on any of the information in press articles or other media coverage. You should only rely on the information contained in this listing document to make investment decisions about us.

Forward-looking statements contained in this listing document are subject to risks and Uncertainties

This listing document contains certain statements that are "forward-looking" and indicated by the use of forward-looking terminology such as "aim", "anticipate", "believe", "consider", "could", "estimate", "expect", "forecast", "going forward", "intend", "may", "might", "ought to", "plan", "potential", "project", "seek", "shall", "should", "will" or "would" or similar expressions. You are cautioned that reliance on any forward-looking statement involves risk and uncertainties, any or all of those assumptions could prove to be inaccurate and as a result, the forward looking statements based on those assumptions could also be incorrect. The risks and uncertainties in this regard consist of those identified in the risk factors discussed above. In light of these and other risks and uncertainties, the enclosure of forward-looking statements in this listing document should not be regarded as representations by our Group that the plans and objectives will be achieved, and you should not place undue reliance on such statements.

In preparation for the Listing, our Group has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

SHARE ISSUE RESTRICTION

Our Company has applied to the Stock Exchange for a waiver from strict compliance with the restrictions on further issue of securities within the first six months from the Listing Date under Rule 10.08 of the Listing Rules, and a consequential waiver from strict compliance with the requirements under Rule 10.07(1)(a) of the Listing Rules in respect of the deemed disposal of Shares by Mr. Wu Huolu upon any issue of securities by the Company within the first six months from the Listing Date, and the Stock Exchange has granted such a waiver on conditions that:

(a) any issue of new Shares (or convertible securities) or the entering into of an agreement in this regard by our Company during the first six months after Listing must be either for cash to fund a specific acquisition or establishment of joint venture or as part or full consideration for a specific acquisition or establishment of joint venture;

(b) such acquisition or establishment of joint venture must be for assets or businesses which, in the Company's assessment, will contribute to the growth of our Group's operation; and

(c) Mr. Wu Huolu undertakes to the Stock Exchange and to the Company that other than pursuant to the Spin-off and a deemed disposal of Shares upon any issue of securities by the Company, he will not and will procure that the relevant registered holder of the Shares in which he is beneficially interested will not in the period commencing on the date by reference to which the disclosure of his shareholding is made in this listing document and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he is shown by this listing document to be the beneficial owner.

The reasons for the application for a waiver from strict compliance with Rule 10.08 by our Company are, inter alia, as follows:

(a) our Company does not have current plans to raise funds in the short-term, but it is essential for our Company to have the flexibility to raise funds by way of further issue of Shares in either Hong Kong equity markets, enter into further acquisitions or establishment of joint venture for share consideration should an appropriate opportunity arise. Any issue of new Shares by our Company will enhance the Shareholder base and increase the trading liquidity of the Shares, and the interests of the existing Shareholders and prospective investors would be prejudiced if our Company could not raise funds for our business development or expansion due to the restrictions under Rule 10.08 of the Listing Rules;

(b) the Listing by way of introduction will not involve any issue of new Shares and will therefore not result in any dilution of the interests of the Qualifying Hengan Shareholders at the Listing; and

(c) the interests of the Shareholders are well protected since any further issue of Shares by our Company would be subject to Rule 13.36 of the Listing Rules.

MANAGEMENT PRESENCE

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have a sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules. We have applied for a waiver from strict compliance with Rule 8.12 of the Listing Rules primarily on the basis that, as our headquarters and principal business operations are located in the PRC, our management is best able to attend to its functions by being based in the PRC. We have submitted an application to and have received from the Stock Exchange a waiver from strict compliance with Rule 8.12 of the Listing Rules subject to, amongst others, the following conditions:

(a) we will appoint two authorised representatives, Mr. Sze Man Bok and Mr. Wong Wai Leung, pursuant to Rule 3.05 of the Listing Rules who will act as our Company's principal channel of communication with the Stock Exchange. Both the authorised representatives have means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the members of the Board for any matters;

(b) each executive Director will provide his mobile phone number, residential phone number, fax number and e-mail address to the authorised representatives and each Director will provide his mobile number, office phone number, fax number and email address to the Stock Exchange;

(c) our Company will promptly inform the Stock Exchange of any changes of the authorised representatives;

(d) each Director, who is not an ordinary resident in Hong Kong, possesses or is eligible to apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time, when required; and

(e) First Shanghai Capital Limited (第一上海融資有限公司), as our compliance adviser, will act as an additional channel of communication with the Stock Exchange from the Listing Date until we distribute our annual report for the year ended 31 December 2017 in accordance with Rule 13.46 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Quanzhou QinQin and Fujian Shuncheng Flour Industry Development Co., Ltd* (福建順成麵業發展股份有限公司) have entered into, and will continue to carry on transactions regarding the supply of flour, which would constitute non-exempt continuing connected transactions for our Group under the Listing Rules after the Listing. Our Company has applied to the Stock Exchange for, and has been granted a waiver from strict compliance with the announcement requirements under Chapter 14A of the Listing Rules for such transactions. Further details of such non-exempt continuing connected transactions and the waiver granted are set out in the section headed "*Continuing Connected Transactions*" in this listing document.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS LISTING DOCUMENT

This listing document, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this listing document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this listing document misleading.

INFORMATION ON THE SPIN-OFF

Our Company has not authorised anyone to provide any information or to make any representation not contained in this listing document. You should not rely on any information or representation not contained in this listing document as having been authorised by our Group, the Sole Sponsor, or any of our Group's or their respective directors, officers or representatives or any other person involved in the Spin-off. Neither the delivery of this listing document nor the distribution of Shares pursuant to the Distribution should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our Group affairs since the date of this listing document or imply that the information contained in this listing document is correct as at any date subsequent to the date of this listing document.

RESTRICTIONS ON THE USE OF THIS LISTING DOCUMENT

This listing document is published solely in connection with providing information on the Spin-off. It may not be used for any other purpose and, in particular, no person is authorised to use or reproduce this listing document or any part thereof in connection with any offering of Shares or other securities of our Company. Accordingly, this listing document does not constitute an offer or invitation in any jurisdiction to acquire, subscribe for or purchase any of the Shares or other securities of our Company nor is it calculated to invite any offer or invitation for any of the Shares or other securities of our Company.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued. No part of the share or loan capital of the Company is listed on or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek such listing of, or permission to deal in, the share or loan capital of our Company on any other stock exchange.

ABOUT THE SPIN-OFF

The Spin-off does not involve an offering of Shares or any other securities of our Company for purchase or subscription and no money will be raised in conjunction with the Spin-off.

CONDITION OF THE DISTRIBUTION AND THE SPIN-OFF

The Distribution is conditional on the Listing Committee granting the listing of, and permission to deal in, the Shares in issue on the Main Board of the Stock Exchange and such approval not having been revoked prior to completion of the Spin-off. If such condition is not satisfied, the Distribution will not be made and the Spin-off will not take place, in which case an announcement will be made. Further, our Company confirms that if the Spin-off does not occur for any reason, the Distribution will not be made.

NO CHANGE IN BUSINESS

The Company does not contemplate there to be any change in the business of the Group immediately following the Spin-off.

HONG KONG REGISTER AND STAMP DUTY

Our Company's register of members is maintained by the Share Registrar in Hong Kong. Dealings in the Shares on the Stock Exchange will be registered on our Company's register of members maintained in Hong Kong.

Dealings in the Shares on our Company's Hong Kong register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

Unless our Company determines otherwise, after the Listing, dividends payable in HKD in respect of the Shares will be paid to the Shareholders listed on our Company's register of members, by way of cheque sent by ordinary post, at the Shareholder's risk, to the registered address of each Shareholder as stated in our Company's register of members.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares in issue on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of receiving, purchasing, holding, disposing of and dealing in the Shares. It is emphasised that none of our Company, the Sole Sponsor, any member of our Group or their respective directors, officers or representatives or any other person involved in the Spin-off accepts responsibility for any tax effects or liabilities resulting from the receipt of, purchase, holding or disposing of, or dealing in, the Shares or your exercise of any rights attaching to the Shares.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on 8 July 2016. The stock code of the Shares is 1583.

ODD LOT ARRANGEMENTS

The Shares will be traded in board lots of 1,000 Shares each. As a result of the Distribution, Qualifying Hengan Shareholders may receive Shares in odd lots. We have appointed Fulbright Securities Limited as our agent in providing matching service to the Shareholders to facilitate the acquisition of odd lots of the Shares to make up a full board lot or the disposal of any Shares which they may receive in odd lots. For details, please refer to an announcement to be made prior to the Listing by Hengan for information about the special arrangements to facilitate the disposal of any Shares which the Qualifying Hengan Shareholders may receive in odd lots.

Name	Residential Address	Nationality
Non-executive Directors		
Mr. Hui Lin Chit (許連捷)	Flat D 19/F, The Gloucester 212 Gloucester Road Wan Chai Hong Kong	Chinese
Mr. Sze Man Bok (施文博)	Flat A 21/F, Carnation Court 41-47 Tai Hang Road Causeway Bay Hong Kong	Chinese
Mr. Hui Ching Lau (許清流)	Flat D 19/F, The Gloucester 212 Gloucester Road Wan Chai Hong Kong	Chinese
Mr. Wu Huolu (吳火爐)	No. 10 Yanling Road Wudai Village Anhai Town Jinjiang City Fujian Province PRC	Chinese
Mr. Wu Sichuan (吳四川)	No. 34 Yanling Road Wudai Village Anhai Town Jinjiang City Fujian Province PRC	Chinese
Mr. Wu Yinhang (吳銀行)	No. 36 Wuxing Road Wudai Village Anhai Town Jinjiang City Fujian Province PRC	Chinese

Name	Residential Address	Nationality
Executive Directors		
Mr. Cheng Yong (程勇)	Room 202 No. 57 Fengyu Road Siming District Xiamen City Fujian Province PRC	Chinese
Mr. Wong Wai Leung (黃偉樑)	House 103 1 Lo Ping Road Casa Marina Phase 2 Tai Po New Territories Hong Kong	Chinese
Independent non-executive Directors		
Mr. Cai Meng (蔡萌)	Rm 301, Gate 2 Building 6 Fulin Garden Chaoyang District Beijing China	Chinese
Mr. Chan Yiu Fai Youdey (陳耀輝)	Flat F 13/F, Hill Court 28 Hill Road Western District Hong Kong	Chinese
Mr. Ng Swee Leng	Unit 401 Block 29 100 Jinbang Road Shanghai 200335 China	Malaysian
Mr. Paul Marin Theil (保羅希爾)	Flat 3B Block 1 Grand Garden 61 South Bay Road Repulse Bay Hong Kong	Chinese

Further information on the Directors is disclosed in the section headed "*Directors and Senior Management*" in this listing document.

PARTIES INVOLVED

Sole Sponsor	Merrill Lynch Far East Limited 55th Floor, Cheung Kong Center 2 Queen's Road Central Central, Hong Kong
Legal advisers to our Company	*As to Hong Kong and U.S. laws:* Reed Smith Richards Butler 20th Floor Alexandra House 18 Chater Road, Central Hong Kong *As to PRC law:* Global Law Office 15th Floor Tower 1 China Central Place No. 81, Jianguo Road Chaoyang District, Beijing 100025, PRC *As to Cayman Islands law:* Maples and Calder 53rd Floor, The Center 99 Queen's Road Central Hong Kong
Legal advisers to the Sole Sponsor	*As to Hong Kong and U.S. laws:* Ashurst Hong Kong 11/F, Jardine House 1 Connaught Place Central, Hong Kong *As to PRC law:* King & Wood Mallesons 55th Floor Guangzhou International Finance Centre 5 Zhujiang Xi Road, Zhujiang New Town Guangzhou, Guangdong 510623, PRC
Reporting accountants	PricewaterhouseCoopers Certified Public Accountants 22/F, Prince's Building Central Hong Kong

Industry consultant	Euromonitor International Limited Unit 01-08, 11/F Cross Tower No. 318 Fuzhou Road Shanghai 200001 China

Registered office	P.O. Box 309 Ugland House, Grand Cayman KY1-1104 Cayman Islands
Head office in the PRC	Wuli Industrial Park Jinjiang City Fujian Province PRC (晉江市五里工業園區)
Principal place of business in Hong Kong	Unit 2601 26th Floor Admiralty Centre Tower 1 18 Harcourt Road Hong Kong *(with effect from the Listing Date)*
Company's website	www.fjqinqin.com (information contained in this website does not form part of this listing document)
Company secretary	Mr. Wong Wai Leung *(Member of Hong Kong Institute of Certified Public Accountants)* House 103 1 Lo Ping Road Casa Marina Phase 2 Tai Po New Territories Hong Kong
Authorized representatives	Mr. Wong Wai Leung *(Member of Hong Kong Institute of Certified Public Accountants)* House 103 1 Lo Ping Road Casa Marina Phase 2 Tai Po New Territories Hong Kong Mr. Sze Man Bok Flat A, 21/F Carnation Court 41-47 Tai Hang Road Causeway Bay Hong Kong

Audit committee	Mr. Ng Swee Leng *(Chairman)* Mr. Cai Meng (蔡萌) Mr. Chan Yiu Fai Youdey (陳耀輝) Mr. Paul Marin Theil (保羅希爾)
Remuneration committee	Mr. Paul Marin Theil (保羅希爾) *(Chairman)* Mr. Cai Meng (蔡萌) Mr. Chan Yiu Fai Youdey (陳耀輝) Mr. Ng Swee Leng
Nomination committee	Mr. Hui Lin Chit (許連捷) *(Chairman)* Mr. Cai Meng (蔡萌) Mr. Chan Yiu Fai Youdey (陳耀輝) Mr. Ng Swee Leng Mr. Paul Marin Theil (保羅希爾)
Share Registrar	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Compliance adviser	First Shanghai Capital Limited (第一上海融資有限公司)
Principal banks	Industrial and Commercial Bank of China Limited, Anhai Sub-branch Shops, CDEF Block Anping Industrial Comprehensive Development Zone Anhai
	China Construction Bank Corporation Jinjiang Anhai Sub-branch China Construction Bank Complex Building Sixth District, Anping Development Zone Anhai, Jinjiang
	Xiamen International Bank Co., Ltd. Xiamen Siming Sub-branch Xin'gang Square No. 10 Hubin Road North Siming District Xiamen City Fujian Province
	Industrial Bank Co., Ltd. Jinjiang Anhai Sub-branch Xingsheng Building (Room 135-151) Chenggong Road East Anhai Town Jinjiang City Fujian Province

The information and statistics that appear in this Industry Overview section have been prepared by Euromonitor International Limited and reflect estimates of market conditions based on publicly available sources and trade opinion surveys, and are prepared primarily as a market research tool. References to Euromonitor International Limited should not be considered as the opinion of Euromonitor International Limited as to the value of any security or the advisability of investing in the Company. The Directors believe that the sources of information contained in this Industry Overview are appropriate sources for such information and have taken reasonable care in reproducing such information. The Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by Euromonitor International Limited and set out in this Industry Overview has not been independently verified by the Group, the Sole Sponsor or any other party involved in the Spin-off and none of them gives any representations as to its accuracy and the information should not be unduly relied upon. The information and statistics contained in this section may not be consistent with other information and statistics compiled within or outside of the PRC.

REPORT COMMISSIONED FROM EUROMONITOR

In connection with the Listing, we have commissioned Euromonitor, an Independent Third Party, to conduct an analysis of, and to prepare a report on, the food and snacks market focusing on jelly products, crackers and chips and bouillon in the PRC from 2010 to 2020. The report prepared by Euromonitor for us is referred in this listing document as the Euromonitor Report. We agreed to pay Euromonitor a total fee of RMB335,130, which we believe reflects market rates for reports of this type.

Established in 1972, Euromonitor is a leading provider of global market intelligence engaging in strategy research for both consumer and industrial markets. With offices around the world and analysts in 80 countries, the company offers comprehensive international coverage for its services, and has approximately 5,000 active clients including 90% of the Fortune 500 companies.

We have included certain information from the Euromonitor Report in this listing document because we believe this information facilitates an understanding of the food and snacks market in the PRC for shareholders. The Euromonitor Report includes information on food and snacks market in the PRC focusing on jelly products, crackers and chips and bouillon as well as other economic data, which have been quoted in this listing document. In preparation of the Euromonitor Report, Euromonitor has made use of multiple primary and secondary sources to validate any data or information collected, without reliance on any single-source, in order to reflect a balanced view of historical data relating to the jelly products, crackers and chips and bouillon market in the PRC. Primary research includes interviews with leading industry participants and industry experts. Secondary research involves gathering and reviewing published sources including national statistics and official sources, specialist trade press and associations, company reports, independent research reports and data based on Euromonitor's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related drivers.

Except as otherwise noted, all of the data and forecasts contained in this section have been derived from the Euromonitor Report, various official government publications and other publications.

Euromonitor has made the following major assumptions in the Euromonitor Report:

- The PRC is likely to maintain steady growth over the forecast period;
- The PRC social, economic and political environment is expected to remain stable in the forecast period;
- There will be no external shock, such as financial crisis or raw material shortage that affects the demand and supply of jelly products, crackers and chips and bouillon in China during the forecast period. Raw materials include white granulated sugar and gelatin for jelly; flour, palm oil and white granulated sugar for crackers and chips. Most of the raw materials are bulk agricultural commodities, and there is a risk of excessive price volatility due to the inelastic nature of supply and demand. To avoid this, risk-hedging tools, especially futures and options, are developing quickly in China, thus a more stable supply and demand is forecasted;
- Key market drivers such as increase in per capita disposable income, increase in consumer expenditure and rapid urbanization. Euromonitor forecasts per capita disposable income growth at a CAGR of 8.7% during 2014-2020, consumer expenditure growth at a CAGR of 9.1% during 2014-2020 and percentage of urban residents in the total population of the PRC rising from 54% to 60% during 2014-2020;
- There will be no industry-wide scandals reported for jelly products, crackers and chips and also bouillon. Whilst there is no assurance whether there will be industry scandals, with tightening government supervision and the implementation of more stringent Food Safety Law, Euromonitor does not expect, and are not aware of, any industry-wide scandals in the years under the forecast period covered by the Euromonitor Report;
- There will be no substantial changes to the current regulatory framework and market environment which will significantly raise entry barriers in the short term in the jelly product, crackers and chips and also bouillon industries, or severe tightening of entry requirements for manufacturers in terms of capital and technological requirements by the government;
- Increasing per capita consumption, expanding consumer base and improving distribution network are also expected to boost the development of the markets for jelly products, crackers and chips and bouillon in China. Increasing per capita consumption is expected to result in increasing frequency of jelly, crackers and chips and bouillon consumption. Consumer groups for jelly products, crackers and chips are also expected to expand from children to adults, and from female adults to male adults. Improving distribution network is expected to result in, firstly, the increase in number of distributors thus expanding geographic coverage, and secondly, flatter route-to-market resulting in more efficient distribution management.

On this basis, the Directors are satisfied that the disclosure of future projections and industry data in this section is not biased or misleading. We believe that the sources of information in this section are appropriate sources for the information and we have taken reasonable care in extracting and reproducing this information. The Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. After taking reasonable care, our Directors confirm that there has been no adverse change in the market information since the date of the Euromonitor Report up to the Latest Practicable Date which may qualify, contradict or have an impact on the information in this Industry Overview section.

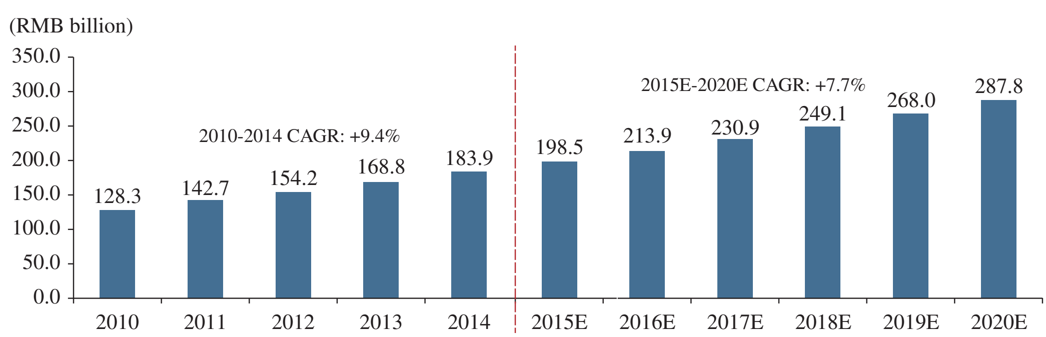
PRC SNACKS PRODUCTS AND BOUILLON MARKETS OVERVIEW

Overview of Snacks Products Market in the PRC

The PRC is one of the largest snacks products markets in the world with strong growth driven by economic growth, accelerated urbanization and rising disposable income. The retails sales of snacks products market in the PRC grew from RMB128.3 billion in 2010 to RMB183.9 billion in 2014, representing a CAGR of 9.4%. In 2014, 51.4% of the retail sales was contributed by confectionery (inclusive of chocolate confectionery, sugar confectionery and gum), whereas the remaining 48.6% of retail sales was contributed by sweet and savoury snacks products including jelly products, crackers and chips nuts, popcorn and others.

Euromonitor estimates that the snacks products industry has entered a mature stage of growth and the market is expected to grow at a CAGR of 7.7% to arrive at a size of about RMB287.8 billion in 2020. The chart below illustrates the total retail sales value of snacks products in the PRC for the periods indicated:

2010 – 2020E PRC Snacks Products Market Size By Retail Sales Value



Source: Euromonitor Passport Data – Packaged Food 2015 Edition

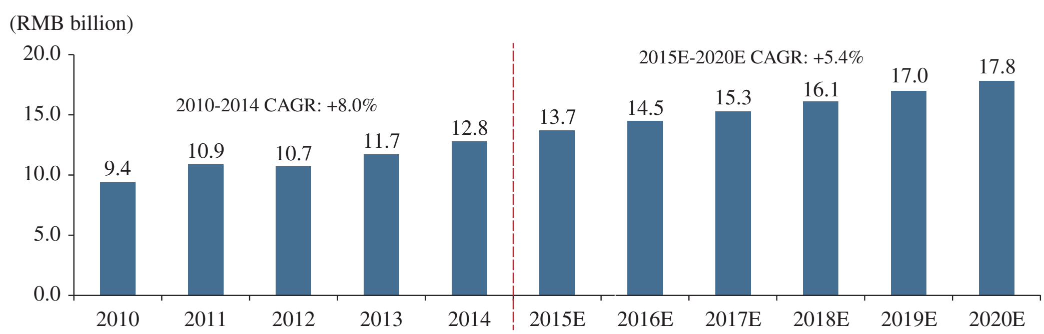
In the PRC snacks market, especially jelly products market, the growth of snacks products with higher selling price has been one of the major factors contributing to the overall growth in the PRC snacks market despite the slowdown in economic growth in the PRC in 2015, since this consumer base is less price-sensitive and more willing to pay for non-necessities such as snacks even during slowdown in economic growth. On the other hand, there was a decline in sales of snacks products with lower selling prices and targeted at second or lower tier cities since the demand for non-necessities such as snacks in these markets were more vulnerable to the unfavorable economic changes.

Overview of Jelly Products Market in the PRC

The PRC jelly products market is currently the largest in the world in terms of production and sales. Total retail sales value of jelly products in the PRC increased from approximately RMB9.4 billion in 2010 to approximately RMB12.8 billion in 2014, representing a CAGR of 8.0%.

We believe the jelly products market suffered a negative growth rate of 1.8% in 2012 due to the reported use of toxic gelatin by certain suppliers in the same year. In 2012, a series of negative news were published that gelatin manufacturers used leather wastes as raw material to produce edible and medical grade gelatin. Despite this incident, consumer confidence began to rebound in 2013 with a growth rate of 9.3% in 2013. In 2014, news reports were again published that certain manufacturers had used toxic gelatin in jelly products and medical capsules. This adversely affected the sales of certain jelly product manufacturers. Euromonitor estimates that retail sales of jelly products in the PRC will reach approximately RMB17.8 billion in 2020, almost doubling the size compared to 2010 and represents a CAGR of 5.4% from 2015 to 2020. The following chart below illustrates the total retail sales of jelly products in the PRC for the periods indicated:

2010 – 2020E PRC Jelly Snacks Products Market Size By Retail Sales Value



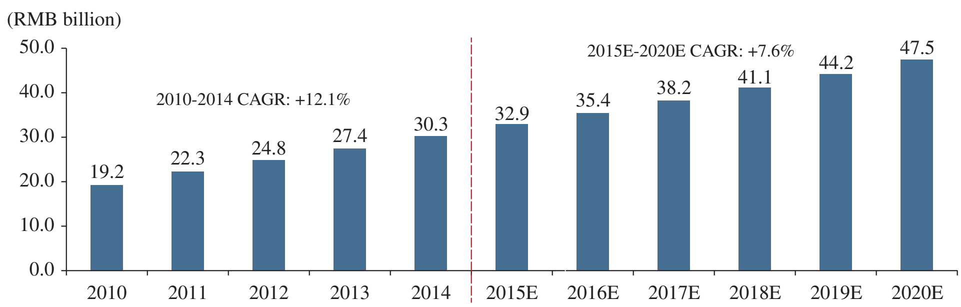
Source: Euromonitor estimates from trade interviews and desk research

Overview of Crackers and Chips Market in the PRC

Crackers and chips amounted to approximately RMB30.3 billion in retail sales value in 2014, up from approximately RMB19.2 billion in 2010, and representing CAGR of 12.1%. Prawn and seafood crackers accounted for 12.8% of the total retail sales value of crackers and chips in 2014. The sub-segment achieved retail sales value of approximately RMB3.9 billion in the same year, up from approximately RMB2.7 billion in 2010, growing with a CAGR of 9.6% in the review period.

Market size of overall crackers and chips is expected to maintain a stable growth rate at a CAGR of 7.6% reaching approximately RMB47.5 billion by 2020. The following chart below illustrates the total retail sales of crackers and chips in the PRC for the periods indicated:

2010 – 2020E PRC Crackers and Chips Market Size By Retail Sales Value



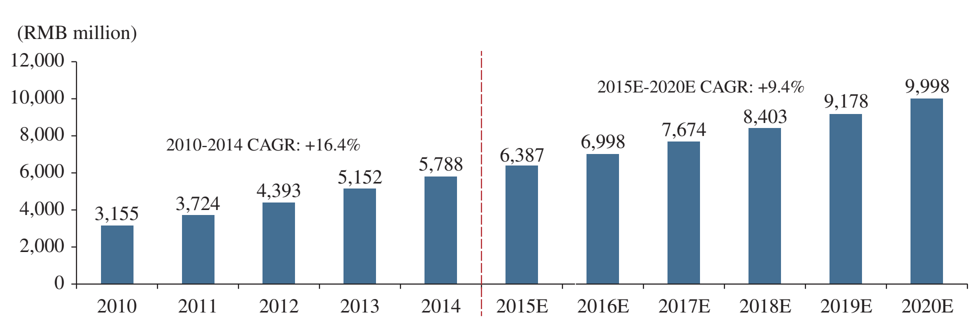
Source: Euromonitor estimates from trade interviews and desk research

Overview of Bouillon Market in the PRC

Seasoning products can be classified into single-flavour and multi-flavour categories, the latter of which has a richer variety. Bouillon belongs to multi-flavour condiments, represented by chicken flavour stock cubes, chicken flavour stock powder, and vegetable powder, as well as chicken broth and mushroom and vegetable broth.

Bouillon amounted to approximately RMB5.8 billion in retail sales value in 2014, up from approximately RMB3.2 billion in 2010, and representing CAGR of 16.4%. Chicken-flavored stock cubes and powders are major sub-sectors of bouillon, representing about 69.5% of the total retail sales value of bouillon in the PRC in 2014. Euromonitor estimates that retail sales value of bouillon will reach approximately RMB10.0 billion in 2020, representing CAGR of 9.4% from 2015 to 2020. The following chart below illustrates the total retail sales of bouillon in the PRC for the periods indicated:

2010 – 2020E PRC Bouillon Market Size By Retail Sales Value



Source: Euromonitor estimates from trade interviews and desk research

KEY GROWTH DRIVERS OF SNACKS PRODUCTS AND BOUILLON MARKETS

Rising Purchasing Power

The PRC recorded real GDP growth of 7.3% in 2014 with significant urbanization trend, which has driven rapid growth of disposable income. According to the National Statistics Bureau of China, the per capita disposable income of urban households in the PRC increased from RMB19,109 in 2010 to RMB28,844 in 2014 with a CAGR of 10.8%. Meanwhile, the per capita net income of rural households in the PRC grew from RMB5,919 in 2010 to RMB9,892 in 2014 with a CAGR of 13.7%. From 2010 to 2014, per capita consumer expenditure for food and non-alcoholic beverages in the PRC increased from RMB2,873 to RMB4,378, representing a CAGR of 11.1%.

Accessibility in Rural Area

Healthy GDP growth has also translated into rising income for rural residents in the PRC. With improved purchasing power for families in rural areas, consumers have been more willing to pay for non-necessities such as snacks products. In addition, the retail landscape had evolved in the past few years with the opening of a large number of supermarkets and hypermarkets in counties and villages. According to Euromonitor, the expansion of supermarkets and hypermarkets in rural populations will provide better access for consumers to snacks products and bouillon, when compared to traditional family-operated grocers in those areas. Leading market players with strong brand recognition and footprint in rural area are well positioned to capture the growth trend within the industry.

Increasing Food Safety Awareness and Tightened Government Policies

With increasing frequency of food safety incidents in the PRC in recent years, such as the Toxic Gelatin Incidents, regulation on food safety has become more stringent in the PRC. Tightened government regulation in food safety translated into higher compliance costs for manufacturers of snacks products and bouillon, forcing many small market players to exit their respective industries in the PRC. Leading large-scale manufacturers of snacks products and bouillon are expected to take advantage and gain additional market share through consumer educational programs.

Rising Focus on Healthy Snacks Products and Bouillon

With rising health consciousness of consumers in the PRC, many snacks products manufacturers seized this opportunity by launching healthy and nutritional snacks products to reach a broader consumer base. For instance, new jelly products with added collagen and calcium, non deep-fried, low-salt and low-sugar crackers and chips products are introduced. As for bouillon, many consumers have recognized chicken essence and flavorings as a healthier alternative to monosodium glutamate ("**MSG**").

Versatile Product Features for Changing Consumer Preference

In recent years, consumer preferences have been constantly changing in the PRC. As a result, manufacturers with capabilities to introduce new products, flavors or packaging are able to adapt to such rapid changes and maintain or improve their market share. For example, a broad variety of flavors available for crackers and chips products were launched to cater for different consumer preferences such as prawn and seafood, meat, vegetable and pizza flavors. The different forms of packaging for crackers and chips products have also catered to different consumers' needs on different occasions such as gift packs, family packs and single consumption packs. With regards to bouillon, multiple flavors available such as chicken, beef vegetable and mushroom have shifted many consumers to bouillon from traditional MSG.

Price Portfolio to Meet Different Consumer Demand

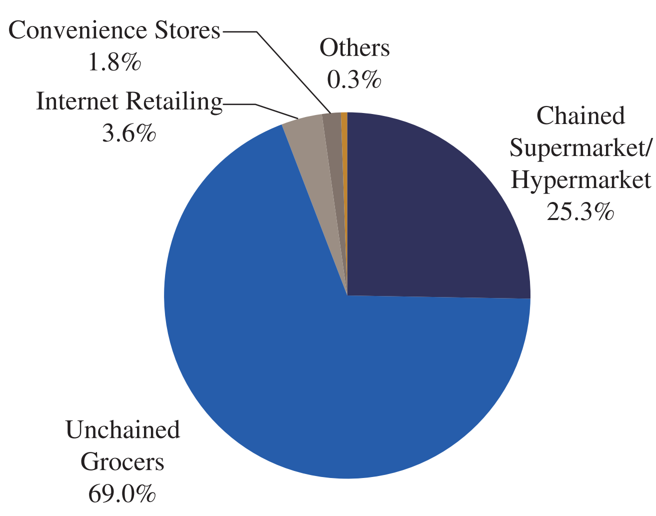
With accelerated urbanization, rising disposable income per capita and changing consumer preference, there is a growing consumer base for mid-to-high end snacks. Entry of imported products targeting the mid-and high-end markets in the PRC also incentivizes local manufacturers to promote mid-to-high end snack products in light of the emerging trend of higher income consumer groups.

Nonetheless, the snack products market in lower tier cities in the PRC remains dominated by the supply of relatively low-priced products. In lower tier cities, counties and villages, there is sustainable demand for low-priced snack products due to lower disposable income of consumers, lower demand for high-end snacks and lower accessibility and recognition of high-priced products, as compared to consumers in first tier cities.

DISTRIBUTION CHANNELS OF JELLY PRODUCTS, CRACKERS AND CHIPS AND BOUILLON

Snacks and bouillon in the PRC are mostly sold through four channels to end customers including unchained grocers, chained supermarket or hypermarket, internet retailing and convenience store. Products sold through distributors to unchained grocers are commonly known as the traditional distributorship channel, and products sold directly or in some cases through distributors to chained supermarket or hypermarkets are referred to as the modern retail channel.

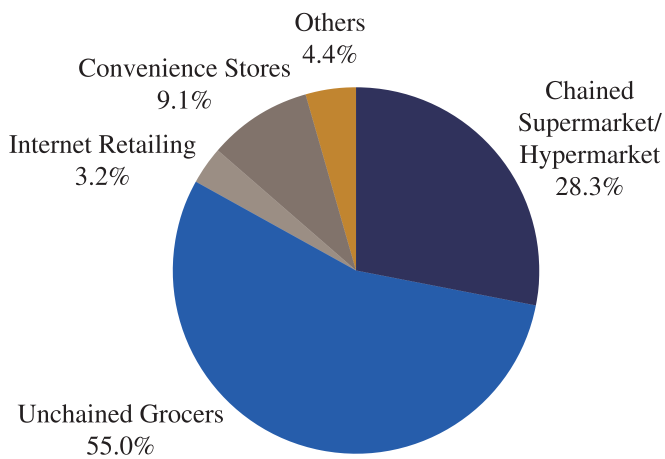
2014 Jelly Snacks Retail Sales Value by Distribution Channel in the PRC



Source: Euromonitor estimates from trade interviews and desk research

Majority of jelly products are sold through unchained grocers, although in recent years leading international and domestic retailers have been penetrating their footprints into lower-tier cities while increasing outlet density in second and third cities. Most of the leading jelly products manufacturers have also established internet sales channel mainly in the form of flagship stores on online sales platform.

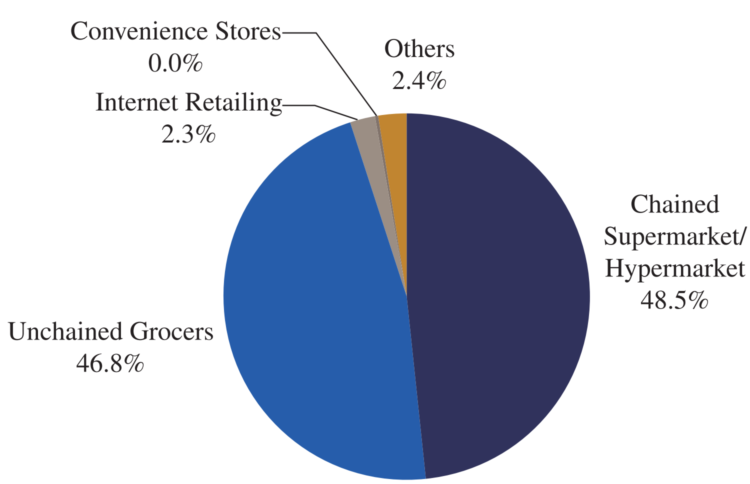
2014 Crackers and Chips Retail Sales Value by Distribution Channel in the PRC



Source: Euromonitor estimates from trade interviews and desk research

It is a common practice in the PRC that crackers and chips manufacturers sell through distributors and sub-distributors to increase geographical coverage of sales and penetration into county or even village level markets. Although chain supermarkets or hypermarkets only contributed approximately half of the sales of unchained grocers in 2014, such modern retail channels have been growing rapidly due to changing consumer shopping preference. Certain multinational brands are willing to pay a large sum of money in order for their products to be promoted and sold through modern channels.

2014 Bouillon Retail Sales Value by Distribution Channel in the PRC



Source: Euromonitor estimates from trade interviews and desk research

Due to the higher average unit price of bouillon compared to MSG, mainstream consumers of bouillon are mainly located in mid to high tier cities. As a result, many manufacturers sell directly or indirectly to chain supermarkets and hypermarkets in order to penetrate into the bouillon market of these cities. Nevertheless, there is also substantial demand for bouillon in lower-tier cities and unchained grocers are a popular venue for consumers in purchasing such products in those cities.

COMPETITIVE LANDSCAPE

Competition in the food and snacks industry in the PRC is intense. There are a large number of domestic and international food and snacks manufacturers that sell their products in the PRC. For example, in respect of jelly products and crackers and chips, the PRC markets are fragmented with a large number of players due to low market entry barriers.

In lower tier cities in the PRC, the snack products market is dominated by low-priced products. Industry players offering snack products in lower tier cities may face intense competition. Such market has growth potential and attracts a number of market players. On one hand, industry players with focus on first tier cities would like to gain access to second and lower tier cities. On the other hand, the snack products market in second and lower tier cities is more fragmented with a large number of small-scaled manufacturers, resulting in intense competition. Manufacturers with highly recognized brands are better positioned among other players. An extensive nationwide distribution channel has also been critical for manufacturers' success in reaching consumers in second and lower tier cities. Given the Group's relatively high consumer recognition, long heritage and strong channel penetration, it has strong competitive advantages and is well positioned to capitalize on the opportunities in second and lower tier cities.

Jelly Products

The jelly products market in the PRC is fragmented with a large number of players. While there were over 500 qualified jelly products manufacturers according to the China Association of Bakery and Confectionery Industry as at February 2015, the top 5 jelly products manufacturers in the PRC, in aggregate, accounted for 51.4% of the total jelly products market share in the PRC in terms of retail sales value in 2014.

The jelly products market has been fragmented due to the low entry barrier for jelly products. However, after the emergence of the Toxic Gelatin Incidents, many unqualified manufacturers of jelly products were gradually eliminated from the market. According to Euromonitor, among the jelly products manufacturers, we were the third-largest in terms of retail sales value in 2014. In particular, we also have a very strong sales presence for our jelly products in the North-eastern regions of the PRC.

The following table sets forth the competitive landscape for jelly products in the PRC in 2014:

Top 5 Jelly Products Manufacturers in the PRC, 2014

Rank	Company Name	Approximate% of market share by retail sales value in 2014
1	A	23.1
2	B	9.5
3	Our Group	9.2
4	D	5.7
5	E	3.9

Source: Euromonitor estimates from trade interviews and desk research

** The above table includes overseas manufacturers with sales presence in the PRC.

** The market share data reported above has been determined via a fieldwork program consisting of desk research and trade interviews.

While audited data was available for some of the companies, they typically do not break the revenue numbers into the relevant categories which were covered in this study. For these companies as well as those companies that are included in the market shares but are not publicly listed, we have estimated the sales based on estimates provided by various trade sources (i.e. not just the companies themselves) and seeking a consensus on these estimates as much as possible.

Crackers and Chips

There is a large number of players in the crackers and chips market in the PRC. According to the China Association of Bakery and Confectionery Industry, there were 2,064 qualified crackers and chips manufacturers in the PRC as at February 2015.

The five largest players in the crackers and chips market in the PRC accounted for 72.3% of the market share in 2014. The eight largest players mainly focused on potato-based products (including chips and French fries), corn-based products or rice-based products, whereas our Group and the tenth largest player mainly focused on prawn and seafood based products.

The following table sets forth the competitive landscape for crackers and chips in the PRC in 2014:

Rank	Company name	Approximate% of market share by retail sales value in 2014
1	A	24.7
2	B	16.0
3	C	12.8
4	D	11.9
5	E	6.9
6	F	2.0
7	G	1.8
8	H	1.7
9	Our Group	1.6
10	J	1.0

Source: Euromonitor estimates from trade interviews and desk research

** The above table includes overseas manufacturers with sales presence in the PRC.

** The market share data reported above has been determined via a fieldwork program consisting of desk research and trade interviews.

While audited data was available for some of the companies, they typically do not break the revenue numbers into the relevant categories which were covered in this study. For these companies as well as those companies that are included in the market shares but are not publicly listed, we have estimated the sales based on estimates provided by various trade sources (i.e. not just the companies themselves) and seeking a consensus on these estimates as much as possible.

According to Euromonitor, prawn and seafood crackers accounted for 12.8% of the total retail sales value of crackers and chips in 2014. Due to the low market entry barriers, there are a large number of small-scaled manufacturers of prawn and seafood crackers in the PRC. According to Euromonitor, among prawn and seafood crackers manufacturers, we were the second-largest in terms of retail sales value in 2014. In addition, we also benefit from our heritage as one of the early market entrants in the manufacture of prawn and seafood crackers.

The following table sets forth the competitive landscape for prawn and seafood crackers in the PRC in 2014:

Top 5 Prawn and Seafood Crackers Manufacturers in the PRC, 2014

Rank	Company Name	Approximate% of market share by retail sales value in 2014
1	A	28.3
2	Our Group	12.9
3	C	7.9
4	D	7.8
5	E	4.2

Source: Euromonitor estimates from trade interviews and desk research

** The above table includes overseas manufacturers with sales presence in the PRC.

** The market share data reported above has been determined via a fieldwork program consisting of desk research and trade interviews.

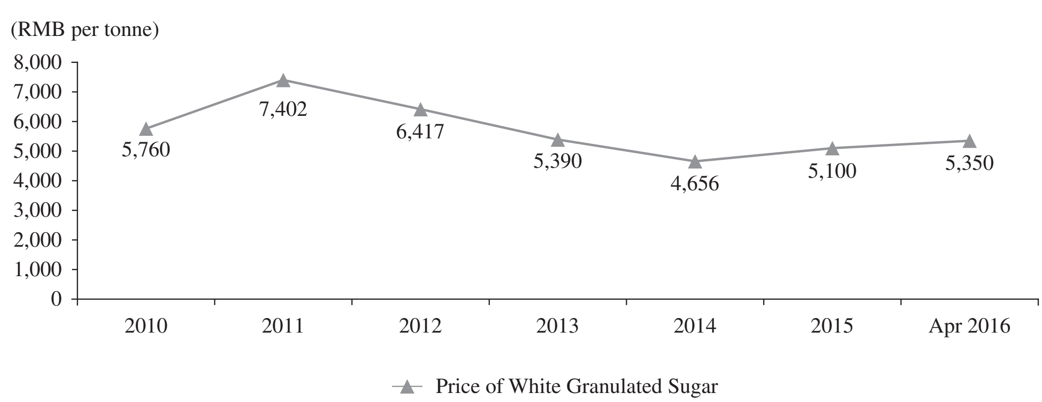
While audited data was available for some of the companies, they typically do not break the revenue numbers into the relevant categories which were covered in this study. For these companies as well as those companies that are included in the market shares but are not publicly listed, we have estimated the sales based on estimates provided by various trade sources (i.e. not just the companies themselves) and seeking a consensus on these estimates as much as possible.

KEY RAW MATERIALS

Jelly Products

For jelly products, the key raw materials are water, sugar, canned fruits, syrup and colloid. According to Euromonitor, the price of white granulated sugar experienced a continuous decrease since 2011, with a CAGR of -5.2% from 2010 to 2014. This was mainly due to the excessive supply over demand for white granulated sugar in the global market. From 2015, the reduced production of granulated sugar world-wide stimulated a price hike from RMB4,656 per tonne in 2014 to RMB5,350 per tonne in April 2016. The following chart sets forth the historical price trend of white granulated sugar from 2010 to April 2016:

2010 – April 2016 Price of White Granulated Sugar in the PRC



Note: Yearly average price was calculated based on monthly price.

Source: Euromonitor estimates from desk research

Crackers and Chips

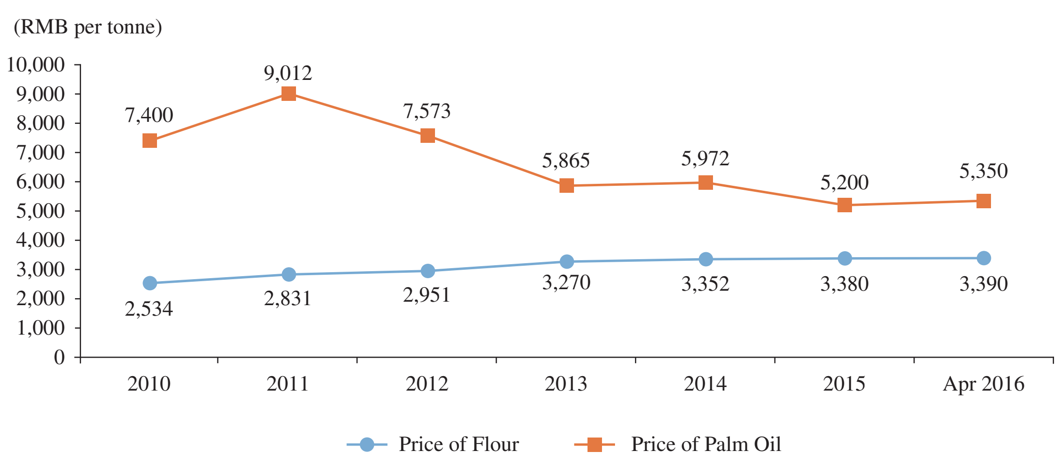
The key raw materials for crackers and chips include flour, palm oil and white granulated sugar.

Flour had a gradual and stable price increase from RMB2,534 per tonne in 2010 to RMB3,380 per tonne in 2015, representing a CAGR of 5.9%, and the growing trend continued in the beginning of 2016 to April 2016.

Palm oil supply in the PRC relies largely on exports from Malaysia. As a result, price fluctuations in palm oil in the PRC are influenced by Malaysia's palm oil market and the bilateral trade policies between the PRC and Malaysia. The price of palm oil was slightly up in 2014 partly because of the monsoon season in Malaysia, which had led to a decline in the production of palm oil. From 2014 and onwards, palm oil saw price dip again due to recovered production in Malaysia and Indonesia, as well as competition from soybean oil. Overall, palm oil experienced a CAGR of -6.8% from 2010 to 2015.

The following chart sets forth the historical price trend of flour and palm oil for the periods indicated:

2010 – April 2016 Price of Flour and Palm Oil in the PRC



Note: Yearly average price was calculated based on monthly price.

Source: Euromonitor estimates from desk research

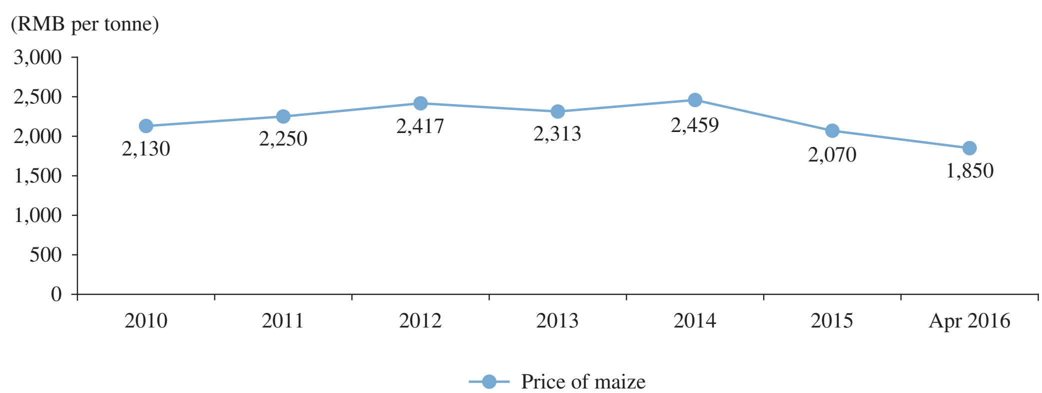
Bouillon

MSG is a major ingredient for bouillon. In turn, corn starch from maize is a major ingredient for MSG.

According to Euromonitor, the price of maize was generally on the rise from 2010 to 2014, up from RMB2,130 per tonne to RMB2,459 per tonne, representing CAGR of 3.7%. Due to the outbreak of the H7N9 Avian Influenza in the PRC in 2013 resulting in slaughtering of affected poultry, the demand for maize as feed dropped drastically. The price of maize saw a slight decrease in 2013 but rebounded to reach RMB2,459 per tonne in 2014. From 2015, the sluggish demand and overstock of maize led to a price drop, and the decreasing trend was carried into 2016.

The following chart sets forth the historical price trend of maize for the periods indicated:

2010 – April 2016 Price of Maize in the PRC



Note: Yearly average price was calculated based on monthly price.

Source: Euromonitor estimates from desk research

We are subject to PRC laws and regulations that govern the food and snacks industry. This section sets forth a summary of principal laws and regulations currently relevant to our PRC subsidiaries, our business and our operations.

ESTABLISHMENT, OPERATION AND MANAGEMENT OF A WHOLLY FOREIGN-OWNED ENTERPRISE, SINO-FOREIGN EQUITY JOINT VENTURE AND FOREIGN-INVESTED JOINT STOCK COMPANY

The Company is a foreign investor under Chinese laws, therefore its PRC subsidiaries are foreign-invested enterprises, including wholly foreign-owned enterprise, sino-foreign equity joint venture and foreign-invested joint stock company.

The establishment, operation and management of corporate entities in China are governed by the PRC Company Law (中華人民共和國公司法), which was adopted by the Standing Committee of the National People's Congress (全國人民代表大會常務委員會) on 29 December 1993 and with effect from 1 July 1994. It was last amended on 28 December 2013 and with effect from 1 March 2014. Under the PRC Company Law, companies are generally classified into two categories – limited liability companies and companies limited by shares. The PRC Company Law also applies to foreign-invested limited liability companies. According to the PRC Company Law, where laws on foreign investment have other stipulations, such stipulations shall prevail.

The establishment procedures, approval procedures, registered capital requirements, foreign exchange, accounting practices, taxation and labor matters of a wholly foreign-owned enterprise and a sino-foreign equity joint venture are regulated by the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法) (the "**Wholly Foreign-owned Enterprise Law**"), which was promulgated on 12 April 1986 and amended on 31 October 2000, and the Implementation Rules to the Wholly Foreign-owned Enterprise Law (中華人民共和國外資企業法實施細則), which were promulgated on 12 December 1990 and last amended on 19 February 2014, the PRC Law on Sino-foreign Equity Joint Ventures (中華人民共和國中外合資經營企業法) promulgated on 1 July 1979 and revised on 15 March 2001 and the Implementation Regulations (中華人民共和國中外合資經營企業法實施條例) promulgated on 20 September 1983 and revised on 22 July 2001, 8 January 2011 and 19 February 2014. The establishment procedures and registered capital requirements of a foreign-invested joint stock company are regulated by the Interim Provisions on Certain Issues Concerning the Establishment of Foreign-Invested Joint Stock Companies (關於設立外商投資股份有限公司若干問題的暫行規定).

Investment in the PRC conducted by foreign investors and foreign-owned enterprises is governed by The Catalog of Industries for Guiding Foreign Investment (外商投資產業指導目錄) (the "**Catalog**"), which was amended and promulgated by the MOFCOM and the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) on 24 December 2011 and on 10 March 2015, which became effect from 10 April 2015 and the newly amended version which became effective on 10 April 2015. The Catalog contains specific provisions guiding market access of foreign capital, stipulating in detail the rules of entry according to the categories of encouraged industries, restricted industries and prohibited industries. Industries not listed in the Catalog are generally open to foreign investment unless specifically prohibited or restricted by other PRC laws and regulations. Foreign investment in the encouraged category is entitled to certain preferential treatment and incentives extended by the government, while foreign investment in the restricted category is permitted but subject to certain restrictions under PRC Law. Foreign investment in the prohibited category is not allowed.

MANUFACTURE AND SALES OF FOOD

Licensing System for Food Production and Trading

In accordance with provisions of the Regulations of the PRC for the Administration of Production License for Industrial Products (中華人民共和國工業產品生產許可證管理條例) (the "**Production License Regulations**"), which was promulgated by the State Council and came into effect on 1 September 2005, and the Measures for the Implementation of the Regulations of the PRC for the Administration of Production License for Industrial Products (中華人民共和國工業產品生產許可證管理條例實施辦法), which were promulgated by the General Administration of Quality Supervision, Inspection and Quarantine and came into effect on 1 November 2005 and amended on 21 April 2010 and 21 April 2014, the General Administration of Quality Supervision, Inspection and Quarantine is responsible for the centralized administration of production license for industrial products, whereas the competent authorities of the county level or above for industrial production license are responsible for the administration of production license for industrial products within their own jurisdictions and the imposition of penalties on acts that violate the production license pursuant to the relevant requirements.

Pursuant to Regulations on Food Safety Law of the PRC (中華人民共和國食品安全法) (the "**Food Safety Law**"), which was promulgated on 28 February 2009, and amended on 24 April 2015, which entered into force on 1 October 2015, and implementing Rules on the Food Safety Law of the PRC (中華人民共和國食品安全法實施條例) (the "**Implementing Rules on the Food Safety Law**"), which was promulgated on 20 July 2009 and with effect from the same date, the state adopts a licensing system for food production and trading. To engage in food production, food circulation, the food production license and food circulation license shall be obtained in accordance with the law. Food producers who have obtained food production license do not need to obtain food circulation license for selling the food produced by them at their production place.

In accordance with the Measures for the Administration of Food Production Licensing (食品生產許可管理辦法), which was promulgated on 7 April 2010, and came into effect on 1 June 2010, the validity term for a food production license is three years. Enterprises that have food production license, with the need to continue the production upon expiry of the food production license, are required to file an application for renewal of the license with the original licensing authority within six months prior to the expiry of the validity term of the food production license. If the renewal is approved, the number of the food production license shall remain unchanged. Where no application is filed for renewal of license upon expiry of the validity term, the enterprise shall be deemed with no license upon the expiry, after which, if the enterprise intends to continue the production of food, it shall file a new application for re-issuance of the license and a new number of the license, the validity term of which shall be counted from the date of permission. On 31 August 2015, the new Measures for the Administration of Food Production Licensing were promulgated and came into effect on 1 October 2015. According to the new Measures for the Administration of Food Production Licensing, the validity term for a food production license is changed into five years and the food producers shall file applications with the food and drug administrative authorities which originally issued the license 30 working days before its expiry for extending the validity period of their food production license.

Personnel Health Management System

In accordance with Food Safety Law as well as Implementing Rules on the Food Safety Law, food producers and traders shall establish and implement a personnel health management system. The personnel suffering from dysentery, typhoid, viral hepatitis or any other infectious disease of digestive tract or suffering from active tuberculosis, purulent or seeping skin disease or any other disease that affects the food safety shall not engage in work that involves contact with ready-to-eat food. Food producers and traders shall have physical check-up each year and shall obtain healthy certificates prior to working.

Procurement Check Record System and Food Ex-factory Check Record System

According to Food Safety Law as well as Implementing Rules on the Food Safety Law, food producers purchasing food raw materials, food additives and food-related products shall check the licenses and food eligibility certification documents of the suppliers. The food raw materials whose eligibility certification documents are unavailable shall be checked in accordance with the food safety standards; no food raw materials, food additives or food-related products inconsistent with the food safety standards may be procured or used. Food production enterprises shall establish a procurement check record system of food raw materials, food additives and food-related products, and truthfully record the names, specifications, quantities, names and contact information of suppliers, dates of purchase, etc. of food raw materials, food additives and food-related products. The procurement check records of food raw materials, food additives and food-related products shall be true, and shall be kept for at least six months after the expiry of the shelf life of the product. If there is no shelf life, the records and certificates shall be kept for at least two years. Food production enterprises shall establish a food ex-factory check record system to check the inspection certificates and the safety conditions of ex-factory food and truthfully record the names, specifications, quantities, dates of production, lot numbers of production, numbers of inspection certificates, names and contact methods of purchasers, dates of sales, etc. of food. The records and certificates shall be kept for at least six months after the expiry of the shelf life of the product. If there is no shelf life, the records and certificates shall be kept for at least two years.

According to Implementation Rules for the Supervision and Administration on the Quality Safety of the Food Manufacturing and Processing Enterprises (For Trial) (食品生產加工企業質量安全監督管理實施細則(試行)), the market access symbol for food quality safety i.e. the symbol for food manufacturing permit, is a quality symbol, and shall be represented by the English abbreviation of quality safety "QS" (hereinafter referred to as the "QS", the QS symbol shall be printed (pasted) on the packaging or label of the food subject to the market access system for food quality safety before leaving factory. Those without the QS symbol shall not leave factory for sale. Article 48 provides that where an enterprise uses the QS symbol, it indicates that it promises that its product has passed the inspection and meets the basic requirements of food quality safety. Where a quality problem, not due to any improper use or storage of customers, occurs to the food with a QS symbol printed (pasted) before its expiration date, the producer and the seller shall assume their liabilities in accordance with their respective duties.

The Packages of Pre-packed Food

Also under Food Safety Law as well as Implementing Rules on the Food Safety Law, the packages of pre-packed food shall bear labels. The labels are required to state the following matters, such as name, specifications, net content and date of production; list of ingredients or components; producer's name, address and contact methods; shelf life; product standard code; storage conditions; the general name of the food additives used in the national standards; category number of food production license; and other items that must be indicated according to laws, regulations or food safety standards.

As required by the General Principles on the Production License for Food Packaging, Containers, Tools, and Other Products (食品用包裝、容器、工具等製品生產許可通則) and the Detailed Examination Rules on Production License for Plastic-made Food Packaging, Containers, Tools, and Other Products (食品用塑料包裝、容器、工具等製品生產許可審查細則), which was promulgated by the General Administration of Quality Supervision, Inspection and Quarantine on 18 July 2006, any enterprise that has not obtained a production license for a product listed in the catalogue shall be prohibited from producing the relevant products.

Food Recall System

The Food Safety Law and Administrative Measures for Food Recall (食品召回管理辦法) was promulgated by the State Food and Drug Administration on 11 March 2015 and entered into force on 1 September 2015. The Administrative Measures for Food Recall provides the detailed rules on the food recall system. Where a food producer finds that the food produced by it does not comply with the food safety standards, it shall immediately stop production, recall the food on the market for sale, notify the relevant producers and traders, as well as consumers, and record the recall and notification.

Where a food trader finds that the food traded by it does not comply with the food safety standards, it shall immediately stop the trading, notify the relevant producers and traders, as well as consumers, record the cessation of trading and the notification. Where the food producers consider that the food should be recalled, the food shall be recalled immediately. The food producers shall take such measures as remedy, destruction and harmless treatment for the recalled food, and report the recalling and treatment of the recalled food to the quality supervision department at or above the county level. Where the food producers or traders fail to recall or stop trading of the food failing to comply with the food safety standards in accordance with the provisions of the Food Safety Law as well as Implementing Rules on the Food Safety Law, the quality supervision, administration for industry and commerce, food and drug supervision and administration departments at and above the county level shall order them to recall or stop trading.

Food Export

Pursuant to Food Safety Law, State entry-exit inspection and quarantine authority shall carry out supervision and administration over the safety of imported and exported food. Enterprises producing food for export shall ensure that their exported food complies with the standards of the imported country (region) or the requirements of the contract concerned.

Production Safety

Pursuant to the Regulations on Safety Supervision of Special Equipment (特種設備安全監察條例), promulgated on 11 March 2003 and with effect from 1 June 2003 (amended on 14 January 2009 and with effect from 1 May 2009), "special equipment" used in the regulations refers to boiler, pressure vehicles (including gas cylinders, same below), pressure pipelines, elevators, lifting alliances, passenger ropeways, and large amusement devices, which relate to safety of human lives or having high risks. As required by the Regulations, prior to the putting-into-service of any special equipment or within 30 days after such putting-into-service, units using special equipment shall register with competent departments for safety supervision and administration of special equipment. The registration mark shall be placed or attached to a prominent position of the special equipment. Furthermore, operators and the relevant managerial staff of boilers, pressure vessels, elevators, lifting appliances, passenger ropeways and large amusement devices (referred to as the "**operators of special equipment**") shall not engage in corresponding operation or management until they have passed the examination organized by the departments for safety supervision and administration of special equipment as required by the State and acquired certificates for operators of special equipment with a nationally unified formula.

Food Safety

Pursuant to Food Safety Law as well as Implementing Rules on the Food Safety Law, food producers and traders shall engage in production and trading activities in accordance with the laws, regulations and food safety standards, be responsible for the society and the public, ensure food safety, accept social supervision, and undertake social responsibility. And in accordance with Law of the PRC on the Protection of Minors (中華人民共和國未成年人保護法), which was last amended on 26 October 2012 and with effect from 1 January 2013, the food produced and sold for minors shall meet the national standards or industrial standards, and may not be harmful to the safety or health of minors. Where points for attention need to be indicated, they shall be put up signs of such indication at noticeable places.

Food Identification Management System

Pursuant to the Food Identification Management Requirement (食品標識管理規定) promulgated by General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局) (the "**AQSIQ**") on 27 August 2007 and effective from 1 September 2008, and the amendments dated 22 October 2009, food identification labels should state the name, place and date of production, expiry date, net content, list of ingredients, name and addresses and contact information of producers, and standardization numbers of national standards, industry standards, local standards or enterprise standards for those who have filed these to the authorities. Food components or ingredients are required to be disclosed on food labels. Nutritional ingredients and their percentage labeling are required with respect to staple and supplementary food for babies, infants or other specified groups of people. Food labels with wordings such as "nutrition" or "strengthened" in their names or descriptions are required to state the nutrition and calories of such food in accordance with the relevant national standards and comply with quantity identification required by the national standards. Food which is under the production licensing management scheme is required to show its Food Production License number and QS mark on the food label.

Supervision on the Use of Food Additives

Pursuant to the Food Safety Law, no food additive may be used in food unless it is technically deemed necessary and has been proven to be safe and reliable after passing risk assessments. The health administrative department of the State Council will, on the basis of the technical requirements and the results of the food safety risk assessments, revise the varieties, scope of use and standard on the dosage of food additives in a timely manner. A food producer should use food additives in accordance with the food safety standards in relation to the varieties, scope of use and dosage of food additives, and should not, during the process of food production, use any chemical substances or any other substances which may cause potential harm to human health other than food additives.

The Measures for the Administration of New Varieties of Food Additives (食品添加劑新品種管理辦法) were promulgated by the Ministry of Health of the PRC (中華人民共和國衛生部) (now renamed "National Health and Family Planning Commission", the "**MOH**") on 30 March 2010. According to these measures, new varieties of food additives refer to the varieties which are not set by food safety national standards, or not listed in the permitted use catalog announced by the MOH, or not part of the varieties whose scope or dosage has been enlarged. The MOH is responsible for the examination and permission of the application submitted by enterprises or individuals who engage in producing, operating, using or importing new varieties of food additives. In accordance with the technical features and food safety risk analysis of the above-mentioned new variety of food additives, the MOH shall make public and announce the permitted food additives varieties, scope of use and dosage to become food safety national standards. The MOH shall make a timely reassessment when safety problems of food varieties caused are proved by scientist research or other proof, or the technical need is not essential. Approved varieties of food additives may be revoked and the scope of use and dosage may be revised by the MOH if the applicant fails the re-examination.

Product Quality and Consumer Protection

Manufacturers and vendors of defective products in the PRC may incur liability for loss and injury caused by such products. Under the General Principles of the Civil Laws of the PRC (中華人民共和國民法通則), which became effective on 1 January 1987, and amended on 27 August 2009, a manufacturer or retailer of a defective product which causes property damage or physical injury to any person could be subject to civil liability for such damage or injury.

In accordance with the Product Quality Law of the PRC (中華人民共和國產品質量法) (the "**Product Quality Law**"), promulgated on 22 February 1993 and amended on 8 July 2000, producers and sellers are responsible for the product quality according to the provisions of this law.

Under the Product Quality Law, producers for the products have the responsibility and are obliged: (i) to be responsible for the quality of products they produce; (ii) to ensure description of the products or the package of products are true to the fact; (iii) not to produce products expressly phased out by State laws or decrees; (iv) not to forge the place of origin or forge or falsely use the names and addresses of other producers; (v) not to forge or falsely use product quality marks, such as authentication marks; (vi) not to mix impurities or imitations into the products, substitute a fake product for a genuine one, a defective product for a high-quality one, or pass off a substandard product as a qualified one in the production; (vii) to ensure that, for products that are fragile, inflammable, explosive, toxic, erosive or radioactive and products that cannot be handled up-side-down in the process of storage or transportation or for which there are other special requirements, the packaging thereof must meet the corresponding requirements, carry warning marks or warning notes written in Chinese to highlight the way of handling that calls for attention. Sellers for the products have the responsibility and are obliged: (i) to adopt a check-for-acceptance system for stock replenishment to examine the quality certificates and other identifications of such stock; (ii) to take measures in maintaining good quality of the products for sale; (iii) not to sell defective or deteriorated products or products which have been publicly ordered to cease sales; (iv) to sell products with labels that comply with the relevant provisions; (v) not to forge the place of origin or forge or falsely use the names and addresses of other producers; (vi) not to forge or falsely use product quality marks, such as authentication marks; (vii) not to mix impurities or imitations into the products, substitute a fake product for a genuine one, a defective product for a high-quality one, or pass off a substandard product as a qualified one in the sale of products.

A producer or seller in breach of the above responsibilities and obligations is liable to civil compensation. If bodily injury is caused by the defect of a product, the producer or seller must pay for medical expense, nursing expenses during medical treatment and lost income due to absence from work to the victim; if the bodily injury has resulted in disability, the producer or seller is also responsible for the expenses for self-supporting equipment, living allowances, compensation of the disabled person and the living expenses necessary for those under the support of the disabled person; if death has resulted, the producer or seller shall pay for the funeral expenses, compensation and the living expenses necessary for those who were supported by the dead. If the defect of a product causes property loss, the producer or seller is responsible for restoration or compensation. The authorities shall order the suspension of production or sale, confiscate the products illegally produced or sold, impose a fine and confiscate the unlawful proceeds (if any) therefrom. Where the case is serious, business licenses shall be revoked. Where a criminal offense is constituted, the offenders will be pursued for criminal liabilities.

The Consumer Protection Law of the PRC (中華人民共和國消費者權益保護法) (the "**Consumer Protection Law**"), promulgated on 31 October 1993 and amended on 25 October 2013 and came into effect on 15 March 2014 sets out standards of behavior for business operators in their dealings with consumers, including, among other things, (i) compliance of goods and services with the Product Quality Law and other relevant laws and regulations, such as requirements regarding personal safety and protection of property; (ii) accurate information and advertising concerning goods and services and the quality and use of such goods and services; (iii) issuance of receipts to consumers in accordance with relevant national regulations, business practices or upon customer request; (iv) ensuring the actual quality and functionality of goods or services are consistent with advertising materials, product descriptions or samples; (v) assumption of the responsibilities related to repairing, replacing, returning or other liability in accordance with national regulations or any agreement with the consumer; and (vi) not stipulating unreasonable or unfair terms for consumers and not excluding themselves from civil liability to undermine the legal rights and interests of consumers.

Any seller which violates the Consumer Protection Law may be subject to fines, suspension of its business operation or revocation of its business license. A seller which violates the Consumer Protection Law may also be subject to criminal liabilities. According to the Consumer Protection Law, a consumer whose legal rights and interests are harmed during the purchase or use of goods may claim compensation form the seller. Where the liability lies with the manufacturer or supplier, the seller, after settling compensation with the consumer, has the right to recover such compensation from that manufacturer or the other seller. Consumers or other parties who suffer injury or property losses arising from product defects may claim compensation from the manufacturer or the seller. Where the liability lies with the manufacturers, the seller, after compensating the consumer, has the right to recover such compensation from the manufacturer, and vice versa.

Product Standardization

The Standardization Law of PRC (中華人民共和國標準化法), which came into effect on 1 April 1989, has formed the legal framework for the development of standard directives and their applications by all industries and sectors nationwide. The tasks of standardization work include the formulation of standards, the implementation of the standards and the supervision over the implementation of the standards.

National standards and trade standards are classified into compulsory standards and voluntary standards. Those standards created for safeguarding human health and ensuring the safety of the person and of property as well as those standards for compulsory execution as prescribed by the laws and administrative rules and regulations shall be compulsory standards, while the others shall be voluntary standards.

According to the Regulations for the Implementation of the Standardization Law of the PRC (中華人民共和國標準化法實施條例) promulgated on 6 April 1990 (together with the Standardization Law of PRC), the compulsory standards include: (i) standards for pharmaceuticals, food hygiene and veterinary medicine; (ii) safety and hygiene standards for the safety of labor and hygiene standards and safety standards for transportation; (iii) quality, safety and sanitation standards for project construction and other standards for project construction that must be controlled by the State; (iv) standards for the discharge of pollutants and standards for environmental quality; (v) important technical terms, symbols, codes and drafting methods in common use; (vi) standards on universal methods of experimentation and examination; (vii) standards for conversion and coordination; and (viii) quality standards for important products which need to be controlled by the State.

Enterprises producing, selling or importing products which do not conform with the compulsory standards may be ordered to stop operations. The authorities of the Industry and Commerce Administration may also confiscated non-standardized products and illegal gains derived thereunder. Criminal liabilities may also be imposed for serious breach of the Standardization Law and Regulations. Standard certificates obtained by enterprises which are in breach of the Standardization Law and Regulations may be revoked.

Intellectual Property Rights

Trademark

As required by the Trademark Law of the PRC (中華人民共和國商標法) (Order No. 59 of the President, effective from 1 March 1983 and amended on 27 October 2001 and 30 August 2013 and came into effect on 1 May 2014) and Regulation for the Implementation of Trademark Law of the PRC (中華人民共和國商標法實施條例) (Order No. 358 of the State Council, effective from 15 September 2002 and amend on 29 April 2014), the Trademark Office of the State Administration for Industry and Commerce of the PRC (the "**Trademark Office**") is responsible for the registration and administration of trademarks throughout the country. The Trademark Review and Adjudication Board of the State Administration for Industry and Commerce under the State Council is responsible for handling trademark disputes.

Registered trademarks refer to trademarks that have been approved and registered by the Trademark Office, which include commodity trademarks, service trademarks, collective marks and certification marks. A trademark registrant enjoys an exclusive right to use the trademark, which shall be protected by law. Any visible mark in the form of word, graphic, alphabet, number, 3D (three-dimension) mark, color combination or the combination of these elements that can distinguish the commodities of the natural person, legal person or other organizations from those of others can be registered as a trademark. A trademark for which an application is filed for registration must be as distinctive as to be distinguishable, and must not conflict with the legitimate right previously obtained by others. A trademark registrant is entitled to tag the words "Registered Trademark" or use a sign indicating that it is registered.

A public announcement must be made upon completion of a preliminary examination of the trademark pending for registration by the Trademark Office. Any person with pre-existing right or interests may, within three months from the date of the publication, file an opposition against the trademark that has been preliminarily approved upon examination. If no objection has been received upon expiry of such period, the registration is approved, a certificate of trademark registration is issued and the trademark is published. The valid period of a registered trademark is ten years from the date of the approval for registration. Where the registrant intends to continue to use the registered trademark beyond the expiration of the validity period, an application for renewal of the registration must be made within twelve months before such expiration. Where no application there for has been filed within such period, a grace period of six months may be allowed. If no application has been filed before the expiration of the grace period, the registered trademark is cancelled. The validity period of each renewal of registration is ten years. Any renewal of registration shall be published after it has been approved.

Any of the following acts constitute an infringement upon the right to exclusive use of a registered trademark: (1) using a trademark which is identical with a registered trademark on the same kind of goods without a license from the registrant of the registered trademark; (2) using a trademark which is similar to a registered trademark on the same kind of goods, or using a trademark that is identical with or similar to the registered trademark on similar goods without a license from the registrant of the registered trademark, which is likely to cause confusion; (3) selling goods that infringe upon the right to exclusive use of a registered trademark; (4) counterfeit or unauthorized production of the label of another's registered trademark, or sale of any such label that is counterfeited or produced without authorization; (5) changing a registered trademark and putting the goods with the changed trademark into the market without the consent of the registrant of the registered trademark; (6) providing, intentionally, convenience for activities infringing upon others' exclusive right of trademark use, and facilitating others to commit infringement on the exclusive right of trademark use; or (7) causing other damage to the right to exclusive use of a holder of a registered trademark.

Patent Law

Patents in the PRC are mainly protected under the Patent Law of the PRC (中華人民共和國專利法), which was promulgated by the Standing Committee of the National People's Congress on 12 March 1984 and amended on 4 September 1992, 25 August 2000 and 27 December 2008, and its implementation rules (中華人民共和國專利法實施細則), which was promulgated by the State Council on 15 June 2001 and amended on 28 December 2002 and 9 January 2010. The Patent Law of the PRC and its implementation rules provide for three types of patents, "invention", "utility model" and "design" "Invention" refers to any new technical solution relating to a product, a process or improvement thereof; "utility model" refers to any new technical solution relating to the shape, structure, or their combination, of a product, which is suitable for practical use; and "design" refers to any new design of the shape, pattern, color or the combination of any two of them, of a product, which creates an aesthetic feeling and is suitable for industrial application. The duration of a patent right for "invention" is 20 years, and the duration of a patent right for "utility model" or "designs" is 10 years, from the date of application.

Domain Names

Pursuant to the Measures for the Administration of Internet Domain Names of China (中國互聯網域名管理辦法), which was promulgated on 5 November 2004 and effective from 20 December 2004, "domain name" refers to the character mark of hierarchical structure, which identifies and locates a computer on the internet and corresponds to the Internet Protocol (IP) address of that computer. The principle of "first come, first serve" is followed for the domain name registration. After completing the domain name registration, the applicant becomes the holder of the relevant domain name. Furthermore, the holder shall pay operation fees for registered domain names on schedule. If the domain name holder fails to pay corresponding fees as required, the original domain name registrar will write it off and notify the holder of the domain name in written form.

Taxation

Enterprise Income Tax

According to the Law on Enterprise Income Tax of the PRC (中華人民共和國企業所得稅法) (the "**PRC EIT Law**"), which was promulgated on 16 March 2007 and became effective from 1 January 2008, the income tax for both domestic and foreign-invested enterprises is at a uniform rate of 25%. The Regulation on the Implementation of Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) (the "**EIT Rules**") was promulgated on 6 December 2007 and became effective from 1 January 2008.

Pursuant to the PRC EIT Law and the EIT Rules, a resident enterprise is subject to enterprise income tax for the income derived from both inside and outside the PRC. An organization or establishment set up by a non-resident enterprise in the PRC is subject to enterprise income tax for the income derived in the PRC and the income derived from outside the PRC but with actual connection with such organization or establishment in the PRC. For a non-resident enterprise which has not set up an organization or establishment in the PRC, or has set up an organization or establishment in the PRC but the income it derives has no actual connection with such organization or establishment, only its income derived in the PRC will be subject to enterprise income tax.

Pursuant to the PRC EIT Law and the EIT Rules, income from equity investment between qualified resident enterprises such as dividends and bonuses, which refers to investment income derived by a resident enterprise from direct investment in another resident enterprise, is tax-exempt income.

Moreover, pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的

安排), a PRC resident enterprise which distributes dividends to its Hong Kong shareholders should pay income tax according to PRC Law, however, if the beneficiary of the dividends is a Hong Kong resident enterprise, which directly holds no less than 25% equity interests of the aforesaid enterprise (i.e. the dividend distributor), the tax levied is 5% of the distributed dividends. If the beneficiary is a Hong Kong resident enterprise, which directly holds less than 25% equity interests of the aforesaid enterprise, the tax levied is 10% of the distributed dividends. Meanwhile, Circular of the State Administration of Taxation on the Interpretation and the Determination of the "Beneficial Owners" in the Tax Treaties (國家稅總局關於如何理解和認定稅收協定中"受益所有人"的通知) has stipulated some factors that are unfavorable to determination of "beneficial owner".

In addition, pursuant to the Circular of the SAT on Relevant Issues Relating to the implementation of Dividend Clauses in Tax Treaty (國家稅務總局關於執行稅收協定股息條款有關問題的通知) issued by the SAT on 20 February 2009, all of the following requirements must be satisfied where a tax resident of the counterparty to the tax treaty needs to be entitled to such tax treatment specified in the tax treaty for the dividends paid to it by a Chinese resident company: (1) such a tax resident who obtains dividends should be a company as provided in the tax treaty; (2) the equity interests and voting shares of the Chinese resident company directly owned by such a tax resident reach a specified percentage; and (3) the capital ratio of the Chinese resident company directly owned by such a tax resident reaches the percentage specified in the tax treaty at any time within 12 months prior to acquiring the dividends.

Value-added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例) last amended on 10 November 2008 and with effect from 1 January 2009 and its implementation rules, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, and the importation of goods are required to pay value-added tax ("**VAT**"). The amount of VAT payable is calculated as "output VAT" minus "input VAT". The rate of VAT is, subject to certain exceptions, 17% for those engaging in the sale or importation of goods and for those providing processing services, repairs and replacement services.

Foreign Currency Exchange and Dividend Distribution

Foreign Currency Exchange

The principal regulation governing foreign currency exchange in PRC is the Foreign Exchange Administration Rules of the PRC (中華人民共和國外匯管理條例) (the "**Foreign Exchange Administration Rules**") which were promulgated by the State Council of the PRC (中華人民共和國國務院) on 29 January 1996 and with effect from 1 April 1996 and were amended on 14 January 1997 and 5 August 2008. Under these rules, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loans unless the prior approval by the competent authorities for the administration of foreign exchange is obtained.

On 30 March 2015, the SAFE promulgated the Circular on Reform of the Administrative Method of the Settlement of Foreign Currency Capital by Foreign-invested Enterprises (關於改革外商投資企業外匯資本金結匯管理方式的通知) (the "**SAFE Circular 19**") which became effective on 1 June 2015. SAFE Circular 19 provides greater flexibility to FIEs in converting foreign exchange in their capital account into Renminbi, and in particular, it provides that FIEs are allowed to use their converted Renminbi to make equity investments in China after performing relevant procedures as stipulated in it. Under SAFE Circular 19, FIEs may choose to convert any amount of foreign exchange in their capital account into Renminbi according to their actual business needs. The converted Renminbi must be kept in a designated account and if an FIE needs to make further payment from such account, it still needs to provide supporting documents and go through the review process with the banks. FIEs are still required to use the converted RMB within their approved business scope. SAFE Circular 142 was abolished when SAFE Circular 19 became effective on 1 June 2015.

Dividend Distribution

The principal laws governing dividend distributions by our PRC Subsidiaries include the PRC Company Law. Dividend distributions by wholly foreign-owned enterprises and Sino-foreign equity joint ventures are further governed by the PRC Law Concerning Wholly Foreign-Owned Enterprises, and its Implementation Regulations, the PRC Law on Sino-foreign Equity Joint Ventures and the Implementation Regulations.

Under these laws and regulations, PRC companies, including wholly foreign-owned enterprises and sino-foreign equity joint ventures, may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting principles. In addition, PRC companies, including domestic companies, wholly foreign-owned enterprises and Sino-foreign equity joint ventures are required to set aside each year at least 10% of their after-tax profit based on PRC accounting principles to their statutory general reserves funds until the cumulative amount of such reserve fund reaches 50% of their registered capital. These reserves are not distributable as cash dividend. Furthermore, wholly foreign-owned enterprises and sino-foreign equity joint ventures in the PRC may also be required to set aside individual funds for employee welfare, bonuses and development, at the discretion of such PRC companies and as stipulated in their articles of association. These reserves or funds are not distributable as dividends.

Environmental Protection

According to the Environmental Protection Law of the PRC (中華人民共和國環境保護法) (the "**Environmental Protection Law**") which was promulgated and become effective from 26 December 1989 and amended on 24 April 2014 and with effect from 1 January 2015: any entity that discharges pollutants must establish environmental protection rules and adopt effective measures to control or properly treat waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation and other hazards it produces; any entity that discharges pollutants must report to and register with the relevant environmental protection authorities; and any entity that discharges pollutants in excess of the prescribed national or local standards must pay a fee therefor.

The Ministry of Environmental Protection of the PRC Government authorities imposes different penalties on persons or enterprises in violation of the Environmental Protection Law depending on the individual circumstances and the extent of contamination. Such penalties include warnings, fines, decisions to impose deadlines for cure, orders to stop production, orders to re-install contamination prevention and cure facilities which have been removed or left unused, imposition of administrative actions against relevant responsible persons, or orders to close down those enterprises or authorities.

On 19 December 2014, the Ministry of Environmental Protection promulgated the Measures for the Imposition of Consecutive Punishments on a Daily Basis by Environmental Protection Authorities (環境保護主管部門實施按日連續處罰辦法), which became effective on 1 January 2015. The Measures specifies basis, principle, scope, procedure and method of calculating as to the consecutive punishments on a daily basis.

On 19 December 2014, the Ministry of Environmental Protection promulgated the Measures for the Imposition of Sealing up and Detaining by Environmental Protection Authorities (環境保護主管部門實施查封、扣押辦法) which became effective on 1 January 2015. The Measures specifies the definition, scope of application, concrete object of sealing up and detaining, and the implementing procedures such as inspection, evidence collection, examination and approval, penalty decision enforcement, implementing period, retention and release.

On 19 December 2014, the Ministry of Environmental Protection promulgated the Measures for the Imposition of Restrictions on Production and Cessation of Production for Rectification by Environmental Protection Authorities (環境保護主管部門實施限制生產、停產整治辦法), which became effective on 1 January 2015. The measures specify that environmental protection authorities at or above the county level shall take measures such as restricting production, suspending production for rectification and severely disciplining the pollutants discharging exceeding the pollutant discharge standard or the controlling indicators for total emission volume of major pollutants.

The Law of PRC on Prevention and Control of Water Pollution (中華人民共和國水污染防治法), which was amended by the Standing Committee of the NPC on 28 February 2008, the Law of the PRC on Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法), which was amended by the Standing Committee of the NPC on 29 April 2000 and again on 29 August 2015, the Law of PRC on Prevention and Control of Environmental Noise Pollution (中華人民共和國環境噪聲污染防治法), which was promulgated by the Standing Committee of the NPC on 29 October 1996 and became effective on 1 March 1997, as well as the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes (中華人民共和國固體廢物污染環境防治法), which was amended by the Standing Committee of the NPC on 29 December 2004 and 29 June 2013, prescribe the details for the prevention and control of water pollution, atmosphere pollution, noise pollution and solid waste pollution.

Standards of Collecting Fees for Discharge of Pollutants

According to Circular on the Standards of Collecting Fees for Discharge of Pollutants (排污費徵收標準管理辦法), which was promulgated on 28 February 2003, became effective on 1 July 2003 and amended on 28 December 2012, environmental protection authorities under the local government at or above the county level must collect fees for pollutant discharge based on the following: enterprises, institutions and individually-owned industrial and/or commercial businesses that directly discharge pollutants into a water body must pay fees for pollutant discharge according to the type and quantity of the water pollutants discharged and general standards for collecting the fee for pollutant discharge. Enterprises that pay fees to facilities for centralized treatment of urban sewage according to the type and quantity of the water pollutants discharged are not required to pay fees for discharge of pollutants. Enterprises, institutions and individually-owned industrial and/or commercial businesses that discharge atmospheric pollutants shall pay fees for pollutant discharge on the basis of the type and quantity of the atmospheric pollutants discharged. If facilities and sites for storing and treating industrial solid wastes have not completed construction or have not complied with state standards on environmental protection, enterprises, institutions and individually-owned industrial and/or commercial businesses shall pay fees for solid waste discharge according to the type and quantity of the solid waste pollutants discharged. Enterprises, institutions and individually-owned industrial and/or commercial businesses that produce noise pollution impairing the living environment of the neighborhood shall pay fees for excessive emission of such pollution.

Construction Project Environmental Protection

According to the Regulations on Administration of Construction Project Environmental Protection (建設項目環境保護管理條例), which were promulgated and became effective on 29 November 1998, the PRC government implements a system that evaluates the environmental impact of a construction project. A construction unit should, in the phase of construction project feasibility study, submit the construction project environmental impact report, environmental impact statement or environmental impact registration form for approval. For a construction project that does not require any feasibility study pursuant to relevant state provisions, the construction unit should, prior to the start of the construction of the project, submit the construction project environmental impact report, environmental impact statement or environmental impact registration form for approval. Besides, the construction unit should, upon the completion of the construction project, file an application with the competent department of environmental protection administration that examined and approved the environmental impact report, environmental impact statement or environmental impact registration form for the relevant construction product for acceptance checks. These acceptance checks are related to completion of construction of matching environmental protection facilities required for the construction project. For construction projects that are built in phases, put into production or delivered for use in phases, acceptance checks for their corresponding environmental protection facilities should be conducted in phases.

Employment and Social Insurance

Labor Contracts

Pursuant to the Labor Contract Law of the PRC (中華人民共和國勞動合同法) (the "**Labor Contract Law**"), which was adopted by the Standing Committee of the National People's Congress on 29 June 2007 and became effective on 1 January 2008, and amended on 28 December 2012 and became effective on 1 July 2013, to establish a labor relationship, a written labor contract should be concluded. In the event that no written labor contract is concluded at the time when a labor relationship is established, such a written contract should be concluded within one month from the date when the employer employs the employee. Where the employer fails to conclude a written labor contract with the employee for more than one month but less than a year from the date the employer starts employing the employee, the employer shall pay the employee two times his or her salary for each month. In addition, if the employer fails to conclude a written labor contract with the employee within one year from the date when it employs the employee, it shall be deemed to have concluded an open-ended contract with the employee.

Social Insurance and Housing Provident Fund

As required under the Regulation of Insurance for Labor Injury (工傷保險條例), which was implemented on 1 January 2004, amended on 20 December 2010 and became effective on 1 January 2011, the Provisional Measures for Maternity Insurance of Employees of Corporations (企業職工

生育保險試行辦法) implemented on 1 January 1995, the Decisions on the Establishment of a Unified Program for Old-Aged pension Insurance of the State Council (國務院關於建立統一的企業職工基本養老保險制度的決定) issued on 16 July 1997, the Decisions on the Establishment of the Medical Insurance program for Urban Workers of the State Council (國務院關於建立城鎮職工基本醫療保險制度的決定) promulgated on 14 December 1998, the Unemployment Insurance Measures (失業保險條例) promulgated on 22 January 1999, and the Social Insurance Law of the PRC (中華人民共和國社會保險法) implemented on 1 July 2011, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. Enterprises must apply for social insurance registration with local social insurance agencies and pay premiums for their employees. If an enterprise does not pay the full amount of social insurance premiums as scheduled, the social insurance premium collection institution shall order it to make the payment or make up the difference within the stipulated period and impose a daily fine equivalent to 0.05% of the overdue payment from the date on which the payment is overdue. If payment is not made within the stipulated period, the relevant administration department shall impose a fine from one to three times the amount of overdue payment.

According to the Regulation on Management of Housing Fund (住房公積金管理條例), which was promulgated by the State Council on 3 April 1999, became effective on the same day and was amended on 24 March 2002, enterprises must register with the competent managing center for housing funds and, upon the examination by such managing center of housing fund, complete procedures for opening an account at relevant bank for the deposit of employee's housing funds. Employers are required to contribute, on behalf of their employees, to housing funds. The payment is required to be made to local administrative authorities. Any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

OUR HISTORY AND BUSINESS DEVELOPMENT

Our history dates back to 1990 when, amongst others, Mr. Wu Huolu, Mr. Wu Sichuan and Mr. Wu Yinhang (each a Director) and their respective family members used their personal savings to establish Wudai Flour Factory, a collectively owned enterprise under the PRC laws with a registered capital of RMB1.5 million to engage in the processing of flour in Anhai, Jinjiang. With over 25 years of history and operations in the food and snacks industry in the PRC, we have established a solid foundation combined with strong brand recognition and evolved from a local factory into a leading manufacturer of jelly products and a national producer of crackers and chips, seasoning products and bakery, confectionery and other products in the PRC today. Our core brand “Qinqin (親親)” is one of the leading brands in the jelly products and prawn and seafood crackers markets in the PRC. Over the years, we have expanded our operations nationwide and as at the Latest Practicable Date, we had eight production facilities strategically located across the PRC, namely Fujian, Hubei, Henan, Shaanxi, Shandong and Liaoning Provinces. Set out below is a brief summary of the significant milestones of our business development:

Key Milestones

Year	Milestones
1990	• Wudai Flour Factory, our Group’s predecessor, commenced processing of flour in mainland China
1998	• Fujian QinQin was established and our trademark “ ” for crackers and chips was recognized as Fujian Famous Trademark (福建省著名商標)
2001	• Our flagship products of jelly, prawn crackers and potato chips under the “Qinqin (親親)” brand name and our seasoning products under the “Shangerry (香格里)” brand name were recognized by China National Food Industry Association (中國食品工業協會) as Famous Chinese Food (中國名優食品)
2003	• Fujian QinQin obtained ISO 9001 quality system certificate issued by Beijing New Century Certification Co., Ltd. (北京新世紀認證有限公司) • Our crackers and chips products under the trademark “ ” were recognized as Fujian Top Brand Product (福建名牌產品)
2004	• We launched our confectionery products
2005	• Fujian QinQin and Quanzhou QinQin obtained the “Hazard Analysis and Critical Control Point” (“**HACCP**”) certificate, which is required for export of food products to certain countries
2006	• “Qinqin” (親親) brand was recognized by Southeast Morning Post (東南早報) and other mass media as Quanzhou Top 10 Brands for Teenagers in the Strait (海峽青少年最喜愛的泉州十大品牌)
2007	• Our jelly products under the brand name of “Qinqin (親親)” was recognized as a Chinese Top Brand Product (中國名牌產品) by General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中國國家質量監督檢驗檢疫總局)
2008	• Hengan acquired 51% interest in our Group

Year	Milestones
2009	• Fujian QinQin was recognized by China National Light Industry Council (中國輕工業聯合會) and China Association of Bakery and Confectionery Industry (中國焙烤食品糖製品工業協會) as Top 10 Enterprises of Bakery and Confectionery Industry in China Light Industries (中國輕工業焙烤食品糖製品行業十強企業)
2011	• Fujian QinQin was accredited as a Model Enterprise in Food Safety (食品安全示範單位) in the Committee of Chinese Food Safety Annual Conference (中國食品安全年會組委會)
2015	• China National Light Industry Council (中國輕工業聯合會) and China Association of Bakery and Confectionery Industry (中國焙烤食品糖製品工業協會) jointly announced Fujian QinQin as Top 10 Enterprises of Bakery and Confectionery Industry (Jelly) in China (中國焙烤食品糖製品行業(果凍)十強企業) and Top 10 Enterprises of Bakery and Confectionery Industry (Puffed Food) in China (中國焙烤食品糖製品行業(膨化)十強企業)
	• Fujian QinQin was accredited as Outstanding Contribution in China's Leisure Food Industry (中國休閒食品行業突出貢獻獎) by China Leisure Food Circulation Association (中國副食流通協會), Jinjiang People's Government (晉江市人民政府) and Jinjiang Economy News (晉江經濟報社)

OUR CORPORATE DEVELOPMENT

Our Early History

Our Group's history can be traced back to 1990 when our founders established Wudai Flour Factory in Anhai, Jinjiang to engage in the processing of flour. They then established Jinjiang Southern Food and Quanzhou Southern Food to engage in the business of crackers and chips products.

Establishment and Development of Fujian QinQin

In 1998, anticipating potential for future growth and diversification, our founders established Fujian QinQin on 18 December 1998 with a registered capital of RMB70 million. Fujian QinQin acquired the businesses from Wudai Flour Factory, Jinjiang Southern Food and Quanzhou Southern Food and started to engage in the processing of instant noodles, crackers and chips products. After the acquisitions, Mr. Wu Huolu, Mr. Wu Sichuan and Mr. Wu Yinhang, all of whom were part of the investors of Wudai Flour Factory, became directors of Fujian QinQin.

In 2008, in contemplation of Hengan's acquisition of the controlling interests of the then QinQin Group, Fujian QinQin completed a restructuring exercise, pursuant to which Fujian QinQin became indirectly wholly owned by QinQin BVI. On 28 November 2008, pursuant to a share transfer agreement, Hengan, through its wholly owned subsidiary Ever Town, acquired 51% interests in QinQin BVI for the cash consideration of approximately RMB228.8 million. The consideration was determined based on the historical price-earnings multiples of the then QinQin Group's unaudited combined profit after taxation and estimated price-earnings multiples of the guaranteed combined profit after taxation. Following the transfer, QinQin BVI was owned as to 51% by Ever Town and 49% by Total Good.

Expansion of Our Operations and Corporate Structure

To support our geographical expansion and business development, we have established a number of subsidiaries. Details of our subsidiaries are further set forth as follows:

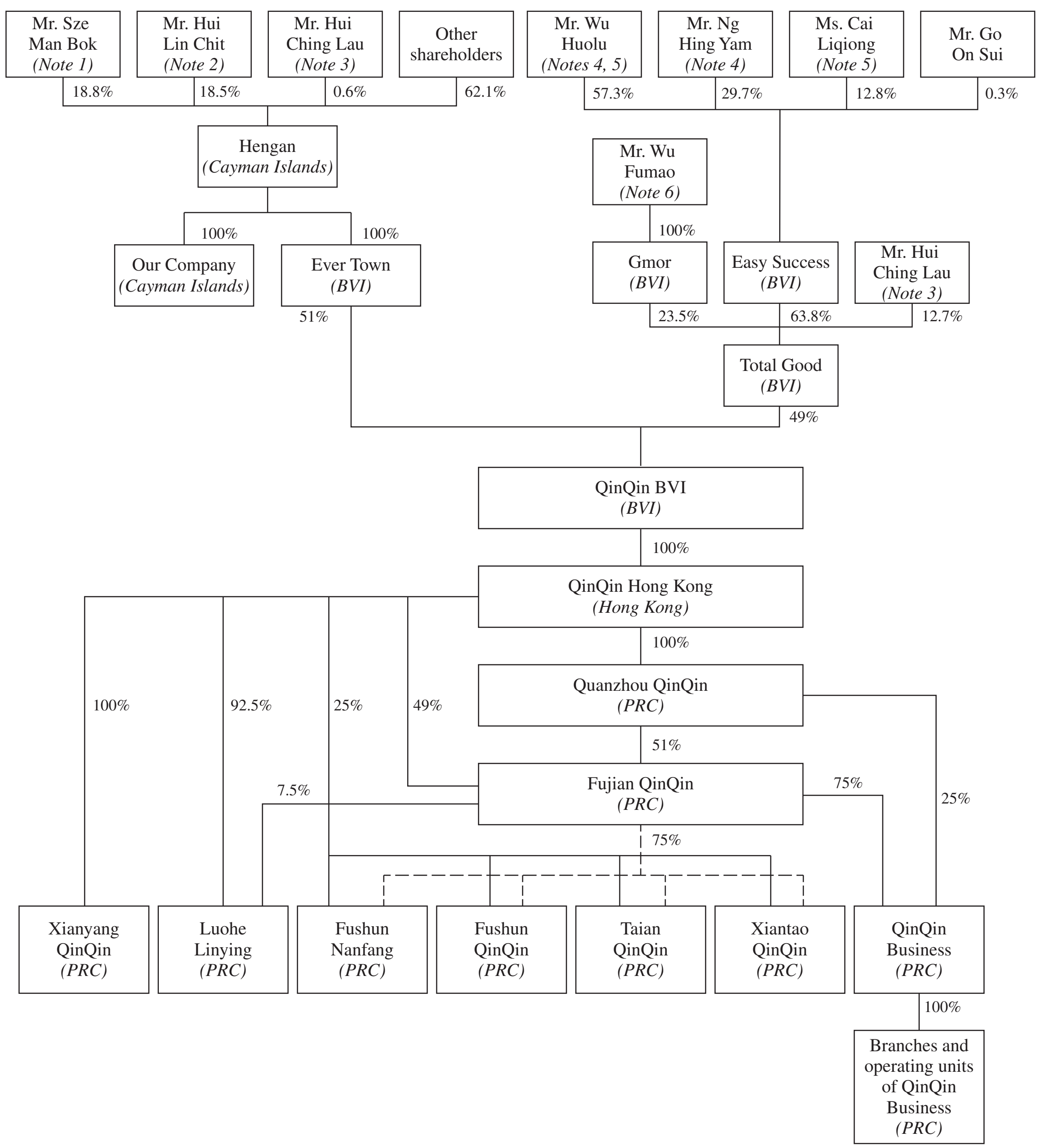
Name of subsidiary	Date of incorporation	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital or registered capital as at the Latest Practical Date
QinQin BVI	19 May 2008	BVI, limited liability company	Investment holding in Hong Kong	135,946,900 ordinary shares of HK$0.001 each
QinQin Hong Kong. .	2 May 2008	Hong Kong, limited liability company	Investment holding, distribution and sale of snack foods	1 ordinary share of HK$1
Fushun Nanfang . . .	2 August 2001	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in the PRC	RMB10,000,000
Fushun QinQin	30 December 2002	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in the PRC	RMB22,000,000
Luohe Linying	30 July 2001	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in the PRC	RMB100,000,000
Fujian QinQin.	18 December 1998	PRC, foreign-invested joint stock company	Manufacturing, distribution and sale of snack foods in the PRC	RMB70,000,000
Quanzhou QinQin . .	24 February 2004	PRC, wholly foreign-owned enterprise	Manufacturing, distribution and sale of snack foods in the PRC	RMB130,000,000
Taian QinQin	2 January 2001	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in the PRC	RMB5,000,000
Xiantao QinQin. . . .	10 August 2001	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in the PRC	RMB10,000,000
Xianyang QinQin . .	16 August 2004	PRC, wholly foreign-owned enterprise	Manufacturing, distribution and sale of snack foods in the PRC	RMB5,000,000
QinQin Business . . .	18 August 2009	PRC, limited liability company	Trading in the PRC	RMB5,000,000

REORGANIZATION

1. Incorporation of our Company

On 14 January 2016, our Company was incorporated in the Cayman Islands with an authorised share capital of HK$380,000 consisting of 38,000,000 shares of HK$0.01 each. Upon incorporation, one nil-paid Share was issued to the subscriber, who transferred the one nil-paid Share to Hengan on the same date.

The following chart illustrates our simplified corporate structure after the incorporation of our Company:



Notes:

1. Mr. Sze Man Bok's interests in Hengan comprise beneficial interest held by him and interest held by Tin Lee Investments Limited, a wholly-owned subsidiary of Tin Wing Holdings Limited, which is in turn owned by Seletar Limited and Serangoon Limited as nominees on trust for Credit Suisse Trust Limited, the trustee of the Sze's Family Trust. Mr. Sze Man Bok is settlor and beneficiary of the Sze's Family Trust. Mr. Sze Man Bok is our Director.

2. Mr. Hui Lin Chit's interests in Hengan were held by An Ping Holdings Limited. An Ping Holdings Limited is a wholly owned subsidiary of An Ping Investments Limited, which is in turn owned by Seletar Limited and Serangoon Limited as nominees on trust for Credit Suisse Trust Limited, as the trustee of the Hui Family Trust. Mr. Hui Lin Chit is settlor and beneficiary of the Hui Family Trust. Mr. Hui Lin Chit is Mr. Hui Ching Lau's father, both being our Directors.

3. Mr. Hui Ching Lau's interests in Hengan were held through his wholly owned companies. Mr. Hui Ching Lau is Mr. Hui Lin Chit's son, both being our Directors.

4. On 18 January 2016, Mr. Wu Yinhang and Mr. Wu Qingsheng transferred their shares in Easy Success to Mr. Ng Hing Yam by way of gift as part of their family arrangements. Mr. Ng Hing Yam, Mr. Wu Yinhang and Mr. Wu Qingsheng are brothers. Mr. Wu Yinhang is our Director. Mr. Wu Qingsheng is the brother-in-law of Mr. Wu Huolu (our Director).

5. On 18 January 2016, Mr. Wu Yongde transferred his shares in Easy Success to his wife, Ms. Cai Liqiong, by way of gift as part of his family arrangements. Mr. Wu Yongde and Mr. Wu Huolu (our Director) are brothers.

6. On 18 January 2016, Mr. Wu Sichuan, Mr. Wu Xinjiang and Mr. Wu Zhongqing transferred their shares in Gmor to Mr. Wu Fumao, son of Mr. Wu Xinjiang, by way of gift as part of their family arrangements. Mr. Wu Sichuan, Mr. Wu Xinjiang and Mr. Wu Zhongqing are brothers. Mr. Wu Sichuan is our Director.

7. The percentage figures in this chart do not take into account any outstanding share options and convertible bonds issued by Hengan.

8. Some percentage figures may not add up to 100% due to rounding differences.

2. Issue of Nil-Paid Shares to Ever Town and Total Good

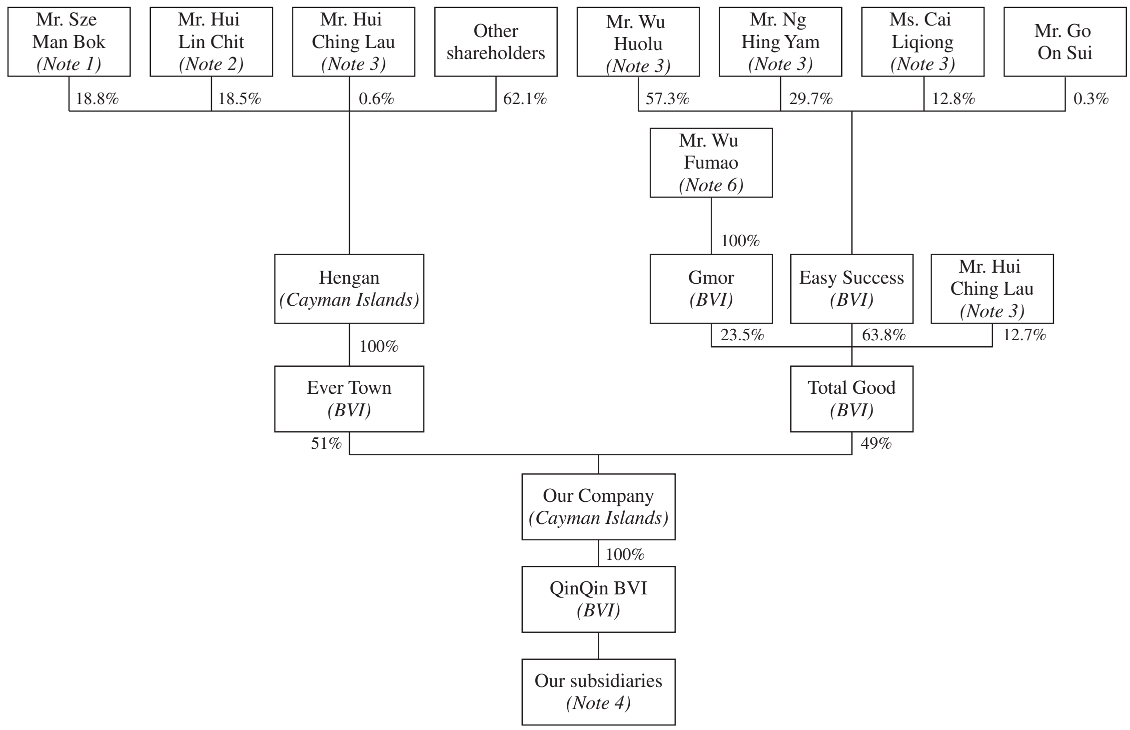
On 14 April 2016, Hengan transferred the one nil-paid Share to Ever Town at nil consideration.

On 14 April 2016, our Company allotted and issued 50 nil-paid Shares and 49 nil-paid Shares to Ever Town and Total Good respectively, as a result of which our Company was owned as to 51% by Ever Town and 49% by Total Good.

3. QinQin BVI Transfer

On 14 April 2016, Ever Town and Total Good (each as a transferor) transferred their respective entire interest in QinQin BVI (representing in aggregate the entire issued share capital of QinQin BVI) to our Company. As consideration for the QinQin BVI Transfer, our Company (as transferee) (a) credited as fully paid the 51 nil-paid Shares held by Ever Town; and (b) credited as fully paid the 49 nil-paid Shares held by Total Good. After the completion of the QinQin BVI Transfer on 14 April 2016, QinQin BVI became a wholly-owned subsidiary of our Company.

The following chart illustrates our simplified shareholding structure immediately following completion of the above steps:



Notes:

1. Mr. Sze Man Bok's interests in Hengan comprise beneficial interest held by him and interest held by Tin Lee Investments Limited, a wholly-owned subsidiary of Tin Wing Holdings Limited, which is in turn owned by Seletar Limited and Serangoon Limited as nominees on trust for Credit Suisse Trust Limited, the trustee of the Sze's Family Trust. Mr. Sze Man Bok is settlor and beneficiary of the Sze's Family Trust. Mr. Sze Man Bok is our Director.

2. Mr. Hui Lin Chit's interests in Hengan were held by An Ping Holdings Limited. An Ping Holdings Limited is a wholly owned subsidiary of An Ping Investments Limited, which is in turn owned by Seletar Limited and Serangoon Limited as nominees on trust for Credit Suisse Trust Limited, as the trustee of the Hui Family Trust. Mr. Hui Lin Chit is settlor and beneficiary of the Hui Family Trust. Mr. Hui Lin Chit is Mr. Hui Ching Lau's father, both being our Directors.

3. Please refer to notes 3, 4, 5 and 6 under the corporate structure chart on page 95 in this listing document for details of the relationship between such persons and our Directors.

4. Please refer to the corporate structure chart on page 95 in this listing document above for details on the subsidiaries of QinQin BVI.

5. The percentage figures in this chart do not take into account any outstanding share options and convertible bonds issued by Hengan.

6. Some percentage figures may not add up to 100% due to rounding differences.

4. *Increase of authorised share capital*

On 17 June 2016, the authorised share capital of our Company increased from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$10,000,000 divided into 1,000,000,000 Shares of HK$0.01 each, by the creation of 962,000,000 Shares of HK$0.01 each.

5. *Bonus Issue and the Distribution in specie*

On or after the Record Date and before the Listing Date, our Company will carry out a bonus issue of 475,696,457 new Shares *(Note)* to the Shareholders whose names appear on the register of members of our Company as at the Record Date, in proportion to their then existing shareholdings in our Company, credited as fully paid at par ("**Bonus Shares**"). The Bonus Shares will be allotted and issued as follows:

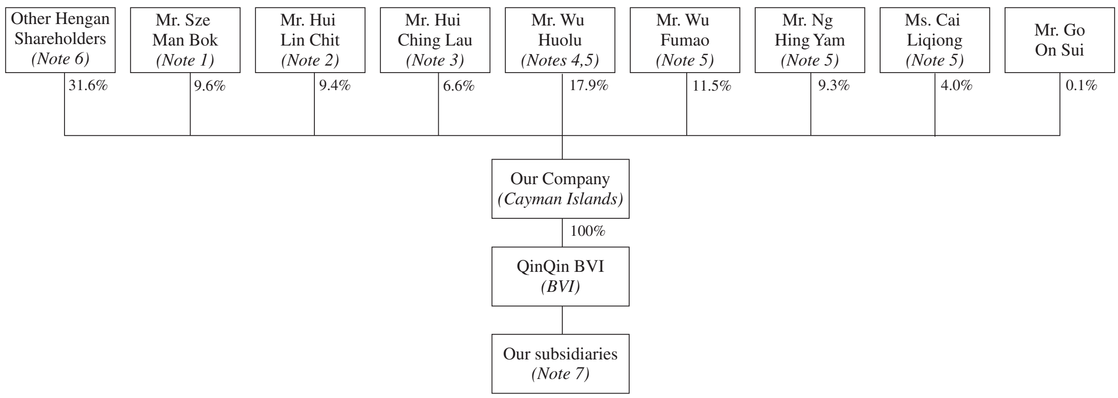
No. of Bonus Shares *(Note)*	**Allottee**
242,605,193	Ever Town (calculated on the basis of (a) five Hengan Shares will be entitled to the distribution of one Share, and (b) the total number of issued Hengan Shares as at the Latest Practicable Date (i.e. 1,213,026,221 shares), and assuming the total number of issued Hengan Shares on the Record Date remain the same)
233,091,264	Total Good (calculated based on the same basis as set out above)

Note: As at the Latest Practicable Date, there are 1,213,026,221 Hengan Shares in issue and (i) outstanding options (granted pursuant to the share option scheme of Hengan adopted on 26 May 2011) which entitle the holders thereof to subscribe for 7,716,500 Hengan Shares on or before the Record Date and (ii) outstanding Convertible Bonds which entitle the holders thereof to exercise the conversion rights attached thereto and subscribe for 4,172,131 Hengan Shares on or before the Record Date. Assuming all such options and convertible bonds are exercised or converted on or before the Record Date, there will be a total of 1,224,914,852 Hengan Shares in issue on the Record Date. Accordingly, the number of Bonus Shares to be issued to Ever Town and Total Good would instead be 244,982,919 and 235,375,746, respectively.

On or after the Record Date and before the Listing Date, the Shares held by Total Good will be transferred to the six ultimate beneficial owners of Total Good or their investment vehicles: (i) The Shares held by Total Good will be distributed to its shareholders, namely, Mr. Hui Ching Lau (who will direct the Shares to be distributed to his wholly owned company), Gmor and Easy Success; (ii) Gmor will in turn distribute the Shares to its owner, Mr. Wu Fumao; and (iii) Easy Success will repurchase the shares in Easy Success held by Ms. Cai Liqiong, Mr. Ng Hing Yam and Mr. Go On Sui in kind by transferring the Shares to them based on their proportionate entitlement.

On or after the Record Date and before the Listing Date, the Shares held by Ever Town will be distributed to Hengan by way of distribution in specie.

The following chart illustrates our simplified shareholding structure immediately following completion of the above steps, the Distribution and the Listing (assuming there is no change in the shareholding in Hengan from the shareholding as at the Latest Practicable Date):



Notes:

1. Mr. Sze Man Bok's interests in our Company comprise beneficial interest held by him and interest held by Tin Lee Investments Limited, a wholly-owned subsidiary of Tin Wing Holdings Limited which is in turn owned by Seletar Limited and Serangoon Limited as nominees on trust for Credit Suisse Trust Limited, the trustee of the Sze's Family Trust. Mr. Sze Man Bok is settlor and beneficiary of the Sze's Family Trust. Mr. Sze Man Bok is our Director.

2. Mr. Hui Lin Chit's interests in our Company are held by An Ping Holdings Limited, a wholly owned subsidiary of An Ping Investments Limited which is in turn owned by Seletar Limited and Serangoon Limited as nominees on trust for Credit Suisse Trust Limited, as the trustee of the Hui Family Trust. Mr. Hui Lin Chit is settlor and beneficiary of Hui Family Trust. Mr. Hui Ching Lau is Mr. Hui Lin Chit's son, both being our Directors.

3. Based on information available to our Company as at the Latest Practicable Date, Mr. Hui Ching Lau's equity interest in our Company (through his wholly owned companies) may increase by not more than approximately 0.01% immediately after completion of the Distribution as a result of additional Hengan Shares that he (through his wholly owned company) may receive before the Record Date under structured products relating to Hengan Shares. Mr. Hui Ching Lau is Mr. Hui Lin Chit's son, both being our Directors.

4. Mr. Wu Huolu will hold the Shares through Easy Success, which will be wholly owned by him before the Listing.

5. Please refer to notes 4, 5 and 6 under the corporate structure chart on page 95 of this listing document for details of the relationship between such persons and our Directors.

6. This comprises Shares expected to be distributed to Mr. Pan Jin Zhen (senior management of our Group) and other shareholders of Hengan pursuant to the Distribution. As at the Latest Practicable Date, Mr. Pan was interested in less than 0.01% of the issued share capital of Hengan. None of these Shareholders is a core connected person of our Company.

7. Please refer to the corporate structure chart on page 95 of this listing document for details of the subsidiaries of QinQin BVI.

8. The percentage figures in this chart do not take into account any outstanding share options and convertible bonds issued by Hengan. In the event that all outstanding share options and Convertible Bonds issued by Hengan which entitle the holders thereof to subscribe for Hengan Shares on or before the Record Date, are exercised or converted on or before the Record Date, the interests of Mr. Sze Man Bok, Mr. Hui Lin Chit, Mr. Hui Ching Lau, Mr. Wu Huolu, Mr. Wu Fumao, Mr. Ng Hing Yam, Ms. Cai Liqiong, Mr. Go On Sui and other Hengan Shareholders in our Company would be approximately 9.5%, 9.4%, 6.6%, 17.9%, 11.5%, 9.3%, 4.0%, 0.1% and 31.7%, respectively.

COMPLIANCE WITH PRC LAWS

M&A Rules

According to Article 11 of the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from MOFCOM is required. According to Article 2 of the M&A Rules, a domestic company means a domestic non-foreign-invested enterprise. According to our PRC Legal Advisers, on the basis that Fujian QinQin was changed to a foreign investment enterprise prior to the effective date of the M&A Rules, the M&A Rules do not apply to the acquisition of equity interest in Fujian QinQin by QinQin Hong Kong from, amongst others, Mr. Wu Sichuan, Mr. Wu Yinhang and Mr. Wu Huolu in 2008.

According to Article 40 of the M&A Rules, an offshore special purpose vehicle ("**SPV**") shall obtain the CSRC approval prior to the listing and trading of the securities of such offshore special purpose vehicle on an overseas stock exchange. According to Article 39 of the M&A Rules, a SPV means an offshore company directly or indirectly controlled by a Domestic Company or domestic natural person for the purpose of overseas listing of the interests actually held by such Domestic Company or natural person in a Domestic Company. Where a SPV purchases, for the purpose of overseas listing, any equity interests held by the shareholders of a Domestic Company or any shares additionally issued by a Domestic Company, and the price is paid by the SPV's shareholders with their equity interests therein or by the SPV with its additionally issued shares, the provisions of Article 39 shall apply. The Company does not fall within the scope of an offshore special purpose vehicle under the M&A Rules. As a result, the Company's proposed Listing does not require the approval of the CSRC.

SAFE Circular No. 37

The SAFE issued the Circular No. 37, effective on 4 July 2014, which rescinded SAFE Circular No. 75. Subject to Circular 37, domestic resident, individuals or institutions are required to register with the relevant bureau of foreign exchange administration before they could invest in special purpose vehicles with legitimate assets or equity interests inside and outside the PRC.

Our PRC Legal Advisers have advised us that Mr. Hui Ching Lau, Mr. Wu Fumao, Ms. Cai Liqiong, Mr. Ng Hing Yam and Mr. Go On Sui do not qualify as "PRC residents" within the meaning ascribed thereto in the SAFE Circular No. 37 and are therefore not subject to the requirements under the SAFE Circular No. 37 by virtue of the Reorganization.

Our PRC Legal Advisers have also advised us that Mr. Wu Huolu, one of our Shareholders, is a PRC resident and is subject to the registration and filing requirements under SAFE Circular No. 37. Mr. Wu Huolu has completed his registration under the SAFE Circular No. 37.

THE DISTRIBUTION AND SPIN-OFF

On 17 June 2016, the board of directors of Hengan declared a conditional special interim dividend to the Qualifying Hengan Shareholders. The Distribution will be satisfied by way of a distribution in specie of the entire issued share capital of our Company held by Hengan (representing 51% of our issued share capital) to the Qualifying Hengan Shareholders on the Record Date. Pursuant to the Distribution, each Qualifying Hengan Shareholder will be entitled to one Share for every five Hengan Shares. Based on the issued share capital of Hengan as at the Latest Practicable Date and assuming that it will remain unchanged on the Record Date, a total of 242,605,244 Shares (representing 51% of the entire issued share capital of our Company) will be distributed to Qualifying Hengan Shareholders.

As at the Latest Practicable Date, there were 1,213,026,221 Hengan Shares in issue and (i) outstanding options (granted pursuant to the share option scheme of Hengan adopted on 26 May 2011) which entitle the holders thereof to subscribe for 7,716,500 Hengan Shares on or before the Record Date; and (ii) outstanding Convertible Bonds which entitle the holders thereof to exercise the conversion rights attached thereto and convert into 4,172,131 Hengan Shares on or before the Record Date. Assuming all such options and Convertible Bonds are exercised or converted on or before the Record Date, there will be a total of 1,224,914,852 Hengan Shares in issue on the Record Date, in that case, the total number of Shares to be distributed to Hengan Shareholders will be increased to 244,982,970 (representing 51% of the entire issued share capital of our Company).

The Shares will be traded in board lots of 1,000 Shares each. As a result of the Distribution, Qualifying Hengan Shareholders may receive Shares in odd lots. We have appointed Fulbright Securities Limited as our agent in providing matching service to the Shareholders to facilitate the acquisition of odd lots of the Shares to make up a full board lot or the disposal of any Shares which they may receive in odd lots. For details, please refer to an announcement to be made prior to the Listing by Hengan for information about the special arrangements to facilitate the disposal of any Shares which the Qualifying Hengan Shareholders may receive in odd lots.

Fractional entitlements of Qualifying Hengan Shareholders to our Shares under the Distribution will be disregarded.

Condition to the Distribution

The Distribution is conditional on the Listing Committee granting the listing of, and permission to deal in, our Shares in issue on the Main Board of the Stock Exchange and such approval not having been revoked prior to completion of the Spin-off. If this condition is not satisfied, the Distribution will not be made and the Spin-off will not take place.

As required under article 152 of the articles of association of Hengan, the Distribution was approved by the shareholders of Hengan at the annual general meeting of Hengan held on 18 May 2016.

Non-Qualifying Hengan Shareholders

The distribution of our Shares under the Distribution to certain Hengan Shareholders may be subject to laws of jurisdictions outside Hong Kong. Hengan Shareholders and Beneficial Hengan Shareholders residing or located in jurisdiction other than Hong Kong and Registered Hengan Shareholders holding Hengan Shares on their behalf should inform themselves about and observe all legal and regulatory requirements applicable to them. It is the responsibility of the Hengan Shareholders and Beneficial Hengan Shareholders to satisfy themselves as to the full observance of the laws of the relevant jurisdictions applicable to them in connection with the Distribution, including obtaining of any governmental, exchange control or other consents which may be required, or compliance with any other necessary formalities and payment of any issue, transfer or other taxes due in such jurisdiction.

Further information is set out in the section entitled "*Appendix IV – General Information – E. Information for Hengan Shareholders and Beneficial Hengan Shareholders residing or located outside Hong Kong and Registered Hengan Shareholders holding Hengan Shares on their behalf*" in this listing document. Overseas Hengan Shareholders, Beneficial Hengan Shareholders and Registered Hengan Shareholders holding Hengan Shares on their behalf should consult their professional advisers if they are in doubt as to the potential applicability of, or consequences under, any provision of law or regulation or judicial or regulatory decisions or interpretations in any jurisdiction, territory or locality therein or thereof and, in particular, whether there will be any restriction or prohibition on the receipt, acquisition, retention, disposal or otherwise with respect to our Shares.

Non-Qualifying Hengan Shareholders will be entitled to the Distribution but will not receive our Shares. Hengan will arrange for our Shares which the Non-Qualifying Hengan Shareholders would otherwise receive pursuant to the Distribution to be sold on their behalf on the market as soon as reasonably practicable following the commencement of dealings in our Shares on the Stock Exchange. Hengan will arrange for the aggregate proceeds of such sale (net of expenses and taxes) to be paid to the relevant Non-Qualifying Hengan Shareholders (in proportion to their shareholdings in Hengan as at the Record Date) in Hong Kong dollars in full satisfaction of the relevant Shares which they would otherwise receive pursuant to the Distribution. Such payment of net proceeds to the Non-Qualifying Hengan Shareholders is expected to be made within approximately four weeks following the commencement of dealings in our Shares on the Main Board.

As at the Latest Practicable Date, based on the information provided by Hengan, the registered addresses of all Registered Hengan Shareholders in Hengan's register of members were in Hong Kong.

Based on the legal advice received and information provided to the Hengan Board and the Board up to the Latest Practicable Date, taking into account, where relevant, the number of Hengan Shareholders and Beneficial Hengan Shareholders residing outside Hong Kong in the relevant jurisdictions as known to the Hengan Board and the Board and/or the number of Hengan Shares they then owned and assuming that the relevant legal requirements remain unchanged, the Excluded Jurisdiction is expected to be Canada. Therefore, the Hengan Shareholders and Beneficial Hengan Shareholders in the Excluded Jurisdiction are expected to be Non-Qualifying Hengan Shareholders. By reference to the information provided to the Hengan Board and our Board up to the Latest Practicable Date, there may be 25 Non-Qualifying Hengan Shareholders indirectly holding an aggregate of approximately 2.6% of the issued share capital of Hengan.

With respect to the Excluded Jurisdiction, Hengan will send a letter to CCASS Participants notifying them that, in light of the applicable laws and regulations of the Excluded Jurisdiction, to the extent they hold any Hengan Shares on behalf of any Non-Qualifying Hengan Shareholder with an address located in the Excluded Jurisdiction, they should sell our Shares which they receive pursuant to the Distribution on behalf of the Non-Qualifying Hengan Shareholders and pay the net proceeds of such sale to such Non-Qualifying Hengan Shareholders. None of Hengan, our Company, the Sole Sponsor, any of our or their respective directors, officers, employees, agents or representatives or any other person involved in the Spin-off takes any responsibility for the sale of such Shares or the payment of the net proceeds of the sale of such Shares to any such underlying Non-Qualifying Hengan Shareholders.

If there is any other jurisdiction(s) outside Hong Kong which is not referred to above in which the address of any Hengan Shareholder as shown in the register of members of Hengan as at the Record Date is located or any Hengan Shareholder or Beneficial Hengan Shareholder as at the Record Date is otherwise known by Hengan to be located or resident, and such Hengan Shareholders should, in view of the Hengan Board and our Board, based on such enquiries as may be made and having considered the circumstances, be excluded from receiving our Shares pursuant to the Distribution on account of the legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange, our Company will make an announcement.

Qualifying Hengan Shareholders

Share certificates are expected to be despatched to Qualifying Hengan Shareholders on 7 July 2016. Share certificates will only become valid if the Distribution becomes unconditional.

The Qualifying Hengan Shareholders who hold Hengan Shares through CCASS Clearing Participants or CCASS Custodian Participants will receive our Shares through their respective brokers or custodians who are CCASS Clearing Participants or CCASS Custodian Participants.

REASONS FOR AND BENEFITS OF THE SPIN-OFF

Hengan's directors and our Directors consider that the Spin-off is in the interests of Hengan Group (including our Group) and the Hengan Shareholders as a whole and the Spin-off will better position each of Hengan Group and our Group for growth in its respective businesses and deliver clear benefits for the following reasons:

(a) our Group's food and snacks business is of a sufficient size to warrant the Spin-off;

(b) the Spin-off will separate Hengan's business of the manufacture, distribution and sale of personal hygiene products from our Group's food and snacks business and increase the operational and financial transparency and improve the corporate governance of each line of business. Such segregation will enable investors and financiers to appraise the strategies, success factors, functional exposure, risks and returns of each of Hengan's remaining business and our Group's business separately and to make their investment decisions accordingly. Investors will have the choice to invest in either one or both of the businesses and shareholders will have the opportunity to realise the value of their investment in our Group. The Spin-off will align the businesses of each of our Group and Hengan Group with their respective investor bases;

(c) the listing of the shares of our Group provides a direct and additional platform for our Group to secure funding to support our Group's expansion plan and growth and allows our Group to react promptly to market conditions. Although no funds are to be raised in the Spin-off, the separate listing of our Group will enable our Group to access the capital markets directly and management of our Group will be able to make decisions on funding solely based on the own conditions of our Group without taking account of the business of Hengan. This helps diversify the funding resources of our Group as a whole. The Spin-off will also enhance our corporate profile, thereby increasing our ability to attract strategic investors, who can produce synergy for our Group for investment in and by forming strategic partnership with our Group directly;

(d) the share performance of our Group can serve as a separate benchmark for shareholders and the investing public to evaluate the performance of our Group which could in turn serve as an incentive for the management of our Group to seek improvement and raise management and operating efficiency of our Group on an ongoing basis;

(e) as a listed company itself through the proposed Spin-off, our Group would be able to offer an equity based incentive programme (such as a stock option, share option or share award scheme) to its employees that correlates directly to their performance in our Group's business. Our Group would therefore be in a better position to motivate our employees with incentive programmes that are closely aligned with the objective of creating value for our Group's shareholders; and

(f) the Spin-off will allow the management teams of both Hengan and our Group to focus more effectively on their respective core business and improve their abilities to recruit, motivate and retain key management personnel for each line of business as well as to expediently and effectively capitalise on any business opportunities that may arise. Further, the Spin-off will enable our Group to build our identity and reputation as a separately listed group.

OVERVIEW

We are one of the leading manufacturers of jelly products in the PRC and a national producer of crackers and chips, seasoning products, and bakery, confectionery and other products. According to Euromonitor, our jelly products had the third-largest market share of 9.2% in terms of 2014 retail sales value in the PRC. Over the last 25 years, we have evolved from a local processor of flour and instant noodles into a national food and snacks company with strong brand recognition and a diversified product portfolio.

Our long history and strong brand recognition are key factors in our success. Our history dates back to 1990, when our Wudai Flour Factory, the predecessor of our Company, was established in Anhai, Jinjiang. At our early stage, we were principally engaged in the processing of flour and instant noodles. Subsequently, we underwent a series of corporate restructurings and expanded our operations in order to capitalize on the market potential of the PRC food and snacks industry. We first established our "Qinqin (親親)" and "Shangerry (香格里)" brands during the 1990s for our crackers and chips, seasoning products and jelly products, and we began selling our confectionery products in 2004 and bakery products in 2012.

We have a diversified product portfolio of jelly products, crackers and chips, seasoning products, and bakery, confectionery and other products. Our jelly products include fruit jelly, pudding jelly, jelly with fruit pulps and yogurt jelly and accounted for 60.2% of our total revenue for the year ended 31 December 2015. Our crackers and chips products include potato chips, prawn slices, prawn crackers, fish-shaped chips, potato fries and grain rolls and accounted for 24.1% of our total revenue for the year ended 31 December 2015. Our seasoning products include chicken essence, chicken powder, spareribs powder, hotpot powder, flavor enhancers and seaweed and accounted for 10.3% of our total revenue for the year ended 31 December 2015. Our bakery, confectionery and other products include waffles, custard cake, chocolate and assorted candies and accounted for 5.4% of our total revenue for the year ended 31 December 2015.

Over the years, our core brands "Qinqin (親親)" and "Shangerry (香格里)" have developed into well-known brands in the food and snacks market in the PRC. In recognition of our core brands and achievements, we have received numerous awards, including "Top 10 Enterprises of Bakery and Confectionery Industry (Jelly) in China" (中國焙烤食品糖製品行業(果凍)十強企業) and "Top 10 Enterprises of Bakery and Confectionery Industry (Puffed Food) in China" (中國焙烤食品糖製品行業(膨化)十強企業) both from China National Light Industry Council (中國輕工業聯合會) and China Association of Bakery and Confectionery Industry (中國焙烤食品糖製品工業協會) in 2015, "Outstanding Contribution in China's Leisure Food Industry" (中國休閒食品行業突出貢獻獎) from China Non-staple Food Circulation Association (中國副食流通協會), Jinjiang People's Government (晉江市人民政府) and Jinjiang Economy News (晉江經濟報社) in 2015, "Fujian Famous Brand Product (Qinqin)" (福建名牌產品(親親)) and "Fujian Famous Trademark (Shangerry)" (福建省著名商標(香格里)) from Fujian Province People's Government (福建省人民政府) and Fujian Province Administration for Industry & Commerce (福建省工商行政管理局) in 2013, respectively.

We have a nationwide sales and distribution network in the PRC. As at 31 December 2015, we contracted with 2,023 distributors, which sell our products to sub-distributors, retailers (including online retailers) and their key accounts, which primarily include supermarkets, community stores and convenience stores. Our sales and distribution network covers all provinces, municipal cities and autonomous regions in the PRC. Our selection criteria for our distributors focus on the distributors' reputation, geographic coverage, financial resources, logistics and transportation capabilities. In order to further expand our distribution network, we also focus on distributors with the capability to effectively distribute our products to regions of the PRC where we wish to achieve further market penetration. In addition, we sell our products through direct relationships with our key accounts and online sales platforms.

As at 31 December 2015, we had eight strategically located production facilities. Each of our production facilities utilizes standardized and automated production processes, which allow us to manufacture our products efficiently and, together with our stringent quality control standards, to produce consistently high-quality food and snacks products. As at 31 December 2015, our production facilities operated a total of 54 production lines, which had a total annual production capacity of approximately 160,000 tons of food and snacks products. We utilize a comprehensive network of logistics service providers to efficiently transport our products to our customers.

We consistently seek to introduce new products and enhance our existing products with new packaging and flavors by drawing on the strength and capabilities of our sales and marketing team, as well as our research and development team. Our research and development team is made up of skilled professionals who regularly collect market information on changing consumer tastes and preferences, and conducts market research and experiments to develop new products, flavors and packaging.

Our total revenue amounted to RMB1,280.4 million, RMB1,216.1 million and RMB1,020.1 million for the years ended 31 December 2013, 2014 and 2015, respectively, and our profit for the year amounted to RMB84.4 million, RMB91.6 million and RMB63.8 million for the corresponding periods. Our profit for the year ended 31 December 2015 decreased by RMB27.9 million as compared to the year ended 31 December 2014. The decrease was primarily attributable to: (i) a slowdown in the growth of the PRC economy which our Directors believe resulted in a reduction of consumer spending on non-necessities in our target markets typically comprising second and third tier cities as we implement a mass-market strategy, (ii) a significant reduction in sales for our jelly products and confectionery products which we believe was due to the reporting in the PRC media regarding the supply of toxic gelatin by certain suppliers in food production in 2014 (although none of our products contained such toxic gelatin), with the effect having been carried over from 2014 to 2015, and (iii) the completion of the Potato Chips OEM Arrangement. As we recorded substantially all of the fees we received under the Potato Chips OEM Arrangement as revenue, net of related costs, revenue derived from the Potato Chips OEM Arrangement had a disproportionately greater impact on our gross profit and net profit. Please refer to the section headed "*Financial Information – Key Factors Affecting Our Results of Operations*" in this listing document for further details.

Despite the adverse impact on our revenue and profit for the year ended 31 December 2015, we believe that the implementation of our business strategies will help stabilize our business performance and allow us to take advantage of potential business opportunities in the food and snacks market.

OUR COMPETITIVE STRENGTHS

We believe that our success to date and our potential for future growth are attributable to a combination of the following competitive strengths:

Solid foundation in China's food and snacks industry underpinned by over 25 years of heritage and strong nationwide brand recognition

We have established a solid foundation in China's food and snacks industry with over 25 years of operational history in the PRC. Our history dates back to 1990 when our Wudai Flour Factory, the predecessor of our Company, was established in Anhai, Jinjiang. At the early stages, we were principally engaged in the processing of flour and instant noodles. Subsequently, we underwent a series of corporate restructurings in order to capitalize on the market potential of the PRC food and snacks industry. We first established our "Qinqin (親親)" and "Shangerry (香格里)" brands during the 1990s for our jelly products, crackers and chips and seasoning products. In 2012, we expanded our business in manufacturing confectionery products under our "Qinqin (親親)" brand through outsourcing arrangements. We further diversified our business by expanding our production to bakery products under our "Elegant (艾莉格)" brand in 2012. We believe that our long history and reputation in the food and snacks industry has built up consumer trust and confidence in our brands and products in the PRC market, a market with a total population of over 1.3 billion in 2014.

We also benefit from strong brand recognition in China's food and snacks market. We sell our jelly products, our crackers and chips and our confectionery products under our core brand "Qinqin (親親)". The brand has developed into one of the leading brands in the jelly products market in China. According to Euromonitor, our jelly products had the third-largest market share of 9.2% in terms of 2014 retail sales value in the PRC. Our revenue from sales of our jelly products amounted to 63.0%, 60.0% and 60.2% of our total revenue for the years ended 31 December 2013, 2014 and 2015, respectively. Furthermore, our core brand "Shangerry (香格里)", which goes by the slogan "every meal Shangerry, life's good companion" (餐餐香格里, 生活好伴侶) is generally recognized for high-quality seasoning products in the PRC. As a recognition of the popularity of our "Qinqin (親親)" and "Shangerry (香格里)" core brands, we have received numerous awards over the years, including "Top 10 Enterprises of Bakery and Confectionery Industry (Jelly) in China" (中國焙烤食品糖製品行業(果凍)十強企業) and "Top 10 Enterprises of Bakery and Confectionery Industry (Puffed Food) in China" (中國焙烤食品糖製品行業(膨化)十強企業) both from China National Light Industry Council (中國輕工業聯合會) and China Association of Bakery and Confectionery Industry (中國焙烤食品糖製品工業協會) in 2015, "Outstanding Contribution in China's Leisure Food Industry" (中國休閒食品行業突出貢獻獎) from China Non-staple Food Circulation Association (中國副食流通協會), Jinjiang People's Government (晉江市人民政府) and Jinjiang Economy News (晉江經濟報社) in 2015, "Fujian Famous Brand Product (Qinqin)" (福建名牌產品(親親)) and "Fujian Famous Trademark (Shangerry)" (福建省著名商標(香格里)) from Fujian Province People's Government (福建省人民政府) and Fujian Province Administration for Industry & Commerce (福建省工商行政管理局) in 2013, respectively.

We believe that our long-standing heritage and strong brand recognition has enabled us to capitalize on growth opportunities and will continue to be a main factor in driving our future success.

Extensive nationwide sales and distribution network with established relationships with distributors and direct key accounts

We have an extensive nationwide sales and distribution network. As at 31 December 2015, we contracted with 2,023 distributors, which sell our products to sub-distributors, retailers (including online retailers) and their key accounts, covering all provinces, municipal cities and autonomous regions in the PRC. We implement a stringent set of selection criteria for engaging new distributors. Our selection criteria for our distributors focus on the distributors' reputation, geographic coverage, financial resources and their logistics and transportation capabilities. We selected some distributors in close proximity to our production facilities in order to minimize the time-to-market of our products and reduce transportation costs. In order to further expand our distribution network, we also focus on distributors with the capability to effectively distribute our products to regions of the PRC where we wish to achieve further market penetration. We believe we also benefit from the stable and well-established relationships with our distributors. We continually seek to expand our distribution network and terminate our relationships with distributors with subpar performance.

Our sales management team actively manages our distributors in order to maximize the effectiveness of our distribution network. As at 31 December 2015, our sales management team consisted of approximately 286 employees who are responsible for the management of our distributors. Our sales management team conducts reviews on our distributors' performance, such as conducting on-site inspections on inventory levels and requesting for reports on actual sales figures. In addition, to facilitate efficient management of our distributors, we have implemented a uniform pricing policy by charging distributors our ex-factory price and adopting a standardized distribution agreement for all our distributors. It is our policy that distributors also make full payments in advance before we deliver our products, which enables us to minimize any counterparty credit risk. Our extensive distribution network enables our new products to reach almost all our points of sale in China within one month of despatch from our production facilities.

We also sell our products through direct relationships with our key accounts. We manage these relationships through our direct key accounts team, which consists of approximately 30 team members. As at 31 December 2015, we had nine direct key accounts which primarily included supermarkets. To increase the sales of our products to end-consumers under our direct key accounts, we have launched promotional activities such as discounts, free gift with purchase and tasting for our products. We believe that such direct relationships with our key accounts will provide us with additional platforms to gather first-hand market feedback from consumers, increase our sales, as well as improve our brand recognition and access a broader base of consumers.

Diversified product portfolio and research and development capabilities that enable us to cater to changing consumer preferences and reach a broad consumer base

We have a diversified product portfolio of jelly products, crackers and chips, seasoning products and bakery, confectionery and other products. Our wide range of product offerings allow us to target different market segments and capture a broad consumer base, such as consumers belonging to different age groups and having different taste preferences in different regions. We believe that our diversified product portfolio helps us satisfy the demands and preferences of different consumers, thereby providing a broad source of revenue.

We seek to consistently introduce new products and enhance our existing products with new packaging and flavors by drawing on the strength and capabilities of our sales and marketing team, as well as our research and development team. Our research and development team is made up of skilled professionals who regularly collect market information on changing consumer tastes and preferences, and conducts market research and experiments to develop new products, flavors and packaging. These capabilities allow us to react quickly to meet the changing preferences of end consumers. To provide variety to our consumers, we have introduced an extensive range of new products with a particular focus in attracting younger consumers. For example, during the Track Record Period, we introduced jelly products with our new "Cute Series" (萌動系列) and a new assortment of flavors and packaging designs for our products. In addition, in response to the rising trend of health consciousness amongst end-consumers, we launched sugar-free and calcium-fortified options for a range of our existing products.

Strategically located production facilities and a standardized and automated production system that upholds stringent quality control and high standards of food safety

As at 31 December 2015, we had eight production facilities strategically located in the Fujian, Hubei, Henan, Shaanxi, Shandong and Liaoning Provinces in the PRC. As at 31 December 2015, our production facilities operated a total of 54 production lines. We believe that the geographical advantages of our production facilities allow us to reduce our transportation costs, shorten the time-to-market of our products and respond timely to changing consumer preferences and market trends. In addition, we believe the proximity of our production facilities to our distributors and suppliers allows us to obtain consumer feedback and information about local raw materials more quickly, which in turn helps enhance our products and control our costs.

We have in place a standardized and automated production system for all our internal food and snacks production, which allows us to manufacture our products efficiently and, together with our stringent quality control standards, to produce consistently high-quality food and snacks products. We are committed to high standards of quality and safety and we have established a dedicated quality control team consisting of 135 staff members as at 31 December 2015. Our quality control system covers a variety of aspects, including raw materials, production process and finished products. Our general manager in charge of quality control has over nine years of experience in the food products industry. We have obtained ISO 9001 and ISO 22000 certifications, the internationally recognized quality assurance accreditations for quality management system and food safety management system, respectively, as well as HACCP system certification for prevention of chemical and biological hazards to our products. As a result of our standardized production system and quality control, our Group was awarded the honor of "Model Enterprise in Food Safety" (食品安全示範單位) in 2011 by the Committee of Chinese Food Safety Annual Conference (中國食品安全年會組委會), "Excellence in Promotion of Advanced Quality Control" (推行先進質量管理優秀企業) in 2011 by the Fujian Provincial Quality Association (福建省質量協會) and "Food Safety Commitment Enterprise" (食品安全承諾企業) in 2012 by the Quanzhou Food Safety Committee Office (泉州市食品安全委員會辦公室).

Strong multi-channel marketing capability

We believe our "Qinqin (親親)" and "Shangerry (香格里)" core brands are widely known in the food and snacks industry in the PRC and we attribute our strong brand recognition in part to our marketing capabilities. We implement a strong multi-channel marketing strategy by promoting our products through various channels. We also identify the demand of specific target consumer groups and formulate targeted marketing strategies that can immediately connect with our consumers.

During the Track Record Period, we intensified our multi-channel marketing efforts. Our efforts included advertising campaigns through various media channels, including national television, the internet, mobile platforms, cinemas and social media. In addition, we are launching a new advertising campaign for our "Qinqin" brand by introducing our new slogan "love them and you will kiss them" (愛TA, 你就親親TA) and other heart-shaped cartoons to convey the affection consumers hold for our products. We also launched our waffles with the catchy tagline in our advertisements "European-style snacks, delicious princess" (歐式點心, 格格美味), which we believe significantly improved the market recognition of our waffles, particularly among younger consumers. We also engaged celebrities as our brand ambassadors. We intend to continue our marketing efforts and believe that our "Qinqin (親親)" and "Shangerry (香格里)" core brands, as well as our other brands, will continue to gain popularity with our consumers.

We have also executed an online marketing strategy to conduct marketing and other promotional activities on online sales platforms and other social media. To this end, we have established profile pages on popular online sales platforms to promote our brands and products. Our consumers can also easily connect with us through our social media accounts under various text messaging applications and micro-blogging websites. We believe that our online marketing strategy will allow us to further elevate our brand recognition and reach out to a greater number of consumers who mainly rely on the internet to access information.

Experienced, stable and visionary management team to support our development

Our management team has extensive operational and management experience in the food and snacks industry. We believe their experience and knowledge of the food and snacks industry, as well as foresight into market trends and general economic development in the PRC, have led our Group to achieve substantial expansion over the years. Our management team endeavors to achieve excellence in the execution of our strategies and our management team members possess an array of skills that enhance various aspects of our business. In addition, our Group has participated in the drafting of the national industry standard for jelly products in the PRC, which we believe enhances our ability to promote high standards of food safety.

Several of our key management team members have been with our Group for over 20 years, and we believe this stability has been a driving force in the development of our business. Under the leadership of our management team, we have successfully transformed our Group from a local processor of flour and instant noodles into a national food and snacks company with strong brand recognition and a diversified product portfolio. We believe the visionary leadership of our management team will enable us to develop and introduce new products, continue to formulate effective brand-building strategies and grow our manufacturing capabilities and our sales and distribution network.

Our management team has also played a key role in building a culture of integrity that promotes the delivery of safe and high quality food and snacks products, and will continue to be instrumental in our future growth and development.

OUR COMPETITIVE STRATEGIES

Our principal objective is to enhance our position in the food and snacks market in the PRC and become one of the largest manufacturers of food and snacks products nationwide. We intend to achieve our objective by implementing the following strategies:

Expand our product portfolio to meet changing consumer preferences and continue to enhance our brand recognition

Consumer tastes and preferences are constantly evolving and our success depends on, amongst other things, our ability to continually improve and broaden our product portfolio. We gauge consumer preferences and industry trends primarily by drawing on the strength and capabilities of our research and development team and sales and marketing team. We have an experienced research and development team that continuously identifies industry trends through market researches. We also have meetings with distributors to gauge product popularity and discuss market trends. We organize sample tasting for our new products from time to time to gauge market response and make improvements on our products based on the participants' feedback. In addition, our collaboration with direct key accounts, as well as tasting activities that we organize for our products at the points of sale of our direct key accounts from time to time also provide our sales and marketing team with additional platforms to gather first-hand market information more quickly. We have also created social media accounts under text messaging applications and micro-blogging websites to provide additional platforms for connecting with consumers and collecting their feedback. As a result of our market analysis, we launched an extensive range of new product and flavor offerings during the Track Record Period. We will continue to expand our offerings through innovation and the launch of new products and flavors. For example, as mentioned in the section headed "*Industry Overview – Key Growth Drivers of Snacks Products and Bouillon Markets – Rising Focus on Healthy Snacks Products and Bouillon*" in this listing document, consumers in the PRC have shown rising health consciousness. We intend to continue to capitalize on the rising trend of health consciousness amongst end-consumers by focusing on the introduction of sugar-free and calcium-fortified product options. In addition, in order to attract more young consumers, we will continue to increase our research and development efforts on the product attributes that appeal to young audiences, such as enticing flavors, ingredients, and colorful and different forms of packaging to draw the interest of children. We believe that a broader range of product offerings will allow us to meet changing consumer preferences, increase our sales and market share, and further broaden our consumer base.

We believe that our well-recognized brands are an invaluable asset and are essential in maintaining the trust and confidence of our consumers. We intend to leverage on the strength of our brands through continued promotion in order to grow our sales and increase the market share of our products. To further increase our brand recognition, we intend to penetrate further into our current distribution channels and expand our key accounts relationships and online sales presence. We also intend to revitalize our brand by targeting our products and marketing campaigns to younger consumers. We expect to strengthen our current advertising efforts through various media channels by launching new programs, campaigns, celebrity endorsements, actively participating in industry and trade shows, and sponsoring popular television programs and festive events.

Continue to strengthen our distribution network in the PRC by enhancing existing relationships with distributors and increasing our sales to direct key accounts and online sales platforms

We intend to strengthen our distribution network by enhancing our existing relationships with distributors and further expanding our current distribution and sales network to access additional points of sale and reach out to a broader range of consumers. We will strengthen our relationships with existing distributors by providing further comprehensive support and by continuing to offer them with new products to sell in their designated distribution areas. In addition, we intend to leverage our distribution network by implementing more advanced and efficient management systems that enhance our information sharing and ability to respond to changing market demands. We will continue to work closely with our distributors, especially those who have strong relationships or are able to form further cooperative relationships with key accounts and retailers. We will regularly re-evaluate our relationships with distributors and replace distributors with subpar performance. We also intend to continue to develop our distribution network in second and third tier cities in China, where we believe ongoing urbanization will lead to higher consumption of food and snacks products. We also intend to build additional distribution platforms in regions of the PRC in which our distribution network currently has limited or no presence, with an aim to further increase our market share and broaden our consumer base.

We will also aim to increase our overall sales to key accounts by selecting distributors who have greater access to key accounts and increase our direct collaborations with key accounts. As at 31 December 2015, our key accounts primarily included supermarkets. For the years ended 31 December 2013, 2014, 2015, our sales to direct key accounts constituted 6.5%, 5.1% and 5.1% of our revenue, respectively. We believe that our increased collaborations with key accounts will better enable us to obtain first-hand market information more quickly and react swiftly to changing consumer tastes and preferences. In addition, we believe that a blend of direct sales, together with our existing relationships with distributors who have connections to key accounts, will further drive our profitability and help us gain greater market penetration and strengthen the development of our brands in the PRC.

Further, sales and purchases through online platforms and social media have gained immense popularity in recent years and are on an increasing trend in the PRC, in particular amongst younger consumers. We believe that there is significant market potential for our products with the development of online sales platforms and social media, and we intend to establish further collaborations with online operators. In late 2015, we conducted a single trial-run of online sales of our products which achieved positive results. To attract further usage of our online sales platforms and increase online consumer satisfaction, we intend to improve the appearance and functionality of our online sales platforms, conduct additional marketing and promotional activities on the internet and form additional partnerships with well-known online sales platforms. We believe that the online channels will enable us to interact with our consumers more directly, increase our sales volume and serve a much broader consumer base, particularly younger consumers and other consumers residing in regions where we do not have a distributor's presence or direct access to retailers and key accounts.

Upgrade our production facilities and equipment to improve our production efficiency and capability

We believe that our scale of production and productivity are critical to our future success. We will continue to invest in upgrading our production facilities and purchasing new equipment to improve our production capability, enhance the quality of our products and enhance the automation and cost-effectiveness of our production process. According to the China Statistical Year Book 2015, the average annual labour wages in the PRC for the manufacturing industry increased from approximately RMB30,916 in 2010 to RMB51,369 in 2014. To enhance production efficiency, we aim to reduce the impact of increasing labor costs by increasingly automating our production facilities. We believe that a more advanced and automated production process with an upgraded production capability will allow us to reduce our reliance on labour, improve our production efficiency and accelerate the time-to-market for our products.

Continue to uphold stringent food safety and quality control standards

We believe our reputation has been built on the consistent safety and quality of our products, and therefore the safety and quality of our products are essential to maintaining our position in the food and snacks market. We will continue to uphold commitment to stringent quality control standards and product quality to maintain consistently high standards for our products. We plan to enhance our safety and quality control systems across our production facilities in the PRC by continuously refining our quality control measures throughout the production process. We will increase the frequency of internal and external audits, maintain and upgrade our production equipment, strengthen our inspection and testing procedures, and continue to invest in research to explore ways to improve our overall quality control system. We will continue to assess our quality control system and seek to ensure that it is as robust as possible and that it incorporates any new food safety and quality control standards implemented by governmental authorities.

OUR BRANDS AND PRODUCTS

We operate our business through four product segments: jelly products, crackers and chips, seasoning products and bakery, confectionery and other products. We sell our products under the following key brands: Qinqin (親親), Shangerry (香格里), Elegant (艾莉格) and Victoria (維樂多).

The following table sets forth selected information about our key products and key brands as at 31 December 2015:

Product Segment	Key Brands	Key Product Types	Retail Price Range (RMB)	Typical Shelf Life (months)
Jelly Products	Qinqin (親親)	Fruit jelly, pudding jelly, jelly with fruit pulps and yogurt jelly	1 – 29.9	9-12
Crackers and Chips	Qinqin (親親)	Potato chips, prawn slices, prawn crackers, fish-shaped chips, potato fries and grain rolls	0.5 – 50	9-10
Seasoning Products	Shangerry (香格里) Victoria (維樂多)	Chicken essence, chicken powder, spareribs powder, hotpot powder, flavor enhancers and seaweed	1.5 – 24	12-24
Bakery, Confectionery and Other Products	Elegant (艾莉格) Qinqin (親親)	Waffles, custard cake, chocolate and assorted candies	1 – 50	1-12

The following table sets forth our revenue by product segment for the periods indicated:

	For the year ended 31 December					
	2013		2014		2015	
	RMB (million)	% of total revenue	RMB (million)	% of total revenue	RMB (million)	% of total revenue
Jelly Products	806.7	63.0	729.3	60.0	613.8	60.2
Crackers and Chips	281.7	22.0	290.6	23.9	246.3	24.1
Seasoning Products	118.7	9.3	121.4	9.9	104.8	10.3
Bakery, Confectionery and Other Products	73.1	5.7	74.8	6.2	55.1	5.4
Total	1,280.4	100.0	1,216.1	100.0	1,020.1	100.0

Food and Snacks Products

Jelly Products

According to Euromonitor, our jelly products had the third-largest market share of 9.2% in terms of 2014 retail sales value in the PRC. We offer a wide range of jelly products including fruit jelly, pudding jelly, jelly with fruit pulps, yogurt jelly and others. We target a wide range of customers for our jelly products with an increasing focus on young customers for the new offerings. During the Track Record Period, we introduced a range of new jelly products such as our "Cute Series" (萌動系列), new assortment of flavors as well as various fun-shaped packaging designs that are tailored to attract younger consumers. In 2014, we also improved the packaging of our jelly beverages by introducing a tube-shaped suction design for the convenience of consumers, which operates similar to a bottle cap.

Sales of our jelly products contributed 63.0%, 60.0%, 60.2% of our total revenue for the years ended 31 December 2013, 2014 and 2015, respectively.

Fruit Jelly

Crackers and Chips

We launched our crackers and chips products in the 1990s by first introducing our prawn crackers to the PRC market. According to Euromonitor, our prawn and seafood crackers had the second-largest market share of 12.9% in terms of 2014 retail sales value in the PRC. We offer a wide range of crackers and chips products, including potato chips, potato fries, prawn slices, prawn crackers and grain rolls. We have continuously enhanced our potato chips and other product types by introducing new flavors such as spicy, beefsteak and tomato flavors to attract consumers with different preferences. As part of our marketing strategy, we adopt different packaging for this category of products in different distribution regions of the PRC.

Sales of our crackers and chips products contributed to 22.0%, 23.9% and 24.1% of our total revenue for the years ended 31 December 2013, 2014 and 2015, respectively.

Potato Fries

Prawn Slices

Seasoning Products

We launched our seasoning products in the 1990s. We offer a wide range of seasoning products including chicken essence, chicken powder, spareribs powder, hotpot powder, flavor enhancers and seaweed. We have been distributing our seasoning products that cater for the tastes of consumers in different regions. We continuously improve our products in this category and seek to eliminate products with low profit margins.

Sales of our seasoning products contributed 9.3%, 9.9% and 10.3% of our total revenue for the years ended 31 December 2013, 2014 and 2015, respectively.

Chicken essence and chicken powder

Original and barbeque-flavored seaweed

Bakery, Confectionery and Other Products

We launched our confectionery products in 2004 and our bakery products in 2012. We offer two types of bakery products, namely waffles and custard cakes, and a range of confectionery products including chocolate, soft candy, hard candy, mints, milk candy and crisp candy. Over the years we have continuously launched new flavors and packaging to attract consumers with different preferences.

Sales of our bakery, confectionery and other products contributed 5.7%, 6.2% and 5.4% of our total revenue for the years ended 31 December 2013, 2014 and 2015, respectively.

Waffle and Steamed Custard Cake

Confectionery products

Product Innovation

We consistently seek to introduce new products and enhance our existing products with new packaging and flavors by drawing on the strength and capabilities of our sales and marketing team, as well as our research and development team. Our research and development team is made up of skilled professionals who regularly collect market information on changing consumer tastes and preferences and conduct market research and experiments to develop new products, flavors and packaging.

New products that we have recently launched include:

Product	Innovation
"Cute Series" Jelly Products (萌動系列)	• We launched our "Cute Series" Jelly Products (萌動系列) in 2015. Our "Cute Series" adopt cute shapes and packaging to appeal to younger consumers.
Rich Chicken Essence	• We launched our rich chicken essence under our "Shangerry (香格里)" brand in 2015. Our rich chicken essence contains a stronger and longer-lasting chicken flavor and is ideal for use in hotpots.
Steamed Custard Cake	• We launched our steamed custard cake under our "Elegant (艾莉格)" brand in 2015 with a rich milk flavor. Our steamed method in production preserves freshness and nutrients.
Kung Fu Potato Fries	• We launched our potato fries under our "Qinqin (親親)" brand in 2013. Our potato fries have a distinctive shape.
Purple Potato Flavoured Chips	• We launched our purple potato flavoured chips under our "Qinqin" (親親) brand in 2014. Our purple potato flavoured chips are made with purple potatoes and other ingredients and possess a natural purple color.

GEOGRAPHICAL COVERAGE

The map below sets forth the geographic distribution of our sales and distribution network and production facilities as at 31 December 2015:

The table below sets forth the geographic breakdown of our revenue attributed to the sales of our products (based on the location of the subsidiaries and branches where our revenue was attributable to) for the periods indicated:

	For the year ended 31 December					
	2013		2014		2015	
	RMB (million)	% of total revenue	RMB (million)	% of total revenue	RMB (million)	% of total revenue
Central China *(Note 1)*	126.9	9.9	120.1	9.9	112.0	11.0
North-western China *(Note 2)*	72.3	5.6	71.6	5.9	62.4	6.1
North-eastern China *(Note 3)*	291.3	22.8	264.0	21.7	237.3	23.2
Eastern China *(Note 4)*	188.9	14.7	182.9	15.0	154.9	15.2
South-western China *(Note 5)*	25.3	2.0	22.4	1.8	20.7	2.0
Southern China *(Note 6)*	203.8	15.9	171.6	14.1	123.6	12.1
Northern China *(Note 7)*	163.5	12.8	164.1	13.5	119.8	11.8
Luyu *(Note 8)*	208.4	16.3	214.2	17.6	184.4	18.1
Others *(Note 9)*	0.0	0.0	5.2	0.5	5.0	0.5
Total	**1,280.4**	**100.0**	**1,216.1**	**100.0**	**1,020.1**	**100.0**

Notes:

1. Central China represents Hunan and Hubei provinces.

2. North-western China represents Shaanxi, Gansu and Qinghai provinces, and Ningxia and Xinjiang autonomous regions.

3. North-eastern China represents Jilin, Heilongjiang and Liaoning provinces.

4. Eastern China represents Anhui, Zhejiang and Jiangsu provinces, and Shanghai municipality.

5. South-western China represents Sichuan, Yunnan, Guangxi and Guizhou provinces, Tibet autonomous region, and Chongqing municipality.

6. Southern China represents Guangdong, Fujian, Jiangxi, Hainan provinces.

7. Northern China represents Hebei and Shaanxi provinces, Inner Mongolia autonomous region, and Tianjin and Beijing municipalities.

8. Luyu represents Shandong and Henan provinces.

9. Others represent overseas sales under OEM arrangements.

SALES AND DISTRIBUTION NETWORK

We have a nationwide sales and distribution network in the PRC. As at 31 December 2015, we contracted with 2,023 distributors, which sell our products to sub-distributors, retailers (including online retailers) and their key accounts, primarily including supermarkets, community stores and convenience stores.

We have also established relationships with direct key accounts. Currently our direct key accounts primarily include supermarkets. In addition, we have established relationships with online sales operators to market and sell our products online to cater for changing consumer consumption patterns in China.

OUR CUSTOMERS

In line with market practice in the food and snacks industry, our customers mainly comprise of distributors, direct key accounts and other retailers. We also sell our products directly to consumers through online sales channels. For the year ended 31 December 2015, approximately 93.7% of our food and snacks products were sold through our distributors and approximately 6.3% were sold through our direct key accounts and other sales channels.

The table below sets forth the breakdown of our sales by sales channel for the periods indicated:

	For the year ended 31 December					
	2013		2014		2015	
	RMB (million)	% of total revenue	RMB (million)	% of total revenue	RMB (million)	% of total revenue
Distributors *(Note 1)*	1,161.7	90.7	1,121.4	92.2	955.5	93.7
Direct key accounts *(Note 2)*	83.1	6.5	61.7	5.1	52.2	5.1
Others *(Note 3)*	35.6	2.8	33.0	2.7	12.4	1.2
Total	**1,280.4**	**100.0**	**1,216.1**	**100.0**	**1,020.1**	**100.0**

Notes:

1. Our distributors sell our products to sub-distributors, retailers and their key accounts.
2. Our direct key accounts primarily include supermarkets that we sell our products to directly.
3. These other customers primarily include OEM customers and customers of our online sales.

For the years ended 31 December 2013, 2014 and 2015, our sales to our five largest customers accounted for 5.4%, 5.8% and 5.9% of our total revenue, respectively, and our sales to our largest customer accounted for 1.6%, 1.7%, 2.2% of our total revenue, respectively, during the same period. We have had business relationships with our five largest customers during the Track Record Period for 3 to 19 years. All of our five largest customers during the Track Record Period were independent third parties.

Distributors

We mainly sell our products to a broad network of distributors, which sell our products to sub-distributors, retailers (including online retailers) and their key accounts. This is consistent with market practice in the food and snacks industry in China. We are able to leverage on the strength of the distribution channels of our distributors to efficiently distribute our products and reach consumers in different regions of China.

We have well-established relationships with our distributors. Our management of our distribution network is sustained by various factors, including: (i) designated geographical regions for each distributor, which avoids the risk of cannibalization and the distribution of the same products in the same region; (ii) our diversified product portfolio; (iii) our strong brand recognition; and (iv) our competitive pricing strategy.

The following table sets forth the number of our distributors for the periods indicated:

	For the year ended 31 December		
	2013	2014	2015
At the end of the previous period	1,625	1,689	1,935
Additions of distributors	205	390	325
Terminations of distributors	141	144	237
Net increase of distributors	64	246	88
At the end of the period	1,689	1,935	2,023

During the Track Record Period, the increase of distributors mainly reflected the continued expansion of our distribution network and further penetration into our existing markets. The terminations of our distributors primarily reflected our continuous efforts to cease to renew our distribution agreement with distributors with subpar performance.

Distributor Management

In selecting our distributors, we generally take into consideration the following factors:

- Reputation of distributors
- Geographical coverage of distributors
- Financial resources of distributors
- Logistics and transport capabilities of distributors

We adopt a standardized distribution agreement for all our distributors. We believe that this helps us to manage our distributors efficiently in a consistent and systematic manner. Our distributors would submit a standard-form purchase order to us from time to time with specifications as to the type and quantity of products. We would then arrange for delivery of products according to the delivery dates agreed between the parties. Our distributors purchase products from us at a standard ex-factory price which is subject to our price adjustments from time to time. Under our standardized distribution agreements, we have the right to adjust prices by written notice to the distributors. Our sales department, production and operation department and finance department collaborate and review our prices from time to time based on a wide variety of factors, such as the demand for and supply of our products, anticipated market trends, cost of raw materials, production costs, historical sales data, prices of our competitors' products and other general market conditions. We closely monitor and review our pricing strategies with an aim to optimizing our profit margin and maintaining our competitiveness. Adjustments are jointly approved by our sales department, production and operation department and finance department. Our distribution agreements provide us the right to set a recommended retail price of our products. We typically set our recommended retail price based on various considerations including the demand for and supply of our products, anticipated market trends, historical sales data and retail prices of our competitors' products. We require our distributors to pay us before delivery of products. Save for defects in quality, we do not accept product returns from our distributors.

Our sales management team is responsible for monitoring the activities and performance of our distributors. Our sales management team is divided into different regions and provinces led by regional and provincial sales managers. As at 31 December 2015, our sales management team had a total of approximately 286 key employees. We closely monitor the performance of our distributors. For example, our distribution agreements provide us the right to participate in the planning and implementation of the sales strategies of our distributors. Our sales management team from time to time communicates with our distributors and conduct on-site inspections of our distributors and points of sale to monitor various aspects of their sales activities in relation to our products including the selling prices, actual sales figures and inventory levels. Our distribution agreements require our distributors to provide us with sales and performance data including their sales volumes and inventory levels. We seek to monitor the compliance of our distributors of our distribution agreements through on-site inspections by our sales management team. Through on-site inspection of and communications with our distributors and points of sale, our sales management team can better monitor whether our products are distributed within the agreed geographical regions, the number of distributors in a given area, keep track of potential competition among distributors and better monitor whether our products are sold at our recommended retail prices. If we discover non-compliances with the distribution agreement, we inform the relevant distributor and request the distributor to cease non-compliant activities. Our sales management team also maintains records of past non-compliances of our distributors and would report such events to our headquarters. Our distributors are liable for breach of the distribution agreements, under which we can terminate such distribution agreements and request for compensation.

We have minimum purchase requirements per order for our distributors in our standardized distribution agreements. We set sales targets for our distributors and they are incentivized to achieve or exceed sales targets based on the terms of our distribution agreements. Our sales personnel also assist our distributors with their sales and marketing efforts. Our distribution agreements require our distributors to follow the marketing plans formulated between us and our distributors. For distributors that have difficulty in achieving sales, we typically inquire into the situation and may launch further marketing and promotional activities to assist the distributors. We normally partly reimburse our distributors for the expenses in carrying such activities. We believe that such assistance helps cultivate mutually beneficial relationships with our distributors.

To minimise the risk of cannibalization, we take the following measures in relation to our distributors: (i) when selecting our distributors, we take into consideration their respective geographic coverage as well as distribution channels in order to avoid potential competition among the distributors within a region; (ii) our distribution agreements specify the designated distribution regions and include an undertaking on our distributors not to sell our products beyond such region; (iii) we conduct on-site inspections and communications with our distributors and points of sale to monitor various aspects of their sales activities, including sales volume and inventory levels and (iv) in the case where our distributors do not sell our products within the designated geographical regions, we can take remedial actions pursuant to the distribution agreements.

We believe that these measures, together with requirement for distributors to pay us on a payment-before-delivery basis and our "no return or exchange unless defective" policies for our distributors, helps our sales reflect genuine market demand of our products and avoid the risk of inventory accumulation by our distributors. During the Track Record Period, we were not aware of any material accumulation of our products by our distributors.

For further details on our credit control and product return measures, please refer to the sections headed "*Business – Our Customers – Distributors – Key Terms of Distribution Agreements*" and "*Quality Control – Product Returns, Consumer Feedback and Product Recall*", respectively, in this listing document.

Relationships with Distributors

Our relationship with distributors is that of seller and buyer. We benefit from the stability and established relationships with our distributors. We normally renew our collaborations with distributors who pass our evaluation criteria. Our evaluation criteria mainly comprise the following:

- Quality of management
- Development of distributorship network
- Creditworthiness
- Customer relationships
- Overall sales performance

To the best knowledge of our Directors, all our distributors are independent third parties, and none of our distributors was wholly-owned or majority controlled by our current or ex-employees during the Track Record Period.

Key Terms of Distribution Agreements

We generally enter into distribution agreements with our distributors for a one-year term. These agreements include a range of terms including the designated distribution area, sales target, incentive scheme and pricing policies. For efficiency and consistency in our management of distributors, we adopt a standardized distribution agreement. The key terms of our standardized distribution agreement include:

- *Duration:* One year.
- *Minimum Purchase Requirement:* Yes (specifying the minimum amount of purchase in each order).
- *Designated Distribution Area:* Distributors are not allowed to sell our products outside of their designated distribution areas. Based on market conditions, distributors have the right to appoint their sub-distributors. Non-compliance may result in termination of the distribution agreement in severe cases.
- *Exclusivity:* Distributors are granted the exclusive distributorship in their designated area unless they breach the terms of the distribution agreement.
- *Sales Target and Incentive Scheme:* Yes. Distributors are incentivized to achieve or exceed sales targets. The specific incentive is determined by us.
- *Pricing Policy:* We have the right to adjust the prices at which we sell products to our distributors based on market conditions.
- *Resale Price Management:* Distributors are required to resell our products at prices to be recommended by us from time to time.

- *Transportation Costs:* We are responsible for the delivery costs to a distributor's designated delivery location.

- *Access to Information:* Distributors are required to provide sales and inventory data to us monthly, including sales volumes and inventory levels.

- *Credit Terms:* Payment before delivery.

- *Storage Condition:* Distributors are required to store our products in accordance with specified conditions, including implementing appropriate safety measures and requirements related to humidity, sanitation and pest control.

- *Return or Exchange of Products:* Distributors are not allowed to return or exchange products except for defective products. We do not accept return of non-defective products.

- *Non-Competition Undertaking:* Distributors undertake not to sell any counterfeits of our products. If distributors would like to sell any products within the same category as our products, they need to obtain our prior approval.

- *Confidentiality:* Distributors undertake not to disclose any of our trade secrets or business information to any third party.

- *Termination:* The distribution agreements are terminable by us by giving advance notice or if the distributor fails to perform its obligations under the distribution agreement. Subject to our approval, the distribution agreements are terminable by the distributors.

Sub-Distributors, Key Accounts and Retailers

We do not have contractual relationships with nor control over the sub-distributors, key accounts or retailers that transact with some of our distributors. Our distribution agreements with our distributors permit them to sell our products within a distribution area designated for such distributor. Our distribution agreements further provide that our distributors should sell our products at our recommended retail price. We may rely on our distributors to uphold the terms contained in our distribution agreements with the sub-distributors, key accounts and retailers engaged by them, including with respect of selling our products within the distributor's designated distribution area and our pricing policy. Our sales management team from time to time conducts on-site inspections of our distributors and points of sale, communicating with them and collecting feedback and information from them in order to obtain an understanding of the compliance of the sub-distributors, key accounts or retailers engaged by our distributors.

If we become aware of any non-compliance or misconduct including our products are not distributed within the agreed geographical areas or our products are sold below our recommended retail price, we typically notify the relevant distributor accordingly such that the relevant distributor may take the necessary actions including requesting the relevant sub-distributor to take rectification and improvement measures.

Direct Key Accounts

As at 31 December 2015, we had nine direct key accounts which primarily included supermarkets. We manage our relationships with direct key accounts through our direct key accounts team, which consists of approximately 30 employees. For the years ended 31 December 2013, 2014 and 2015, our direct key accounts accounted for approximately 6.5%, 5.1% and 5.1% of our total sales, respectively.

We typically enter into annual sales agreements with our direct key accounts with credit terms of 30 to 90 days beginning from the date of issuance of invoice. Our direct key accounts generally place orders with us which are then processed by our direct key accounts team. Upon receipt of an order, we seek to deliver goods to our key accounts' designated delivery destinations within the time specified by them through our third-party logistics service providers. Our direct key accounts may return defective products and, unlike our distributors, they are generally permitted to return expired products or products that could not be sold to end-consumers. We pay fees to our direct key accounts for promoting our products in-store and offer discounts for large purchases made by them. Our sales agreements with our direct key accounts can generally be terminated by either party after giving the other party advanced written notice for a time-period stipulated in the sales agreement, or be terminated by a party under specified circumstances such as a breach of contractual terms by the other party.

We believe our direct key account relationships allow us to gather first-hand market information more directly and to access a broader base of consumers.

To increase the sales of our products to end-consumers under our direct key accounts, we have conducted promotional activities such as providing discounts, free gift with purchase and tasting for our products. Leveraging on our strong brand recognition and diversified product portfolio, we will continue to develop and increase our overall sales to key accounts, including key accounts under our distributors and our direct key accounts.

Our distributorship channel and direct key accounts channel complement each other as the latter enables us to broaden our sales network by giving us access to supermarkets that prefer to purchase directly from manufacturers. In addition, in order to minimize direct competition between our distributorship channel and direct key accounts channel, it is our policy not to select the key accounts of our distributors as our direct key accounts for the same product.

Online Sales Channels

In late 2015, we conducted a single trial-run of online sales of our products which achieved positive results. Currently, we have registered profiles with well-known online sales platforms in the PRC. We have also established relationships with online sales operators to market and sell our products online. We adopt a uniform pricing policy for our online sales partners and distributors. We also sell our products via online sales platforms at the recommended retail price which we provide to distributors. As online and social media platforms continue to grow popular, we believe that further penetration into online platforms will allow us to increase our sales, enhance our brand recognition and achieve a broader consumer base.

OEM

We also manufacture products under OEM arrangements. Our OEM production process, food safety and quality control standards are consistent with the manufacturing of our own products, and are in compliance with applicable food quality and safety standards in the PRC. For the years ended 31 December 2013, 2014 and 2015, our sales to our OEM customers accounted for 2.0%, 2.1% and 0.6% of our total revenue, respectively.

As at the Latest Practicable Date, our OEM customers were mainly located in overseas markets including USA, Singapore and the Republic of Korea. We believe there is growth potential for us in overseas markets, especially in countries where consumer preferences are similar to the PRC and are expected to enjoy growth in per capita consumer spending, urbanization and modern retailer penetration. As such, we will continue to assess and explore other selected overseas markets in which there are growth opportunities for the sale and distribution of our products.

During the Track Record Period, we manufactured potato chips under the Potato Chips OEM Arrangement for a PRC subsidiary of a popular foreign food snacks company. The Potato Chips OEM Arrangement completed in early 2015 and we ceased to manufacture potato chips for them. For the years ended 31 December 2013, 2014 and 2015, our revenue under the Potato Chips OEM Arrangement accounted for 1.4%, 1.6% and 0.1% of our total revenue, respectively.

PRICING POLICY

We take into consideration a wide variety of factors in determining our pricing policy. Such factors include the demand for and supply of our products, anticipated market trends, cost of raw materials, production costs, historical sales data and prices of our competitors' products. Our distributors purchase products from us at a standard ex-factory price which is subject to our price adjustments from time to time. Our distribution agreements provide us the right to set a recommended retail price of our products. Please refer to the sections headed "*Business – Our Customers – Distributors – Distributor Management*" in this listing document for further details of our pricing policies in relation to sales through distributors. We review and adjust our prices from time to time based on these factors and other general market conditions.

Our Directors consider that overall sales of our products are fairly balanced throughout the year, although demand for some of our products may be influenced by holidays, changes in seasons or other reasons. Usually, we experience an increase in customers orders for our products before the Chinese New Year holidays, in anticipation of demand during the festive holiday. For further discussion on the effect of Chinese New Year on our cash flow, please refer to the section headed "*Financial Information – Liquidity and Capital Resources – Net Cash Generated from Operating Activities*" in this listing document.

BRANDING AND MARKETING

We believe that our strong brand recognition and marketing efforts have been instrumental to the success of our business. Our core brands enjoy strong brand recognition in the PRC.

We focus on developing different brands for our different product categories targeting different consumer segments. Applying this strategy, our core brand "Qinqin (親親)" has gained strong nationwide recognition and has received a number of awards over the years as a famous brand in the PRC. Our other core brand "Shangerry (香格里)", which goes by the slogan "every meal Shangerry, life's good companion" (餐餐香格里, 生活好伴侶) also enjoys high levels of consumer recognition for providing safe and high-quality seasoning products in the PRC. Apart from our jelly products, our "Qinqin (親親)" brand is also used for our crackers and chips and confectionery products. Our other brands include "Elegant (艾莉格)" and "Victoria (維樂多)".

We use the following key advertisement taglines to attract our consumers:

Brand	Key Advertisement Taglines
Qinqin (親親)	Qinqin – We the Jelly Snacks (親親We的果凍) Qinqin – Worth Sharing Deliciousness (親親, 值得分享的美味) Qinqin accompanies your happy moments (歡樂時刻, 親親相伴)
Shangerry (香格里)	Every Meal Shangerry, Life's Good Companion (餐餐香格里, 生活好伴侶)
Elegant (艾莉格)	European-style snacks, delicious princess (歐式點心, 格格美味) Fresh Eggs Added, Well Steamed (鮮蛋加入, 蒸的好)
Victoria (維樂多)	Children's nutritious snacks! (給孩子的營養零食!)

Our marketing department is responsible for our marketing and promotional activities. To enhance the recognition and marketability of our products, our marketing department conducts multi-channel marketing of our products. Our efforts included advertising campaigns through various media channels, including national television, the internet, mobile platforms, cinemas and social media. We have established relationships with television and broadcasting networks and we leverage on these relationships to advertise our diversified product portfolio. We also conduct marketing through participating in domestic industry trade shows and festivals. Further, we collaborate with retailers by installing in-store displays featuring our brand and products and we intensify these promotions during festive seasons or other special occasions when store traffic is at its peak in order to further increase the awareness of our brand and products. We engaged celebrities as our brand ambassadors. We are also launching a new advertising campaign for our "Qinqin (親親)" brand by introducing our new slogan "love them and you will kiss them" (愛TA, 你就親親TA) and other heart-shaped cartoons to convey the affection for our products to consumers, especially our younger consumers. We have also created social media accounts under text messaging applications and micro-blogging websites for online advertising and publicity.

In light of the popularity of the online shopping, especially amongst younger consumers, we plan to further market our brand on the internet through increased distribution of advertising and promotional materials through different online channels. We will also continue to focus on other marketing and promotional activities to increase the visibility and awareness of our products. Our marketing and advertising expenses for the years ended 31 December 2013, 2014 and 2015 were approximately RMB183.1 million, RMB185.7 million and RMB174.0 million, respectively, representing 14.3%, 15.3% and 17.1% of our total revenue for the respective periods.

PRODUCTION

We produce a substantial majority of our products. As at 31 December 2015, we had eight production facilities strategically located across the PRC, namely Fujian, Hubei, Henan, Shaanxi, Shandong and Liaoning Provinces. As at 31 December 2015, our production facilities operated a total of 54 production lines for the production of our jelly products, crackers and chips, seasoning products and bakery products. All our production facilities are automated with standardized production processes, which allow us to manufacture our products efficiently and, together with our stringent quality control standards, to produce consistently high-quality food and snacks products. For our confectionery and cake products, we outsourced production to external subcontracting manufacturers during the Track Record Period. As at the Latest Practicable Date, we have ceased to outsource the production of cake products and manufacture such products in our own production facilities.

The following table sets forth details regarding each of our production facilities for the periods indicated:

Production Facility Location *(Note 1)*	Products	Annual Production Capacity	Production Lines	Total Construction Area	Approximate utilization rate in 2013	Approximate utilization rate in 2014	Approximate utilization rate in 2015
		(tons)		(sq.m)		*(Note 4)*	*(Note 4)*
Fujian Facility #1 – Wuli Industrial Zone & Science and Technology Industrial Park	Jelly Products	28,600 *(Note 2)*	9	32,071	91%	62%	54%
Fujian Facility #2 – Andong Factory	Crackers and Chips	2,080 *(Note 3)*	2	58,709	60%	46%	43%
	Seasoning Products	10,920 *(Note 3)*	3		97%	88%	76%
	Bakery Products	3,021 *(Note 3)*	2		6%	9%	12%
Xiantao, Hubei	Jelly Products	31,200 *(Note 2)*	8	27,972	83%	82%	72%
Linying, Henan	Jelly Products	36,400 *(Note 2)*	9	68,426	99%	91%	76%
	Crackers and Chips	3,120 *(Note 3)*	3		70%	87%	64%
	Bakery Products	1,898 *(Note 3)*	1		6%	9%	8%
Xianyang, Shaanxi	Crackers and Chips	2,080 *(Note 3)*	2	2,600	64%	73%	64%
Taian, Shandong	Crackers and Chips	4,264 *(Note 3)*	3	12,560	98%	85%	71%
Liaoning Facility #1 – Shunfu Road, Economic Development Zone	Jelly Products	31,200	7	31,995	101% *(Note 5)*	75%	69%
Liaoning Facility #2 – Shunfu Road, Economic Development Zone	Crackers and Chips	5,200 *(Note 3)*	5		77%	73%	68%

Notes:

1. We rented the properties for our production facilities in Shaanxi and Shandong and we own the properties for our other production facilities above.

2. Annual production capacity for our jelly products is calculated based on 260 effective production days a year, using 18 working hours per day.

3. The respective annual production capacity for our crackers and chips, seasoning products and bakery products are each calculated based on 260 effective production days a year, using 20 working hours per day.

4. Utilization rate is derived by dividing the production volume by the production capacity during the same period. For the years ended 31 December 2014 and 2015, the decreases in the utilization rate for various production lines were due to declined sales and weakened demand for food and snacks products in our target markets in the PRC.

5. Utilization rate exceeded 100% due to production hours exceeding the assumptions as set out in (2) above.

All our production facilities and production lines have been designed to comply with the national quality control standards of the PRC. We have also maintained ISO 9001, ISO 22000 and HACCP certifications for certain of our production facilities.

As advised by our PRC Legal Advisers, save as disclosed in the section headed "*Business – Properties*" in this listing document, we have valid ownership or usage rights to our production facilities and equipment, the operation of which is in compliance with applicable PRC laws and regulations.

Useful life of machinery

The following table sets forth the remaining useful life of our major types of machineries as at 31 December 2015:

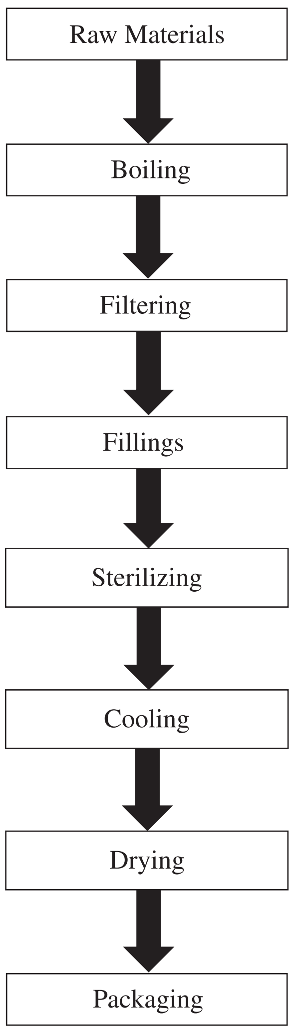
Major Types of Production Machineries	Approximate weighted average remaining useful life (years)
Packaging equipment	5.5
Filling equipment for jelly products	5.6
Sterilisation equipment for jelly products	5.4
Equipment for boiling raw materials for jelly products (pre-treatment of raw materials)	6.2
Production equipment for bakery products	7.3
Production equipment for seasoning products	7.1
Auxiliary equipment	6.0
Production equipment for seaweed	0.2
Production equipment for plastic containers	5.6
Production equipment for crackers and chips (semi-finished products)	7.8
Production equipment for crackers and chips (deep-fried)	7.0
Production equipment for crackers and chips (drying)	7.1

Note: The average remaining useful life of our major types of machineries as set out in the above table is based on the weighted average of the remaining depreciable period of each unit of the relevant machinery determined in accordance with our applicable accounting policies, under which the depreciation is calculated using the straight line method to allocate their costs to their residual values over the estimated useful lives of 10 to 20 years.

Production Process

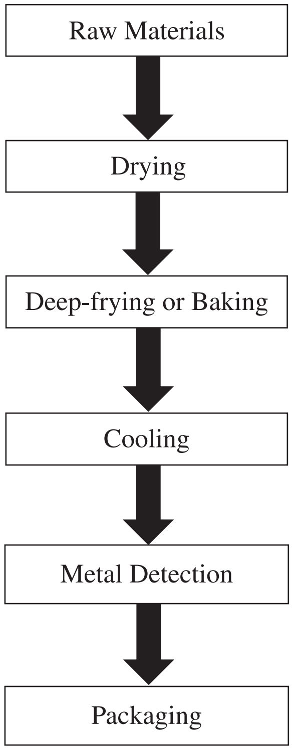
In general, the production process of our jelly products, crackers and chips, seasoning products and bakery products respectively could be completed within one day. We set out below the key production processes by product segment:

Jelly Products



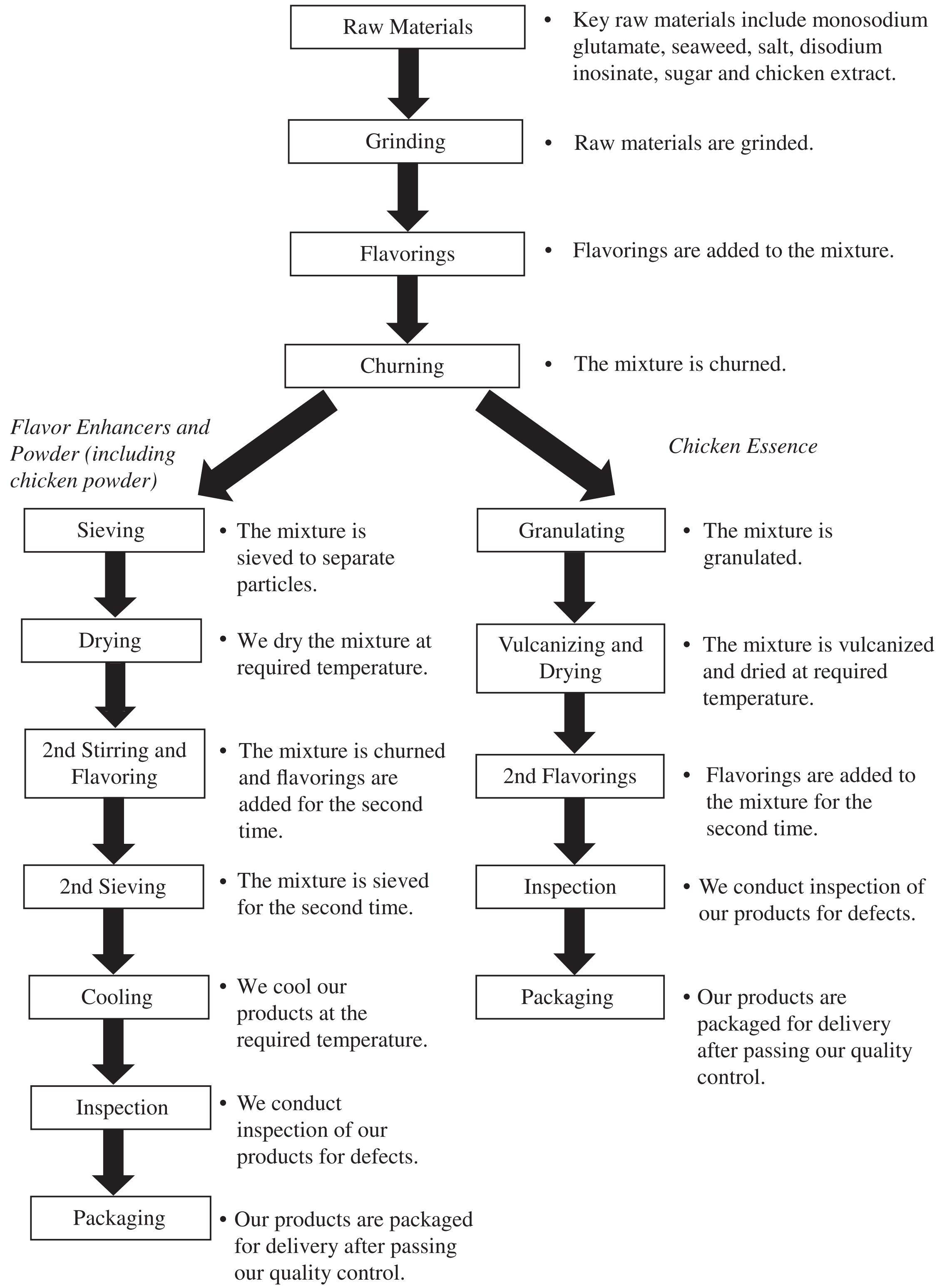
- Key raw materials for jelly products include sugar, water, syrup, canned fruit and flavorings.
- Raw materials are boiled.
- Raw materials are then filtered.
- We inject different fillings according to the process.
- Our products go through sterilization.
- We cool our products at the required temperature.
- Filled jelly containers are dried.
- Our finished products are packaged for delivery after passing our quality control.

Crackers and Chips

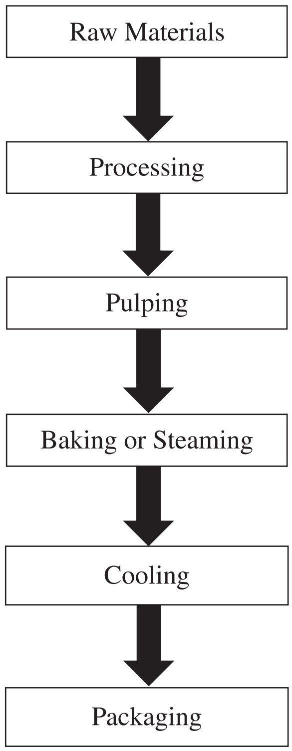


- Key raw materials for crackers and chips include flour, palm oil and potato starch.
- Raw materials are dried.
- Our products are placed into fryers or ovens for deep-frying or baking at high temperature.
- We cool our products at the required temperature.
- Our products are inspected for traces of metal before being packaged.
- Our finished products are packaged for delivery after passing our quality control.

Seasoning Products



Bakery Products



- Key raw materials include egg, rapeseed oil and sugar.
- Raw materials are processed including granulating, extracting, filtering and shaping.
- Key raw materials are pulped to reduce into soft mass.
- Our products are baked or steamed at high temperature.
- We cool our products at the required temperatures.
- Our products are packaged for delivery after passing our quality control.

Equipment Maintenance

Our production facilities and equipment are designed to suit our production needs. We conduct regular maintenance on our manufacturing equipment and seek to ensure that they meet our production needs and safety standards. As at 31 December 2015, our maintenance team consisted of approximately 80 employees. Our maintenance team is responsible for daily inspection and routine daily cleaning and maintenance of our production equipment. Major maintenance and repair work is conducted annually.

During the Track Record Period, we did not experience any material or prolonged interruption to our production processes due to equipment failure.

Outsourcing Arrangements

We engaged subcontracting manufacturers through outsourcing arrangements to manufacture our confectionery and cake products during the Track Record Period. As at 31 December 2015, we had outsourced production to six subcontracting manufacturers who are responsible for manufacturing our confectionery and cake products, and we have had well-established relationships with the majority of these manufacturers. As at the Latest Practicable Date, we have ceased to outsource the production of cake products and manufacture such products in our own production facilities. We sell our confectionery products and cake products under our own brands. The outsourcing arrangements enables us to diversify our product offering while at the same time avoids incurring expenditure on production machinery.

We have implemented strict quality control procedures in respect of the quality, safety and reliability of our products supplied by our third-party manufacturers. We select our subcontracting manufacturers based on various factors such as their production capabilities, the results of our trial-production periods, and whether such manufacturers have obtained the required licenses and permits and their quality control standards. Once we have selected our subcontracting manufacturers, we typically enter into annual outsourcing agreements with them. The form of our outsourcing agreements are standardized so as to facilitate the efficient management of our manufacturers and consistent quality. The term of the contracts are generally for about one year. Our subcontracting manufacturers normally require an upfront deposit of 30% of the purchase amount of the first purchase order and the balance is paid monthly thereafter with a typical credit period of 15 days. The price is determined based on typical commercial factors such as production and raw material costs. Under such agreements, our subcontracting manufacturers are required to follow our required specifications and quality standards in procuring raw material and manufacturing our products, and to meet applicable laws and regulations concerning food quality and safety. We are also entitled to conduct inspections on our subcontracting manufacturers and we regularly dispatch a team to each of our subcontracting manufacturers to monitor, supervise and offer recommendations on their production process. If the products fail to meet our required standards, we have the right to reject the goods and to request for compensation from our third-party manufacturers according to the terms of our outsourcing agreements.

For the years ended 31 December 2013, 2014 and 2015, the total costs for our outsourced production, in aggregate, accounted for approximately 2.2%, 2.5% and 3.0% of our total cost of sales for the same periods, respectively. During the Track Record Period, we did not experience any material issues or disputes in relation to product quality or delivery with any of our subcontracting manufacturers. To the best knowledge of our Directors, all our subcontracting manufacturers are independent third parties.

QUALITY CONTROL

Quality Control Management

We are committed to providing safe and high quality products. Our quality control management is responsible in formulating, managing and supervising our quality control system. We have a dedicated quality control team that implements our quality control system. As at 31 December 2015, our quality control team had 135 staff members. Our quality control general manager has over nine years of experience in the food products industry, and the majority of our key quality control employees have over five years of experience in the food and snacks industry.

Quality Standards and Certifications

As advised by our PRC Legal Advisers, our operations are in compliance with applicable Chinese laws and regulations in relation to the production of food and snacks products, as well as the quality control requirements and regulations imposed by the State Food and Drug Administration (國家食品藥品監督管理總局) and General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局). We have obtained the Production License for Industrial Products (工業產品生產許可證) for our production of food and snacks products.

We have maintained ISO 9001, ISO 22000 and HACCP certifications for certain of our production facilities. These certifications are subject to annual independent audits by the relevant accreditation agencies.

- ISO 9001 is a set of standards and guidelines relating to quality management systems and maintained by ISO. It represents an international consensus on good quality management practices. Our ISO 9001 certification demonstrates that we have a consistent quality management system that meets applicable customer and regulatory requirements.

- ISO 22000 is a standard developed by ISO dealing with food safety. It specifies the requirements for a food safety management system to ensure that food is safe for human consumption.

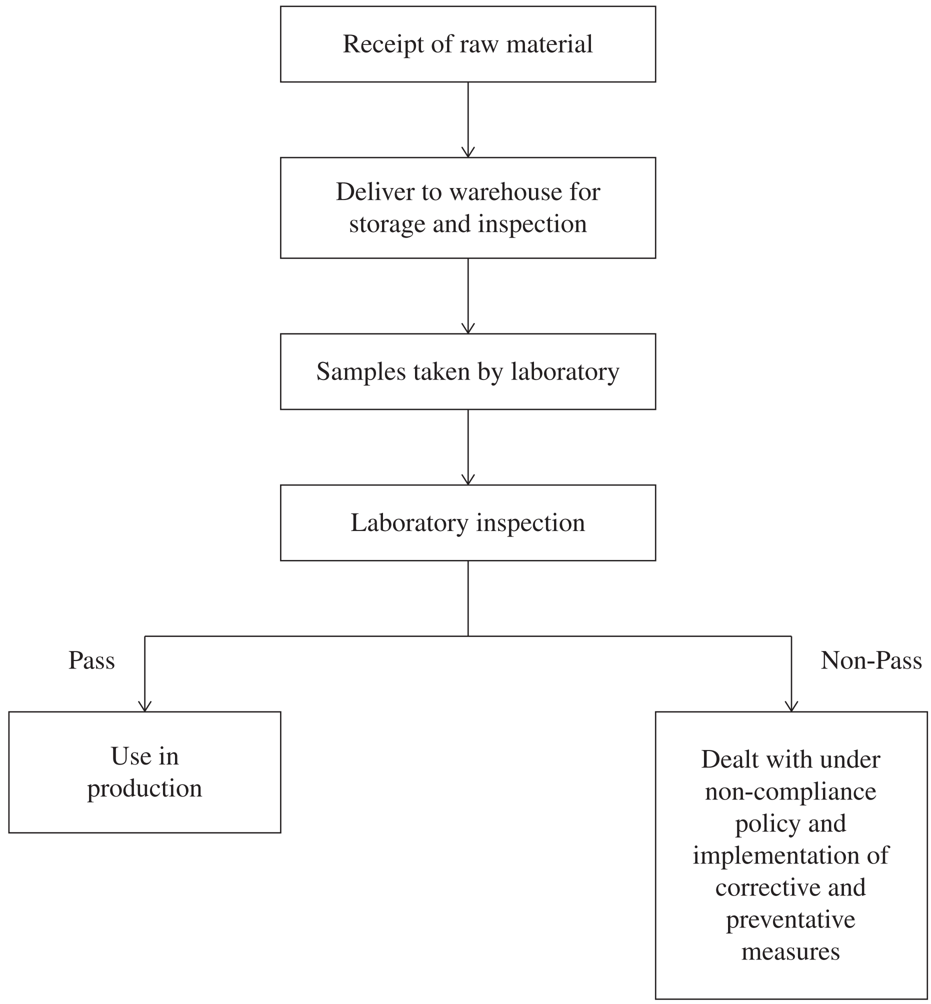
- HACCP or Hazard Analysis and Critical Control Points is a management system that adopts a systematic preventative approach to food safety. HACCP addresses physical, chemical and biological hazards as a means of prevention rather than finished product inspection.

Quality Control over Raw Materials

We have implemented strict procedures for the selection of our suppliers and seek to ensure that quality raw materials are used in producing our food and snacks products. We select our suppliers under stringent criteria on the basis of product quality, market reputation, price and safety. We require our suppliers to possess a business licence and the relevant food production licence and to comply with laws and regulations by signing a confirmation to us under our supply contracts.

In addition, our quality control team conducts inspections of our raw materials to ensure that they are of high quality and safety. In this regard, our quality control team members must go through and pass a rigid set of internal training programs for the purposes of inspecting raw materials. When shipments of raw materials are supplied to us, our quality control team conducts inspections to ensure that they accord to our specifications, and verifies the original raw materials are properly certified. In particular, in light of the Toxic Gelatin Incident, we do not use gelatin as raw materials for the products we manufacture. Our suppliers are also required to provide us with signed letters of product quality and food safety guarantee, as well as the relevant government inspection certificates and product testing reports confirming that the standard of products they supply complies with the relevant product safety regulations. We also perform in-house and external laboratory tests on the raw materials to ensure that they are in compliance with product safety standards. Any sub-standard raw materials are dealt with under our internal non-compliance policy, in which the sub-standard raw materials are re-inspected to determine the appropriate rectification and preventative measures. Raw materials that fail to pass the standards set out in our non-compliance policy are isolated and disposed of separately. We are entitled to reject and return raw materials to suppliers and to request our suppliers to remedy sub-standard raw materials.

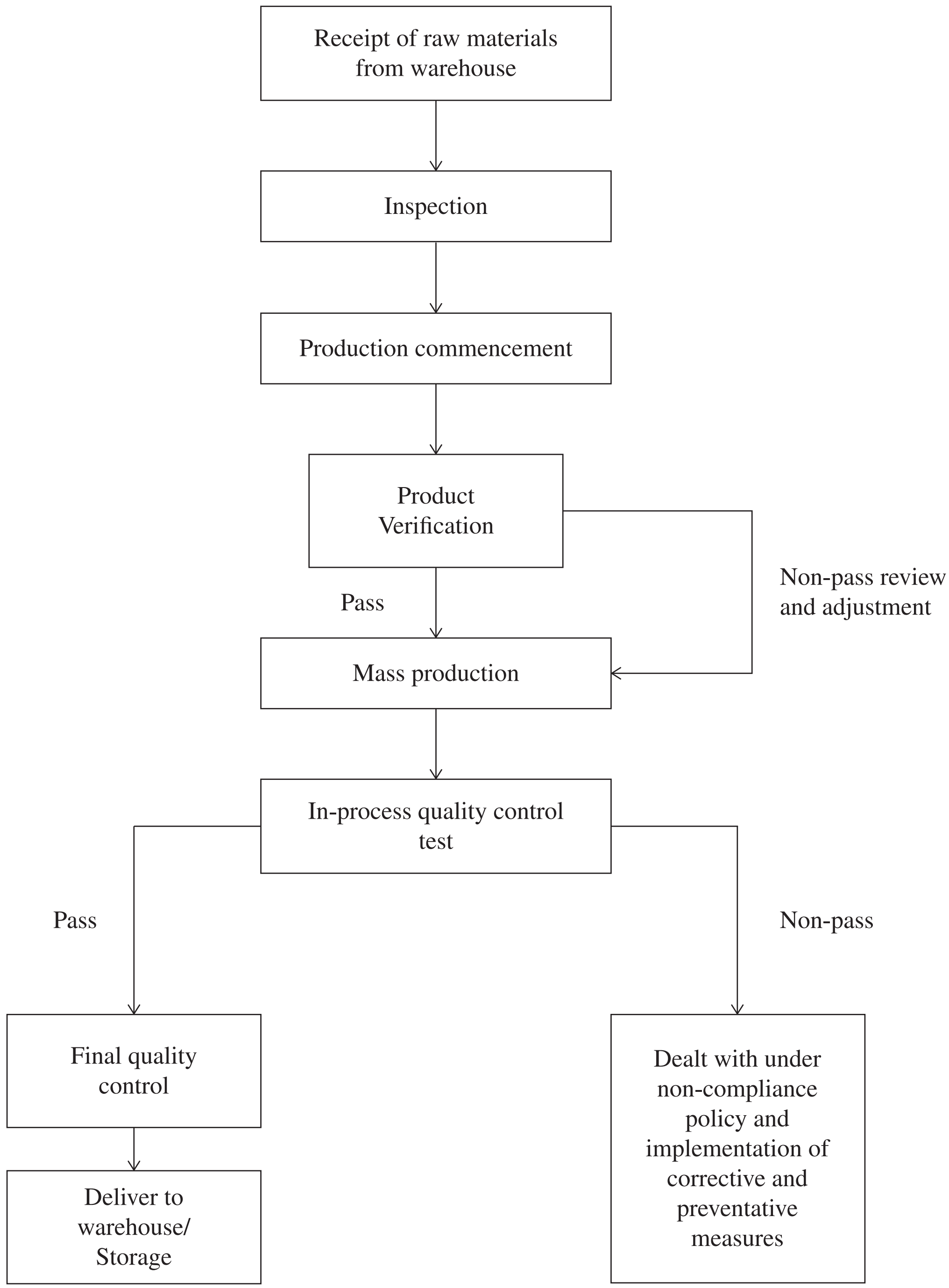
The following flow chart illustrates our quality control procedures over raw materials:



Quality Control over Production Process

We have adopted strict quality control measures over our production process to ensure product quality. We conduct inspections and testing throughout the production process and seek to immediately rectify any non-compliance we discover. We closely monitor our production process which is essential to the quality of our products. All our products undergo inspection at each stage of the production process, including post-production inspection and final quality control before the products are distributed for sale. We also uphold strict hygiene measures at all our production facilities in which access to our facilities are controlled and our employees are required to wear prescribed uniforms, caps, shoes and other safety gear to help achieve a clean production environment. In addition, we cooperate with certified third party inspection companies to conduct product quality and food safety testing on our products.

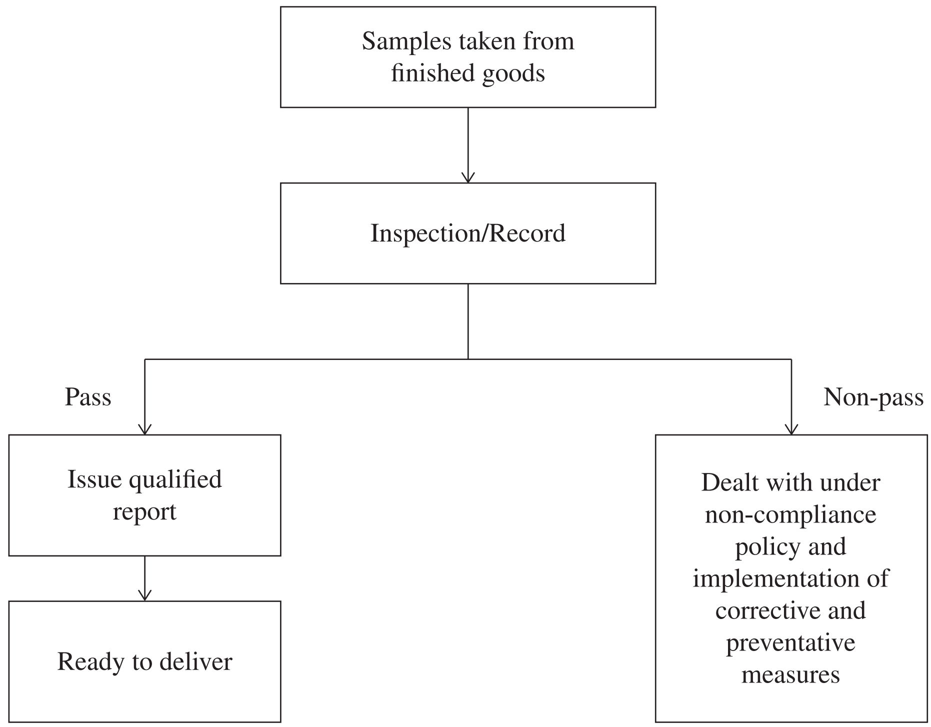
The following flow chart illustrates our quality control procedures for our production process:



Quality Control over Finished Products

We implement a quality control policy for our finished products to conduct final quality testing. Finished products that pass our final quality testing are packaged and stored at our warehouses ready to be distributed to our customers. Finished products that do not meet our final quality testing standards are dealt with according to our non-compliance policy.

The following flow chart illustrates our quality control procedures for our finished products:



Product Returns, Consumer Feedback and Product Recall

Our distributors are generally not allowed to return our products unless there are defects in quality arising from our production processes. Defects that arise during the delivery of our products are compensated by our logistics service providers. Our direct key accounts may return defective products or products that could not be sold to end-consumers generally. Defective products are dealt with by our non-compliance policy and can be returned to us or replaced by non-defective products at our own costs to our distributors and direct key accounts.

During the Track Record Period, we did not experience any material product returns from our customers.

Our product returns during the Track Record Period amounted to approximately RMB8.0 million, RMB6.4 million and RMB3.5 million, accounting for approximately 0.6%, 0.5%, 0.3% of our total revenue for the years ended 31 December 2013, 2014 and 2015, respectively. The product returns were mainly from our direct key accounts.

We have adopted an internal policy for product complaints to be resolved promptly upon receipt, including complaints from our distributors, key accounts and consumers. We have a dedicated team of customer service personnel and maintain a customer service hotline to facilitate prompt responses to our customers and consumers. Customer complaints are handled by our customer service personnel under our sales management team and the relevant departments are notified immediately at our headquarters to carry out remedial measures if necessary. Our rectification measures include paying compensation and taking appropriate preventative measures to avoid future recurrences. We also have established product recall procedures to immediately form a product recall team that investigates and conducts quality and safety tests on products that may need to be recalled. Once we are informed of products that require recall, we immediately form a product recall team that will ascertain the relevant product batch to be recalled and promptly inform the relevant parties, including our distributors and direct key accounts.

During the Track Record Period and as at the Latest Practicable Date, we were not subject to material product complaints, or regulatory fines and penalties in the PRC regarding product quality or safety.

Food Safety Management

In addition to our quality control system covering each stage of our production, we have established a food safety management policy to coordinate various aspects of our quality control system. Our food safety management policy covers our production process from raw materials to finished products, inventory management, transportation and distribution of our products and we implement a set of internal control standards covering food safety issues. Each of our different departments are responsible for conducting inspections and ensuring that our internal control standards on food safety are conformed with. We have also adopted a systematic food safety emergency response plan, identifying in detail response procedures and the responsibilities of each department involved. In addition, we continuously enhance our internal procedures to conform with the latest developments in the relevant food safety law and regulations.

RESEARCH AND DEVELOPMENT

Our research and development team is made up of skilled professionals who regularly collect market information on changing consumer taste and preferences, and conducts market research and experiments to develop new products, flavors and packaging. We have separate research and development groups for each of our product categories.

We undertake the majority of our research and product development activities in-house. However, we also collaborate with academic and research institutions, such as the China National Research Institute of Food & Fermentation Industries and the Fujian Agriculture and Forestry University, to jointly research new formulas and potential products. We believe that such collaborations allow us to expedite the introduction of new products to the market and strengthen our research and development function.

We normally launch a number of new products and flavors every year and remove less popular products from our product portfolio. During the Track Record Period, as a result of our research and development efforts, we introduced jelly products with our new "Cute Series" (萌動系列), a new assortment of flavors, a new tube-shaped suction design as well as various fun-shaped packaging designs. We also introduced our new purple potato flavoured chips made with purple potatoes and a range of new flavors to our existing products, such as tomato and corn flavors for our crackers and chips. We also developed new spicy and richer chicken flavors for our seasoning products, as well as green-tea flavor for our steamed custard cake. During the Track Record Period, we have introduced over 20 new products, flavors and packaging.

For the years ended 31 December 2013, 2014 and 2015, our research and development expenditures were RMB0.2 million, RMB0.2 million and RMB0.3 million, respectively.

RAW MATERIALS AND SUPPLIERS

Raw Materials

Our raw materials consist of the ingredients for our products, as well as packaging materials. We also use various consumables in our production process. The ingredients for our products primarily include sugar, canned fruits, syrup, flour, colloid, seaweed, palm oil and corn starch. Our packaging materials primarily include aseptic pack, polypropylene, plastic packets, labels and packaging bags.

We source our raw materials from various domestic suppliers. Our raw material procurement is determined by our production scale and schedule. Our sales department determines the expected production and sales volume at a particular time to formulate a procurement plan and timetable. Our procurement team normally enters into annual supply contracts with suppliers and the purchase prices are usually determined in the purchase orders. Our contracts generally do not contain any annual target purchase volumes. All raw materials provided by our suppliers are required to meet our quality standards and/or the applicable national standards in the PRC.

A number of our primary raw materials, such as sugar, flour and palm oil are commodities. Their prices are affected by commodity price fluctuations, supply and demand, logistics costs and government regulation and policies. For a sensitivity analysis in relation to the movements in our costs of certain raw materials, please refer to the section headed "*Financial Information – Sensitivity Analysis*" in this listing document.

As at 31 December 2015, our procurement team consisted of 20 dedicated employees who are responsible for the management and supervision of our raw materials. We have not entered into any hedging activities in relation to commodity prices. Our raw materials are generally available from a large number of domestic suppliers, and we normally have various sources of supply for most raw materials to reduce reliance on a single supplier. During the Track Record Period, we did not experience any shortages of supply to our raw materials and packaging materials, nor did we experience any major problems with the quality of our raw materials and packaging materials supplied by our suppliers.

The costs of our raw materials and consumables used recorded in our combined income statements during the years ended 31 December 2013, 2014 and 2015 amounted to approximately RMB583.7 million, RMB497.6 million and RMB435.3 million, respectively, accounting for 79.0%, 71.0%, 73.9% of our cost of sales for the respective period.

We obtain our water supply from tap water supplied by water supply companies controlled by relevant local governments. As water supply is a public utility regulated by the PRC government, we have not experienced a material shortage prior to the Latest Practicable Date. We process the water supplied to us according to industry standards before it is used for production in our products. To monitor water quality, water used by us undergoes quality checks in each location of our production facilities. We did not experience any problems with water quality during the Track Record Period.

Suppliers

We select our suppliers based on price, product quality, safety and market reputation. We typically collaborate with reliable and reputable suppliers of our raw materials. We have had stable relationships with many of our suppliers of raw materials, and we generally have various sources of supply for each type of raw material to reduce the reliance on a single supplier and to make reference to prevailing market prices for the same raw material. We usually enter into annual non-exclusive supply contracts with our suppliers based on our expected production volume and our estimated demand for the raw material for the year. Our supply contracts usually set out the pricing policy of the relevant raw materials.

When shipments of raw materials are supplied to us, our quality control team conducts inspections to ensure that they accord to our specifications, and verifies the raw materials are properly certified. For details of our quality control measures, please refer to the section headed "*Business – Quality Control – Quality Control over Raw Materials*" in this listing document.

Payment terms granted by our suppliers vary depending on a number of factors including our relationship with the suppliers and the size of the transaction. Generally, our suppliers provide us with credit terms of three to 60 days and we normally settle our trade payables by bank transfer.

During the Track Record Period, we have not encountered any delay in delivery of raw materials that would materially affect our production process. As at the Latest Practicable Date, we have not had any material disputes with our suppliers or any material impediments in extending our supply contracts.

For the years ended 31 December 2013, 2014 and 2015, purchases from our five largest suppliers accounted for 15.4%, 14.9%, 13.1% for our total cost of goods purchased, respectively, and purchases from our single largest supplier accounted for 5.2%, 5.3% and 5.3% of our total costs of goods purchased for the respective periods. We have had business relationships with our five largest suppliers during the Track Record Period for three to eight years.

As at the Latest Practicable Date, save as disclosed in the section headed "*Continuing Connected Transactions – B. Non-Exempt Continuing Connected Transaction*" in this listing document, none of our suppliers were connected persons of the Company.

LOGISTICS AND TRANSPORTATION

During the Track Record Period, we utilized independent third party logistics service providers for the transportation of our products. As at 31 December 2015, we had approximately 25 logistics service providers. We normally enter into annual contracts with our logistics providers and we invite bids to assist our selection of logistics providers by comparing the tendered bids. We typically select our logistics provider based upon their transportation efficiency, transportation capability, service fee, service quality and track record. We engage logistics service providers at our expense to deliver our products to the designated locations of our distributors and direct key accounts. The risks relating to transportation and delivery are passed to our third party logistics providers, who are required to ensure that our products are transported under proper conditions. Our distributors then distribute our products to sub-distributors, retailers or their key accounts at their own expense. Based on the terms of our logistics service contracts, we are typically entitled to terminate the agreements if the logistics service providers fail to satisfy our standards and requirements. The vast majority of our products are delivered by road from our production facilities to our customers. For our outsourced manufacturers, they are generally responsible for the delivery of finished products to our designated locations at their own expense. Furthermore, the current logistics services market provides sufficient alternative options of logistics service providers which can offer similar terms as our existing logistics service providers. During the Track Record Period, we did not experience any significant delay or poor handling of our products that had a material adverse effect on our business operations.

INVENTORY MANAGEMENT

Our inventory mainly consists of raw materials, work-in-progress and finished goods. Our inventory management process operates under a first-in-first-out policy. We seek to maintain our inventory at appropriate levels based on our expected demand patterns and volume of sales orders from our customers.

We have warehouses at each of our production facility. We procure raw materials, plan our production and manage our inventory levels based on historical sales and our management's assessment of annual sales for a particular year. This helps us minimize storage space and carrying costs and reduces the risk of deterioration and wastage of our products. We normally do not maintain substantial inventory levels for finished goods except during periods leading up to festive seasons and holidays in which our distributors and direct key accounts typically place larger purchase orders with us. Once our finished goods are produced, we endeavor to transport them to our customers at the earliest possible time. We also rely on our information technology system to maintain data on our inventory levels. For the years ended 31 December 2013, 2014 and 2015, our inventory turnover days were 69.2 days, 63.5 days and 61.1 days, respectively.

Provision is made for inventory to the extent that the net realizable value is lower than cost. For further details on the provision for inventories write-down during the Track Record Period, please refer to Note 18 of the Accountant's Report set out in the section headed "*Appendix I – Accountant's Report*" in this listing document.

AWARDS AND RECOGNITION

We have received the following key awards and recognition:

Year of Grant	Award or Recognition	Issuing Authority
2015	"Outstanding Contribution in China's Leisure Food Industry" (中國休閒食品行業突出貢獻獎)	China Non-staple Food Circulation Association (中國副食流通協會) Jinjiang People's Government (晉江市人民政府) Jinjiang Economy News (晉江經濟報社)
2015	Top 10 Enterprises of Bakery and Confectionery Industry (Jelly) in China (中國焙烤食品糖製品行業(果凍)十強企業)	China National Light Industry Council (中國輕工業聯合會) China Association of Bakery and Confectionery Industry (中國焙烤食品糖製品工業協會)
2015	Top 10 Enterprises of Bakery and Confectionery Industry (Puffed Food) in China (中國焙烤食品糖製品行業(膨化)十強企業)	China National Light Industry Council (中國輕工業聯合會) China Association of Bakery and Confectionery Industry (中國焙烤食品糖製品工業協會)
2015	Fujian Famous Brand Product (Shangerry of the Year 2014) (2014年度福建名牌產品(香格里))	Fujian Provincial People's Government (福建省人民政府)
2013	Fujian Famous Brand Product (Qinqin) (福建名牌產品(親親))	Fujian Province People's Government (福建省人民政府)
2013	Fujian Famous Trademark (Shangerry) (福建省著名商標(香格里))	Fujian Province Administration for Industry & Commerce (福建省工商行政管理局)
2012	Industrial and Commercial Credit Excellence Enterprise (AAA) (工商信用優異企業(AAA))	Fujian Province Administration for Industry & Commerce (福建省工商行政管理局)
2011	Fujian Advanced Quality Management Excellence Enterprise (推行先進質量管理優秀企業)	Fujian Province Quality Association (福建省質量協會)
2007	China Famous Brand Product (Qinqin Jelly) (中國名牌產品(親親果凍))	General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局)
2005	Qinqin – China Famous Trade Mark (中國馳名商標)	Harbin Intermediate People's Court, Heilongjiang Province (黑龍江省哈爾濱市中級人民法院)

Year of Grant	Award or Recognition	Issuing Authority
2005	Leading Enterprise in Technological Advancement in the National Food Industry of the Years 2003 and 2004 (2003-2004年度全國食品工業科技進步優秀企業)	China National Food Industry Association (中國食品工業協會)
2003	Shangerry – Fujian Famous Trademark (香格里 – 福建著名商標)	Fujian Province Famous Trademark Recognition Committee (福建省著名商標認定委員會)
2001	China's High Quality Foods (中國名優食品)	China National Food Industry Association (中國食品工業協會)

COMPETITION

Competition in the food and snacks industry in the PRC is intense. There are a large number of domestic and international food and snacks manufacturers that sell their products in the PRC. We generally face competition based upon factors including brand recognition and reputation, flavor, quality, pricing, new product introductions and intensive advertising and other promotional campaigns. According to Euromonitor, it is estimated that the snacks products industry in the PRC will grow at a CAGR of 7.7% from RMB198.5 billion in 2015 to arrive at a size of about RMB287.8 billion in 2020. In terms of PRC jelly products, Euromonitor estimates that retail sales in the PRC will increase from RMB13.7 billion in 2015 to RMB17.8 billion in 2020, representing a CAGR of 5.4%. In terms of crackers and chips, Euromonitor estimates that the market size is expected to maintain a stable growth rate at a CAGR of 7.6% from RMB32.9 billion in 2015, reaching approximately RMB47.5 billion by 2020.

The jelly products market and the crackers and chips market in the PRC are fragmented due to low entry barriers. After the emergence of the Toxic Gelatin Incident in recent years, many unqualified manufacturers of jelly products have been gradually eliminated from the market. According to Euromonitor, our jelly products had the third-largest market share of 9.2% in terms of 2014 retail sales value in the PRC and our prawn and seafood crackers had the second-largest market share of 12.9% in terms of 2014 retail sales value in the PRC.

We face competition from local and international brands which may have substantially greater financial, product development and resources and better brand recognition than we have. We believe, however, that we are able to remain competitive in the food and snacks market as we have (i) solid foundation in China's food and snacks industry underpinned by over 25 years of heritage and strong brand recognition, (ii) an extensive nationwide sales and distribution network, (iii) diversified product portfolio with research and development capabilities that enable us to cater to changing consumer preferences and reach a broad consumer base, (iv) strategically located production facilities and standardized and automated production systems, (v) strong multi-channel marketing capability, and (vi) an experienced, stable and visionary management team.

Please refer to the sections headed "*Industry Overview – Competitive Landscape*" and "*Business – Our Competitive Strengths*" in this listing document for further details.

EMPLOYEES

As at 31 December 2015, we had 2,846 employees. The table below sets out a breakdown of our employees by function as at 31 December 2015:

	Employees
Production	1,917
Sales and Marketing	405
Management and Administration	199
Financial and Accounting	162
Purchasing	20
Research and Development and Quality Control	143
Total	2,846

We aim to create a strong sense of community and a motivating environment for our employees to excel. We recruit our employees based on a number of factors, including their educational background, work experience and vacancies within the Group. We determine employees' compensation based on their qualifications, work experience, position, and performance. In addition to salaries, we provide a comprehensive range of staff benefits to our employees, including performance or contribution-based bonuses and allowances for meals and free dormitories.

We are also committed to continuing education and development of our employees, and we provide various education and training programs both internally and externally to cultivate our employees in improving their skills and developing their potential.

In 2013, we established an employee labor union in accordance with PRC laws and regulations. Our labor union represents the interests of employees and works closely with our management on labor-related issues. As at the Latest Practicable Date, our employees have not negotiated their terms of employment through labor union or by way of collective bargaining agreements and we have not experienced any strikes or other material labor disputes with our employees.

OCCUPATIONAL HEALTH AND SAFETY

We are committed to providing a safe and healthy working environment for our employees. We have implemented work safety guidelines and training for our employees in relation to safety control procedures and standards, including procedures for handling safety issues, accident investigation procedures, as well as protective and preventative measures. We conduct health and safety inspections on our equipment and employees, and we also provide our employees with safety and protective equipment. We require our employees to strictly comply with our work safety guidelines.

During the Track Record Period, we did not experience any major accidents in the course of our business which resulted in death or serious injury of our employees. Our PRC Legal Advisers have confirmed that during the Track Record Period and up to the Latest Practicable Date, we had complied with all material applicable PRC laws and regulations in relation to employee health and work safety.

INSURANCE

Our insurance policies cover employee-related insurance and damage to certain fixed assets of the production facilities, equipment and inventory. Our employee related insurance consists of employee pension insurance, maternity insurance, unemployment insurance, work-related injury insurance and medical insurance as required by the relevant PRC laws and regulations. We do not maintain product liability or business interruption insurance coverage with respect to our domestic sales, as it is not compulsory or the market practice in the PRC. We believe that our current insurance coverage is in line with industry practice and is adequate for our operations.

PROPERTIES

Owned Properties

As at the Latest Practicable Date, we owned and occupied eleven parcels of land located in Fujian, Henan, Hubei, and Liaoning provinces in the PRC with a total site area of approximately 440,006 sq.m, primarily for our production facilities, ancillary facilities, offices and staff quarters. As at the Latest Practicable Date, state-owned land use right certificates and building ownership rights certificates have been issued in respect of these parcels of land and the buildings erected thereon, except that we have not received land use rights certificates and building ownership certificates for our Andong Factory. Please refer to the section headed "*Business – Legal Compliance and Proceedings*" in this listing document for further details.

Leased Properties

Lessee

The following table sets out the property interests that have been rented from Independent Third Parties and occupied by our Group for our production facilities as at the Latest Practicable Date.

Usage	Brief description of property	Total construction area (approximately)	Term of lease
Production facilities in Taian, Shandong province (annual production capacity of 4,264 tons)	Leased property in Taian, Shandong province	12,560 sq.m	September 2014 to September 2016
Production facilities in Xianyang, Shaanxi province (annual production capacity of 2,080 tons)	Leased property in Xianyang, Shaanxi province	2,600 sq.m	March 2016 to February 2018

The lessors of the leased properties may not have title to the properties and therefore may not have the right to lease the properties to our Group. Please refer to the section headed "*Business – Legal Compliance and Proceedings*" in this listing document for further details.

Lessor

The following table sets out the property interests that have been rented out by our Group to Independent Third Parties as at the Latest Practicable Date.

Usage	Brief description of property	Total construction area (approximately)	Term of lease
Office and place of operations for banking activities	A unit in Jinjiang, Fujian province	340 sq.m	January 2015 to January 2020
Waste disposal and storage	A unit in Wudai village, Fujian province	200 sq.m	December 2015 to December 2016
Processing of noodle products	A unit in Wudai village, Fujian province	827 sq.m	November 2015 to November 2016
Processing of paper products	A unit in Wudai village, Fujian province	772.4 sq.m	December 2015 to November 2016
Processing of machinery	A unit in Wudai village, Fujian province	182 sq.m	November 2015 to November 2016

Some of the lease agreements that we signed (as lessor or lessee) have not yet been registered with the relevant government authorities as at the Latest Practicable Date. Please refer to the section headed "*Business – Legal Compliance and Proceedings*" in this listing document for further details.

Property Valuation

Our properties in the PRC are in connection with our business operations and are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. Our Directors confirm that, as at 31 December 2015, no single property interest which forms part of our non-property activities had a carrying amount (within the meaning of Chapter 5 of the Listing Rules) of 15% or more of our total assets. As a result, pursuant to Chapter 5 of the Listing Rules, valuations of our properties are not required to be included in this listing document.

INTELLECTUAL PROPERTY

We first established our "Qinqin (親親)" and "Shangerry (香格里)" brands during the 1990s for our jelly products, crackers and chips and seasoning products. Over the years, as a result of our extensive sales, promotion and/or marketing in the PRC, our core brands have developed into well-known brands in the food and snacks market in the PRC and we have received numerous awards in recognition of our achievements.

We recognize the importance of protecting and enforcing our intellectual property rights as we rely on consumer recognition of our brands and products. We apply comprehensive and rigid policies in managing our intellectual property rights. Our general office is primarily in charge of registration and protection of our intellectual property. We undertake defensive trademark registrations for our new products so that these may be sold and circulated in the market. We also identify pirated products and infringement incidents by conducting random inspections. Immediate protective action is taken by us on piracy and infringement incidents, for example, in 2005, our trade marks no. 3293585 “ ” and no. 3293583 “ ” were recognized by Harbin Intermediate People’s Court, Heilongjian Province as well-known trademarks. Confidentiality provisions are included in our employment contracts with all our employees, including senior management. These agreements generally require our employees to keep all information relating to our technology, operation and trade secrets in confidentiality.

We have been actively registering our trademarks with the Trademark Office of the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局商標局) for our products. We obtained our first trademark registration certificate for our core brand “Qinqin (親親)” in the PRC in 1992. As at the Latest Practicable Date, we had 133 registered trademarks in the PRC and we were granted 31 patents in the PRC. We have 21 trademark applications pending and six patent applications pending in the PRC. Please refer to the section headed “*Appendix IV – General Information – Intellectual Property Rights of Our Group*” in this listing document for further details.

We have been advised by our PRC Legal Advisers that as at the Latest Practicable Date, trademarks legally registered by us were protected by the applicable laws and regulations in the PRC and can be duly used on the packaging or containers of our products. Pursuant to the Trademark Law of the PRC, the holder of prior rights or any interested party may request the Trademark Review and Adjudication Board (“**TRAB**”) to declare the registered trademark invalid within five years upon the registration of the trademark. Where registration is obtained mala fide, the owner of a well-known trademark is not bound by the five-year restriction. To the best of our Directors’ knowledge, no interested person has applied to the TRAB to declare any of our registered trademarks invalid. We are further advised by our PRC Legal Advisers, based on its due diligence on our Group and our confirmation, as at the Latest Practicable Date, there were no on-going disputes arising between the Group and other food and beverage manufacturers regarding trademark infringement. Our Directors also confirm that our Group has not received any trademarks infringement claims from any third party and has not been subject to any of such claims.

As mentioned in the section headed *“Risk Factors – Our ability to compete may be hampered if our intellectual property rights are infringed by third-parties or, on the other hand, if we are alleged or found to have infringed the intellectual property rights of others”* in this listing document, we are aware that certain unrelated third parties have registered certain trademarks in the PRC and/or Hong Kong that may be considered to bear some resemblance to our trademarks, including in relation to our core brands “Qinqin (親親)” and “Shangerry (香格里)”.

Our Company has adopted various measures to avoid infringing trademarks registered by third parties. Our Directors have examined certain trademarks registered by third parties in the PRC and Hong Kong and are of the view that our trademarks can be differentiated from most of these unrelated third-party trademarks in various aspects, such as different artistic designs, dissimilarities in the overall appearance of the marks, different classes for which the trademarks are registered and/or, in some cases, different food products for which the trademarks are used. Our Directors believe that these differences and dissimilarities reduce the possible risk arising from potential claims which may be made by these unrelated third parties in respect of the use of our trademarks.

In addition, although we currently do not sell or distribute our products under “Qinqin (親親)” and “Shangerry (香格里)” brands in Hong Kong and our products are not targeted at the Hong Kong market, we have measures in place to further minimize the risk in relation to any possible trademark infringement claims from these unrelated third parties. Specifically, we require our distributors to sell our products only within designated distribution areas in the PRC pursuant to their distribution agreements, and no distributor is authorized by us to distribute or sell our products in Hong Kong. Further, we currently have no intention to extend the market of our products under the "Qinqin (親親)" and "Shangerry (香格里)" brands to Hong Kong where the unrelated third party trademarks are registered. If we are to enter the market in Hong Kong, we will adopt appropriate pre-cautious measures to minimize any possible risks of trademark infringement and/or passing off claims, including engaging legal advisers to make an objective assessment on the similarity between the trademarks we may use in Hong Kong and those that are currently registered by unrelated third parties. Considering our long-standing heritage and strong brand recognition in the PRC, and the fact that we do not sell our products under our brands to Hong Kong, our Directors believe that the registration and any use of these unrelated third party trademarks in Hong Kong is not likely to have significant impact on our business operations or reputation.

As at the Latest Practicable Date, we were not aware of any material infringement or any pending or threatened claims in relation to any of our intellectual property rights, or of any pending or threatened claims against us for material infringement of intellectual property rights. Our Directors believe that we have taken reasonable measures to prevent any infringement of our intellectual property rights and infringement of intellectual property rights of third parties in our target markets.

ENVIRONMENTAL MATTERS

We are subject to environmental protection laws and regulations of the PRC. The major waste produced during our production processes includes waste water and solid wastes. We recognize the importance of environmental protection and we have installed hygiene equipment and environmental protection facilities to treat our waste materials in accordance with national and local environmental laws and regulations. We also seek to enhance our environmental protection measures in light of development in laws and regulations.

For the years ended 31 December 2013, 2014 and 2015, our annual capital expenditure on environmental protection was approximately RMB2.7 million, RMB1.9 million and RMB2.2 million, respectively. We expect that our capital expenditure to be incurred on environmental protection going forward will not materially deviate from the 2015 level.

Save as disclosed in the sections headed "*Risk Factors – We may have to suspend or stop production at our Andong Factory due to property title defect or environmental non-compliance*" and "*Business – Legal Compliance and Proceedings*" in this listing document, during the Track Record Period and up to the Latest Practicable Date, we had complied with all applicable environmental laws and regulations in the PRC in all material respects. In addition, we have not been the subject of any material claims or penalties in relation to environmental protection and we were not involved in any material environmental accidents or fatalities during the Track Record Period.

LEGAL COMPLIANCE AND PROCEEDINGS

Except as disclosed below, we complied with the law and regulations applicable to us in all material aspects during the Track Record Period and up to the Latest Practicable Date.

The table below sets forth summaries of certain incidents of non-compliance with applicable laws and regulations during the Track Record Period and up to the Latest Practicable Date. Our Directors are of the view that these incidents of non-compliance, whether individually or collectively, will not have a material operational or financial impact on us.

Non-compliance incident and reasons for the non-compliance	Legal consequence	Remedies and rectification measures taken	Potential impact on our operations and financial condition
During the Track Record Period, we have not made social insurance contribution and housing provident fund contribution for certain employees, and we have not opened the relevant housing provident fund accounts with the relevant government authorities, as required under the relevant PRC laws and regulations (together, "**Social Welfare related Non-compliance**"). We estimate that the unpaid amounts of social insurance contribution for each of the three years ended 31 December 2013, 2014 and 2015 were approximately RMB4.4 million, RMB4.0 million and RMB3.8 million, respectively and the unpaid amounts of housing provident fund contribution for each of the three years ended 31 December 2013, 2014 and 2015 were approximately RMB3.7 million, RMB3.5 million and RMB3.1 million, respectively. We did not make the contributions because the employees involved were unwilling to be enrolled for social insurance or housing provident fund as required by the PRC laws and regulations, under which they would be required to make contributions and we would be required to make matching contributions. We therefore did not open the relevant housing provident fund accounts for the same reason, as well as, to a lesser extent, due to our local administrative staff not having familiarised themselves with the relevant requirements.	Our PRC Legal Advisers have advised us that, under the relevant PRC laws and regulations: 1. we may be required by the relevant social insurance administration authorities to make the unpaid social insurance contributions within a prescribed time period and pay a penalty on the unpaid contributions in an amount equal to 0.05% per day of the unpaid contributions. If we do not pay the required amounts within the prescribed period, a further fine equal to 100% to 300% of the unpaid amounts may be imposed on us; and 2. we may be ordered by the relevant housing provident fund administration authorities to make the unpaid contributions within a prescribed time period and if we fail to make the unpaid contributions within such prescribed time period, the authorities may apply to the courts for an enforcement order.	We have obtained written confirmations: 1. from the relevant social insurance administration authorities that we have completed payment of our contributions to social insurance as at 31 December 2015; and 2. from the relevant housing provident fund administration authorities that we have completed payment of our contributions to housing provident fund as at 31 December 2015. Our PRC Legal Advisers confirmed that all of the social insurance administration authorities and housing provident fund administration authorities are competent authorities to issue the above-mentioned confirmations, and that the likelihood of such confirmations being challenged by higher-level government authorities is remote. As at the Latest Practicable Date, we had not received any demand from the relevant government authorities requiring us to pay the unpaid social insurance and housing provident fund contributions and we had not been penalised for the Social Welfare related Non-compliance. We have made provisions in the amounts of RMB4.4 million, RMB4.0 million and RMB3.8 million in our income statements for the unpaid amounts of social insurance contribution for the years ended 31 December 2013, 2014 and 2015 respectively. We did not make provision for the unpaid amounts of housing provident fund contribution during the Track Record Period because (i) we had not received any demand from the relevant government authorities requiring us to pay the outstanding housing provident fund contributions; (ii) the owners of Total Good have undertaken to indemnify us for any losses incurred as a result of the Social Welfare related Non-compliances; and (iii) our Directors are of the opinion that the impact of the unpaid housing provident fund contributions on our financial performance during the Track Record Period is immaterial.	Our PRC Legal Advisers have advised that, in light of the written confirmations from the relevant government authorities, the risk of us being penalised for the Social Welfare related Non-compliance is remote. It is the assessment of our Directors that the Social Welfare related Non-compliance has no material impact on our operations and our financial condition. In any event, the owners of Total Good have undertaken to us to indemnify us for any losses incurred as a result of the Social Welfare related Non-compliance.

Non-compliance incident and reasons for the non-compliance	Legal consequence	Remedies and rectification measures taken	Potential impact on our operations and financial condition
		In addition, we have been communicating with the relevant employees and have provided training to our employees reminding them of the obligations to participate in and contribute to the social insurance and housing provident fund in compliance with the applicable PRC law and regulations and the consequence of non-compliance. We will continue to engage the relevant employees in discussions in order to convince them to participate in the social insurance and housing provident fund. Further, we had actively followed up with the relevant government authorities for the opening of the relevant housing provident fund accounts. As at the Latest Practicable Date, we have opened all requisite housing provident fund accounts for our subsidiaries. Please refer to the section headed "*Business – Internal Control to Prevent Future Non-compliance*" in this listing document for the internal control measures that we have adopted to address the non-compliance.	

Non-compliance incident and reasons for the non-compliance	Legal consequence	Remedies and rectification measures taken	Potential impact on our operations and financial condition
Quanzhou QinQin produces crackers and chips, seasoning products and bakery products in our Andong Factory with a total annual production capacity of approximately 16,021 tons. Quanzhou QinQin started production in Andong Factory in May 2011 before obtaining the required environmental acceptance approval, and we still have not received the environmental acceptance approval as at the Latest Practicable Date. We have submitted to the relevant environmental protection administration authority environmental impact assessment reports for the various projects within the facility and have received approvals for those reports from the authority. In accordance with the applicable laws and regulations, we were required to complete the environmental protection acceptance procedures before commencement of production. We commenced production of our Andong Factory before completion of such procedures and we have not yet received acceptance approval from the relevant environmental protection administration authority as at the Latest Practicable Date primarily due to intervening internal equipment upgrades and modifications resulting in re-submission of the relevant application documents.	Our PRC Legal Advisers have advised us that, under the relevant PRC laws and regulations, we may be ordered to suspend our production at Andong Factory and the relevant environmental protection administration may also impose a maximum fine of RMB100,000.	We have built our environmental protection facilities for our Andong Factory, being primarily sewage treatment facilities, and have been upgrading and modifying such facilities during the course of our operations. We have obtained a temporary pollutant discharge permit issued by Jinjiang Environmental Protection Bureau on 24 December 2015, which is valid until June 2016. We currently expect that the Jinjiang Environmental Protection Bureau will renew our temporary pollutant discharge permit prior to its expiry. Further, in March 2016, we have submitted to the Jinjiang Environmental Protection Bureau a "Report on Progress of Improvement of Sewage Treatment Facilities" ("關於污水處理設施整改進度報告") updating the progress of the upgrading of our environmental protection facilities, and has applied for the required environmental acceptance approval. We currently expect to obtain the environmental acceptance approval after completion of our upgrading project in December 2016. To prevent the recurrence of similar incidents of non-compliance, we have arranged for our PRC Legal Advisers to provide legal training to our directors and senior management in respect of relevant PRC laws and regulations. Please refer to the section headed "*Business – Internal Control to Prevent Future Non-compliance*" in this listing document for the internal control measures that we have adopted to address the non-compliance. We will disclose the rectification progress for the above-mentioned non-compliance incidents in our interim and annual reports after the Listing.	Our PRC Legal Advisers have advised that, in light of the issuance of the temporary pollutant discharge permit by Jinjiang Environmental Protection Bureau and the rectification measures taken, the risk of us being penalised or being requested by relevant government authorities to cease production due to this non-compliance incident is remote. It is the assessment of our Directors that the non-compliance does not have any material impact on our operations and financial condition. Our Directors estimate that goods produced at Andong Factory may have contributed approximately RMB135 million, RMB156 million and RMB161 million to our revenue in the years ended 31 December 2013, 2014 and 2015, respectively[1] However, in the unlikely event that we are ordered to suspend production at Andong Factory, our Directors do not expect that it will result in any significant loss of revenue because: 1. we can arrange for crackers and chips and bakery products to be produced at our production facilities at Linying, Henan province (which currently produces, amongst others, crackers and chips and bakery products) and Liaoning Facility #2 (which currently produces crackers and chips) given that there is sufficient spare production capacity at these facilities; and 2. we can relocate our production lines for seasoning products from Andong Factory to Fujian Facility #1 without incurring significant costs or disruption to our operations given the close proximity between the two facilities. Our Directors estimate that the relocation of the production lines for seasoning products can take less than around a month. Considering the short relocation time and that seasoning products only accounted for about 10% of our revenue for the entire year ended 31 December 2015, our Directors expect that the impact on our overall revenue will be insignificant during the period of relocation. It is our assessment that the costs for relocation of our production lines for seasoning products and (if required) crackers and chips and bakery products to Andong Factory will be around RMB6.7 million and the relocation can be completed within six months.

1 Goods produced by Quanzhou QinQin at the Andong Factory are mainly sold to external customers through a trading entity within the Group, which is also responsible for selling goods produced at other production facilities of the Group. The above amounts are calculated based on the audited revenue of Quanzhou QinQin (which is mainly attributable to the sale of finished goods to the trading entity) and the gross profit margin of the relevant trading entity for the respective year. As the figures are derived by arithmetic calculation for illustrative purposes only, they may not represent the actual revenue contribution of the Andong Factory in the respective year.

Non-compliance incident and reasons for the non-compliance	Legal consequence	Remedies and rectification measures taken	Potential impact on our operations and financial condition
Quanzhou QinQin operates on our production facilities at our Andong Factory with a total construction area of 58,709 sq.m built on the Andong Land with site area of 91,349 sq.m. Quanzhou QinQin produces crackers and chips, seasoning products and bakery products on such production facilities with a total annual production capacity of approximately 16,021 tons. As at the Latest Practicable Date, Quanzhou QinQin has not yet obtained the state-owned land use right certificates for the Andong Land and building ownership certificates for the buildings erected thereon. The rapid development of economy in Jinjiang has resulted in intense demand for land use. Under this background, Quanzhou QinQin has signed an agreement with Fujian Jinjiang Industrial Zone Development and Construction Co., Ltd. (福建省晉江市工業園區開發建設有限公司, "**Industrial Zone Co.**"), an Independent Third Party and developer of Jinjiang Technology Industrial Zone, for acquisition of the Andong Land, pursuant to which Industrial Zone Co. is required to assist Quanzhou QinQin in handling the land grant process for Quanzhou QinQin, including payment of land premium which has been settled by Quanzhou QinQin. This commercial arrangement is in favour of securing land use rights for us. The grant of state-owned land use right certificate(s) is subject to signing of a land grant contract with the relevant land bureau after requisition of the land for conversion thereof from farm land to land for construction and the tender, auction and listing procedure in accordance with relevant PRC laws. These procedures have not yet been completed as at the Latest Practicable Date.	Pending the grant of land use rights by the government, we are subject to the risks of eviction by the government, demolition (if current usage of the land is in violation of overall land use planning) or confiscation (if there is no violation of overall land use planning) of all buildings and facilities erected on the land, and may also be subject to penalties based on the site area of the land at a rate of no more than RMB30 per sq.m (being approximately RMB2.7 million in total). It is impracticable to give an assessment on whether and when the land grant will be completed. If we are evicted from the premises, we will need to relocate the existing production facilities, for which costs will be incurred and production would be disrupted.	According to a written confirmation issued by the Jinjiang Municipal Bureau of Land Resources (the "**Bureau**") dated 16 March 2016 (the "**Bureau's Confirmation**"), the Bureau was in the course of handling the land requisition process which is subject to approval from the provincial government. Our PRC Legal Advisers confirmed that the Bureau is the competent authority to issue the Bureau's Confirmation. It is the local authority in charge of the land requisition and is also responsible for applying for further approval with the provincial government. Our PRC Legal Advisers understand that the local authority would normally submit an application for land requisition to a higher authority only when the use of land conforms to the overall plans for land utilization at both municipal and provincial levels. Based on the above, our PRC Legal Advisers confirmed that the likelihood of the Bureau's Confirmation being challenged by higher-level government authorities is remote. Quanzhou QinQin is actively liaising with the Industrial Zone Co. and the Bureau in relation to the relevant land grant procedures in order to monitor and facilitate the progress. As long as we are granted the state-owned land use right certificate and submit relevant documents as prescribed under applicable laws and as required by competent authorities, our PRC Legal Advisers are of the view that there is no legal impediment for us to obtain building ownership certificates for buildings erected on the Andong Land. We have hired qualified contractors for the design and construction of the structures and buildings of our Andong Factory and have received completion inspection reports issued by qualified persons in respect thereof. We believe that the buildings are safe for occupation and use for their current purposes. As at the Latest Practicable Date, no penalties have been imposed on us for occupying and operating on the Andong Land. We will disclose the rectification progress for the above-mentioned title issues in our interim and annual reports after the Listing.	Our PRC Legal Advisers have advised us that (i) given that the Bureau issued the Bureau's Confirmation with the knowledge of the status of the Andong Land and the manner in which it is being used by Quanzhou QinQin, the possibility of Quanzhou QinQin being penalised by the Bureau for use of the Andong Land or being requested by the Bureau to relocate resulting in production disruption is remote; and (ii) we have no rights to transfer, assign or create encumbrances over the properties before we obtained the title documents to the properties. Quanzhou QinQin has been operating at the Andong Factory since 2011 without intervention or penalties being imposed by the Bureau. In light of this, the Bureau's Confirmation and the advice from our PRC Legal Advisers, it is the assessment of our Directors that, the property title defect does not have any material impact on our operations and financial condition. Please refer to the disclosures above regarding our failure to obtain the necessary environmental acceptance approval prior to the commencement of operation of our Andong Factory for further details of the potential impact on our operations and financial condition in the unlikely event that we are ordered to suspend production at Andong Factory.

Non-compliance incident and reasons for the non-compliance	Legal consequence	Remedies and rectification measures taken	Potential impact on our operations and financial condition
Our production facilities at Linying, Henan province occupy a total construction area of approximately 68,426 sq.m. As we were advised by the relevant government authorities to apply for the building ownership certificates in batches, we first received building ownership certificates in respect of a total construction area of 56,355 sq.m and subsequently received building ownership certificates for the remaining buildings of an additional total construction area of approximately 12,071 sq.m by May 2016.	As advised by our PRC Legal Advisers, we will not be subject to any adverse legal consequence for the historical non-compliance indcident.	We actively liaised with the relevant building ownership administration department in Linying, Henan Province for issuance of the building ownership certificates and received all outstanding building ownership certificates for our production facilities at Linying, Henan province by May 2016.	Nil.

Non-compliance incident and reasons for the non-compliance	Legal consequence	Remedies and rectification measures taken	Potential impact on our operations and financial condition
(A) The lessor in respect of the leased property in Taian city, Shandong province (the "**Taian Property**") has not been able to produce sufficient title documents to prove its title to or right to lease the Taian Property or its usage. (B) The leased property in Xianyang, Shaanxi province (the "**Xianyang Property**") is collectively owned. The lessor has not obtained the relevant title document to the Xianyang Property for leasing out the property to third parties. The lessors have not been able to or are unwilling to produce or obtain sufficient title documents to the properties concerned.	Our PRC Legal Advisers have advised us that, the respective leases for the Taian Property and the Xianyang Property may be invalid, and we are subject to eviction. In respect of the Xianyang Property, the buildings may be subject to order of demolishment. In such event, we would incur relocation costs and disruption to our production. In addition, the local land administrative department may impose a fine based on the site area of the unlawfully occupied land at a rate of no more than RMB30 per sq.m (being approximately RMB310,000 in total) if it considers that the lessor of the Xianyang Property and our Group are occupying the land without approval. Our PRC Legal Advisers understand that such fine is usually imposed on the lessor only.	For the Taian Property, we have sought a written confirmation dated 15 March 2016 from the lessor of the Taian Property that the relevant land use rights and building ownership rights pertaining to the Taian Property is held by the lessor, in respect of which endorsements were given by the Taian Taishan People's Government and the Taian Taishan Daimiao Street Office (泰安市泰山區岱廟街道辦事處). Taian Taishan People's Government further confirmed on 30 May 2016 that the lessor was in the process of obtaining its land use right certificate. Our PRC Legal Advisers confirmed that: (a) the Taian Taishan People's Government is the competent authority to issue the above-mentioned confirmations, and that the likelihood of such confirmations being challenged by higher-level government authorities is remote; and (b) the risk of us being requested by relevant government authorities to relocate resulting in production disruption is thus remote. Our PRC Legal Advisers believe that since the relevant authorities would need to go through various procedures before issuing relevant title certificates to the lessor, it was more expedient to issue an endorsement at this stage. In addition, we have sought an undertaking from the lessor of the Taian Property pursuant to which it has undertaken to compensate Taian QinQin for all losses, including all relocation costs and losses resulting from suspension of production, which it may incur as a result of the title defect, as well as to refund any rental for the remainder term of the lease in the event of an eviction. In light of the above, we may consider renewing the lease agreement for the Taian Property upon expiry of the current term in September 2016 and to seek a similar undertaking for compensation from the lessor when renewing the lease agreement.	Our Directors estimate that goods produced by Taian QinQin at the Taian Property may have contributed approximately RMB87 million, RMB76 million and RMB59 million to our revenue in the years ended 31 December 2013, 2014 and 2015, respectively[2]. Our Directors estimate that goods produced by Xianyang QinQin at the Xianyang Property may have contributed approximately RMB25 million, RMB29 million and RMB24 million to our revenue in the years ended 31 December 2013, 2014 and 2015, respectively[3]. However, in the event that we are evicted from the Taian Property or the Xianyang Property, our Directors do not expect that it will result in any significant loss of revenue because we can arrange for crackers and chips products to be produced at our production facilities at Linying, Henan province and Liaoning Facility #2 (which currently produce crackers and chips) given the spare production capacity at these facilities. In addition, we can relocate to the production facilities in Linying, Henan province given our spare space there. We estimate the relocation will cost approximately RMB2.6 million (in the case of the Taian Property) and approximately RMB1.7 million (in the case of the Xianyang Property) and it will take approximately two months to complete the relocation in both cases. If we are to relocate from the Taian Property and Xianyang Property to our production facilities at Linying, Henan province, we may need additional storage space and we estimate the rental for that is approximately RMB700,000 per year. On the basis of the above, we do not expect the title defects in relation to the Taian Property and Xianyang Property will have any material impact on our business operations and financial condition.

2 Goods produced by Taian QinQin at the Taian Property are mainly sold to external customers through a trading entity within the Group, which is also responsible for selling goods produced at other production facilities of the Group. The above amounts are calculated based on the audited revenue of Taian QinQin (which is mainly attributable to the sale of finished products to the trading entity) and the gross profit margin of the relevant trading entity for the respective year. As the figures are derived by arithmetic calculation for illustrative purposes only, they may not represent the actual revenue contribution of our production facilities at the Taian Property in the respective year.

Non-compliance incident and reasons for the non-compliance	Legal consequence	Remedies and rectification measures taken	Potential impact on our operations and financial condition
		For the Xianyang Property, we have made repeated requests to the lessor of the Xianyang Property to obtain the valid title documents in respect of the Xianyang Property but in vain. As at the Latest Practicable Date, we were still actively liaising with the lessor. Due to the lack of documents to prove the lessor's title to the Xianyang Property and the lessor's right to lease the property, our PRC Legal Advisers cannot make a judgment on whether the risk of production disruption under this circumstance is remote. We currently plan to relocate the production facilities to Linying, Henan province if the lessor fails to cure the title defect of the Xianyang Property before the expiry of the lease agreement in February 2018. To avoid recurrence of similar incidents, we have issued a notice in April 2016 requiring relevant employees to seek legal advice before entering into new lease agreements for our production facilities. We will disclose the rectification progress for the above-mentioned title issues in our interim and annual reports after the Listing.	

[3] Goods produced by Xianyang QinQin at the Xianyang Property are mainly sold to external customers through a trading entity within the Group, which is also responsible for selling goods produced at other production facilities of the Group. The above amounts are calculated based on the audited revenue of Xianyang QinQin (which is mainly attributable to the sale of finished products to the trading entity) and the gross profit margin of the relevant trading entity for the respective year. As the figures are derived by arithmetic calculation for illustrative purposes only, they may not represent the actual revenue contribution of our production facilities at the Xianyang Property in the respective year.

Non-compliance incident and reasons for the non-compliance	Legal consequence	Remedies and rectification measures taken	Potential impact on our operations and financial condition
As at the Latest Practicable Date, the lease agreements for the leased property in Fushun, Liaoning province Fushun Nanfang leased from Fushun QinQin (as an intra-group lease) and for five properties located in Jinjiang or Wudai village, Fujian province that we leased to Independent Third Parties have not yet been registered with the relevant government authorities. We need to have acceptance or cooperation from the relevant government authorities for application for registration of the lease agreements.	Our PRC Legal Advisers have advised that, failure to register the lease agreements may result in correction orders by the relevant authorities which may subject us to a fine of RMB1,000 to RMB10,000 per lease agreement, but failure to register the lease agreements will not affect their validity.	As at the Latest Practicable Date, we have not received any such correction orders, and we have been liaising with the relevant government authorities for registration of the lease agreements to the extent practicable.	Based on the legal advice from our PRC Legal Advisers, it is our assessment that the failure to register the relevant lease agreements would not have any material impact on our business operations and financial condition.

RISK MANAGEMENT

Internal Control

During the Track Record Period, we assessed and managed the risks arising from our operations based on the experience of our management and our professional and technical staff. To continuously improve our corporate governance and to ensure future compliance with applicable laws and regulations, we have adopted, or expect to adopt before the Listing, a series of internal control policies, procedures and programs designed to provide reasonable assurance for achieving objectives including effective operations, reliable financial reporting and compliance with applicable laws and regulations. The key aspects of our internal control system are summarized as follows:

- *Balanced composition of our Board:* We believe that our independent non-executive Directors are of sufficient experience, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment, and will be able to provide an impartial external opinion to protect the interests of our shareholders.

- *Compliance with the Listing Rules:* We will adopt policies aimed at ensuring compliance with the Listing Rules, including but not limited to aspects related to corporate governance, connected transactions, and securities transactions by the Directors. We have also appointed First Shanghai Capital Limited (第一上海融資有限公司) as our compliance adviser to advise on on-going compliance with the Listing Rules and other applicable securities laws and regulations in Hong Kong.

For the purposes of minimizing risks arising from our operations at the lowest costs, we have adopted an advanced risk management policy, which involves five steps:

- *Identification:* We identify existing and emerging risks by actively collecting information regarding our Company's internal and external operations.

- *Assessment:* Based on the identification of our risks, we analyse and assess the likelihood and degree of potential risks and losses by reference to our internal resources and the external environment.

- *Formulation:* Based on our assessment, we formulate appropriate measures to neutralize the risk or loss, which could be both mitigating and preventive in nature.

- *Implementation:* The formulated measures are implemented to neutralize the risk or loss.

- *Evaluation:* We evaluate the costs and effect of our measures to assess the effectiveness and efficiency of our risk management system.

The Audit Committee and ultimately the Board will supervise the implementation of our risk management policy at the corporate level by bringing together each operating department, such as quality control, research and development and sales, to collaborate on risk issues among different functions. For details about the qualifications and experiences of the members of the Audit Committee and the Board, please refer to the section headed "*Directors and Senior Management – Board Committees – Audit Committee*" in this listing document. We will prepare written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.

Internal Control to Prevent Future Non-Compliance

In order to avoid incidents of non-compliance in the future and to strengthen our internal control, we have implemented or expect to implement before the Listing Date certain enhanced internal control policies and measures, which include the following:

Matters of non-compliance	Internal control measures
Failure to make adequate social insurance and housing fund contributions	Since March 2016, we have enhanced our remuneration management policy to require our Group to actively manage the social insurance and housing provident fund contributions of our employees. According to the enhanced policy, we require our employees to produce relevant documentation to our human resources department on a regular basis in order to process the contributions with the relevant authorities. In addition, our human resources department is required to maintain proper records of contribution schedules for each employee and constantly monitor our ongoing compliance with the relevant laws and regulations for social insurance and housing provident fund payments.
Failure to obtain the necessary state-owned land use right certificates and building ownership certificates and failure to obtain the necessary environmental acceptance approval prior to the commencement of the operation of our Andong Factory	Since March 2016, we have enhanced our internal policies in respect of the management of our infrastructure projects and intangible assets to require the obtaining of all certificates and documentation required by the relevant laws and regulations, such as state-owned land use right certificates and building ownership certificates before the commencement of operation of the relevant projects. In addition, we would designate specific task forces comprising our chief executive officer (Mr. Cheng Yong), our office supervisor (Mr. Xiao Jin Gen), general manager and technical staff of relevant divisions to monitor various stages of our new projects to ensure compliance with relevant laws and regulations. Mr. Cheng Yong has overseen project compliance for our Group for over six years, while Mr. Xiao Jin Gen has been responsible for the administration of project compliance work as office supervisor of our Group. Our PRC Legal Advisers have also recently advised them and other members of our task forces on relevant laws and regulations. We will continue to seek PRC legal advice on compliance matters where required.

We have designated Mr. Cheng Yong (our chief executive officer and one of our executive directors) and Mr. Xiao Jin Gen (our Group's office supervisor), who have extensive experience in corporate management and operations, to assist our Board to ensure due and continued compliance of the laws, rules and regulations applicable to our Group in accordance with the above enhanced internal control measures. For more information about the qualifications and experience of Mr. Cheng Yong and Mr. Xiao Jin Gen, please refer to the "*Directors and Senior Management*" section in this listing document.

Internal Control Consultant's Review

We engaged an independent internal control consultant, RSM Consulting (Hong Kong) Limited (the "**Internal Control Consultant**"), to review the effectiveness of the internal control measures relating to our business operations with a view to identifying irregularities and furnishing internal control recommendations on remedial actions in order to enhance our internal control system generally. The period of coverage for the purposes of the Internal Control Consultant's review process is for the period between 1 January 2015 and 31 December 2015.

Our remedial actions set out above are consistent with the key findings of the Internal Control Consultant's review process. Based on the findings, recommendations and test results of the review process, and follow-up review observations of the Internal Control Consultant up to 28 March 2016, it is considered that our enhanced internal policies and measures/remedial actions are adequate and effective.

Views of Our Directors

Based on the implementation of the enhanced internal policies and measures/remedial actions, the Group's business nature and operation scale, our Directors are of the view that (i) our Group's internal control measures are adequate and effective to prevent recurrence of the non-compliance incidents; (ii) our Group has adequate and effective internal control procedures in place; and (iii) the aforementioned non-compliance incidents do not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules or the suitability of our Company for listing under Rule 8.04 of the Listing Rules. With respect to the measures to address the non-compliance incidents as mentioned above, nothing has caused the Sole Sponsor to believe that the aforesaid measures are not adequate and effective.

LICENSES AND PERMITS

Our PRC Legal Advisers have confirmed that, other than as disclosed in this listing document, we have complied in all material aspects with all relevant PRC laws and regulations regarding our operations, and obtained all necessary licenses and permits for our business in China as required by PRC laws. Our licenses and permits were valid as at the Latest Practicable Date.

The following table sets forth material licenses and permits for our business and operations in the PRC:

Company Name	License	Date of expiry
Fujian QinQin	National Production License of Industrial Products (for jelly)	8 September 2018
	National Production License of Industrial Products (for other food (raw material for jelly))	1 July 2018
	National Production License of Industrial Products (for plastic packaging products of food)	8 June 2018
Quanzhou QinQin . .	National Production License of Industrial Products (for seasoning products, aquatic products, cake, chips and puffed food)	21 January 2021
Fushun QinQin	Food Production License (for confectionery products (jelly))	29 November 2020
	National Production License of Industrial Products (for plastic packaging products of food)	18 January 2017
Fushun Nanfang. . . .	National Production License of Industrial Products (for puffed food)	31 December 2017
Taian QinQin.	Food Production License (for chips and puffed food)	9 May 2021
Xianyang QinQin. . .	National Production License of Industrial Products (for puffed food (bakery and fried))	17 June 2017
Linying QinQin	National Production License of Industrial Products (for plastic packaging products of food)	18 July 2017
	National Production License of Industrial Products (for puffed food)	10 March 2017
	National Production License of Industrial Products (for jelly)	1 August 2017
	National Production License of Industrial Products (for cake (bakery))	10 September 2016

Company Name	License	Date of expiry
Xiantao QinQin	Food Production License (for jelly) National Production License of Industrial Products (for plastic packaging products of food)	21 January 2021 15 May 2017
QinQin Business . . .	Food Circulation Permit	30 November 2017
QinQin Business Nanjing Branch . .	Food Circulation Permit	27 September 2016
QinQin Business Shijiazhuang Branch	Food Circulation Permit	24 June 2018
QinQin Business Fushun Branch . . .	Food Circulation Permit	29 March 2021
QinQin Business Taian Branch	Food Circulation Permit	14 September 2016
QinQin Business Jinan Branch	Food Circulation Permit	1 December 2020
QinQin Business Xiantao Branch. . .	Food Circulation Permit	1 September 2017
QinQin Business Linying Branch. . .	Food Circulation Permit	9 December 2016
QinQin Business Chengdu Branch . .	Food Circulation Permit	10 December 2017
QinQin Business Changsha Branch .	Food Circulation Permit	2 February 2018
QinQin Business Hangzhou Branch .	Food Circulation Permit	30 April 2017
QinQin Business Guangzhou Branch	Food Circulation Permit	18 May 2017
QinQin Business Xiamen Branch. . .	Food Circulation Permit	29 September 2017

Company Name	License	Date of expiry
QinQin Business Fuzhou Branch . . .	Food Circulation Permit	29 September 2017
QinQin Business Shanghai Branch. .	Food Circulation Permit	5 April 2021

As at the Latest Practicable Date, all of our material licenses and permits have not yet expired. Upon expiry, the above-mentioned licenses and permits are to be renewed in accordance with the Food Safety Law, Measures for the Administration of Food Production Licensing, and other relevant laws and regulations. Where a food producer needs to extend the term of validity of a legally obtained food production license, the food producer shall file an application to the food and drug administration that originally issued the license 30 working days prior to the expiry date of such food production license. Our PRC Legal Advisers confirmed that as at the Latest Practicable Date, there was no material legal impediment for us to renew our material licenses and permits, as long as we comply with the relevant requirements. For further information about the laws and regulations that we are subject to in the PRC, please refer to the section headed "*Regulatory Overview*" in this listing document.

A. FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

Leasing of Offices in Hong Kong

Our Company (as tenant) and Lianjie Sports Investments Limited ("**Lianjie Sports**") (as landlord), entered into a tenancy agreement (the "**HK Office Tenancy Agreement**") on 17 June 2016 in relation to the lease of an office located at a portion of Suite 2601, 26/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong with a gross floor area of approximately 773 square feet. The agreement has a term of not more than three years commencing from Listing Date and expiring on 31 December 2018 at an annual rental of HK$480,000 (inclusive of management fees, government rates and utility charges).

It is expected that immediately after Listing, Lianjie Sports, a company wholly owned by our Director Mr. Hui Ching Lau, will constitute an associate of Mr. Hui Ching Lau under Rule 14A.12(1)(c) and therefore a connected person of our Company after the Listing under Rule 14A.07(4) of the Listing Rules. Our Directors, Mr. Wong Wai Leung and Mr. Hui Ching Lau, are directors of Lianjie Sports. Upon Listing, the transactions under the HK Office Tenancy Agreement constitute continuing connected transactions of our Company.

Our Directors (including the independent non-executive Directors) have confirmed that the HK Office Tenancy Agreement has been entered into and the transactions contemplated thereunder will be carried out in the ordinary and usual course of business of our Group on normal commercial terms, and that the terms of the continuing connected transaction (including the rental) are fair and reasonable and in the interest of our Company and the Shareholders as a whole.

As the aggregate annual amount payable under the HK Office Tenancy Agreement does not exceed HK$3 million and none of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect thereof exceeds 5% and the transactions are conducted on normal commercial terms, the transactions contemplated under the HK Office Tenancy Agreement will constitute continuing connected transactions exempt from shareholders' approval, annual review and all disclosure requirements under Rule 14A.76(1) of the Listing Rules.

B. NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Framework Agreement Regarding Supply of Flour

Fujian Shuncheng Flour Industry Development Co., Ltd (福建順成麵業發展股份有限公司) ("**Shuncheng Flour**") has been supplying flour to Fujian QinQin and Quanzhou QinQin in the ordinary course of our business during the Track Record Period.

To continue the above flour supply arrangement, on 17 June 2016, Quanzhou QinQin and Shuncheng Flour have entered into the Framework Agreement to set out the principle terms governing the supply of flour to members of the Group for a period of not more than three years commencing from the Listing Date up to 31 December 2018 (both days inclusive).

As at the Latest Practicable Date, Shuncheng Flour is owned as to over 50% by Mr. Wu Huolu and Mr. Wu Yinhang, each of whom is a director of the Company, and their family members. Immediately after Listing, Shuncheng Flour will constitute an associate of Mr. Wu Huolu and Mr. Wu Yinhang under Rule 14A.12(2)(b) and therefore a connected person to our Company after the Listing under Rule 14A.07(4). The transactions contemplated under the Framework Agreement will therefore constitute continuing connected transactions of the Company.

Principal Terms

The term of the Framework Agreement is from the Listing Date up to 31 December 2018 (both days inclusive), unless terminated by Quanzhou QinQin or Shuncheng Flour by not less than one month's written notice. Under the Framework Agreement, Shuncheng Flour shall supply flour to members of our Group based on purchase orders placed by our Group during the term of the Framework Agreement and in accordance with the terms of the Framework Agreement.

Relevant members of our Group and Shuncheng Flour will enter into separate contracts with respect to each transaction entered into between them which will be in accordance with the terms set out in the Framework Agreement. The terms of, and the consideration payable thereunder, will be specified in the order forms negotiated on a case-by-case and arm's length basis, and will be on normal commercial terms which, from our Group's perspective, shall be no less favourable to our Group than those which our Group could obtain from independent third party suppliers. In particular, our Group will seek competitive quotes (including conducting a comparison of prices of at least two independent suppliers in the market) for management's review regularly with a view to ensuring that the transactions with Shuncheng Flour are fair and reasonable and comparable to those offered by independent third party suppliers having regard to the quality, reliability, and delivery schedule in relation to the supply of flour. The purchase price shall generally be payable within ten days after receipt of invoices.

Pricing Policy

Our Group will obtain from Shuncheng Flour and other independent third party suppliers quotations in respect of similar categories of flour (except for orders in insignificant amount) regularly. It is our Group's policy to obtain quotations from at least two suppliers. After receiving quotations, our Group will compare the prices offered by Shuncheng Flour and other criteria (such as capability to meet our Group's delivery schedule and quality of the flour) with that of independent third party suppliers in order to ensure that the terms provided by Shuncheng Flour will be no less favourable than the terms provided by other independent third party suppliers.

Our Group will conclude the purchase with Shuncheng Flour only when those selection criteria can be met in order to safeguard the interests of our Group. The transactions contemplated under the Framework Agreement will be properly recorded, including but not limited to prices determined and transaction amounts. As our management will review the pricing policy and quotation provided by Shuncheng Flour and the other independent third party suppliers on a regular basis, our Directors are of the view that adequate procedures are in place to ensure that the transactions contemplated under the Framework Agreement will be conducted on normal commercial terms and not prejudicial to the interest of the Company and the Shareholders.

Historical Figures

The following table sets forth the aggregate annual amounts of the supply of flour from Shuncheng Flour to our Group for the periods indicated:

	Financial year ended 31 December		
	2013	2014	2015
Amounts	RMB6.8 million	RMB6.3 million	RMB4.3 million

Annual Cap Amounts and Basis for Determining the Annual Cap Amounts

It is expected that the maximum aggregate annual amount payable by the Group in respect of the Framework Agreement will not exceed the amounts set forth below (the "**Annual Cap Amounts**"):

	Financial year ended 31 December		
	2016	2017	2018
Amounts	RMB4.9 million	RMB5.6 million	RMB6.5 million

The Annual Cap Amounts in respect of the transactions contemplated under the Framework Agreement were arrived at by reference to (i) the historical transaction amounts for the same type of transactions, (ii) the estimated increase in demand from our Group (having regard to the projection of the growth of our business operations and anticipated production plans to shift part of our production processes for crackers and chips (which require flour) from other production facilities to our production facilities in Fujian operated by Quanzhou QinQin), (iii) the estimated increase in the price of flour, (iv) anticipated general inflation figures and (v) increase in the costs of storage and delivery of flour.

Implications under the Listing Rules

As one or more of the applicable percentage ratios (other than profit ratio) set out in Rule 14.07 of the Listing Rules in respect of each of the Annual Cap Amounts for the transactions contemplated under the Framework Agreement will be more than 0.1% but all of them are less than 5%, the transactions contemplated thereunder will, upon Listing, be subject to reporting, announcement and annual review but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Confirmation by our Directors

Our Directors (including the independent non-executive Directors) have confirmed that: (i) the transactions in relation to the supply of flour from Shuncheng Flour to our Group during the Track Record Period have been carried out in the ordinary and usual course of business of our Group on normal commercial terms, and that the terms of such transactions were fair and reasonable and in the interest of our Group and our Shareholders as a whole; (ii) the transactions contemplated under the Framework Agreement will be entered into and will be carried out in the ordinary and usual course of business of our Group on normal commercial terms, and that the terms of the continuing connected transaction are fair and reasonable and in the interest of our Company and the Shareholders as a whole; and (iii) the Annual Cap Amounts for such transactions are fair and reasonable and in the interest of our Company and the Shareholders as a whole. Regarding the transactions contemplated under the Framework Agreement, the Sole Sponsor concurs with our Directors' view above.

Application for Waiver

As the transactions contemplated under the Framework Agreement are of an ongoing nature and will be conducted in the ordinary and usual course of business of the Group, the Directors consider that compliance with the announcement requirement under Chapter 14A of the Listing Rules on each occasion such transactions arise would be impractical and unduly burdensome and would impose unnecessary administrative costs upon the Company. Accordingly, pursuant to Rule 14A.105 of the Listing Rules, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted to the Company, a waiver from strict compliance with the announcement requirements under Chapter 14A of the Listing Rules, provided that the annual transaction amounts in respect of the transactions contemplated under the Framework Agreement do not exceed the relevant Annual Cap Amount set out above. Apart from the announcement requirement with which strict compliance has been waived by the Stock Exchange, the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules which are applicable to the transactions contemplated under the Framework Agreement.

DIRECTORS AND SENIOR MANAGEMENT

The Board consists of twelve Directors, which comprises of six non-executive Directors, two executive Directors and four independent non-executive Directors. The functions and duties of the Board include convening general meetings, implementing the resolutions passed at the general meetings, determining business and investment plans, formulating our proposals for profit distributions, as well as exercising other powers, functions and duties as conferred by the Articles.

Our senior management is responsible for the daily management and operation of our businesses.

The following table sets forth certain information in respect of our Directors and senior management:

Name	Age	Position/Title in our Company	Date of Appointment	Date of joining our Group	Roles and Responsibilities in our Group	Relationship with other Directors or Senior Management
Director						
Mr. Hui Lin Chit (許連捷)	63	Chairman and non-executive Director	22 March 2016	November 2008	Providing leadership, guidance and strategic advice to our Group	Father of Mr. Hui Ching Lau
Mr. Sze Man Bok (施文博)	66	Non-executive Director	22 March 2016 *(Note)*	November 2008	Providing leadership, guidance and strategic advice to our Group	None
Mr. Hui Ching Lau (許清流)	37	Non-executive Director	22 March 2016	April 2003	Providing leadership, guidance and strategic advice on corporate development and investment affairs	Son of Mr. Hui Lin Chit
Mr. Wu Huolu (吳火爐)	52	Non-executive Director	22 March 2016	May 1990	Providing leadership and guidance in relation to the general development of our Group	Brother-in-law of Mr. Wu Yinhang's brother
Mr. Wu Sichuan (吳四川)	51	Non-executive Director	22 March 2016	May 1990	Providing leadership and guidance in relation to the general development of our Group	None

Name	Age	Position/Title in our Company	Date of Appointment	Date of joining our Group	Roles and Responsibilities in our Group	Relationship with other Directors or Senior Management
Mr. Wu Yinhang (吳銀行)	48	Non-executive Director	22 March 2016	May 1990	Providing leadership and guidance in relation to the general development of our Group	Brother of Mr. Wu Huolu's brother-in-law
Mr. Cheng Yong (程勇)	51	Executive Director and chief executive officer	22 March 2016	February 2010	Overall management, business development and operation of our Group	None
Mr. Wong Wai Leung (黃偉樑)	38	Executive Director, chief financial officer and company secretary	22 March 2016	March 2016	Corporate development, investment, accounting and financial matters of our Group	None
Mr. Cai Meng (蔡萌)	49	Independent Non-executive Director	17 June 2016	17 June 2016	Providing independent judgment to our Board	None
Mr. Chan Yiu Fai Youdey (陳耀輝)	46	Independent Non-executive Director	17 June 2016	17 June 2016	Providing independent judgment to our Board	None
Mr. Ng Swee Leng	52	Independent Non-executive Director	17 June 2016	17 June 2016	Providing independent judgment to our Board	None
Mr. Paul Marin Theil (保羅希爾)	63	Independent Non-executive Director	17 June 2016	17 June 2016	Providing independent judgment to our Board	None

Name	Age	Position/Title in our Company	Date of Appointment	Date of joining our Group	Roles and Responsibilities in our Group	Relationship with other Directors or Senior Management
Senior Management						
Mr. Chen Xin Yi (陳新義)	38	General manager of the supply chain department	1 January 2015	July 2013	Procurement and supply chain management	None
Mr. Jian Chang Quan (蹇常權)	43	General manager of the sales department	16 July 2008	July 2008	Overall sales and distribution of our products	None
Mr. Meng Wen Quan (蒙文權)	41	Deputy general manager of the research and development department	1 July 2014	January 2004	Research and development, formulating technical development plans and development of new flavours	None
Mr. Pan Jin Zhen (潘金圳)	42	General manager of the finance department	13 May 2010	May 2010	Financial management and internal audit control	None
Mr. Wu Wen Xu (吳文旭)	44	General manager of the production and operation department	1 July 2008	June 1993	Formulating and implementing production strategies, and organizing, managing and supervising production systems	None
Mr. Xiao Jin Gen (肖緊跟)	47	Office Supervisor	16 August 2014	June 2010	Managing our administrative matters	None
Mr. Xin Ya Dong (辛亞東)	43	General manager of quality management department	1 March 2013	December 2006	Quality management of the production process and operation activities	None

Note: Mr. Sze Man Bok was appointed as our Director on 14 January 2016 and re-designated as a non-executive Director on 22 March 2016.

DIRECTORS

Non-Executive Director

Mr. Hui Lin Chit (許連捷), aged 63, is the chairman and a non-executive Director of our Company and a director of most of our subsidiaries. He is responsible for providing leadership, guidance and strategic advice to our Group. He has accumulated over seven years of experience in the food and snacks business since he became a director of some of our subsidiaries in November 2008. Mr. Hui is also an executive director, deputy chairman, chief executive officer and authorised representative of Hengan, as well as founding shareholder of Hengan Group and a director of a number of its subsidiaries.

Mr. Hui is a deputy chairman of the All-China General Chamber of Industry and Commerce and also the Political Consultative Conference in Quanzhou City. He is also the deputy chairman of Fujian Province Industry and Trade Association and the chairman of Quanzhou Federation of Industry and Commerce. During the period from 1998 to 2012, Mr. Hui was a member of the Ninth, Tenth and Eleventh National Committee of the Chinese People's Political Consultative Conference ("**CPPCC**"). During the period from 1997 to 2011, he was also a member of the Executive Committee (at the Eighth CPPCC) and Standing Committee (at the Ninth CPPCC), and deputy chairman (at the Tenth CPPCC) of the All-China Federation of Industry and Commerce. Mr. Hui was accredited with the title of Senior Economist in the People's Republic of China by the Department of Human Resources of Fujian Province (福建省人事廳) in May 1996.

He is the father of Mr. Hui Ching Lau, a non-executive Director of our Company.

Mr. Sze Man Bok (施文博), aged 66, is a non-executive Director of our Company and a director of most of our subsidiaries. He is responsible for providing leadership, guidance and strategic advice to our Group. He has accumulated over seven years of experience in the food and snacks business since he became a director of some of our subsidiaries in November 2008. Mr. Sze is an executive director, chairman and founding shareholder of Hengan Group.

Mr. Hui Ching Lau (許清流), aged 37, is a non-executive Director of our Company and a director of most of our subsidiaries. He is responsible for providing leadership, guidance and strategic advice on corporate development and investment of our Group. He has accumulated over eleven years of experience in the food and snacks business since he became a director of some of our subsidiaries in April 2003. He is also the managing director of Lianjie Investments Group Limited (連捷投資集團有限公司). He has about 15 years of experience in investment management and is responsible for the daily operation and management of Lianjie Investments Group Limited.

Mr. Hui graduated with a Degree of Bachelor of Arts in Accounting & Finance and Economics from the University of Kent at Canterbury in July 2001, and a Degree of Master of Science in Finance from the University of London (Imperial College of Science, Technology and Medicine) in the UK in November 2002. He also received a Degree of Executive Master of Business Administration from Cheung Kong Graduate School of Business (長江商學院) in September 2010.

Mr. Hui is the son of Mr. Hui Lin Chit, the chairman and a non-executive Director of our Company.

Mr. Wu Huolu (吳火爐), aged 52, is a non-executive Director of our Company and a director of most of our subsidiaries. He is responsible for providing leadership and guidance in relation to the general development of our Group. He is one of the founding members of our Group and has accumulated over twenty-five years of experience in food and snacks production, operation and management. He has also acted as a director of Luyan (Fujian) Pharma Co., Ltd, a company which engages in distribution of medicine and listed on the Shenzhen Stock Exchange (Stock code: 2788) since January 2011. Mr. Wu Huolu is also a director of Fujian Shuncheng Flour Industry Development Co., Ltd. (福建順成麵業發展股份有限公司) ("**Shuncheng Flour**"). Please refer to the section headed "*Continuing Connected Transactions*" in this listing document for transactions between our Group and Shuncheng Flour.

Mr. Wu is the brother-in-law of Mr. Wu Yinhang's brother, Mr. Wu Yinhang is a non-executive Director of our Company.

Mr. WU Si Chuan (吳四川), aged 51, is a non-executive Director of our Company and a director of most of our subsidiaries. He is responsible for providing leadership and guidance in relation to the general development of our Group. He is one of the founding members of our Group and has accumulated over twenty-five years of experience in food and snacks production, operation and management.

Mr. WU Yinhang (吳銀行), aged 48, is a non-executive Director of our Company and a director of most of our subsidiaries. He is responsible for providing leadership and guidance in relation to the general development of our Group. He is one of our founding members and has accumulated over twenty-five years of experience in food and snacks production, operation and management. He is also an executive director of Shuncheng Flour. Please refer to the section headed "*Continuing Connected Transactions*" in this listing document for further details of the transactions between our Group and Shuncheng Flour.

Mr. Wu is the brother of Mr. Wu Huolu's brother-in-law. Mr. Wu Huolu is a non-executive Director of our Company.

Executive Directors

Mr. Cheng Yong (程勇), aged 51, is an executive Director, our chief executive officer and a director of most of our subsidiaries. He is responsible for the overall management, business development and operation of our Group. Before Mr. Cheng joined us in February 2010, he was the chief operation officer of Hengan and was responsible for the daily operation and management of the Hengan Group. Mr. Cheng has over twenty-five years of experience in operation, specializing in production and quality management.

Mr. Cheng graduated with a Degree of Bachelor of Automatic Control Systems from Harbin Engineering University (哈爾濱工程大學) in July 1985 and received a Degree of Master in Business Administration ("**MBA**") from Xiamen University in June 2001. He was accredited with the title of Engineer in Light Industry Technology (輕工工程技術工程師) by the Department of Human Resources of Fujian Province (福建省人事廳) in the PRC in September 1994.

Mr. Wong Wai Leung (黃偉樑), aged 38, is an executive Director, the chief financial officer and company secretary of our Company. He is responsible for the corporate development, investment, accounting and financial matters of our Group. Mr. Wong worked at Ernst & Young in audit assurance from September 2000 to July 2009. He is an independent non-executive director of MediNet Group Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (Stock code: 8161) since 31 May 2016. He is also a director in a private group ultimately owned by Mr. Hui Ching Lau, which manages investments and trusts for Mr. Hui Ching Lau's family. Mr. Wong also serves as a board member of Hong Lok Yuen International School Association Limited and International College Hong Kong Limited, which operate certain international schools in Hong Kong.

Mr. Wong received a Degree of Bachelor of Business Administration in Accounting from the Hong Kong University of Science and Technology in November 2000. He has also been a member of the Hong Kong Institute of Certified Public Accountants since July 2004, and a fellow of the Association of Chartered Certified Accountants since September 2010.

Independent Non-executive Directors

Mr. Cai Meng (蔡萌), aged 49, was appointed as an independent non-executive Director on 17 June 2016. Mr. Cai has more than twelve years of experience in business management consulting services, and has been the chairman of Hejun Consulting Company Limited (北京和君企業管理顧問有限公司) since January 2015. Mr. Cai was a research assistant (lecturer) at Beijing University of Aeronautics and Astronautics (北京航空航天大學) (now known as Beihang University) from July 1990 to September 1994. He acted as a deputy general manager of various departments of China Asset Management Co., Limited (華夏基金管理有限公司) during the period from May 1998 to June 2002. Mr. Cai was a partner of Beijing Hezhong Huifu Consulting Co. Ltd. (北京和眾匯富諮詢有限公司), a securities investment consulting firm, from November 2002 to March 2008. From March 2008 to March 2014, he was the general manager and project manager of H&J Consulting Co., Ltd (北京和君教育諮詢有限公司) (now known as Beijing Hejun Digital Learning Company Limited (北京和君商學在線科技股份有限公司)), a company providing management training services listed on the New Third Board (第三板) of the China Stock Markets (Stock number: 831930) since February 2015, and was chairman of the supervisory board of the same from August 2014 to December 2015.

Mr. Cai obtained a Degree of Bachelor of Laws in July 1990 from Beijing University of Aeronautics and Astronautics, and then a Certificate of Graduation for a post-graduate degree in education from the same university in July 1997. He was then awarded the Certified Management Consultant certification by the International Council of Management Consulting Institutes in June 2006.

Mr. Chan Yiu Fai Youdey (陳耀輝), aged 46, was appointed as an independent non-executive Director on 17 June 2016. Mr. Chan has 22 years of experience in the legal industry. Mr. Chan has been a partner of David Y.Y. Fung & Co., solicitors since December 2004. He is also an independent non-executive director of Nan Nan Resources Enterprises Limited, a company listed on the main board of the Stock Exchange (Stock code: 1229) since March 2008.

Mr. Chan graduated from the University of Hong Kong with a Degree of Bachelor of Laws in June 1992 and a Postgraduate Certificate in Laws in June 1994. Mr. Chan received a Degree of Master of Laws from the City University of Hong Kong in November 1997 and a Degree of Master of Laws from the People's University of China (中國人民大學) in June 2001. Mr. Chan was admitted as a solicitor in Hong Kong in February 1997, and in England and Wales in July 1997. He was accredited as a general mediator by the Hong Kong International Arbitration Centre in February 2013.

Mr. Ng Swee Leng, aged 52, was appointed as an independent non-executive Director on 17 June 2016. Mr. Ng has 26 years of financial and managerial experience. Mr. Ng was the Associate Finance Director of Procter & Gamble International Operations Pte. Limited in Singapore from August 2007 to August 2008. He then joined Kraft Foods China and acted as its Chief Financial Officer from November 2008 to June 2013 before he acted as the Chief Financial Officer of GroupM China (群邑中國) from June 2013 until February 2016. He was responsible for, amongst others, overseeing the finance functions and corporate governance matters of the aforesaid companies before his appointment as our independent non-executive Director.

Mr. Ng completed the examination of The Chartered Institute of Management Accountants ("**CIMA**") in the UK in November 1989. He has been a fellow of CIMA since September 2000. Mr. Ng was certified as a Chartered Accountant by and became a member of the Malaysian Institute of Accountants in June 2001, and has been a member of the Chartered Global Management Accountants in the UK and USA since May 2011.

Mr. Paul Marin Theil (保羅希爾), aged 63, was appointed as an independent non-executive Director on 17 June 2016. Mr. Theil has extensive experience in the finance and investment industry. Mr. Theil is the founder of Shenzhen Zhong An Credit Investment Co., Ltd and was appointed as its chairman in January 2008. Mr. Theil has been an independent director of China Industrial Bank Co. Ltd., a company listed on the Shanghai Stock Exchange (Stock code: 601166) since October 2013. Mr. Theil was also formerly a director of Hengan during the period from July 2000 to September 2001.

Mr. Theil graduated from Yale University with a Degree of Bachelor of Arts in June 1975 and a Degree of Master of Arts in East Asian Studies in June 1975. He also graduated with a Degree of Juris Doctor and a Degree of Master of Business Administration from Harvard Law School and Harvard Business School in November 1981 and June 1980 respectively.

Save as disclosed above in this section and in the section headed "*Appendix IV – General Information*" in this listing document, as at the Latest Practicable Date, each of the Directors had no interests in the Shares within the meaning of Part XV of the SFO and is independent from and is not related to any other Directors, senior management, or the substantial shareholders of our Company. Save as disclosed above: (i) each of the Directors has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas (apart from our Company) in the three years immediately preceding the date of this listing document; (ii) there are no other matters concerning each of the Directors' directorship with our Company that need to be brought to the attention of the Shareholders and the Stock Exchange; and (iii) there are no other matters in connection with each of the Directors' appointment which are required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

SENIOR MANAGEMENT

Our senior management team comprises all our executive Directors, and certain managerial positions. The senior management is responsible for the day-to-day management of our Group's business. For the biographical details of Directors who form part of our senior management team, please refer to the section headed "*Directors and Senior Management – Directors*" in this listing document.

Mr. Chen Xin Yi (陳新義), aged 38, is the general manager of the supply chain department of our Group and is responsible for procurement and supply chain management. He joined our Group in July 2013. Prior to that, he worked as director of operation in Yashili International Group

Limited (雅士利國際集團有限公司) from October 2007 to December 2008, and Xiamen Huierkang Food Co., Ltd (廈門惠爾康食品有限公司) from January 2009 to July 2013. He has over 15 years of experience in production operation and supply chain management.

Mr. Chen graduated from Jimei University (集美大學) with a Degree of Bachelor of Foreign Economics and Financial Accounting in July 2000, and later obtained a Degree of Bachelor of Logistics Management (online education) from Tongji University (同濟大學) in December 2008. He further obtained a Degree of MBA from Wuhan University of Technology (武漢理工大學) in June 2013. Mr. Chen was certified as second level Enterprise Training Specialist (Technician) (企業培訓師) by the Ministry of Human Resources and Social Security of the People's Republic of China (中華人民共和國人力資源和社會保障部) in October 2007, and then as a first level Logistics Specialist (Senior Technician) (國家一級物流師) in November 2013.

Mr. Jian Chang Quan (蹇常權), aged 43, is the general manager of the sales department of our Group and is responsible for the overall sales and distribution of our products. He joined our Group in July 2008. Mr. Jian worked in Hengan Group from November 1997 to May 2010, and was the general manager of a branch under the business and trading department of Hengan Group prior to joining our Group. He has more than eighteen years of experience in sales management, sales planning, sales technique and team building and management.

Mr. Jian graduated from Hunan Radio and Television University (湖南廣播電視大學) with a Diploma in Accounting and Computer Science (part-time) in June 1995. He was accredited with the title of Economist by the Department of Human Resources of Hunan Province (湖南省人事廳) in the PRC in December 2000.

Mr. Meng Wen Quan (蒙文權), aged 41, is the deputy general manager of the research and development department of our Group, and joined our Group in January 2004. He is responsible for research and development, formulating technical development plans, and the development of new products of our Group. During his term of office, he successfully developed various new products and has made significant contributions in respect of our cost optimization and sales performance.

Mr. Meng graduated from Guangxi Institute of Engineering (廣西工學院) (now known as Guangxi University of Technology (廣西科技大學)) with a Degree of Bachelor of Food Science and Engineering in June 1999.

Mr. Pan Jin Zhen (潘金圳), aged 42, is the general manager of the finance department of our Group. He is responsible for the financial management and internal audit control of our Group, which provides financial support to our operations and improves the efficiency of the utilization of funds. He worked in the finance department of Hengan Group from May 1994, and had been the deputy general manager of the internal audit division before he joined our Group in May 2010. He has more than 21 years of experience in financial management including accounting and audit.

Mr. Pan received a Degree of Business Administrative and Accounting from Huaqiao University (華僑大學工商管理系市場與會計專業) in July 1994. Mr. Pan graduated from Dongbei University of Finance & Economics (東北財經大學) with a Degree of Bachelor of Accounting (online education) in July 2007. He was accredited with the title of Accountant by the Department of Human Resources of Zhejiang Province (浙江省紹興市人事廳) in the PRC in October 2000 and International Certified Senior Public Accountant by the American Certification Institute in August 2010.

Mr. Wu Wen Xu (吳文旭), aged 44, has been the general manager of the production and operation department of our Group since joining in June 1993. He is responsible for formulating and implementing production strategies, and organizing, managing and supervising our production systems for the realization of our Group's production targets. With his rich experience in production and manufacturing, technological innovation and quality control, he has made valuable contributions to the improvement of the production technology of our Group.

Mr. Xiao Jin Gen (肖緊跟), aged 47, is our Group's office supervisor. He first joined our Group in June 2010. With his extensive experience in corporate management, administrative affairs and public relations management, Mr. Xiao has helped strengthen the public image for our Group and made significant contributions to our Group's corporate culture, communications and administrative affairs management.

Mr. Xiao graduated from Hubei University (湖北大學) with a Degree of Bachelor of Economic Management in June 1994.

Mr. Xin Ya Dong (辛亞東), aged 43, is the general manager of our quality management department. He is responsible for the quality management of the production process and operation activities of our Group. Mr. Xin joined our Group in December 2006. During his term of office, Mr. Xin has made significant contributions to our Group in respect of precision management, safety management and improving customers' satisfaction.

Mr. Xin graduated from Hubei Institute of Engineering (湖北工學院) (now known as Hubei University of Technology (湖北工業大學)) with a Diploma in Industrial Design in January 2007.

OTHER INFORMATION

In 1999, Hengan Group had made temporary advances of a total of approximately HK$46 million to United Wealth International (Holdings) Limited ("**United Wealth**") and Changde Hengan Paper Products Co., Ltd. ("**Changde Paper**"). These temporary advances, representing approximately 3.02% of Hengan Group's consolidated net tangible assets as at 31 December 1999, had been fully repaid with interest and handling fee in early 2000. United Wealth was then partly owned by Mr. Sze Man Bok and Mr. Hui Lin Chit, the then executive directors of Hengan, while Changde Paper was a subsidiary of United Wealth. As such, the temporary advances constituted connected transactions of Hengan. Mr. Sze Man Bok and Mr. Hui Lin Chit were publicly criticised for breaching the Listing Rules and their respective directors' undertaking to the Stock Exchange as Hengan failed to comply with the Listing Rules. Further details are disclosed in the Stock Exchange's News Release on 11 October 2001.

We consider that Mr. Sze Man Bok and Mr. Hui Lin Chit are appropriate to act as our Directors as the above non-compliance was unintentional and did not arise by reason of any bad faith or deliberate conduct on the part of Mr. Sze Man Bok and Mr. Hui Lin Chit. In addition, they have acted as directors of Hengan for over 17 years and would have gained relevant experience and knowledge as directors of listed issuer. Neither Hengan nor either of Mr. Sze Man Bok or Mr. Hui Lin Chit has been accused of any other non-compliance of the Listing Rules requirements since the said incident, this demonstrates that both Mr. Sze Man Bok and Mr. Hui Lin Chit would have learned from the incident and have been striving to ensure that they would discharge their duties and responsibilities as directors of a listed issuer in compliance with the applicable laws and regulations. We also consider that Mr. Sze Man Bok and Mr. Hui Lin Chit, both of whom have over 30 years of experience in the consumer product industry, would be able to make valuable contributions to our Group as non-executive Directors.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

The aggregate amount of compensation (including fees, salaries, contribution to pension schemes, housing and other allowances, and bonuses) paid to our Directors for each of the three years ended 31 December 2013, 2014 and 2015 were approximately RMB619,000, RMB619,000 and RMB619,000 respectively.

The aggregate amount of salaries and other benefits, bonus and retirement benefits scheme contribution in kind paid to our Group's five highest paid individuals (excluding one director whose compensation is included in the preceding paragraph) for each of the three years ended 31 December 2013, 2014 and 2015 were approximately RMB1,141,000, RMB1,143,000 and RMB1,126,000 respectively.

Our Directors and senior management may receive compensation in the form of fees, salaries, allowances, benefits in kind and/or discretionary bonuses relating to the performance of our Group. We reimburse our Directors and senior management for expenses which are necessarily and reasonably incurred for providing services to our Group or discharging their duties in relation to its operations. When reviewing and determining the specific remuneration packages for our Directors and senior management, we take into consideration factors such as their individual performance, qualification, experience and seniority, salaries paid by comparable companies, time commitment and responsibilities of each persons, employment elsewhere in our Group and desirability of performance-based remuneration.

BOARD COMMITTEES

Audit Committee

Our Company has established an audit committee in compliance with Rule 3.21 of Listing Rules and the CG Code. The primary duties of the audit committee are to review and oversee the financial reporting system, internal control procedures and risk management of our Company, and to maintain an appropriate relationship with our Company's auditor.

The audit committee currently comprises four independent non-executive Directors. The members are Mr. Ng Swee Leng, Mr. Cai Meng, Mr. Chan Yiu Fai Youdey, and Mr. Paul Marin Theil. It is chaired by Mr. Ng Swee Leng.

Remuneration Committee

Our Company has established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and the CG Code. The primary duties of the remuneration committee are to make recommendations to the Board on our Company's policy and structure for all directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing such remuneration policy.

The remuneration committee currently comprises four independent non-executive Directors. The members are Mr. Paul Marin Theil, Mr. Cai Meng, Mr. Chan Yiu Fai Youdey, and Mr. Ng Swee Leng. It is chaired by Mr. Paul Marin Theil.

Nomination Committee

Our Company has established a nomination committee in compliance with the CG Code. The primary duties of the nomination committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement our Company's corporate strategy.

The nomination committee currently comprises one non-executive director and four independent non-executive Directors. The members are Mr. Hui Lin Chit, Mr. Cai Meng, Mr. Chan Yiu Fai Youdey, Mr. Ng Swee Leng, and Mr. Paul Marin Theil. It is chaired by Mr. Hui Lin Chit.

COMPLIANCE ADVISER

Our Company has appointed First Shanghai Capital Limited (第一上海融資有限公司) as its compliance adviser in compliance with Rule 3A.19 of the Listing Rules. The material terms of the compliance adviser's agreement that our Company entered into with the compliance adviser are as follows:

1. the compliance adviser's term of appointment shall be for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is the earlier;

2. our Company may terminate the appointment of the compliance adviser only if the compliance adviser's work is of an unacceptable standard or if there is a material dispute (which cannot be resolved within 30 days) over fees payable by our Company to the compliance adviser in accordance with Rule 3A.26 of the Listing Rules; and

3. pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company on the following matters:

   (a) before the publication of any regulatory announcement, circular or financial report;

   (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

   (c) where our business activities, development or results deviated from any forecast, estimate, or other information in this listing document; and

   (d) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of its listed securities under Rule 13.10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, immediately following completion of the Spin-off (without taking into account any Hengan Shares that may be allotted and issued upon the exercise of any options which have been or may be granted under the share option scheme of Hengan or any Hengan Shares which may be issued upon the exercise of the conversion rights attached to the Convertible Bonds), based on the information available to the Company on the Latest Practicable Date, the following persons (not being a Director or the chief executive of the Company) will have an interest or a short position in Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	*Note*	**Capacity**	**Number of Shares** *(Note 7)*	**Approximate percentage of interest in our Company** *(Notes 1 and 7)*
				(%)
Tin Lee Investments Limited	*2*	Beneficial owner	45,645,799	9.6%
Tin Wing Holdings Limited	*2*	Interests of controlled corporation	45,645,799	9.6%
An Ping Holdings Limited	*3*	Beneficial owner	44,933,950	9.4%
An Ping Investments Limited	*3*	Interests of controlled corporation	44,933,950	9.4%
Serangoon Limited	*2, 3, 4*	Interests of controlled corporation	97,433,828	20.5%
Credit Suisse Trust Limited	*2, 3, 4*	Trustee	97,433,828	20.5%
Seletar Limited	*2, 3, 4*	Interests of controlled corporation	97,433,828	20.5%
Easy Success	*5*	Beneficial owner	85,214,895	17.9%
Mr. Wu Fumao		Beneficial owner	54,823,077	11.5%
Mr. Ng Hing Yam		Beneficial owner	44,103,459	9.3%
Sure Wonder Limited	*6*	Beneficial owner	29,555,978	6.2%

Notes:

1. The relevant percentages have been calculated by reference only to the aggregate number of Shares expected to be in issue on the Listing Date. Based on the issued share capital of Hengan as at the Latest Practicable Date and assuming that it will remain unchanged on the Record Date, our Company has assumed that 475,696,557 Shares will be in issue on the Listing Date.

2. Tin Lee Investments Limited is a company incorporated in the BVI and is a wholly owned subsidiary of Tin Wing Holdings Limited. Tin Wing Holdings Limited is a company incorporated in the Bahamas and owned by Seletar Limited and Serangoon Limited as nominee on trust for Credit Suisse Trust Limited, the trustee of the Sze's Family Trust.

3. An Ping Holdings Limited, a company incorporated in the Bahamas, is a wholly owned subsidiary of An Ping Investments Limited. An Ping Investments Limited is a company incorporated in the Bahamas and owned by Seletar Limited and Serangoon Limited as nominee on trust for Credit Suisse Trust Limited, the trustee of the Hui Family Trust.

4. Credit Suisse Trust Limited is the trustee of, amongst others, the Sze's Family Trust and the Hui Family Trust and is deemed to be interested in the shares held by these trusts.

5. Mr. Wu Huolu, our Director, is a director of Easy Success.

6. Mr. Hui Ching Lau, our Director, is the sole director and sole shareholder of Sure Wonder Limited, a company incorporated in the BVI.

7. Fractional entitlements of the Shares under the Distribution may be taken into account in calculating the interests shown above, and accordingly the number of Shares in which they are, or are deemed to be interested, as well as the shareholding percentages, are approximate only.

For details of our Directors' interests in Shares immediately following the Listing, please refer to the section headed "*Appendix IV – General Information – C. Further Information about our Directors and Substantial Shareholders – 3. Disclosure of Directors' Interests*" in this listing document. Save as disclosed herein, the Directors are not aware of any person (who is not a Director or chief executive of the Company) who will, immediately upon completion of the Listing, have an interest or short position in the shares or underlying shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, or be directly or indirectly interested in 10.0% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group.

AUTHORISED AND ISSUED SHARE CAPITAL

The following sets forth details of the authorised and issued share capital of the Company in issue and to be issued as fully paid or credited as fully paid immediately prior to completion of the Listing:

	Number of Shares	Nominal Value (in HK$)
Authorised share capital	1,000,000,000	10,000,000
Issued share capital immediately before completion of the Listing	475,696,557	4,756,965.57

Assumptions

The above table is based on the issued share capital of Hengan as at the Latest Practicable Date and assuming it will remain unchanged as at the close of business on the Distribution Record Date. As at the Latest Practicable Date, there were (i) outstanding options (granted pursuant to the share option scheme of Hengan adopted on 26 May 2011) which entitle the holders thereof to subscribe for 7,716,500 Hengan Shares on or before the Record Date and (ii) outstanding Convertible Bonds which entitle the holders thereof to exercise the conversion rights attached thereto and subscribe for 4,172,131 Hengan Shares on or before the Record Date. For illustrative purposes, assuming all such outstanding options and Convertible Bonds were exercised on or before the Record Date, the issued share capital of the Company immediately before completion of the Listing shall be HK$4,803,587.65 divided into 480,358,765 Shares of HK$0.01 each.

The above table takes no account of any Shares which may be issued and allotted or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below or otherwise.

Ranking

The Shares are ordinary shares in the share capital of the Company and will rank equally in all respects with each other, and will qualify for all dividends, income and other distributions declared, made or paid and any other rights and benefits attaching or accruing to the Shares following the completion of the Spin-off.

Share Option Scheme

Our Company has not adopted any share option scheme.

General Mandate to Issue and Buy Back Shares

Subject to the fulfilment of the Spin-off Condition, our Directors have been granted general unconditional mandates to issue and buy back Shares. For further details, please refer to the section headed "*Appendix IV – General Information – A. Further Information About Our Company – 4. Written Resolutions of the Shareholders dated 17 June 2016*" in this listing document.

As at the Latest Practicable Date, the Company does not have any outstanding convertible debt securities.

The following discussion and analysis should be read in conjunction with the Accountant's Report (together with the accompanying notes) set out in "Appendix I – Accountant's Report" in this listing document. The Accountant's Report has been prepared by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong in accordance with the HKFRS.

The following discussion and analysis contains forward-looking statements that reflect our current view with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as factors that we believe are appropriate under the circumstances. You should not place undue reliance on any such statements. Our actual future results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set out in the section headed "Risk Factors" and elsewhere in this listing document.

OVERVIEW

We are one of the leading manufacturers of jelly products in the PRC and a national producer of crackers and chips, seasoning products, and bakery, confectionery and other products. According to Euromonitor, our jelly products had the third-largest market share of 9.2% in terms of 2014 retail sales value in the PRC. Over the last 25 years, we have evolved from a local processor of flour and instant noodles into a national food and snacks company with strong brand recognition and a diversified product portfolio.

We have a diversified product portfolio of jelly products, crackers and chips, seasoning products, and bakery, confectionery and other products. Over the Track Record Period, we have maintained a relatively stable distribution of revenue contribution across our product categories. Our sales of jelly products accounted for 63.0%, 60.0% and 60.2% of our total revenue for the years ended 31 December 2013, 2014 and 2015, respectively. Our sales of crackers and chips accounted for 22.0%, 23.9% and 24.1% of our total revenue for the years ended 31 December 2013, 2014 and 2015, respectively. Our sales of seasoning products accounted for 9.3%, 9.9% and 10.3% of our total revenue for the years ended 31 December 2013, 2014 and 2015, respectively. Our sales of bakery, confectionery and other products accounted for 5.7%, 6.2% and 5.4% of our total revenue for the years ended 31 December 2013, 2014 and 2015, respectively.

Over the years, our core brands "Qinqin (親親)" and "Shangerry (香格里)" have developed into well-known brands in the food and snacks market in the PRC. In recognition of our core brands and achievements, we have received numerous awards, including "Top 10 Enterprises of Bakery and Confectionery Industry (Jelly) in China" (中國焙烤食品糖製品行業(果凍)十強企業) and "Top 10 Enterprises of Bakery and Confectionery Industry (Puffed Food) in China" (中國焙烤食品糖製品行業(膨化)十強企業) both from China National Light Industry Council (中國輕工業聯合會) and China Association of Bakery and Confectionery Industry (中國焙烤食品糖製品工業協會) in 2015, "Outstanding Contribution in China's Leisure Food Industry" (中國休閒食品行業突出貢獻獎) from China Non-staple Food Circulation Association (中國副食流通協會), Jinjiang People's Government (晉江市人民政府) and Jinjiang Economy News (晉江經濟報社) in 2015, "Fujian Famous Brand Product (Qinqin)" (福建名牌產品(親親)) and "Fujian Famous Trademark (Shangerry)" (福建省著名商標(香格里)) from Fujian Province People's Government (福建省人民政府) and Fujian Province Administration for Industry & Commerce (福建省工商行政管理局) in 2013, respectively.

We have a nationwide sales and distribution network in the PRC. As at 31 December 2015, we contracted with 2,023 distributors, which sell our products to sub-distributors, retailers (including online retailers) and their key accounts, which primarily include supermarkets, community stores and convenience stores. Our sales and distribution network covers all provinces, municipal cities and autonomous regions in the PRC. We have stable and well-established relationships with our distributors. Through our extensive distribution network, we believe that we are well positioned for further growth opportunities.

As at 31 December 2015, we had eight strategically located production facilities. Each of our production facilities utilizes standardized and automated production processes, which allow us to manufacture our products efficiently and, together with our stringent quality control standards, to produce consistently high-quality food and snacks products.

Our total revenue was RMB1,280.4 million, RMB1,216.1 million and RMB1,020.1 million, for the years ended 31 December 2013, 2014 and 2015, respectively, and our profit for the year amounted to RMB84.4 million, RMB91.6 million and RMB63.8 million for the respective periods. For the years ended 31 December 2013, 2014 and 2015, our gross profit margin was 42.3%, 42.4% and 42.2%, respectively, and our net profit margin was 6.6%, 7.5% and 6.2% for the respective periods.

BASIS OF PRESENTATION

The combined financial statements of our Group set out in "*Appendix I – Accountant's Report*" in this listing document have been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

Immediately prior to and after the Reorganization, the business of our Group was operated by QinQin BVI's wholly-owned subsidiaries. Pursuant to the Reorganization, the entire equity interest in QinQin BVI, including the business of our Group, was transferred to and held by our Company. Our Company has not been involved in any other business prior to the Reorganization. The Reorganization is merely a reorganization of the business of our Group with no change in management of such business and the ultimate owners of the business. Accordingly, our Group resulting from the Reorganization is regarded as a continuation of the business of our Group under QinQin BVI. As our Company had not been incorporated as at 31 December 2015, the financial information has been prepared and presented on a combined basis as a continuation of the consolidated financial statements of QinQin BVI and its subsidiaries, with the assets and liabilities of our Group recognized and measured at the then carrying amounts of the business of our Group under the consolidated financial statements of QinQin BVI, for all periods presented.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

General Economic Conditions and Consumer Demand for Our Products in the PRC

Our results of operations depend on consumer demand and preference for our products in the PRC, which in turn is affected by the overall growth of the economy and consumer spending. A number of factors beyond our control may affect the level of consumer spending in the PRC, including disposable income, recession, interest rates, unemployment level and general consumer confidence.

According to the National Bureau of Statistics of China, real GDP in the PRC grew at a rate of 7.7%, 7.3% and 6.9% for 2013, 2014 and 2015, respectively, while disposable income per capita in the PRC increased by 8.1%, 8.0% and 7.4% for the respective period. According to Euromonitor, the PRC has continued to be one of the world's fastest growing consumer markets with a CAGR of 14.7% from 2010 to 2014.

Although we believe the increasing disposable income strengthens average consumption power in the PRC, consumer demand for our products may be affected by other factors, including market competition and our positioning with respect to branding and pricing. We implement a mass-market strategy, in particular in second and third tier cities. Consequently, demand for our products may not correspond to general consumer demand or overall GDP growth in the PRC. According to Euromonitor, in the PRC snacks market, especially jelly products market, the growth of snacks products with higher selling price has been one of the major factors contributing to the overall growth in the PRC snacks market despite the slowdown in economic growth in the PRC in 2015, since this consumer base is less price-sensitive and more willing to pay for non-necessities such as snacks even during slowdown in economic growth. On the other hand, there was a decline in sales of snacks products with lower selling prices and targeted at second or lower tier cities since the demand for non-necessities such as snacks in these markets were more vulnerable to the unfavorable economic changes. Since our product portfolio adopts a mass-market strategy particularly in second and third tier cities with an average selling price lower than that of certain industry players whose product portfolio spans over wider categories of products targeted at different consumer bases, our sales volume in 2015 thus declined as a result of the weakened demand and consumer spending on snacks products in these target markets. The following table sets forth the geographic breakdown of our revenue attributable to distributors based on the designated distribution area in our distribution contracts for the periods indicated:

	For the year ended 31 December					
	2013		2014		2015	
	RMB (million)	% of total revenue attributable to distributors	RMB (million)	% of total revenue attributable to distributors	RMB (million)	% of total revenue attributable to distributors
First tier cities[1]	51.5	4.4%	50.9	4.5%	52.7	5.5%
Second and third tier cities[2]	1,110.2	95.6%	1,070.5	95.5%	902.8	94.5%
Total	1,161.7	100.0%	1,121.4	100.0%	955.5	100.0%

Notes:

1. Includes Beijing, Guangzhou, Shanghai and Shenzhen
2. Includes cities other than the first tier cities

In addition, food safety and health-related incidents within the food and snacks industry, especially within the PRC can negatively affect our sales and results of operations. For example, there were media reports regarding the use of toxic gelatin in food production by some of our competitors in the industry in 2012, and again in 2014. We believe the negative consumer sentiment following the Toxic Gelatin Incident negatively affected the sales of our jelly products even though our products did not contain such toxic gelatin and were not subject to other major negative quality issues, and contributed to a decrease in our revenue and net profit for the year ended 31 December 2014 and 2015. Revenue attributable to our jelly products decreased by 15.8% from RMB729.3 million for the year ended 31 December 2014 to RMB613.8 million for the year ended 31 December 2015. Revenue attributable to our jelly products deceased by 9.6% from RMB806.7 million for the year ended 31 December 2013 to RMB729.3 million for the year ended 31 December 2014. Food safety and health-related incidents affecting food products may cause negative consumer sentiment which, depending on severity, can lead to a substantial drop in consumer demand for the affected product category even if our products are not contaminated. For more information on the risks related to the negative impact of food safety issues, please refer to the section headed "*Risk Factors – Risks Relating to Our Business – We may be adversely affected by any potential food safety and health issues with our raw materials and finished products or in the general food and snacks industry*" in this listing document.

For more information on the general economic conditions and consumer demand in the PRC, please refer to the section headed "*Industry Overview*" in this listing document.

Product and Service Mix

Our revenue and profit margins depend on our product mix and product offerings. We have established a diversified product portfolio consisting of jelly products, crackers and chips, seasoning products, and bakery, confectionery and other products. Over the past 25 years, we have evolved from a local processor of flour and instant noodles into a national food and snacks company manufacturing and selling a broad range of products. Occasionally, we also manufacture products for our OEM customers under their own brand(s).

Over the Track Record Period, we have maintained a relatively stable distribution of revenue contribution across different product categories. The sales of jelly products had gross profit margins of 42.5%, 42.2% and 42.4% and accounted for 63.0%, 60.0% and 60.2% of our total revenue for the years ended 31 December 2013, 2014 and 2015, respectively. The sales of crackers and chips had a gross profit margin of 43.4%, 45.7% and 46.2% and accounted for 22.0%, 23.9% and 24.1% of our total revenue for the years ended 31 December 2013, 2014 and 2015, respectively. The sales of seasoning products had a gross profit margin of 38.5%, 37.3% and 38.5% and accounted for 9.3%, 9.9% and 10.3% of our total revenue for the years ended 31 December 2013, 2014 and 2015, respectively. The sales of bakery, confectionery and other products had a gross profit margin of 42.5%, 39.9% and 29.4% and accounted for 5.7%, 6.2% and 5.4% of our total revenue for the years ended 31 December 2013, 2014 and 2015, respectively.

Our overall gross profit margin for the years ended 31 December 2013, 2014 and 2015 remained relatively stable at 42.3%, 42.4% and 42.2%, respectively. For more information on our gross profit in our different product categories, please refer to the section headed "*Financial Information – Description of Selected Income Statement Line Items – Gross Profit and Gross Profit Margin*" in this listing document.

The impact of our product and services mix can also be affected by the individual contractual arrangements we enter into with our customers, particularly OEM arrangements (which form part of our "other" products within our bakery, confectionery and other product segment). For example, during the Track Record Period, we manufactured potato chips under the Potato Chips OEM

Arrangement with a PRC subsidiary of a popular foreign food snacks company. The Potato Chips OEM Arrangement was completed in early 2015. Our revenue under the Potato Chips OEM Arrangement was RMB18.0 million, RMB19.7 million and RMB1.3 million for the years ended 31 December 2013, 2014 and 2015, respectively, accounting 1.4%, 1.6% and 0.1% of our total revenue for the respective period. However, we recorded substantially all of the fees we received under the Potato Chips OEM Arrangement as revenue, net of related costs, which resulted in revenue derived from the Potato Chips OEM Arrangement having a disproportionately greater impact on our gross profit and profit for the year. Consequently, the completion of the Potato Chips OEM Arrangement in early 2015 and the resultant reduction in revenue from RMB19.7 million for the year ended 31 December 2014 to RMB1.3 million for the year ended 31 December 2015 resulted in a reduction in our gross profit from the Potato Chips OEM Arrangement of RMB18.5 million from RMB19.7 million for the year ended 31 December 2014 to RMB1.3 million for the year ended 31 December 2015. The effect of the completion of the Potato Chips OEM Arrangement in early 2015 also contributed to an RMB14.1 million decline in our profit for the year ended 31 December 2015 as compared to our profit for the year ended 31 December 2014.

Introduction of New Products

Consumer tastes and preferences are constantly evolving and our success depends on, amongst others, our ability to continually improve and broaden our product offerings that are well-received by consumers. Our ability to introduce new products may contribute to our revenue growth and margin improvement. To meet changing consumer preferences, we have been launching new product offerings such as fun-shaped packaging designs for jelly products, as well as sugar-free and calcium-fortified options for our existing products which address the rising health consciousness in the consumption of food and snacks amongst consumers. We believe the introduction of these products has improved our position to retain our existing customers, attract new customers and increase the demand for our products.

We will continue to expand our product offerings through the launch of new products and flavors. We will also continue to increase our research and development efforts on product attributes that appeal to younger consumers, including taste, nutrition and packaging. For more information on risks related to the introduction of new products, please refer to the section headed "*Risk Factors – Risks Relating to Our Business – Our business is subject to changing consumer preferences, demand, income and spending patterns. Our efforts in developing, launching and promoting new products and enhancing our existing products may not be successful, and decline in consumer spending could affect our sales*" in this listing document.

Sales and Distribution Network

Our sales and distribution affects the extent of our reach to consumers. We have an extensive nationwide and strategically designed sales and distribution network in the PRC. As at 31 December 2015, we contracted with 2,023 distributors, which sell our products to sub-distributors, retailers (including online retailers) and their key accounts, covering all provinces, municipal cities and autonomous regions of the PRC.

We benefit from the stability of our relationships with our distributors, with whom have well-established business relationships. As at 31 December 2015, our sales management team consisted of approximately 286 employees who are responsible for the management of our distributors. Our sales management team conducts reviews on our distributors' performance, such as conducting on-site inspections on inventory levels and requesting for reports on actual sales figures. Our extensive distribution network enables our new products to reach almost all our points of sale in China within one month of dispatch from our production facilities.

We also sell our products through direct relationships with our key accounts. We manage these relationships through our direct key accounts team, which consists of approximately 30 team members. As at 31 December 2015, we had nine direct key accounts which primarily included supermarkets. We believe that such direct relationships with our key accounts will provide us with additional platforms to gather first-hand market feedback from consumers, increase our sales, as well as improve our brand recognition and access a broader base of consumers.

We believe our ability to grow our business will depend on us continuing to maintain and manage an effective sales and distribution network. In order to support the growth of our business and strengthen our market competitiveness, we plan to continue to expand our sales and distribution network.

Costs of Raw Materials and Consumables Used

Our raw materials consist of the ingredients for our products as well as packaging materials. We also use various consumables for our production process. Cost of the ingredients for our products accounted for a majority of the cost of raw materials and consumables used during the Track Record Period. Cost of raw materials and consumables used recorded in our combined income statements accounted for 79.0%, 71.0% and 73.9% of our total cost of sales for the years ended 31 December 2013, 2014 and 2015 and is an important factor which can affect our profit.

A number of our primary raw materials such as sugar, flour and palm oil are commodities. Their prices are affected by commodity price fluctuations, supply and demand, logistics costs and government regulation and policies. Fluctuations in the prices of our raw materials may effectively offset each other or may have a noticeable impact on our cost of sales and gross profits. Depending on the product category, we have limited ability to pass all of the price increases to our distributors, direct key accounts and other customers. Please refer to the section headed "*Financial Information – Sensitivity Analysis*" in this listing document for further discussion about the impact of fluctuation of prices on certain selected primary raw materials.

We normally have various sources of supply for most raw material to reduce reliance on a single supplier. We have not entered into any hedging activities in relation to commodity prices. We cannot guarantee that we will be able to control our costs of raw materials or to pass the increased costs onto our distributors, direct key accounts or other customers. Please refer to the section headed "*Risk Factors – Risks Relating to Our Business – We do not enter into long-term arrangements with our distributors and we may fail to maintain these relationships or develop new ones*" in this listing document.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The management of our Group needs to exercise judgment in relation to accounting policies. We also make estimates and assumptions concerning the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will seldom equal the related actual results. The following discussion provides information on our critical accounting policies, some of which require estimates and assumptions from our management.

Revenue Recognition

We recognize revenue from the sales of goods net of discounts, returns and value added taxes when the risk and title of the goods has been transferred to the customer, which is usually at the date when we have delivered the products to the customer and the customer has accepted the products. We base our estimates of returns, which principally relate to our direct sales to key accounts, on historical results and the specifics of each arrangement.

For further details, please refer to Note 2.22 of the Accountant's Report set out in the section headed "*Appendix I – Accountant's Report*" in this listing document.

Useful Lives of Property, Plant and Equipment

Our Group's management determines the estimated useful lives and related depreciation charges for our 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. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. We review, and adjust if appropriate, our assets' residual values and useful lives at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Value of technically obsolete machinery and equipment that have been abandoned or sold is written-off. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized within "Other income and other gains – net" in our combined income statement.

For further details, please refer to Notes 2.5 and 4.1 of the Accountant's Report set out in the section headed "*Appendix I – Accountant's Report*" in this listing document.

Current and Deferred Income Tax

Our Group is subject to income taxes in the PRC and in Hong Kong. Significant judgment is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Our Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and provisions in the period in which such determination is made.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax assets and liabilities are determined using tax rates that are expected to apply when the related deferred income tax assets are realized or the deferred income tax liabilities are settled. The expected applicable tax rate is determined based on the enacted tax laws and regulations and the actual situation of our Group. The management of our Group will revise the expectation where the intending tax rate is different from the original expectation.

For further details, please refer to Notes 2.19 and 4.2 of the Accountant's Report set out in the section headed "*Appendix I – Accountant's Report*" in this listing document.

Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grants will be received. In recognizing grant to be received, our management has to decide on whether our Group will comply with all attached conditions.

For further details, please refer to Note 2.23 of the Accountant's Report set out in the section headed "*Appendix I – Accountant's Report*" in this listing document.

RESULTS OF OPERATIONS

The following table sets forth a summary of our combined results of operations for the periods indicated:

	For the year ended 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Revenue	1,280,354	1,216,135	1,020,051
Cost of sales	(738,435)	(700,906)	(589,114)
Gross profit	541,919	515,229	430,937
Other income and other gains – net	1,456	15,905	8,934
Distribution costs	(336,705)	(335,695)	(294,300)
Administrative expenses	(97,874)	(77,445)	(69,411)
Operating profit	108,796	117,994	76,160
Finance income	4,008	8,536	11,859
Finance costs	(438)	(245)	(198)
Finance income – net	3,570	8,291	11,661
Profit before income tax	112,366	126,285	87,821
Income tax expense	(27,984)	(34,666)	(24,069)
Profit for the year, all attributable to shareholders of our Company	84,382	91,619	63,752

DESCRIPTION OF SELECTED INCOME STATEMENT LINE ITEMS

Revenue

We generate revenue by selling our products to our distributors, direct key accounts and other customers. Our products are segmented into four main product categories, namely (i) jelly products, (ii) crackers and chips, (iii) seasoning products, and (iv) bakery, confectionery and other products. The following table sets forth our revenue by product category for the periods indicated:

	For the year ended 31 December					
	2013		2014		2015	
	RMB ('000)	% of total revenue	RMB ('000)	% of total revenue	RMB ('000)	% of total revenue
Jelly Products	806,725	63.0	729,300	60.0	613,800	60.2
Crackers and Chips	281,748	22.0	290,643	23.9	246,328	24.1
Seasoning Products	118,739	9.3	121,355	9.9	104,838	10.3
Bakery, Confectionery and Other Products	73,142	5.7	74,837	6.2	55,085	5.4
Total	1,280,354	100.0	1,216,135	100.0	1,020,051	100.0

The primary reasons for the decrease in our revenue over the Track Record Period were decreased sales volume, which we believe resulted from negative consumer sentiment affecting our jelly products following the Toxic Gelatin Incident in March 2014, as well as weakened consumer spending on non-necessities in our target markets across all of our product segments in 2015 typically comprising second and third tier cities as we implement a mass-market strategy. The completion of the Potato Chips OEM Arrangement in early 2015 also resulted in a reduction in our 2015 gross profit. Please refer to the sections headed "*Financial Information – Key Factors Affecting Our Results of Operations – General Economic Conditions and Consumer Demand for Our Products in the PRC*" and "*Financial Information – Key Factors Affecting Our Results of Operations – Product and Service Mix*" in this listing document for further details.

The following table sets forth our revenue by sales channel for the periods indicated:

	For the year ended 31 December					
	2013		2014		2015	
	RMB ('000)	% of total revenue	RMB ('000)	% of total revenue	RMB ('000)	% of total revenue
Distributors *(Note 1)*	1,161,654	90.7	1,121,444	92.2	955,541	93.7
Direct Key Accounts *(Note 2)*	83,117	6.5	61,689	5.1	52,163	5.1
Others *(Note 3)*	35,583	2.8	33,002	2.7	12,347	1.2
Total	1,280,354	100.0	1,216,135	100.0	1,020,051	100.0

Notes:

1. Our distributors sell our products to sub-distributors, retailers and their key accounts.
2. Our direct key accounts primarily include supermarkets that we sell our products to directly.
3. These other customers primarily include OEM customers and customers of our online sales.

In addition to our distributorship sales channel, we have established a sales channel consisting of direct key accounts which primarily include supermarkets, which accounted for approximately 6.5%, 5.1% and 5.1% of sales for the years 2013, 2014 and 2015, respectively. Our other customers primarily include online sales and OEM customers. Revenue from our direct key accounts decreased over the Track Record Period mainly due to: (i) weakened demand and consumer spending on non-necessities in our target markets across all of our product segments in 2015, as explained in the section headed "*Financial Information – Key Factors Affecting Our Results of Operations – General Economic Conditions and Consumer Demand for Our Products in the PRC*" in this listing document; and (ii) an increase in the proportion of sales to distributors as sales to direct key accounts incur higher costs such as payment for promoting our products in-store and volume discounts, and sales to distributors allow us to receive payment before delivery whereas our direct key accounts are granted with different credit periods. Notwithstanding lower costs and being free of credit risk in respect of our sales through our distributorship sales channel, we believe that direct relationships with our key accounts will provide us with additional platforms to gather first-hand market feedback from consumers, diversify our sales channels, as well as improve our brand recognition and access to a broader base of consumers. Taking into account the above, our Directors currently expect that we will likely maintain a similar spread of sales between our distributorship sales channel and direct key accounts.

Cost of Sales

The main components of our cost of sales are costs of raw materials and consumables used and, to a lesser extent, manufacturing costs and direct salary. Raw materials and consumables used represent the largest component of our cost of sales, and primarily consist of ingredients of our products and packaging materials. We also use various consumables for our production process. Manufacturing cost primarily consists of depreciation expenses and utility fees. Direct salary consists predominantly of production worker salaries. The following table sets forth a breakdown of our cost of sales for the periods indicated:

	For the year ended 31 December					
	2013		2014		2015	
	RMB ('000)	% of revenue	RMB ('000)	% of revenue	RMB ('000)	% of revenue
Raw materials and consumables used						
Sugar	60,469	4.7	42,361	3.5	38,114	3.7
Canned fruits	34,323	2.7	25,079	2.1	25,085	2.5
Syrup	28,882	2.3	25,173	2.1	23,440	2.3
Flour	35,673	2.8	37,486	3.1	21,984	2.2
Colloid	20,275	1.6	18,072	1.5	17,834	1.7
Seaweed	8,364	0.7	11,569	1.0	11,758	1.2
Palm oil	20,122	1.6	19,160	1.6	10,856	1.1
Corn starch	11,394	0.9	11,266	0.9	9,048	0.9
Packaging materials	252,688	19.7	220,588	18.1	160,704	15.8
Others	111,482	8.7	86,832	7.1	116,462	11.4
	583,672	45.6	497,586	40.9	435,285	42.7
Manufacturing cost	103,846	8.1	102,222	8.4	94,088	9.2
Direct salary	67,517	5.3	64,651	5.3	56,437	5.5
Provision for inventories write-down	3,020	0.2	279	0.0	528	0.1
Changes in inventories of work-in-progress and finished goods	(19,620)	(1.5)	36,168	3.0	2,776	0.3
Total	738,435	57.7	700,906	57.6	589,114	57.8

The movements of our cost of sales during the Track Record Period are generally tied to changes in our sales volume. Raw material prices were relatively stable with some increases offset by some decreases and the net effect of which did not have a material impact. Our total revenue decreased by 5.0% between 2013 and 2014 and our cost of sales decreased by 5.1% during the same period. Our total revenue decreased by 16.1% between 2014 and 2015 and our cost of sales decreased by 15.9% during the same period. Our raw materials and consumables used, being the main component of cost of sales, decreased by 14.7% and 12.5% year on year between 2013 and 2014, and 2014 and 2015.

Gross Profit and Gross Profit Margin

Gross profit represents our revenue less cost of sales. Gross profit margin represents our gross profit as a percentage of revenue. The following table sets forth a summary of our gross profit and gross profit margin by product category for the periods indicated:

	For the year ended 31 December					
	2013		2014		2015	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB ('000)	(%)	RMB ('000)	(%)	RMB ('000)	(%)
Jelly Products	342,732	42.5	307,455	42.2	260,472	42.4
Crackers and Chips	122,351	43.4	132,710	45.7	113,910	46.2
Seasoning Products	45,738	38.5	45,235	37.3	40,340	38.5
Bakery, Confectionery and Other Products	31,098	42.5	29,829	39.9	16,215	29.4
Total	541,919	42.3	515,229	42.4	430,937	42.2

The primary reasons for the decrease in our gross profits over the Track Record Period were decreased sales volume, which we believe resulted from negative consumer sentiment affecting our jelly products following the Toxic Gelatin Incident in March 2014, as well as weakened consumer spending on non-necessities in our target markets across all of our product segments in 2015 typically comprising second and third tier cities, as we implement a mass-market strategy. The completion of the Potato Chips OEM Arrangement in early 2015 also resulted in a reduction in our 2015 gross profit. Please refer to the sections headed "*Financial Information – Key Factors Affecting Our Results of Operations – General Economic Conditions and Consumer Demand for Our Products in the PRC*" and "*Financial Information – Key Factors Affecting Our Results of Operations – Product and Service Mix*" in this listing document for further details of the Toxic Gelation Incident and the Potato Chips OEM Arrangement. We maintained stable gross profit margins for our jelly products, crackers and chips and seasoning products segments. However, the gross profit margin of our bakery, confectionery and other products decreased primarily as a result of the completion of the the Potato Chips OEM Arrangement in early 2015 and lower average selling prices for our bakery and confectionery products as a result of our increased promotional activities to boost sales volume at a lower average selling price.

Other Income and Other Gains – Net

Our other income and other gains primarily consist of government grants income, exchange gain/loss from operating activities and losses on disposal or write-off of property, plant and equipment and land use rights. The following table sets forth a breakdown of our other income and gains (net) for the periods indicated:

	For the year ended 31 December					
	2013		2014		2015	
	RMB ('000)	% of revenue	RMB ('000)	% of revenue	RMB ('000)	% of revenue
Government grants income	4,159	0.3	15,373	1.3	11,384	1.1
Exchange gain/(loss) from operating activities – net	1,477	0.1	10	0.0	(3,578)	(0.4)
Losses on disposal or write-off of property, plant and equipment and land use rights	(3,513)	(0.3)	(392)	(0.0)	(422)	(0.0)
Others	(667)	(0.0)	914	0.0	1,550	0.2
Total	1,456	0.1	15,905	1.3	8,934	0.9

Government grants during the Track Record Period primarily comprised of financial subsidies we received from various local government authorities in the PRC. When offering grants, we believe that local governments generally consider, among other things, the contributions we have made to the local economy such as by way of increasing employment opportunities, and grants are made to encourage our development and investment in these local areas. During the three years ended 31 December 2013, 2014 and 2015, we received government grants of a recurring nature amounting to RMB2.1 million, RMB10.2 million and RMB9.6 million (representing 49.6%, 66.4% and 84.3% of our government grants income in the respective period) and non-recurring nature amounting to RMB2.1 million, RMB5.2 million and RMB1.8 million (representing 50.4%, 33.6% and 15.7% of our government grants income in the respective period) as we were able to fulfill the ongoing conditions for grant such as compliance with tax payment obligations, usage of the subsidies on production facilities improvement, corporate development, staff activities in the relevant years, reaching certain minimum investment amounts based on our construction area and development milestones for our factory construction before the Track Record Period. There is no assurance that we would continue to fulfill the pre-determined ongoing conditions or be given financial subsidies at the historical levels, or at all, since government grants are given at the discretion of the local governmental authorities. Please refer to the section headed "*Risk Factors – Risks relating to the PRC – Financial subsidies that we have enjoyed may be changed or terminated*" in this listing document for further information. Our losses on disposal or write-off of property, plant and equipment and land use rights primary related to equipment from our old facilities in Linying, Henan province and Quanzhou, Fujian province that we abandoned or sold.

Distribution Costs

Our distribution costs primarily consist of marketing and advertising expenses, logistics expenses, wages and salaries, travelling expenses, as well as other distribution costs. Marketing and advertising expenses primarily consist of expenses incurred in advertising campaigns on television and the internet, attendance at international industry trade shows and festivals, and installation of in-store displays featuring our brands and products. Logistics expenses consist of expenses incurred for the delivery of our products from our production facilities to our customers. Wages and salaries consist of wages and salaries paid to our sales staff. Travelling expenses consist of travelling expenses incurred by sales staff during their ordinary course of work.

The following table sets forth a breakdown of our distribution costs for the periods indicated:

	For the year ended 31 December					
	2013		2014		2015	
	RMB ('000)	% of revenue	RMB ('000)	% of revenue	RMB ('000)	% of revenue
Marketing and advertising expenses	183,115	14.3	185,658	15.3	174,000	17.1
Logistics expenses	58,841	4.6	59,578	4.9	51,351	5.0
Wages and salaries	47,213	3.7	47,628	3.9	33,272	3.3
Travelling expenses	22,400	1.7	21,740	1.8	15,959	1.6
Others	25,136	2.0	21,091	1.7	19,718	1.9
Total	336,705	26.3	335,695	27.6	294,300	28.9

Distribution costs remained relatively stable between 2013 and 2014 but decreased by approximately 12.3% for the year ended 31 December 2015 predominantly due to decreased sales volume. A reduction in the number of sales staff between 2014 and 2015 also contributed to the lower wages and salaries expense for the year ended 31 December 2015.

Administrative Expenses

Our administrative expenses primarily consist of wages, salaries and benefits, office expenses, depreciation and amortization expenses, other taxes, travelling and entertainment expenses, professional fees and provision for impairment of trade receivables. Wages, salaries and benefits consist of wages and salaries paid to our administrative staff and related welfare expenses and allowances. Office expenses consist of miscellaneous expenses related to the daily operation of our offices. Depreciation and amortization expenses include the depreciation expenses of items such as office equipment and amortization expenses of items such as our ERP system. Other taxes predominantly include land use tax and property tax. Travelling and entertainment expenses consist of our general travel expenses and expenses related to activities organized for our staff. Professional fees primarily consist of fees paid to auditors.

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	For the year ended 31 December					
	2013		2014		2015	
	RMB ('000)	% of revenue	RMB ('000)	% of revenue	RMB ('000)	% of revenue
Wages, salaries and benefits	44,702	3.5	41,609	3.4	36,307	3.6
Office expenses	11,839	0.9	10,214	0.8	9,730	1.0
Depreciation and amortization expenses	8,499	0.7	9,074	0.7	9,277	1.0
Other taxes	6,554	0.5	5,874	0.5	5,820	0.6
Travelling and entertainment expenses	5,724	0.4	4,739	0.4	5,467	0.5
Professional fees	618	0.0	771	0.1	512	0.1
Provision for impairment of trade receivables	12,601	1.0	82	0.0	5	0.0
Others	7,337	0.6	5,112	0.4	1,843	0.2
Total	97,874	7.6	77,475	6.4	69,411	6.8

A reduction in the number of administrative staff contributed to the lower wages, salaries and benefits expenses in 2014 and 2015. Provision for impairment of trade receivables of RMB12.6 million were recorded at the end of 2013 following a review of our accounts involving the reassessment of our customers and the termination of further dealings with those customers who we deemed to have a poor credit history.

Finance Income and Finance Costs – Net

Our finance income represents interest income from our cash and cash equivalents and exchange gain. Our finance costs represent interest expenses arising from borrowings, exchange loss and other finance charges by financial institutions and bank. The following table sets forth a breakdown of our finance costs and finance income for the periods indicated:

	For the year ended 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Finance income:			
Interest income from cash and cash equivalents	4,008	8,407	11,818
Exchange gain	–	129	41
	4,008	8,536	11,859
Finance costs:			
Interest expenses on borrowings	–	(16)	–
Exchange loss	(216)	–	–
Other finance charges	(222)	(229)	(198)
	(438)	(245)	(198)
Finance income, net	3,570	8,291	11,661

We recorded increasing finance income during the Track Record Period as a result of our increasing cash deposits maintained with banks generated from our operating activities. We have minimal interest expenses on borrowings as we usually finance our operations from cash generated from operations rather than from bank borrowings.

Income Tax Expense

Our income tax expense consists of current and deferred income tax expenses. The following table sets forth a breakdown of our income tax expense for the periods indicated:

	For the year ended 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Current income tax	26,309	35,074	23,734
Deferred income tax, net	1,675	(408)	335
Income tax expense	27,984	34,666	24,069

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits during the Track Record Period. Taxation on PRC income has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the PRC. Our subsidiaries incorporated in the PRC are subject to Corporate Income Tax at the rate of 25%.

The profits of our PRC subsidiaries derived since 1 January 2008 have been subject to withholding tax at a rate of 5% upon the distribution of such profits to foreign investors in Hong Kong, or at a rate of 10% for other foreign investors. Deferred income tax liabilities have been provided for in this regard based on the expected dividends to be distributed from our Group's PRC subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

Our weighted average applicable tax rate was 24.9%, 24.9% and 24.9% for the years ended 31 December 2013, 2014 and 2015, respectively.

SEGMENT RESULTS

We present our segment results as segment revenue less segment cost of sales. Consequently, our segment result equals our gross profit for each segment. Please refer to the section headed "*Financial Information – Description of Selected Income Statement Line Items – Gross Profit and Gross Profit Margin*" in this listing document for further details of our gross profit during the Track Record Period.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

The Year Ended 31 December 2015 Compared to the Year Ended 31 December 2014

The table below sets forth details of our results of operations for the periods indicated:

	For the year ended 31 December				
	2014		2015		2015 v 2014
	RMB ('000)	% of revenue	RMB ('000)	% of revenue	% change
Revenue	1,216,135	100.0	1,020,051	100.0	(16.1)
Cost of sales	(700,906)	(57.6)	(589,114)	(57.8)	15.9
Gross profit	515,229	42.4	430,937	42.2	(16.4)
Other income and other gains – net	15,905	1.3	8,934	0.9	(43.8)
Distribution costs	(335,695)	(27.6)	(294,300)	(28.9)	(12.3)
Administrative expenses	(77,445)	(6.4)	(69,411)	(6.8)	(10.4)
Operating profit	117,994	9.7	76,160	7.5	(35.5)
Finance income	8,536	0.7	11,859	1.2	38.9
Finance costs	(245)	(0.0)	(198)	(0.0)	(19.2)
Finance income – net	8,291	0.7	11,661	1.1	40.6
Profit before income tax	126,285	10.4	87,821	8.6	(30.5)
Income tax expense	(34,666)	(2.9)	(24,069)	(2.4)	(30.6)
Profit for the year, all attributable to shareholders of our Company	91,619	7.5	63,752	6.2	(30.4)

Revenue

Our total revenue decreased by 16.1% from RMB1,216.1 million for the year ended 31 December 2014 to RMB1,020.1 million for the year ended 31 December 2015.

Revenue attributable to our jelly products decreased by 15.8% from RMB729.3 million for the year ended 31 December 2014 to RMB613.8 million for the year ended 31 December 2015. Revenue attributable to our crackers and chips decreased by 15.2% from RMB290.6 million for the year ended 31 December 2014 to RMB246.3 million for the year ended 31 December 2015. Revenue attributable to our seasoning products decreased by 13.6% from RMB121.4 million for the year ended 31 December 2014 to RMB104.8 million for the year ended 31 December 2015. Revenue attributable to our bakery, confectionery and other products decreased by 26.4% from RMB74.8 million for the year ended 31 December 2014 to RMB55.1 million for the year ended 31 December 2015.

The reason for the decrease in revenue across all of our product categories between 2014 and 2015 was largely attributable to our reduced sales volume, which we believe resulted from weakened consumer spending on non-necessities in our target markets typically comprising second and third tier cities as we implement a mass-market strategy, as explained in the section headed "*Financial Information – Key Factors Affecting Our Results of Operations – General Economic Conditions and Consumer Demand for Our Products in the PRC*" in this listing document. In addition, we believe the Toxic Gelatin Incident in March 2014 resulted in negative consumer sentiment in food products containing gelatin and led to a significant reduction in sales of our jelly products, with the effect having been carried over from 2014 to 2015, although our products did not contain toxic gelatin and were not subject to other major negative quality issues. Please refer to the section headed "*Financial Information – Key Factors Affecting Our Results of Operations – General economic conditions and consumer demand for our products in the PRC*" in this listing document for further details of the Toxic Gelation Incidents. We believe weakened consumer spending at restaurants, which form our major customer base of our seasoning products, also contributed to the decline in revenue of our seasoning products. In addition, the completion of the Potato Chips OEM Arrangement in early 2015 also led to a loss of revenue of RMB18.5 million. Please refer to the section headed "*Financial Information – Key Factors Affecting Our Results of operations – Product and Service Mix*" in this listing document for further details of the completion of the Potato Chips OEM Arrangement.

The following table sets forth our sales volume by product category for the periods indicated:

	For the year ended 31 December		
	2014	**2015**	**2015 v 2014**
	Tons	**Tons**	**% Change**
Jelly Products	97,280	81,400	(16.3)
Crackers and Chips	12,988	10,854	(16.4)
Seasoning Products	9,590	7,998	(16.6)
Bakery Products	358	730	103.9
Confectionery Products	1,528	1,072	(29.9)

The increase in sales volume of our bakery products by 103.9% between 2014 and 2015 was primarily due to our increased promotional activities to boost sales volume at a lower average selling price.

The following table sets forth our average selling price per ton by product category for the periods indicated:

	For the year ended 31 December		
	2014	2015	2015 v 2014
	RMB ('000)/ton	RMB ('000)/ton	% Change
Jelly Products	7.5	7.5	0.6
Crackers and Chips	22.4	22.7	1.4
Seasoning Products	12.7	13.1	3.6
Bakery Products	34.9	30.0	(14.1)
Confectionery Products	18.9	19.3	(2.0)

We recorded an increase in the average selling price of seasoning products by 3.6% primarily due to our upward adjustment in selling price caused by an increase in raw material prices. The average selling price of our bakery products decreased by 14.1% between 2014 and 2015 as a result of increased promotional activities intended to boost sales volume at a lower average selling price.

Cost of Sales

Our total cost of sales decreased by 15.9% from RMB700.9 million for the year ended 31 December 2014 to RMB589.1 million for the year ended 31 December 2015. The decrease in cost of sales across our product categories between 2014 and 2015 was primarily related to a decrease in our sales volume. We seek to purchase raw materials in small orders and, as a result, our costs of sales are highly related to market prices of our raw materials. Raw material prices were relatively stable with some increases offset by some decreases and the net effect of which did not have a material impact. For the year ended 31 December 2015, our raw materials and consumables used decreased by 12.5% from RMB497.6 million to RMB435.3 million, our direct salary expenses decreased by 12.7% from RMB64.7 million to RMB56.4 million and our manufacturing cost decreased by 8.0% from RMB102.2 million to RMB94.1 million, as compared to the year ended 31 December 2014.

The following table sets forth our cost of sales by product category for the periods indicated:

	For the year ended 31 December		
	2014	2015	2015 v 2014
	RMB ('000)	RMB ('000)	% Change
Jelly Products	421,845	353,328	(16.2)
Crackers and chips	157,933	132,418	(16.2)
Seasoning Products	76,120	64,498	(15.3)
Bakery, Confectionery and Other Products	45,008	38,870	(13.6)
Total	700,906	589,114	(15.9)

- Cost of sales of our jelly products decreased by approximately 16.2% between 2014 and 2015 mainly due to a reduction in sales volume by approximately 16.3%.

- Cost of sales of our crackers and chips decreased by 16.2% between 2014 and 2015 mainly due to a reduction in sales volume by 16.4%.

- Cost of sales of our seasoning products decreased by 15.3% between 2014 and 2015 mainly due to a reduction in sales volume by 16.6%.

- Cost of sales of our bakery, confectionery and other products decreased by 13.6% between 2014 and 2015. The decrease was predominantly due to decreased sales volume of confectionery and other products, which was partially offset by the increase in cost of sales of our bakery products due to its increased sales volume.

Gross Profit and Gross Profit Margin

The following table sets forth our gross profit and gross profit margin by product category for the periods indicated:

	For the year ended 31 December				
	2014		2015		2015 v 2014
	Gross profit RMB ('000)	Gross profit margin (%)	Gross profit RMB ('000)	Gross profit margin (%)	% Change of gross profit
Jelly Products	307,455	42.2	260,472	42.4	(15.3)
Crackers and Chips	132,710	45.7	113,910	46.2	(14.2)
Seasoning Products	45,235	37.3	40,340	38.5	(10.8)
Bakery, Confectionery and Other Products	29,829	39.9	16,215	29.4	(45.6)
Total	515,229	42.4	430,937	42.2	(16.4)

Our total gross profit decreased by 16.4% from RMB515.2 million for the year ended 31 December 2014 to RMB430.9 million for the year ended 31 December 2015. Our gross profit margin remained relatively stable at 42.4% for the year ended 31 December 2014 and 42.2% for the year ended 31 December 2015.

- The gross profit for our jelly products decreased by 15.3% between 2014 and 2015 primarily due to reduced sales volume. Our gross profit margin for this product category remained relatively stable during this period at 42.2% for the year ended 31 December 2014 and 42.4% for the year ended 31 December 2015, with a 0.6% increase in average selling price.

- The gross profit for our crackers and chips products decreased by approximately 14.2% between 2014 and 2015 primarily due to reduced sales volume. However, our gross profit margin for this product category increased from 45.7% for the year ended 31 December 2014 to 46.2% for the year ended 31 December 2015 predominantly due to an increase in its average selling price by 1.4%.

- The gross profit for our seasoning products decreased by 10.8% between 2014 and 2015 primarily as a result of reduced sales volume. Our gross profit margin for this category of products increased from 37.3% for the year ended 31 December 2014 to 38.5% for the year ended 31 December 2015 predominantly due to an increase in its average selling price by 3.6%.

- The gross profit for our bakery, confectionery and other products decreased by 45.6% from RMB29.8 million to RMB16.2 million. Our gross profit margin for this segment decreased from 39.9% to 29.4%. The decrease in gross profit and gross profit margin were primarily due to the completion of the Potato Chips OEM Arrangement. We recorded substantially all of the fees we received under the Potato Chips OEM Arrangement as revenue, net of related costs, which resulted in revenue derived from the Potato Chips OEM Arrangement having a disproportionately greater impact on our gross profit.

Other Income and Other Gains – Net

Our other income and other gains decreased by 43.8% from RMB15.9 million for the year ended 31 December 2014 to RMB8.9 million for the year ended 31 December 2015 primarily due to our net exchange loss of RMB3.6 million arising from the repayment of a loan to our ultimate holding company denominated in HKD (which had appreciated in value against RMB) and the settlement of dividend payable in 2015, as well as an RMB4.0 million decrease in government grants income for the year ended 31 December 2015 as compared to the year ended 31 December 2014.

Distribution Costs

Our distribution costs decreased by 12.3% from RMB335.7 million for the year ended 31 December 2014 to RMB294.3 million for the year ended 31 December 2015. This decrease was primarily attributable to reduction in various distribution costs associated with decreased sales volumes of our major product categories, including an RMB14.4 million decrease in wages and salaries of our sales staff, an RMB8.2 million decrease in logistics expenses and an RMB5.8 million decrease in travelling expenses. A reduction in the number of sales staff also contributed to the decrease in wage and salaries. We also recorded a reduction of RMB11.7 million in marketing and advertising expenses. Our advertising and promotional expenses as a percentage of our total revenue increased between 2014 and 2015 due to a shortfall between our actual revenues and the budgeted revenues on which our promotional expenditure is based.

Administrative Expenses

Our administrative expenses decreased by 10.4% from RMB77.4 million for the year ended 31 December 2014 to RMB69.4 million for the year ended 31 December 2015. This decrease was primarily attributable to a reduction in the number of administrative staff.

Operating Profit

As a result of the foregoing, our operating profit decreased by 35.5% from RMB118.0 million for the year ended 31 December 2014 to RMB76.2 million for the year ended 31 December 2015.

Finance Income and Finance Costs – Net

Our net finance income increased from RMB8.3 million for the year ended 31 December 2014 to RMB11.7 million for the year ended 31 December 2015, primarily due to increased interest income resulting from generally higher cash levels during the course of 2015 (although the ending balance was lower).

Profit Before Income Tax

Our profit before income tax decreased by 30.5% from RMB126.3 million for the year ended 31 December 2014 to RMB87.8 million for the year ended 31 December 2015.

Income Tax Expense

Our income tax expense decreased by 30.6% from RMB34.7 million for the year ended 31 December 2014 to RMB24.1 million for the year ended 31 December 2015. Our effective tax rate, calculated as income tax expense divided by profit before income tax, was 27.5% and 27.4% for the years ended 31 December 2014 and 2015, respectively.

Profit For the Year

Our profit for the year, all attributable to shareholders of our Company, decreased by 30.4% from RMB91.6 million for the year ended 31 December 2014 to RMB63.8 million for the year ended 31 December 2015. The completion of the Potato Chips OEM Arrangement contributed to an RMB14.1 million decline in our profit for the year ended 31 December 2015 as compared to the year ended 31 December 2014.

The Year Ended 31 December 2014 Compared to the Year Ended 31 December 2013

The table below sets forth details of our results of operations for the periods indicated:

	For the year ended 31 December				
	2013		2014		2014 v 2013
	RMB ('000)	% of revenue	RMB ('000)	% of revenue	% change
Revenue	1,280,354	100.0	1,216,135	100.0	(5.0)
Cost of sales	(738,435)	(57.7)	(700,906)	(57.6)	(5.1)
Gross profit	541,919	42.3	515,229	42.4	(4.9)
Other income and other gains – net	1,456	0.1	15,905	1.3	992.4
Distribution costs	(336,705)	(26.3)	(335,695)	(27.6)	(0.3)
Administrative expenses	(97,874)	(7.6)	(77,445)	(6.4)	(20.9)
Operating profit	108,796	8.5	117,994	9.7	8.5
Finance income	4,008	0.3	8,536	0.7	113.0
Finance costs	(438)	(0.0)	(245)	(0.0)	(44.1)
Finance income – net	3,570	0.3	8,291	0.7	132.2
Profit before income tax	112,366	8.8	126,285	10.4	12.4
Income tax expense	(27,984)	(2.2)	(34,666)	(2.9)	23.9
Profit for the year, all attributable to shareholders of our Company	84,382	6.6	91,619	7.5	8.6

Revenue

Our total revenue decreased by 5.0% from RMB1,280.4 million for the year ended 31 December 2013 to RMB1,216.1 million for the year ended 31 December 2014.

Revenue attributable to our jelly products decreased by 9.6% from RMB806.7 million for the year ended 31 December 2013 to RMB729.3 million for the year ended 31 December 2014. Revenue attributable to our crackers and chips increased by 3.2% from RMB281.7 million for the year ended 31 December 2013 to RMB290.6 million for the year ended 31 December 2014. Revenue attributable to our seasoning products increased by 2.2% from RMB118.7 million for the year ended 31 December 2013 to RMB121.4 million for the year ended 31 December 2014. Revenue attributable to our bakery, confectionery and other products increased by 2.3% from RMB73.1 million for the year ended 31 December 2013 to RMB74.8 million for the year ended 31 December 2014.

Our reduced revenue for the year ended 31 December 2014 compared to the year ended 31 December 2013 was predominantly a result of decreased sales volume for our jelly products which we believe was caused primarily by the Toxic Gelatin Incident in 2014. Although our products did not contain such toxic gelatin and were not subject to other major negative quality issues in the Toxic Gelatin Incidents, we believe the sales of our jelly products were affected by the negative consumer sentiment in food products containing gelatin.

The following table sets forth our sales volume by product category for the periods indicated:

	For the year ended 31 December		
	2013	2014	2014 v 2013
	Tons	Tons	% change
Jelly Products	107,474	97,280	(9.5)
Crackers and Chips	12,708	12,988	2.2
Seasoning Products	9,729	9,590	(1.4)
Bakery Products	225	358	59.1
Confectionery Products	1,423	1,528	7.4

Sales volume of our bakery products increased by 59.1% between 2013 and 2014 due to our increased promotional activities on our bakery products which intended to boost sales volume at a lower average selling price.

The following table sets forth our average selling price per ton by product category for the periods indicated:

	For the year ended 31 December		
	2013	2014	2014 v 2013
	RMB ('000)/ton	RMB ('000)/ton	% change
Jelly Products	7.5	7.5	(0.1)
Crackers and Chips	22.2	22.4	0.9
Seasoning Products	12.2	12.7	3.7
Bakery Products	37.6	34.9	(7.0)
Confectionery Products	19.0	18.9	(0.6)

There was an increase in the average selling price of our seasoning products by 3.7% in 2014, as compared to 2013, due to our upward adjustment in selling price caused by an increase in raw material prices. The average selling price of bakery products decreased by 7.0% in 2014, as compared to 2013, as a result of our increased promotional activities on our bakery products which intended to boost sales volume at a lower average selling price.

Cost of Sales

Our cost of sales decreased by 5.1% from RMB738.4 million for the year ended 31 December 2013 to RMB700.9 million for the year ended 31 December 2014. The decrease was primarily due to a decrease in cost of raw materials and consumables used by 14.7% from RMB583.7 million in 2013 to RMB497.6 million in 2014 primarily resulting from the decrease in our sales volume.

The following table sets forth our cost of sales by product category for the periods indicated:

	For the year ended 31 December		
	2013	2014	2014 v 2013
	RMB ('000)	RMB ('000)	% change
Jelly products	463,993	421,845	(9.1)
Crackers and chips	159,397	157,933	(0.9)
Seasoning Products	73,001	76,120	4.3
Bakery, Confectionery and Other Products	42,044	45,008	7.0
Total	738,435	700,906	(5.1)

- Cost of sales of our jelly products decreased by approximately 9.1% between 2013 and 2014 primarily as a result of a reduction in sales volume by approximately 9.5%.
- Cost of sales of our crackers and chips decreased by approximately 0.9% between 2013 and 2014 despite an increase in sales volume by approximately 2.2% primarily due to a decrease in the price level of certain raw materials.
- Cost of sales of our seasoning products increased by approximately 4.3% between 2013 and 2014 despite a reduction in sales volume by approximately 1.4% primarily due to an increase in the price level of certain raw materials.

- Cost of sales of our bakery, confectionery and other products increased by approximately 7.0% between 2013 and 2014 primarily due to increased sales volumes of 59.1% for our bakery products. However, the increased sales volume did not result in proportional increase in our cost of sales because our cost of sales include fixed costs that do not vary with sales volume.

Gross Profit and Gross Profit Margin

The following table sets forth gross profit and gross profit margin by product category for the periods indicated:

	For the year ended 31 December				
	2013		2014		2014 v 2013
	Gross profit RMB ('000)	Gross profit margin (%)	Gross profit RMB ('000)	Gross profit margin (%)	% change of gross profit
Jelly Products	342,732	42.5	307,455	42.2	(10.3)
Crackers and Chips	122,351	43.4	132,710	45.7	8.5
Seasoning Products	45,738	38.5	45,235	37.3	(1.1)
Bakery, Confectionery and Other Products	31,098	42.5	29,829	39.9	(4.1)
Total	541,919	42.3	515,229	42.4	(4.9)

Our total gross profit decreased by 4.9% from RMB541.9 million for the year ended 31 December 2013 to RMB515.2 million for the year ended 31 December 2014. Our gross profit margin remained relatively stable at 42.3% for the year ended 31 December 2013 and 42.4% for the year ended 31 December 2014.

- The gross profit for our jelly products decreased by 10.3% between 2013 and 2014 primarily due to reduced sales volume. However, our gross profit margin for this product category remained relatively stable at 42.5% for the year ended 31 December 2013 and 42.2% for the year ended 31 December 2014, respectively.

- The gross profit for our crackers and chips products increased by 8.5% between 2013 and 2014 primarily due to increased sales volume. The increase in our gross profit margin from 43.4% for the year ended 31 December 2013 to 45.7% for the year ended 31 December 2014 due to both an increase in average selling prices by 0.9% and a reduction in cost of sales.

- The gross profit for our seasoning products decreased by 1.1% between 2013 and 2014 partly as a result of reduced sales volume. Despite an increase in average selling price by 3.7%, our gross profit margin for this category of products decreased from 38.5% for the year ended 31 December 2013 to 37.3% for the year ended 31 December 2014 predominantly due to an increase in raw material prices.

- The gross profit for our bakery, confectionery and other products decreased by 4.1% between 2013 and 2014, and the gross profit margin for this category of products decreased from 42.5% for the year ended 31 December 2013 to 39.9% for the year ended 31 December 2014, primarily due to lower average selling prices for our bakery and confectionery products. This was in particular a result of our increased promotional activities on our bakery products intended to boost sales volume at a lower average selling price.

Other Income and Other Gains – Net

Our other income and other gains increased from RMB1.5 million for the year ended 31 December 2013 to RMB15.9 million for the year ended 31 December 2014 primarily as a result of an increase in government grants income of RMB11.2 million and decrease in losses incurred on disposal or write-off of property, plant and equipment and land use rights of RMB3.1 million. The loss for the year ended 31 December 2013 predominantly resulted from the disposal or write-off of old production facilities and related equipment due to the relocation of our production facilities of RMB15.3 million. For the year ended 31 December 2014, we incurred a loss of RMB0.4 million on disposal of aging or otherwise unnecessary building and equipment to further streamline our facilities and improve efficiency.

These were partially offset by the decrease in net exchange gain from operating activities of RMB1.5 million as a result of the depreciation of RMB and changes in currency cash holdings according to our business needs.

Distribution Costs

Our distribution costs decreased by 0.3% from RMB336.7 million for the year ended 31 December 2013 to RMB335.7 million for the year ended 31 December 2014 primarily as a result of decreased sales volume in certain product categories offset by increased sales volume in others.

Administrative Expenses

Our administrative expenses decreased by 20.9% from RMB97.9 million for the year ended 31 December 2013 to RMB77.4 million for the year ended 31 December 2014. This decrease was primarily attributable to a decrease in provision for impairment of trade receivables following a review of our accounts in 2013 involving the reassessment of our customers and the termination of further dealings with those customers who we deemed to have a poor credit history, as well as a reduction in the number of administrative staff.

Operating Profit

As a result of the foregoing, our operating profit increased by approximately 8.5% from RMB108.8 million for the year ended 31 December 2013 to RMB118.0 million for the year ended 31 December 2014.

Finance Income and Finance Costs – Net

Our net finance income increased by 132.2% from RMB3.6 million for the year ended 31 December 2013 to RMB8.3 million for the year ended 31 December 2014, primarily due to increased interest income resulting from generally higher cash levels during the course of 2014. Our finance costs decreased by approximately 44.1% from RMB0.4 million for the year ended 31 December 2013 to RMB0.2 million for the year ended 31 December 2014 due to repayment of bank borrowings.

Profit Before Income Tax

Our profit before income tax increased by 12.4% from RMB112.4 million for the year ended 31 December 2013 to RMB126.3 million for the year ended 31 December 2014.

Income Tax Expense

Our income tax expense increased by 23.9% from RMB28.0 million for the year ended 31 December 2013 to RMB34.7 million for the year ended 31 December 2014. Our effective tax rate was 24.9% and 27.5% for the years ended 31 December 2013 and 2014, respectively. The fluctuation was mainly due to withholding tax paid on payment of dividend declared in prior years.

Profit For the Year

Our profit for the year, all attributable to shareholders of our Company, increased by 8.6% from RMB84.4 million for the year ended 31 December 2013 to RMB91.6 million for the year ended 31 December 2014.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Our major source of liquidity is derived from our ongoing operating activities. Our major uses of liquidity are to fund our working capital, purchases of property, plant and equipment in relation to our production facilities and settlement of the amount due to the ultimate holding company. The following table sets forth a summary of our combined cash flows for the periods indicated:

	For the year ended 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Net cash generated from operating activities	207,802	131,062	94,240
Net cash used in investing activities	(72,399)	(30,735)	(1,022)
Net cash used in financing activities	(46,004)	(1,505)	(121,483)
Net increase/(decrease) in cash and cash equivalents	89,399	98,822	(28,265)
Cash and cash equivalents at beginning of the year	69,618	157,088	250,975
Cash and cash equivalents at 31 December	157,088	250,975	220,395

Net Cash Generated from Operating Activities

For the year ended 31 December 2015, we recorded net cash inflows generated from operating activities of RMB94.2 million, consisting of RMB119.1 million in cash generated from operations less RMB24.9 million of income tax paid. Our operating profit before working capital changes was RMB115.6 million. Our positive working capital adjustments of RMB3.5 million were primarily a decrease in trade and other receivables of RMB11.8 million as a result of our more stringent control over the credit terms to our direct key accounts, partially offset by a decrease in trade and other payables of RMB8.1 million due to lower raw material purchases on a credit basis.

For the year ended 31 December 2014, we recorded net cash inflows generated from operating activities of RMB131.1 million, consisting of RMB159.9 million in cash generated from operations less RMB28.8 million of income tax paid. Our operating profit before working capital changes was RMB159.3 million. Our positive working capital adjustment of RMB0.6 million were primarily a decrease of inventories of RMB46.8 million as a result of a change in our inventory holding strategy, and a decrease in trade and other receivables of RMB40.0 million due to more stringent control over the credit terms to our direct key accounts, which were partially offset by a decrease in trade and other payables of RMB86.3 million primarily due to a decrease in advance receipts from customers of RMB50.6 million as a result of a relatively early Chinese New Year in 2014 which led to advance orders being placed at the end of 2013, as well as a decrease in trade payables of RMB35.6 million as a result of a change in our inventory holding strategy which led to lower raw material purchases on a credit basis.

For the year ended 31 December 2013, we recorded net cash inflows generated from operating activities of RMB207.8 million, consisting of RMB231.7 million in cash generated from operations less RMB23.9 million of income tax paid. Our operating profit before working capital changes was RMB150.1 million. Our positive working capital adjustments of RMB81.6 million were primarily an increase in trade and other payables of RMB104.9 million due to increased prepayments from distributors and an increase in inventories of RMB10.6 million due to increased purchases of raw materials for production to meet the orders from customers for the relatively early Chinese New Year in January 2014, which were partially offset by an increase in trade and other receivables of RMB12.7 million in line with increased sales for the year ended 31 December 2013 as compared to the year ended 31 December 2012.

Our cash flow can be affected by the timing of the Chinese New Year holidays of each financial year. Usually, we experience an increase in customers orders for our products before the Chinese New Year holidays in anticipation of demand during the festive holiday. Therefore, the exact date on which Chinese New Year day falls in any particular calender year will have an impact on our production, inventory position, trade receivables and trade payables positions and the amount of VAT recoverable. A Chinese New Year occurring earlier in a financial year would lead to more of these advance orders being placed in the previous financial year. As our distributors are required to make payment before delivery, our cash flows would be affected accordingly. For further discussion on the effect of the timing of Chinese New Year, please refer to the section headed "*Financial Information – Liquidity and Capital Resources – Net Current Assets*" in this listing document.

Net Cash Used in Investing Activities

Our cash used in investing activities primarily consisted of purchase of property, plant and equipment, including additions of construction-in-progress and addition of land use rights. Our cash inflow from investing activities primarily consist of proceeds from disposal of property, plant and equipment and land use rights and interest received.

For the year ended 31 December 2015, our net cash used in investing activities was RMB1.0 million, primarily resulting from RMB12.1 million in purchase of property, plant and equipment, which primarily related to our production facilities in Linying, Henan province and Quanzhou, Fujian province, as well as additional construction-in-progress, partially offset by interest received of RMB11.8 million from our cash deposits.

For the year ended 31 December 2014, our net cash used in investing activities was RMB30.7 million, primarily resulting from RMB33.8 million in purchase of property, plant and equipment, which primarily related to our expansion of production lines in Quanzhou and construction of waste water treatment facilities in Linying and RMB5.3 million purchases of intangible assets, which primarily related to our to ERP system, partially offset by interest received of RMB8.4 million from our cash deposits.

For the year ended 31 December 2013, our net cash used in investing activities was RMB72.4 million, primarily resulting from RMB85.5 million in purchase of property, plant and equipment, which primarily related to our new production facilities in Linying, Henan province and Quanzhou, Fujian province and additions of land use rights of our new production facilities amounting to RMB2.7 million, partially offset by proceeds from disposal of aging facilities and equipment amounting to RMB11.8 million and interest received of RMB4.0 million from our cash deposits.

Net Cash Used in Financing Activities

Our cash used in financing activities primarily consists of repayment of borrowings, repayment to our ultimate holding company and dividends paid to the then shareholders. Our cash inflow from financing activities primarily consisted of proceeds from borrowings and advances from our ultimate holding company.

For the year ended 31 December 2015, our net cash used in financing activities was RMB121.5 million, primarily due to repayments to our ultimate holding company of RMB122.7 million and payment of dividends to the then shareholders of RMB62.3 million, which were partially offset by proceeds from advances of RMB63.5 million from our ultimate holding company.

For the year ended 31 December 2014, our net cash used in financing activities was RMB1.5 million, primarily due to payment of dividends to the then shareholders of RMB36.0 million and repayment of borrowings of RMB1.8 million, which were partially offset by advances of RMB36.3 million from our ultimate holding company.

For the year ended 31 December 2013, our net cash used in financing activities was RMB46.0 million, primarily due to repayments to our ultimate holding company of RMB47.0 million, partially offset by net new borrowings of RMB0.7 million.

NET CURRENT ASSETS

	As at 31 December			As at 30 April
	2013	2014	2015	2016
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Current assets				
Inventories	145,348	98,536	98,837	73,117
Trade receivables	59,971	36,964	22,669	26,083
Other receivables, prepayments and deposits	30,195	13,171	15,642	5,858
Cash and cash equivalents	157,088	250,975	220,395	303,735
Total current assets	392,602	399,646	357,543	408,793
Current liabilities				
Borrowings	1,795	–	–	–
Amount due to the ultimate holding company	22,917	59,201	–	–
Trade payables	82,469	46,873	36,963	47,081
Other payables and accrued charges	137,863	75,016	78,246	98,460
Dividend payable	102,206	66,738	6,055	–
Current income tax liabilities	7,461	8,786	4,710	3,914
Total current liabilities	354,711	256,614	125,974	149,455
Net current assets	37,891	143,032	231,569	259,338

We had net current assets of RMB37.9 million, RMB143.0 million, RMB231.6 million and RMB259.3 million as at 31 December 2013, 2014 and 2015 and 30 April 2016, respectively.

Our net current assets increased by 12.0% to RMB259.3 million as at 30 April 2016 from RMB231.6 million as at 31 December 2015 primarily due to increase in cash and cash equivalents of RMB83.3 million partly received from our ordinary course of business. This was partially offset by increase in other payables and accrued charges of RMB20.2 million and increase in trade payables of RMB10.1 million. As at 30 April 2016, over 99.0% of trade payables as at 31 December 2015 have already been paid.

Our net current assets increased by 61.9% to RMB231.6 million as at 31 December 2015 from RMB143.0 million as at 31 December 2014 primarily due to net cash inflows generated from operating activities. Our cash and cash equivalents decreased by only RMB30.6 million despite the drop in amount due to our ultimate holding company and dividend payable of RMB59.2 million and RMB60.7 million, respectively. The effect of the decrease in trade receivables of RMB14.3 million as a result of our more stringent control over the credit terms of our direct key accounts was partially offset by the decrease in trade payables of RMB9.9 million because of our decrease in purchases of raw materials on a credit basis.

Our net current assets increased by 277.5% to RMB143.0 million as at 31 December 2014 from RMB37.9 million as at 31 December 2013 primarily due to (i) an increase of RMB93.9 million in cash and cash equivalents received in the ordinary course of business, (ii) a decrease in RMB62.8 million of other payables and accrued charges predominantly as a result of a decrease in advance receipts from customers of RMB50.6 million as a result of a relatively early Chinese New year in 2014 which led to advance orders being placed at the end of 2013 and settlement of payables of RMB12.1 million related to our relocation of facilities, (iii) a decrease of RMB35.6 million in trade payables primarily due to a change in our inventory holding strategy which led to lower raw material purchases on a credit basis, and (iv) a decrease of RMB35.5 million in dividend payable due to partial repayment of dividend(s) declared in prior year(s). These were partially offset by a decrease in inventories of RMB46.8 million as a result of a change in our inventory holding strategy, as well as a decrease in trade receivables of RMB23.0 million primarily as a result of more stringent control over the credit terms to our direct key accounts.

Inventories

The following table sets forth a summary of our total inventories as at the dates indicated:

	As at 31 December		
	2013	**2014**	**2015**
	RMB ('000)	**RMB ('000)**	**RMB ('000)**
Finished goods	57,685	17,467	17,074
Work-in-progress	25,965	30,015	27,632
Raw materials	56,493	45,198	48,669
Spare parts and consumables	5,205	5,856	5,462
Total	145,348	98,536	98,837

Our inventories remained relatively stable at RMB98.5 million as at 31 December 2014 and RMB98.8 million as at 31 December 2015 and decreased to RMB73.1 million as at 30 April 2016 due to relatively higher production volume before year end in anticipation of higher sales volume around the Chinese New Year period. Our inventory decreased by 32.2% from RMB145.3 million as at 31 December 2013 to RMB98.5 million as at 31 December 2014 mainly as a result of a change in our inventory holding strategy to reduce our holding of raw materials and increase our overall inventory turnover rate by arranging for delivery of raw materials in smaller batches more frequently according to manufacturing needs in order to benefit from fresher ingredients and reduced inventory holding costs. In order to minimise the impact of raw material price fluctuations, we also enter into contracts with some suppliers on an annual basis with agreed prices, some of which allow for downward adjustment in the case of decrease in market price. For contracts that do not state a fixed price, our management exercise judgment throughout the year to place orders with suppliers including in bulk quantities to enjoy purchase discounts, taking into account the raw material price, and arrange delivery and payment over a period of time in smaller and more frequent batches according to our Group's production needs. As a result, our Directors consider that the shift in our inventory holding strategy to more frequent smaller despatches has not had a material impact on our overall raw material purchasing prices.

The following table sets forth our inventory turnover days for the periods indicated:

	For the year ended 31 December		
	2013	2014	2015
	(days)	(days)	(days)
Inventory turnover days	69.2	63.5	61.1

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

Our inventory turnover days decreased from 69.2 days in 2013 to 63.5 days in 2014 and 61.1 days in 2015 as a result of a change in our inventory holding strategy.

As at 30 April 2016, RMB89.4 million, or 90.5%, of our inventory balance as at 31 December 2015 had been sold or utilized.

Trade Receivables

Our trade receivables decreased by 38.7% from RMB37.0 million as at 31 December 2014 to RMB22.7 million as at 31 December 2015 and by 38.4% from RMB60.0 million as at 31 December 2013 to RMB37.0 million as at 31 December 2014. As our distributors are required to make payments before delivery, thereby eliminating any credit terms and credit risk, our trade receivables are largely related to our direct sales to key accounts customers. The decrease in trade receivables over the Track Record Period was attributable to more stringent control over the credit terms to our direct key accounts, as well as termination of relationships with customers who we considered as having poor credit history.

We typically enter into annual sales agreements with our direct key accounts with credit terms of 30 to 90 days beginning from the date of issuance of invoice. The following table sets forth an ageing analysis of trade receivables based on invoice date, before provision for impairment, as at the dates indicated:

	As at 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Within 30 days	30,952	13,659	3,144
31 – 180 days	27,839	17,881	15,273
181 – 365 days	602	4,425	2,317
Over 365 days	578	999	1,935
	59,971	36,964	22,669

The following table sets forth our trade receivables turnover days for the periods indicated:

	For the year ended 31 December		
	2013	2014	2015
	(days)	(days)	(days)
Trade receivables turnover days	16.9	14.5	10.7

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

Our trade receivables turnover days decreased from 16.9 days in 2013 to 14.5 days in 2014 and to 10.7 days in 2015. The decrease in trade receivables turnover days during the Track Record Period was generally in line with our decrease in trade receivables for reasons discussed above.

The following table sets forth the movements in the provision for impairment of trade receivables for the periods indicated:

	For the year ended 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
At beginning of year	1,631	–	–
Provision for impairment of trade receivables	12,601	82	5
Receivables written-off during the year as uncollectible	(14,232)	(82)	(5)
At end of the year	–	–	–

The amount of receivables written-off during the year as uncollectible as a proportion of total trade receivables decreased significantly to approximately 0.2% and 0.0% of our total trade receivables for the years ended 31 December 2014 and 2015, respectively. The total amount of receivables written-off for the year ended 31 December 2013 as uncollectible was RMB14.2 million which represented approximately 23.7% of our trade receivables for the year ended 31 December 2013 due to a review of our accounts involving the reassessment of our customers and the termination of relationships with customers who we considered as having poor credit history.

The majority of our trade receivables were denominated in RMB. The following table sets out the denomination of our trade receivables as at the dates indicated:

	As at 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
RMB	54,310	36,927	22,620
Other currencies	5,661	37	49
Total	59,971	36,964	22,669

As at 30 April 2016, we had collected RMB13.9 million, or 61.1%, of the outstanding amount of our trade receivables as at 31 December 2015. Of the remaining 38.9% of the outstanding amount of our trade receivables as at 31 December 2015, being RMB8.8 million, RMB4.5 million was due from a direct key account with whom we entered into termination agreements in March 2016 and agreed that the outstanding sum would be paid within three months therefrom. We are currently actively taking steps to recover the remaining outstanding sums. No impairment has been made as our Directors do not foresee there will be material difficulties in recovering the outstanding as the debtors do not have a poor credit history.

Other Receivables, Prepayments and Deposits

Our other receivables, prepayments and deposits primarily consist of advance payments to suppliers, prepayments for rental fee and utility fee and VAT recoverable. The following table sets forth a breakdown of our other receivables, prepayments and deposits as at the dates indicated:

	As at 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Other receivables, prepayments and deposits			
– Advance payments to suppliers	5,235	5,817	3,920
– Prepayments for rental fee and utility fees	1,976	2,019	2,146
– Value added tax recoverable	22,349	4,360	8,672
– Others	635	975	904
	30,195	13,171	15,642

The level of VAT recoverable from the off-setting of taxes between our purchases and sales is closely related to our inventory level during the Track Record Period. Due to higher inventory level as at 31 December 2013, we have recorded a higher level of VAT recoverable. Our advance payments to suppliers decreased as at 31 December 2015 due to decreased sales volume in 2015. Our prepayments for rental fee and utility fee remained relatively stable during the Track Record Period.

As at 31 December 2013, 2014 and 2015, other receivables were neither past due nor impaired.

Trade Payables, Other Payables and Accrued Charges

The following table sets forth our trade payables, other payables and accrued charges as at the dates indicated:

	As at 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Trade payables	82,469	46,873	36,963
Other payables and accrued charges			
– Payables for purchase of property, plant and equipment	25,712	13,620	13,795
– Accrued expenses	7,694	9,685	1,423
– Advance receipts from customers	76,625	26,010	38,623
– Staff salaries payables	23,638	23,830	22,465
– Taxes payables	1,456	899	981
– Other payables	2,738	972	959
	137,863	75,016	78,246
Trade and other payables	220,332	121,889	115,209

Our trade payables, other payables and accrued charges decreased significantly between 2013 and 2014. We recorded a reduction in trade payables of RMB35.6 million or 43.2% between 2013 and 2014 primarily as a result of a change in our inventory holding strategy which led to lower raw material purchases on a credit basis. As a result of our continued implementation of revised inventory holding strategy in 2015, there was a decrease in trade payables of RMB9.9 million or 21.1% as at 31 December 2015 as compared to 31 December 2014. This was partially offset by an increase in advance receipts from customers as at 31 December 2015 as a result of the timing effect of the Chinese New Year. Our payables for purchase of property, plant and equipment as at 31 December 2014 and 2015 remained at a stable level after a major decrease as at 31 December 2014 due to settlement of payables related to our relocation of facilities. Staff salaries payables have maintained relatively stable at RMB23.6 million, RMB23.8 million and RMB22.5 million as at 31 December 2013, 2014 and 2015 respectively.

The following table sets forth the ageing analysis of our trade payables based on invoice date as at the dates indicated:

	As at 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Within 30 days	40,772	31,069	19,171
31 – 180 days	39,269	14,873	17,200
181 – 365 days	1,453	417	387
Over 365 days	975	514	205
Total	82,469	46,873	36,963

As at 31 December 2013, 2014 and 2015, 97.1%, 98.0% and 98.4% of our trade payables were aged within 180 days.

The following table sets forth our trade payables turnover days for the periods indicated:

	For the year ended 31 December		
	2013	2014	2015
	(days)	(days)	(days)
Trade payables turnover days	38.3	33.7	26.0

Note: Trade payables turnover days for each one-year period equals the average of the beginning and ending trade-related payables for that year divided by cost of sales for that year and multiplied by 365 days.

Our trade payables turnover days decreased from 38.3 days for the year ended 31 December 2013 to 33.7 days for the year ended 31 December 2014, and continued to decrease to 26.0 days for the year ended 31 December 2015. This was primarily due to quicker payments to our suppliers to meet tightened credit conditions which we believe resulted from the increasingly negative market perception in the PRC.

As at 30 April 2016, we had paid RMB36.6 million, or 99.1%, of the outstanding amount of our trade payables as at 31 December 2015.

The carrying amounts of our trade payables were predominantly denominated in RMB. The following table sets forth the denomination of our trade payables as at the dates indicated:

	As at 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
RMB	81,519	46,827	36,963
USD	950	46	–
Total	82,469	46,873	36,963

98.8%, 99.9% and 100.0% of our trade payables were denominated in RMB as at 31 December 2013, 2014 and 2015, respectively.

Related Party Transactions

The following table sets forth the amounts due to the ultimate holding company and dividend payable to the then shareholders as at the dates indicated:

	As at 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Current			
– Amount due to the ultimate holding company	22,917	59,201	–
– Dividend payable to the then shareholders	102,206	66,738	6,055
	125,123	125,939	6,055

As at 31 December 2013, 2014 and 2015, the amount due to the ultimate holding company was RMB22.9 million, RMB59.2 million and nil, respectively. These amounts were unsecured, interest-free and repayable on demand. Our Directors confirm that these loan transactions were conducted on an arm's length basis and would not distort our track record results or make the historical results not reflective of our future performance. For further information, please refer to Note 30 of the Accountant's Report set out in the section headed "*Appendix I – Accountant's Report*" in this listing document.

The increase in amount due to the ultimate holding company as at 31 December 2014 compared to 31 December 2013 was due to advances from the ultimate holding company in the amount of RMB36.3 million (in Hong Kong dollars) to finance the payment of dividends to the then shareholders.

As at 31 December 2013, 2014 and 2015, dividend payable to the then shareholders was RMB102.2 million, RMB66.7 million and RMB6.1 million, respectively. The dividend payable to the then shareholders as at 31 December 2015 has been settled by internal resources.

CAPITAL EXPENDITURE

The following table sets forth our capital expenditures for the periods indicated:

	For the year ended 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Purchase of property, plant and equipment, including additions of construction-in-progress	85,480	33,805	12,057
Additions of land use rights	2,687	141	–
Purchases of intangible assets	–	5,337	820
Total	88,167	39,283	12,877

Our capital expenditures during the Track Record Period primarily comprised of expenditures on property, plant and equipment, including additions of construction-in-progress, land use rights and intangible assets. For details of our capital expenditures on property, plant and equipment, please refer to the section headed "*Financial Information – Liquidity and Capital Resources – Net Cash Used in Investing Activities*" in this listing document. During the Track Record Period, we financed our capital expenditures primarily with cash flows generated from operating activities.

Capital Commitments and Commitments Under Operating Leases

The following table sets forth our capital commitments as at the dates indicated:

	As at 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Contracted but not provided for in respect of:			
– Machinery and equipment	14,511	11,608	5,712
– Buildings	9,154	3,327	2,773
	23,665	14,935	8,485

Our capital commitments during the Track Record Period were predominantly related to our production facilities.

The following table sets forth our future aggregate minimum lease payments under non-cancellable operating lease as at the dates indicated:

	As at 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Not later than 1 year	3,042	3,044	2,803
Later than 1 year and not later than 5 years	14	919	95
	3,056	3,963	2,898

The operating lease commitments were related to our lease of certain properties and land in the PRC predominantly for production and business operational use.

Based on our cash and cash equivalents position as at 31 December 2015, we were in a position to meet our contractual obligations as set out above.

INDEBTEDNESS

The following table sets forth our bank borrowings as at the dates indicated:

	As at 31 December			As at 30 April
	2013	2014	2015	2016
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Short-term loans – unsecured	1,795	–	–	–

During the Track Record Period we had two entrusted loans from a third party through a commercial bank. The borrowings carried an interest at 2% per annum and were repaid in 2014.

As at 30 April 2016, being the latest practicable date for the purpose of this indebtedness statement, other than as disclosed in this listing document, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptance (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities, or unutilized bank facilities. Since 30 April 2016, there has been no material adverse change in our indebtedness.

CONTINGENT LIABILITIES

As at 30 April 2016, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group. There has not been any material change in the contingent liabilities of our Group since 30 April 2016.

SUMMARY OF KEY FINANCIAL RATIOS

	As at and for the year ended 31 December		
	2013	2014	2015
Profitability ratios			
Return on total assets[1]	10.5%	10.8%	7.9%
Return on equity[2]	18.8%	17.0%	10.4%
Liquidity ratios			
Current ratio[3]	1.11	1.56	2.84
Quick ratio[4]	0.70	1.17	2.05
Capital adequacy ratios			
Net debt to equity ratio[5]	N/A	N/A	N/A
Interest coverage[6]	N/A	7,374.6	N/A
Gearing ratio[7]	0.4%	0.0%	0.0%

Notes:

1. Return on total assets is calculated by dividing profit for the year by the average of the beginning and ending total assets for the respective year and multiplying the resulting value by 100%.

2. Return on equity is calculated by dividing profit for the year by the average of the beginning and ending equity attributable to shareholders of our Company for the respective year and multiplying the resulting value by 100%.

3. Current ratio is calculated by dividing total current assets by total current liabilities as at the respective year.

4. Quick ratio is calculated by dividing total current assets less inventories by total current liabilities as at the respective year.

5. Net debt to equity ratio is not applicable since our Company has maintained net cash positions for each respective year.

6. Interest coverage is calculated by dividing operating profit by interest expenses on borrowings of the respective year.

7. Gearing ratio is calculated by dividing total debt by total equity as at the respective year, multiplying the resulting value by 100%.

Return on Total Assets

Our return on total assets increased from 10.5% for the year ended 31 December 2013 to 10.8% for the year ended 31 December 2014 mainly due to increase in profit for the year ended 31 December 2014 partially offset by increase in average total assets driven by increase in average cash and cash equivalents. Our return on total assets decreased from 10.8% for the year ended 31 December 2014 to 7.9% for the year ended 31 December 2015 mainly due to decrease in profit for the year from RMB91.6 million for the year ended 31 December 2014 to RMB63.8 million for the year ended 31 December 2015 driven by decline in overall sales partially offset by decrease in average total assets as a result of decrease in average inventories, trade receivables and property, plant and equipment.

Return on Equity

For each of the three years ended 31 December 2013, 2014 and 2015, our return on equity was approximately 18.8%, 17.0% and 10.4% respectively. The decrease from the year ended 31 December 2013 to the year ended 31 December 2014 was mainly due to a larger increase in average retained earnings relative to profit increase. The sharp decrease for the year ended 31 December 2015 was primarily due to decrease in profit for the year from RMB91.6 million for the year ended 31 December 2014 to RMB63.8 million for the year ended 31 December 2015 as a result of decline in overall sales.

Current Ratio

Our current ratio increased from 1.11x as at 31 December 2013 to 1.56x as at 31 December 2014, primarily due to an RMB93.9 million increase in cash and cash equivalents together with a decrease in our current liabilities as at 31 December 2014. Our current ratio further increased to 2.84x as at 31 December 2015, primarily because total current liabilities decreased by a larger scale than total current assets, caused by a drop of RMB60.7 million of dividend payable and a drop of RMB59.2 million in the amount due to the ultimate holding company.

Quick Ratio

Our quick ratio increased from 0.70x as at 31 December 2013 to 1.17x as at 31 December 2014, primarily due to an RMB93.9 million increase in cash and cash equivalents together with a decrease in our current liabilities as at 31 December 2014. Total current liabilities decreased by RMB98.1 million as at 31 December 2014 due to a drop in trade payables, other payables and accrued charges and dividend payable. Our quick ratio further increased to 2.05x as at 31 December 2015, primarily because total current liabilities decreased by a larger scale than total current assets, caused by a drop of RMB60.7 million of dividend payable and a drop of RMB59.2 million in the amount due to the ultimate holding company.

Net Debt to Equity Ratio

As at 31 December 2013, 2014 and 2015, the Company maintained net cash positions. We had repaid all bank borrowings in 2014 and had RMB220.4 million in cash and cash equivalents as at 31 December 2015. Therefore, the net debt to equity ratio is not applicable as at 31 December 2013, 2014 and 2015.

Interest Coverage

For the year ended 31 December 2014, our interest coverage was approximately 7,374.6x. No interest expenses on borrowings were incurred for the years ended 31 December 2013 and 31 December 2015 due to repayment of borrowings.

Gearing Ratio

As at 31 December 2013, 2014 and 2015, our gearing ratio was 0.4%, 0.0% and 0.0% respectively. We had repaid all borrowings in 2014 and had RMB220.4 million in cash and cash equivalents as at 31 December 2015.

SENSITIVITY ANALYSIS

The following sensitivity analysis demonstrates the impact of hypothetical fluctuations in average selling price, raw materials and consumables and the average unit purchase price of selected key primary raw materials on our profit for the periods indicated, assuming all other factors affecting our profitability remained the same.

Average selling price:

Change in profit for the year (RMB'000)	Increase/ decrease by 2.5%	Increase/ decrease by 5%
2013	+/- 24,037	+/- 48,075
2014	+/- 22,057	+/- 44,115
2015	+/- 18,512	+/- 37,024

Raw materials and consumables:

Change in profit for the year (RMB'000)	Increase/ decrease by 2.5%	Increase/ decrease by 5%
2013	-/+ 10,958	-/+ 21,916
2014	-/+ 9,025	-/+ 18,050
2015	-/+ 7,900	-/+ 15,799

Average unit price of sugar:

Change in profit for the year (RMB'000)	Increase/ decrease by 5%	Increase/ decrease by 10%	Increase/ decrease by 15%
2013	-/+ 2,266	-/+ 4,531	-/+ 6,796
2014	-/+ 1,537	-/+ 3,073	-/+ 4,610
2015	-/+ 1,392	-/+ 2,785	-/+ 4,177

Average unit price of flour:

Change in profit for the year (RMB'000)	Increase/ decrease by 5%	Increase/ decrease by 10%	Increase/ decrease by 15%
2013	-/+ 489	-/+ 977	-/+ 1,465
2014	-/+ 473	-/+ 946	-/+ 1,419
2015	-/+ 423	-/+ 845	-/+ 1,268

WORKING CAPITAL SUFFICIENCY

After taking into consideration the financial resources available to our Group, including our cash on hand, operating cash flows, and in the absence of unforeseen circumstances, our Directors confirm that we have sufficient working capital for our present requirements, that is for at least the next 12 months from the date of this listing document.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

FINANCIAL RISKS

Our Group's activities expose us to a variety of financial risks: market risk (including foreign currency risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. Our Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our Group's financial performance.

Foreign Exchange Risk

We mainly operate in the PRC and our functional currency is RMB. Foreign exchange risk arises from future commercial transactions of purchases from overseas by our Group and recognized assets or liabilities, such as cash and cash equivalent, trade and other receivables and payables, and bank borrowings held by its subsidiaries, which are denominated in Hong Kong Dollar, United States Dollar and other currencies.

Approximately 90.6%, 99.9% and 99.8% of our trade receivables as at 31 December 2013, 2014 and 2015 respectively were denominated in RMB. Similarly, approximately 98.8%, 99.9% and 100.0% of our trade payables were denominated in RMB as at 31 December 2013, 2014 and 2015 respectively. It is expected that we will be exposed to minimal foreign exchange risk exposure as we focus our sales and purchase within the PRC market.

As at 31 December 2013, 2014 and 2015, if RMB had strengthened/weakened by 5% against the foreign currencies with all other variables unchanged, our Group's profit for the year before income tax would have been RMB226,000, RMB7,000 and RMB1,180,000 lower/higher respectively.

Cash Flow and Fair Value Interest Rate Risk

Except for cash and cash equivalent set out in Note 20 of the Accountant's Report set out in the section headed "*Appendix I – Accountant's Report*" in this listing document, our Group has no other significant interest-bearing assets. Our Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact on interest-bearing assets resulted from the changes in interest rates because the interest rates of bank deposits are not expected to change significantly.

Our Group's interest-rate risk mainly arises from borrowings. Borrowings obtained at variable rates expose our Group to cash flow interest-rate risk. Borrowings obtained at fixed rates expose our Group to fair value interest-rate risk. Our Group does not hedge its cash flow and fair value interest rate risk. The interest rates and terms of repayments of borrowings are disclosed in Note 24 of the Accountant's Report set out in the section headed "*Appendix I – Accountant's Report*" in this listing document.

As at 31 December 2013, if interest rates had been 100 basis points higher/lower with all other variables held constant, our Group's profit for the year before income tax would have been RMB5,000 higher/lower.

Credit Risk

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

As at 31 December 2013, 2014 and 2015, all of our bank balances and deposits were held with the highly reputable and sizeable banks and financial institutions which our Directors believe are without significant credit risk. Our Directors do not expect any losses arising from non-performance by these counterparties.

We have established policies to ensure that the sale of our products is made to customers with an appropriate credit history. We perform periodic credit evaluations of our customers. The majority of our Group's sales are settled in cash by its customers on delivery of goods, which is reflected in our decreasing trade receivable. Credit sales are made only to selected customers with good credit history. Our Group has policies in place to ensure that settlement of trade receivables are followed up on a timely basis.

Liquidity Risk

Cash flow is managed at group level by head office finance department ("**Group Finance**"). Group Finance monitors our Group's liquidity requirements to ensure that it has sufficient cash to meet operational needs at all times and does not breach borrowing limits or covenants on any of its borrowing facilities. Group Finance usually takes into consideration our Group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.

Group Finance mainly invests surplus cash in time deposits, with appropriate maturities.

The table set forth below analyses our Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	As at 31 December		
	2013	2014	2015
	RMB('000)	RMB('000)	RMB('000)
Less than 1 year			
– Borrowings	1,795	–	–
– Interest payables on borrowings	24	–	–
– Trade and other payables	118,613	71,150	53,140
– Amount due to the ultimate holding company	22,917	59,201	–
	143,349	130,351	53,140

CAPITAL RISKS

Our Group's objectives when managing capital are to safeguard our Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, our Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, our Group monitors capital on the basis of the gearing ratio.

For further details on our gearing ratio, please refer to the section headed "*Financial Information – Summary of Key Financial Ratios*" in this listing document, and Note 3.2 of the Accountant's Report in "*Appendix I – Accountant's Report*" in this listing document.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 14 January 2016. As such, we had no distributable reserves as at 31 December 2015.

DIVIDEND POLICY

We did not declare any dividend during the Track Record Period. All amounts of dividends paid and dividends payable during the Track Record Period were in respect of dividend declared prior to the commencement of the Track Record Period on 1 January 2013. We may declare dividends in the future after taking into account our results of operations, earnings, our capital requirements and surplus, our general financial condition, contractual restrictions, and other factors as our Directors may deem relevant at such time. Whether we pay a dividend and the amount of such dividend will depend on our results of operations, cash flows, financial condition, cash dividends we receive from our subsidiaries, future business prospects, statutory and regulatory restrictions and other factors that our Directors deem relevant. As a Cayman Islands company, any dividend recommendation will be at the absolute discretion of our Directors.

Chinese laws require that dividends be paid only out of net profit calculated according to PRC accounting principles, which may differ from generally accepted accounting principles in other jurisdictions, including the HKFRS. Some of our subsidiaries in China, which are foreign-invested enterprises, set aside part of their net profit as statutory reserves, in accordance with the requirements of relevant Chinese laws and the provisions of their respective articles of association. These portions of our subsidiaries' net profits are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future. Since we rely on our Chinese subsidiaries' dividends as the source of funds to pay dividends, these restrictions may limit or completely prevent us from paying dividends.

Any declaration and payment, as well as the amount of dividends, will be subject to our Articles of Association and the Cayman Islands Companies Law. Our Shareholders in general meetings may approve and make any declaration of dividends, which must not exceed the amount recommended by our Directors. No dividend may be declared or paid except out of our profits or reserves set aside from profits in our Directors' discretion. Dividends may also be declared and paid out of our share premium account in accordance with the Cayman Islands Companies Law and our Articles of Association, provided that no dividend may be made out of our share premium account unless we will be able to pay our debts as they fall due in the ordinary course of business immediately following the date on which the dividend is proposed to be paid.

Our Board currently intends, subject to the above limitations, and in the absence of any circumstances which might reduce the amount of available distributable reserves, whether by losses or otherwise, to distribute to Shareholders approximately 20% of our future profits attributable to the equity holders of our Company.

LISTING EXPENSES

We did not incur any listing expenses during the Track Record Period. We expect to incur approximately RMB21.4 million of listing expenses after the Track Record Period, which will be recognized as expenses in our combined income statements for the financial year ending 31 December 2016, a substantial portion of which would be recognized in our combined income statements for the six months ending 30 June 2016.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Based on our unaudited management accounts, we recorded a moderate increase in the average monthly revenue and gross profit for the four months ended 30 April 2016 as compared to the average monthly revenue and gross profit for the year ended 31 December 2015, respectively. Nevertheless, we expect a moderate decline in our revenue and gross profit for the six months ending 30 June 2016 as compared to the six months ended 30 June 2015 as we did not, and do not intend to, engage in any sales and marketing campaign of a scale similar to an enhanced sales and marketing campaign we conducted in the first half of 2015 which had a short term positive effect on the revenue and gross profit for the period. As at 30 April 2016, we recorded an increase in our net current assets as compared to that at 31 December 2015. For further details, please refer to the section headed "*Financial Information – Net Current Assets*" in this listing document.

Our Group expects to recognize one-off expenses of approximately RMB21.4 million in connection with the Spin-off in our combined income statements for the financial year ending 31 December 2016, a substantial portion of which would be recognized in our combined income statements for the six months ending 30 June 2016. Our Group anticipates that these expenses will have a significant negative impact on our Group's results of operations and financial condition in the six months ending 30 June 2016 and the financial year ending 31 December 2016.

Our Directors confirm that, save for the listing expenses for the Spin-off and the aforesaid effect of our sales and marketing campaign in the first half of 2015, as far as they are aware, there had been no material adverse change in our financial or trading position or prospects since 31 December 2015, being the date to which our Company's latest audited combined financial statements were prepared as set forth in the section headed "*Appendix I – Accountant's Report*" in this listing document, up to the date of this listing document. As far as our Directors are aware, there was no material change in the general market conditions that had affected or would affect our Group's business operations or financial condition materially and adversely.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

According to Rule 13.17 of the Listing Rules, a general disclosure obligation will arise where the controlling shareholder of a listed issuer has pledged its interest in shares of the company to secure debts of a listed issuer or to secure guarantees or other support of obligations of the a listed issuer.

Our Directors have confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure obligation under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

Our principal objective is to enhance our position in the food and snacks market in the PRC and become one of the largest manufacturers of food and snacks products nationwide. For further details of our future plans, please refer to the section headed "*Business – Our Competitive Strategies*" in this listing document.

Expected capital expenditure for 2016 include: (i) purchases of property, plant and equipment, including additions of construction-in-progress amounting to RMB26.2 million, which comprises purchase of production machinery of RMB23.1 million and related environmental and compliance expenses of RMB3.1 million, taking into account expected maintenance and upgrades; and (ii) purchase of intangible assets amounting to RMB 7.1 million for the purchase of ERP software based on the expected growth of our business and ongoing system upgrades. The aforesaid capital expenditure will be funded by our internal funding.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

24 June 2016

The Directors
Qinqin Foodstuffs Group (Cayman) Company Limited

Merrill Lynch Far East Limited

Dear Sirs,

We report on the financial information of Qinqin Foodstuffs Group (Cayman) Company Limited (the "Company") and its subsidiaries (together, the "Group") (the "Financial Information") which comprises the combined balance sheets as at 31 December 2013, 2014 and 2015, and the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements for each of the years ended 31 December 2013, 2014 and 2015 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. The Financial Information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the listing document of the Company dated 24 June 2016 (the "listing document") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 14 January 2016 as an exempted company with limited liability under the Companies Law (2013 revision) of the Cayman Islands. Pursuant to a group reorganization as described in *Note 1.2* of Section II below, on 14 April 2016, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganization").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in *Note 32* of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

No audited financial statements have been prepared by the Company as it is newly incorporated and has not been involved in any significant business transactions since its date of incorporation, other than the Reorganization. The statutory audited financial statements of other companies comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in *Note 32* of Section II.

The directors of the Company have prepared the combined financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with HKFRSs. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA pursuant to separate terms of engagement with the Company.

The Financial Information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and on the basis set out in *Note 1.3* of Section II below.

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with the basis of presentation set out in *Note 1.3* of Section II below and in accordance with HKFRSs, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the Financial Information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, the Financial Information gives, for the purpose of this report and presented on the basis set out in *Note 1.3* of Section II below, a true and fair view of the combined state of affairs of the Group as at 31 December 2013, 2014 and 2015, and of the Group's combined results and cash flows for the Relevant Periods.

I FINANCIAL INFORMATION OF THE GROUP

The following is the Financial Information of the Group prepared by the directors of the Company as at 31 December 2013, 2014 and 2015 and for each of the years ended 31 December 2013, 2014 and 2015, presented on the basis set out in *Note 1.3* below:

COMBINED INCOME STATEMENTS

		Year ended 31 December		
	Note	**2013**	**2014**	**2015**
		RMB ('000)	**RMB ('000)**	**RMB ('000)**
Revenue	5	1,280,354	1,216,135	1,020,051
Cost of sales	7	(738,435)	(700,906)	(589,114)
Gross profit		541,919	515,229	430,937
Other income and other gains – net	6	1,456	15,905	8,934
Distribution costs	7	(336,705)	(335,695)	(294,300)
Administrative expenses	7	(97,874)	(77,445)	(69,411)
Operating profit		108,796	117,994	76,160
Finance income	8	4,008	8,536	11,859
Finance costs	8	(438)	(245)	(198)
Finance income – net		3,570	8,291	11,661
Profit before income tax		112,366	126,285	87,821
Income tax expense	9	(27,984)	(34,666)	(24,069)
Profit for the year, all attributable to shareholders of the Company		84,382	91,619	63,752

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 December		
		2013	2014	2015
		RMB ('000)	RMB ('000)	RMB ('000)
Profit for the year		84,382	91,619	63,752
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
– Currency translation differences		2,074	(419)	(2,178)
Other comprehensive income for the year		2,074	(419)	(2,178)
Total comprehensive income for the year, all attributable to shareholders of the Company		86,456	91,200	61,574
Earnings per share for profit attributable to shareholders of the Company during the year				
– Basic and diluted earnings per share (expressed in RMB per share)	11	N/A	N/A	N/A

COMBINED BALANCE SHEETS

	Note	As at 31 December		
		2013	2014	2015
		RMB ('000)	RMB ('000)	RMB ('000)
Assets				
Non-current assets				
Property, plant and equipment	12	395,126	385,628	360,198
Construction-in-progress	13	9,462	2,137	1,781
Land use rights	14	43,076	42,286	41,327
Intangible assets	15	19	4,886	5,130
Prepayments for non-current assets	16	2,597	994	867
Deferred income tax assets	23	8,752	8,308	8,154
		459,032	444,239	417,457
Current assets				
Inventories	18	145,348	98,536	98,837
Trade receivables	19	59,971	36,964	22,669
Other receivables, prepayments and deposits	19	30,195	13,171	15,642
Cash and cash equivalents	20	157,088	250,975	220,395
		392,602	399,646	357,543
Total assets		851,634	843,885	775,000
Equity and liabilities				
Equity attributable to shareholders of the Company				
Share capital		–	–	–
Other reserves	21	173,384	174,718	180,514
Retained earnings				
– Unappropriated retained earnings	22	319,076	408,942	464,720
Total equity		492,460	583,660	645,234
Liabilities				
Non-current liabilities				
Deferred income tax liabilities	23	4,463	3,611	3,792
		4,463	3,611	3,792
Current liabilities				
Borrowings	24	1,795	–	–
Amount due to the ultimate holding company	30(c)	22,917	59,201	–
Trade payables	25	82,469	46,873	36,963
Other payables and accrued charges	25	137,863	75,016	78,246
Dividend payable	30(c)	102,206	66,738	6,055
Current income tax liabilities		7,461	8,786	4,710
		354,711	256,614	125,974
Total liabilities		359,174	260,225	129,766
Total equity and liabilities		851,634	843,885	775,000

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to the Company's shareholders			
		Share capital	Other reserves	Retained earnings	Total equity
		RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
At 1 January 2013		–	170,190	235,814	406,004
Profit for the year		–	–	84,382	84,382
Currency translation differences	21	–	2,074	–	2,074
Total comprehensive income		–	2,074	84,382	86,456
Appropriation to statutory reserves	21	–	1,120	(1,120)	–
At 31 December 2013		–	173,384	319,076	492,460
Profit for the year		–	–	91,619	91,619
Currency translation differences	21	–	(419)	–	(419)
Total comprehensive income		–	(419)	91,619	91,200
Appropriation to statutory reserves	21	–	1,753	(1,753)	–
At 31 December 2014		–	174,718	408,942	583,660
Profit for the year		–	–	63,752	63,752
Currency translation differences	21	–	(2,178)	–	(2,178)
Total comprehensive income		–	(2,178)	63,752	61,574
Appropriation to statutory reserves	21	–	7,974	(7,974)	–
At 31 December 2015		–	180,514	464,720	645,234

COMBINED CASH FLOW STATEMENTS

	Note	Year ended 31 December		
		2013	2014	2015
		RMB ('000)	RMB ('000)	RMB ('000)
Cash flows from operating activities				
Cash generated from operations	27(a)	231,705	159,867	119,105
Income tax paid		(23,903)	(28,805)	(24,865)
Net cash generated from operating activities		207,802	131,062	94,240
Cash flows from investing activities				
Purchase of property, plant and equipment, including additions of construction-in-progress		(85,480)	(33,805)	(12,057)
Additions of land use rights		(2,687)	(141)	–
Purchases of intangible assets		–	(5,337)	(820)
Proceeds from disposal of property, plant and equipment and land use rights	27(b)	11,760	141	37
Interest received		4,008	8,407	11,818
Net cash used in investing activities		(72,399)	(30,735)	(1,022)
Cash flows from financing activities				
Proceeds from borrowings		1,795	–	–
Advances from the ultimate holding company		281	36,284	63,496
Repayment of borrowings		(1,080)	(1,795)	–
Repayment to the ultimate holding company		(47,000)	–	(122,697)
Interest paid		–	(16)	–
Dividends paid to the then shareholders in related to dividends declared prior to 1 January 2013		–	(35,978)	(62,282)
Net cash used in financing activities		(46,004)	(1,505)	(121,483)
Effect of foreign exchange rate changes in cash and cash equivalents		(1,929)	(4,935)	(2,315)
Net increase/(decrease) in cash and cash equivalents		89,399	98,822	(28,265)
Cash and cash equivalents at beginning of the year		69,618	157,088	250,975
Cash and cash equivalents at 31 December		157,088	250,975	220,395

II NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

1.1 General information

Qinqin Foodstuffs Group (Cayman) Company Limited (the "Company") was incorporated in the Cayman Islands on 14 January 2016 as an exempted company with limited liability under the Companies Law (2013 revision) of the Cayman Islands in preparation for a listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing"). The address of its registered office is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together, the "Group") principally engage in the manufacturing, distribution and sale of food and snacks products in the People's Republic of China (the "PRC").

The ultimate holding company of the Company is Hengan International Group Company Limited ("Hengan"), a company incorporated in the Cayman Islands with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited. Prior to the establishment of the Company, the business of the Group was operated by various companies which Hengan effectively holds 51% equity interest.

The Financial Information is presented in Renminbi ("RMB"), unless otherwise stated.

1.2 Reorganization

In preparation for the Listing, the Company and other companies now comprising the Group have undergone a reorganization (the "Reorganization") pursuant to which the Company has become the holding company of other companies now comprising the Group. The major steps which have been undertaken to effect the Reorganization were as follows:

On 14 January 2016, the Company was incorporated in Cayman Islands with an authorised share capital of HKD380,000, consisting 38,000,000 shares of HKD0.01 each. Upon incorporation, one nil-paid share was issued to the subscriber, who transferred the Share to Hengan.

On 14 April 2016, Hengan transferred the one nil-paid share to Ever Town Investments Limited ("Ever Town"), a wholly-owned subsidiary of Hengan holding 51% equity interest in QinQin Foodstuffs Group Company Limited ("QinQin BVI"), a company incorporated in the British Virgin Islands and the then holding company of the companies now comprising the Group. On 14 April 2016, the Company alloted and issued 50 nil-paid Shares and 49 nil-paid Shares to Ever Town and Total Good Group Limited ("Total Good"), a company holding the remaining 49% of QinQin BVI, so that the Company was owned as to 51% by Ever Town and 49% by Total Good. On 14 April 2016, Ever Town and Total Good (each as a transferor) transferred their respective entire interest in QinQin BVI to the Company through share swap. After the share transfers, QinQin BVI became a wholly-owned subsidiary of the Company.

Upon the completion of the Reorganization, and as at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in *Note 32* below.

1.3 Basis of presentation

Immediately prior to and after the Reorganization, the business of the Group is operated by QinQin BVI's subsidiaries which are all wholly owned by QinQin BVI. Pursuant to the Reorganization, the entire equity interest in QinQin BVI, including the business of the Group, was transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganization and do not meet the definition of a business. The Reorganization is merely a reorganization of the business of the Group with no material change in management of such business and the ultimate owners of the business. Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the business of the Group under QinQin BVI. The Company has not been incorporated as at 31 December 2015. For the purpose of this report, the Financial Information has been prepared and presented on a combined basis as a continuation of the consolidated financial statements of QinQin BVI and its subsidiaries, with the assets and liabilities of the Group recognized and measured at the then carrying amounts of the business of the Group under the consolidated financial statements of QinQin BVI, for all periods presented.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these combined financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA and is set out below. The Financial Information has been prepared under the historical cost convention.

The preparation of the Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in *Note 4*.

All new standards, amendments and interpretation to the existing standards that are effective during the Relevant Periods have been adopted by the Group consistently throughout the Relevant Periods unless prohibited by the relevant standards to apply retrospectively.

New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) came into operation during the Relevant Periods and have been adopted by the Group consistently throughout the Relevant Periods.

Impact of new or revised standards and amendments to existing standards that are effective on or after 1 January 2016

The following new standards, amendments and interpretations to existing standards which have been issued but are effective for the fiscal year beginning on or after 1 January 2016 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 1 Amendment	Disclosure initiative	1 January 2016
HKFRS 11 Amendment	Accounting for acquisition of interests in joint operations	1 January 2016
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKFRS 10 and HKAS 28 Amendments	Sale or contribution of assets between an investor and its associate or joint venture	A date to be determined
HKFRS 10, HKFRS 12 and HKAS 28 Amendments	Investment entities: applying the consolidation exception	1 January 2016
HKAS 16 and HKAS 38 Amendments	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKAS 16 and HKAS 41 Amendments	Agriculture: bearer plants	1 January 2016
HKAS 19 (2011) Amendment	Defined benefit plans: employee contributions	1 January 2016
HKAS 27 Amendment	Equity method in separate financial statements	1 January 2016
Annual improvements 2014	Annual improvements 2012-2014 cycle	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 16	Lease	1 January 2019

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operation. According to the preliminary assessment made by the Directors, no significant impact on the financial performance and positions of the Group is expected when they become effective.

Amendments to HKAS 1 'Disclosure initiative'. The amendments clarify guidance in HKAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

Amendment to HKFRS 11 'Accounting for acquisitions of interests in joint operations'. The amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business' as defined in HKFRS 3.

HKFRS 14 'Regulatory Deferral Accounts'. It describes regulatory deferral account balances as amounts of expense or income that would not be recognized as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with HKFRS14.

Amendments to HKFRS 10 and HKAS 28. The amendments address an inconsistency between HKFRS 10 and HKAS 28 in the sale and contribution of assets between an investor and its associate or joint venture.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 'Investment entities: applying the consolidation exception'. The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

HKAS 16 and HKAS 38 'Clarification of acceptable methods of depreciation and amortisation'. The amendments clarify when a method of depreciation or amortisation based on revenue may be appropriate. The amendment to HKAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate.

HKAS 16 and HKAS 41 'Agriculture: bearer plants'. The amendments change the reporting for bearer plants. Bearer plants should be accounted for in the same way as property, plant and equipment.

HKAS 19 'Employee benefits'. It clarifies when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise.

Amendment to HKAS 27 'Equity method in separate financial statements'. The amendment allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Annual improvements 2014. The amendments include changes from the 2012-2014 cycle of the annual improvements project. Besides of the standards disclosed above, some changes made to the HKFRS 5, HKFRS 7 and HKAS 34.

HKFRS 5 'Non-current assets held for sale and discontinued operations'. It clarifies that when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such.

HKFRS 7 'Financial instruments: Disclosure'. There are two amendments: For service contracts, if an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognize the asset, HKFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. For Interim financial statements, it clarifies the additional disclosure required by the amendments to HKFRS 7, 'Disclosure – offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by HKAS 34.

HKAS 34 'Interim financial reporting' It clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. It also amends HKAS 34 to require a cross-reference from the interim financial statements to the location of that information.

HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related Interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognize revenue when performance obligation is satisfied. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes to an 'asset-liability' approach based on transfer of control. HKFRS 15 provides specific guidance on capitalization of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Directors of the Company are in the process of the performing assessment on the impact of the forthcoming standard which is effective on 1 January 2018. Under HKFRS 15, an entity normally recognizes revenue when a performance obligation is satisfied. Impact on the revenue recognition may arise when multiple performance obligations are identified. Directors do not identify this circumstance based on the current operation of the Group and anticipate no material impact on the financial performance.

HKFRS 9 'Financial Instruments'. HKFRS 9 (2014), 'Financial instruments' replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognized in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognized in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

HKFRS 9 introduces a new model for the recognition of impairment losses the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39.

HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognized in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. HKFRS 9 also applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk.

HKFRS 16 'Lease'. The Group is a lessee of various offices which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in note 2.24 with the Group's future operating lease commitments, which are not reflected in the consolidated balance sheet, set out in note 29(b). HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognize certain leases outside of the balance sheet. Instead, all non-current leases must be recognized in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's consolidated balance sheet. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated balance sheet. As for the financial performance impact in the income statement, the operating lease expense will decrease, while depreciation and amortization and the interest expense will increase. Directors do not foresee any material impact on the net profit of the Group since the Group has insignificant long-term lease arrangement as disclosed in note 29(b). The new standard is not expected to apply until the financial year 2019.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the combined income statement.

(b) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the combined financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors of the Company who make strategic decisions.

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in RMB, which is the Company's functional and the Group's presentation currency.

2.4.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the combined income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the combined income statement within "finance income" and "finance costs", where applicable. All other foreign exchange gains and losses are presented in the combined income statement within "other income and other gains – net".

2.4.3 Group companies

The results and financial positions of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions); and

(iii) all resulting currency translation differences are recognized in other comprehensive income.

2.5 Property, plant and equipment and construction-in-progress

Construction-in-progress ("CIP") represents buildings and machineries under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition. No depreciation is made on CIP until such time as the relevant assets are completed and ready for their intended use. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated below.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the combined income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Machinery	10 – 20 years
Office equipment, furniture and fixtures	5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount *(Note 2.8)*.

Gains and losses on disposals or write-off are determined by comparing proceeds with carrying amount and are recognized within "other income and other gains – net" in the combined income statement.

2.6 Land use rights

Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses, if any *(Note 2.8)*. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for periods of the lease. Amortisation of land use rights is calculated on a straight-line basis over the period of the leases.

2.7 Intangible assets

Computer softwares

Computer softwares represent purchased softwares and are amortised over their estimated useful lives, which do not exceed 10 years.

2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of an impairment at each reporting date.

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following categories: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period and are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" *(Note 19)* and "cash and cash equivalents" *(Note 20)* in the balance sheet.

2.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the combined income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.11 Impairment of financial assets – assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loan and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the combined income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the combined income statement.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade, bills and other receivables

Trade and bills receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade, bills and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade, bills and other receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.14 Cash and cash equivalents

In the combined cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs), and the redemption value is recognized in the combined income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.18 Borrowings costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the combined income statement, except to the extent that it relates to items recognized directly in other comprehensive income or equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.20 Employee benefits

(a) Pension obligations

The full-time employees of the Group in the PRC are covered by various government-sponsored defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expenses as incurred and contributions paid to the defined-contribution pension plans for a staff are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the staff leave the Group. The non-PRC employees are covered by other defined contribution pension plans sponsored by local government.

The contributions are recognized as employee benefit expense when they are due.

(b) Housing funds, medical insurances and other social insurances

The PRC employees of the Group are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period, and recognized as employee benefit expense when they are due.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

2.21 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(i) Revenue from the sales of goods is recognized when the risk and reward of the goods has been transferred to the customer, which is usually at the date when a group entity has delivered products to the customer and the customer has accepted the products, the collectability of the related receivables is reasonably assumed and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

(ii) Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

2.23 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the combined income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are recognized in the combined income statement on a straight-line basis over the expected lives of the related assets.

2.24 Leases

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the combined income statement on a straight-line basis over the period of the lease.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and Company's financial statements in the year in which the dividends are approved by the Company's shareholders or directors, when appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group operates primarily in the PRC and the functional currency of most of the companies in the Group is RMB. Foreign exchange risk arises mainly from future commercial transactions of sales and purchases with overseas customers and suppliers by the Group and recognized assets or liabilities, such as cash and cash equivalents, trade and other receivables and payables, and borrowings of its subsidiaries, which are denominated in Hong Kong Dollar ("HKD"), United States Dollar ("USD") and other currencies.

As at 31 December 2013, 2014 and 2015, if RMB had strengthened/weakened by 5% against the foreign currencies with all other variables unchanged, the Group's profit for the year before income tax would have been RMB226,000, RMB7,000 and RMB1,180,000 lower/higher respectively.

(ii) Cash flow and fair value interest rate risk

Except for cash and cash equivalents *(Note 20)*, the Group has no other significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact on interest-bearing assets resulted from the changes in interest rates because the interest rates of bank deposits are not expected to change significantly.

The Group's interest-rate risk mainly arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest-rate risk. The Group does not hedge its cash flow and fair value interest rate risk. The interest rates and terms of repayments of borrowings are disclosed in *Note 24*.

As at 31 December 2013, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit for the year before income tax would have been RMB5,000 higher/lower.

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, trade and other receivables, as well as credit exposures to customers, including outstanding receivables and committed transactions. Majority of the Group's sales are settled in cash by its customers on delivery of goods. Credit sales are made only to selected customers with good credit history. The Group has policies in place to ensure that settlement of trade receivables are followed up on a timely basis.

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

At 31 December 2013, 2014 and 2015, all bank balances were placed with highly reputable and sizable banks and financial institutions without significant credit risk. The table below shows the bank balances with counterparties as at 31 December 2013, 2014 and 2015:

	As at 31 December		
	2013	**2014**	**2015**
	RMB ('000)	**RMB ('000)**	**RMB ('000)**
Counterparties			
– Big 4 domestic banks *(Note)*	32,575	69,823	47,040
– Other reputable and sizeable domestic commercial banks	123,918	179,242	172,908
– Highly reputable and sizeable foreign owned banks	36	1,025	92
	156,529	250,090	220,040

Note: Big 4 domestic banks comprise Industrial and Commercial Bank of China Limited, Agricultural Bank of China Limited, Bank of China Limited and China Construction Bank Corporation.

Management assesses credit risk for amounts receivable from related companies by reviewing financial information of related companies on a regular basis to minimise credit risk.

(c) Liquidity risk

Cash flow is managed at group level by head office finance department ("Group Finance"). Group Finance monitors the Group's liquidity requirements to ensure that it has sufficient cash to meet operational needs at all times and does not breach borrowing limits or covenants on any of its borrowing facilities. Group Finance usually takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.

Group Finance mainly invests surplus cash in time deposits, with appropriate maturities.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	As at 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Less than 1 year			
Borrowings	1,795	–	–
Interest payables on borrowings	24	–	–
Trade and other payables	118,613	71,150	53,140
Amount due to the ultimate holding company	22,917	59,201	–
	143,349	130,351	53,140

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated on the basis of the total borrowings as a percentage of the total shareholders' equity.

The gearing ratios as at 31 December 2013, 2014 and 2015 are as follows:

	As at 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Borrowings	1,795	–	–
Total equity	492,460	583,660	645,234
Gearing ratio	0.4%	0.0%	0.0%

3.3 Fair value estimation

The Group adopts the amendment to HKFRS 13 for financial instruments that are measured in the combined balance sheets at fair value, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2013, 2014 and 2015, the Group had no financial instruments that are measured in the combined balance sheets at fair value.

The carrying amounts of the Group's current financial assets (including cash and cash equivalents and trade and other receivables) and current financial liabilities (including trade and other payables, amounts due to the ultimate holding company and borrowings) approximated their fair values as at the balance sheet date due to their short maturities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4.1 Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and 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. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

4.2 Current tax and deferred tax

The Group is subject to income taxes in the PRC and in Hong Kong. Significant judgement is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and provisions in the period in which such determination is made.

Deferred income tax assets and liabilities are determined using tax rates that are expected to apply when the related deferred income tax assets are realised or the deferred income tax liabilities are settled. The expected applicable tax rate is determined based on the enacted tax laws and regulations and the actual situation of the Group. The management of the Group will revise the expectation where the intending tax rate is different from the original expectation.

5 SEGMENT INFORMATION

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

i. Jelly Products

ii. Crackers and Chips

iii. Seasoning Products

iv. Bakery, Confectionery and Other Products

The board of directors of the Company monitor the gross profit of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. No analysis of the Group's assets and liabilities by operating segments is disclosed as it is not regularly provided to the board of directors of the Company for review:

	Year ended 31 December 2013				
	Jelly Products	Crackers and Chips	Seasoning Products	Bakery, Confectionery and Other Products	Group
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Revenue					
Sales to external customers	806,725	281,748	118,739	73,142	1,280,354
Cost of sales	(463,993)	(159,397)	(73,001)	(42,044)	(738,435)
Results of reportable segments	342,732	122,351	45,738	31,098	541,919

A reconciliation of results of reportable segments to profit for the year is as follows:

Results of reportable segments	541,919
Other income and other gains – net	1,456
Distribution cost	(336,705)
Administrative expenses	(97,874)
Finance income	4,008
Finance costs	(438)
Profit before income tax	112,366
Income tax expense	(27,984)
Profit for the year	84,382

	Year ended 31 December 2013				
	Jelly Products	Crackers and Chips	Seasoning Products	Bakery, Confectionery and Other Products	Group
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)

Other segment information is as follows:

Depreciation and amortisation charge					
Allocated	23,513	3,814	3,816	4,208	35,351
Unallocated					2,917
					38,268
Capital expenditure					
Allocated	7,492	12,939	2,007	1,093	23,531
Unallocated					20,631
					44,162

	Year ended 31 December 2014				
	Jelly Products	Crackers and Chips	Seasoning Products	Bakery, Confectionery and Other Products	Group
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Revenue					
Sales to external customers	729,300	290,643	121,355	74,837	1,216,135
Cost of sales	(421,845)	(157,933)	(76,120)	(45,008)	(700,906)
Results of reportable segments	307,455	132,710	45,235	29,829	515,229

A reconciliation of results of reportable segments to profit for the year is as follows:

Results of reportable segments	515,229
Other income and other gains – net	15,905
Distribution cost	(335,695)
Administrative expenses	(77,445)
Finance income	8,536
Finance costs	(245)
Profit before income tax	126,285
Income tax expense	(34,666)
Profit for the year	91,619

	Year ended 31 December 2014				
	Jelly Products	Crackers and Chips	Seasoning Products	Bakery, Confectionery and Other Products	Group
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)

Other segment information is as follows:

Depreciation and amortisation charge					
Allocated	23,040	5,976	3,569	3,765	36,350
Unallocated					4,657
					41,007
Capital expenditure					
Allocated	7,514	3,527	565	1,616	13,222
Unallocated					15,572
					28,794

	Year ended 31 December 2015				
	Jelly Products	Crackers and Chips	Seasoning Products	Bakery, Confectionery and Other Products	Group
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Revenue					
Sales to external customers	613,800	246,328	104,838	55,085	1,020,051
Cost of sales	(353,328)	(132,418)	(64,498)	(38,870)	(589,114)
Results of reportable segments	260,472	113,910	40,340	16,215	430,937

A reconciliation of results of reportable segments to profit for the year is as follows:

Results of reportable segments	430,937
Other income and other gains – net	8,934
Distribution cost	(294,300)
Administrative expenses	(69,411)
Finance income	11,859
Finance costs	(198)
Profit before income tax	87,821
Income tax expense	(24,069)
Profit for the year	63,752

	Year ended 31 December 2015				
	Jelly Products	Crackers and Chips	Seasoning Products	Bakery, Confectionery and Other Products	Group
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)

Other segment information is as follows:

	Jelly Products	Crackers and Chips	Seasoning Products	Bakery, Confectionery and Other Products	Group
Depreciation and amortisation charge					
Allocated	22,937	5,866	3,394	3,714	35,911
Unallocated					3,310
					39,221
Capital expenditure					
Allocated	4,246	668	68	3,214	8,196
Unallocated					4,983
					13,179

Geographical information

Since over 90% of the Group's revenue and operating profit were generated from the sales in Mainland China and over 90% of the Group's identifiable assets and liabilities were located in Mainland China, no geographical information is presented in accordance with HKFRS 8 Operating Segments.

Information about a major customer

Since none of the Group's sales to a single customer amounting to 10% or more of the Group's total revenue for the Relevant Periods, no major customer information is presented in accordance with HKFRS 8 Operating Segments.

6 OTHER INCOME AND OTHER GAINS – NET

	Year ended 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Government grants income	4,159	15,373	11,384
Exchange gain/(loss) from operating activities – net	1,477	10	(3,578)
Losses on disposal or write-off of property, plant and equipment and land use rights	(3,513)	(392)	(422)
Others	(667)	914	1,550
	1,456	15,905	8,934

Governments grants received during the Relevant Periods primarily comprised financial subsidies received from various local government authorities in the PRC. There are no unfulfilled conditions or contingencies relating to these governments grants.

7 EXPENSES BY NATURE

Expenses included in cost of goods sold, distribution costs and administrative expenses are analysed as follows:

	Year ended 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Raw materials and consumables used	583,672	497,586	435,285
Changes in inventories of work-in-progress and finished goods	(19,620)	36,168	2,776
Marketing and advertising expenses	183,115	185,658	174,000
Employees benefit expense, including directors' emoluments *(Note 10)*	178,238	173,715	148,567
Utilities and various office expenses	65,125	56,775	47,861
Transportation and logistics expenses	59,442	60,067	51,456
Depreciation of property, plant and equipment *(Note 12)*	37,364	39,606	37,686
Amortisation of land use rights *(Note 14)*	883	931	959
Amortisation of intangible assets *(Note 15)*	21	470	576
Repairs and maintenance expenses	6,898	8,153	8,005
Travelling expenses	23,330	22,613	16,600
Operating leases rentals	5,518	5,683	5,078
Provision for inventories write-down *(Note 18)*	3,020	279	528
Provision for impairment of trade receivables *(Note 19)*	12,601	82	5
Auditor's remuneration	450	480	500
Others	32,957	25,780	22,943
Total cost of sales, distribution costs and administrative expenses	1,173,014	1,114,046	952,825

8 FINANCE INCOME AND FINANCE COSTS

	Year ended 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Finance income:			
Interest income from cash and cash equivalents	4,008	8,407	11,818
Exchange gain	–	129	41
	4,008	8,536	11,859
Finance costs:			
Interest expenses on borrowings	–	(16)	–
Exchange loss	(216)	–	–
Other finance charges	(222)	(229)	(198)
	(438)	(245)	(198)
Finance income, net	3,570	8,291	11,661

9 INCOME TAX EXPENSE

The amount of income tax expense charged to the combined income statement represents:

	Year ended 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Current income tax	26,309	35,074	23,734
Deferred income tax, net *(Note 23)*	1,675	(408)	335
Income tax expense	27,984	34,666	24,069

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits during the Relevant Periods. Taxation on PRC income has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the PRC in which the Group operates. The Company's subsidiaries incorporated in the PRC are subject to Corporate Income Tax at the rate of 25%.

The profits of the PRC subsidiaries of the Group derived since 1 January 2008 are subject to withholding tax at a rate of 5% upon the distribution of such profits to foreign investors in Hong Kong. Deferred income tax liabilities have been provided for in this regard based on the expected dividends to be distributed from the Group's PRC subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rates applicable to the profits of the Group's companies as follows:

	Year ended 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Profit before income tax	112,366	126,285	87,821
Tax calculated at tax rates applicable to profits of the Group's companies	27,967	31,432	21,824
Utilisation of unrecognized tax loss of previous years	(327)	(1,221)	–
PRC withholding tax on distributed profit and unremitted earnings	1,186	4,115	3,125
Others	(842)	340	(880)
Income tax expense	27,984	34,666	24,069

The weighted average applicable tax rate was 24.9%, 24.9% and 24.9% as at 31 December 2013, 2014 and 2015.

There is no tax charge relating to components of other comprehensive income.

10 EMPLOYEE BENEFIT EXPENSE, INCLUDING DIRECTORS' EMOLUMENTS

	Year ended 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Wages and salaries	167,094	160,723	134,638
Pension, housing fund, medical insurance and other social insurance	11,144	12,992	13,929
Total employee benefit expense	178,238	173,715	148,567

11 BASIC AND DILUTED EARNINGS PER SHARE (EXPRESSED IN RMB PER SHARE)

No earnings per share information is presented as its inclusion for the purpose of this report is not considered meaningful due to the Reorganization as disclosed in *Noted 1.2* and the Company had not been incorporated as at 31 December 2015.

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery	Office equipment, furniture and fixtures	Motor vehicles	Total
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
At 1 January 2013					
Cost	241,232	216,953	20,936	2,560	481,681
Accumulated depreciation	(20,299)	(46,823)	(7,076)	(15)	(74,213)
Opening net book amount	220,933	170,130	13,860	2,545	407,468
Year ended 31 December 2013					
Opening net book amount	220,933	170,130	13,860	2,545	407,468
Additions	12,492	11,932	1,765	530	26,719
Transfer from construction-in-progress *(Note 13)*	3,569	9,720	–	–	13,289
Depreciation for the year *(Note 7)*	(13,004)	(20,628)	(3,082)	(650)	(37,364)
Disposals	(1,527)	(9,866)	(3,409)	(184)	(14,986)
Closing net book amount	222,463	161,288	9,134	2,241	395,126
At 31 December 2013					
Cost	255,212	223,705	14,580	2,414	495,911
Accumulated depreciation	(32,749)	(62,417)	(5,446)	(173)	(100,785)
Net book amount	222,463	161,288	9,134	2,241	395,126
Year ended 31 December 2014					
Opening net book amount	222,463	161,288	9,134	2,241	395,126
Additions	6,487	7,947	2,893	1,294	18,621
Transfer from construction-in-progress *(Note 13)*	6,401	4,545	1,074	–	12,020
Depreciation for the year *(Note 7)*	(13,199)	(21,193)	(4,386)	(828)	(39,606)
Disposals	(118)	(305)	(44)	(66)	(533)
Closing net book amount	222,034	152,282	8,671	2,641	385,628
At 31 December 2014					
Cost	266,125	235,168	16,634	3,057	520,984
Accumulated depreciation	(44,091)	(82,886)	(7,963)	(416)	(135,356)
Net book amount	222,034	152,282	8,671	2,641	385,628

	Buildings	Machinery	Office equipment, furniture and fixtures	Motor vehicles	Total
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Year ended 31 December 2015					
Opening net book amount	222,034	152,282	8,671	2,641	385,628
Additions	2,742	1,445	1,958	–	6,145
Transfer from construction-in-progress *(Note 13)*	709	5,848	13	–	6,570
Depreciation for the year *(Note 7)*	(13,575)	(19,460)	(3,853)	(798)	(37,686)
Disposals	–	(321)	(83)	(55)	(459)
Closing net book amount	211,910	139,794	6,706	1,788	360,198
At 31 December 2015					
Cost	269,451	185,387	16,971	2,894	474,703
Accumulated depreciation	(57,541)	(45,593)	(10,265)	(1,106)	(114,505)
Net book amount	211,910	139,794	6,706	1,788	360,198

Depreciation expenses have been charged to the combined income statement as follows:

	As at 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Manufacturing overheads included under cost of goods sold	29,820	31,626	29,234
Distribution costs	417	586	608
Administrative expenses	7,127	7,394	7,844
	37,364	39,606	37,686

There was no pledge of property, plant and equipment of the Group as at 31 December 2013, 2014 and 2015.

13 CONSTRUCTION-IN-PROGRESS

	As at 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Opening book amount	7,995	9,462	2,137
Additions	14,756	4,695	6,214
Transfer to property, plant and equipment *(Note 12)*	(13,289)	(12,020)	(6,570)
Closing book amount	9,462	2,137	1,781

14 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating leases payments and their net book values are analysed as follows:

	As at 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
At 1 January	41,559	43,076	42,286
Additions	2,687	141	–
Amortisation of prepaid operating leases payments *(Note 7)*	(883)	(931)	(959)
Disposals	(287)	–	–
At 31 December	43,076	42,286	41,327

Amortisation has been charged to administrative expenses in the combined income statement.

15 INTANGIBLE ASSETS

	Softwares
	RMB ('000)
At 1 January 2013	
Cost	144
Accumulated amortisation	(104)
Net book amount	40
Year ended 31 December 2013	
Opening net book amount	40
Amortisation charge *(Note 7)*	(21)
Closing net book amount	19
At 31 December 2013	
Cost	144
Accumulated amortisation	(125)
Net book amount	19
Year ended 31 December 2014	
Opening net book amount	19
Additions	5,337
Amortisation charge *(Note 7)*	(470)
Closing net book amount	4,886
At 31 December 2014	
Cost	5,481
Accumulated amortisation	(595)
Net book amount	4,886
Year ended 31 December 2015	
Opening net book amount	4,886
Additions	820
Amortisation charge *(Note 7)*	(576)
Closing net book amount	5,130
At 31 December 2015	
Cost	6,301
Accumulated amortisation	(1,171)
Net book amount	5,130

Amortisation of intangible assets has been charged to administrative expenses in the combined income statements *(Note 7)* as follows:

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB ('000)	**RMB ('000)**	**RMB ('000)**
Administrative expenses	21	470	576

16 PREPAYMENTS FOR NON-CURRENT ASSETS

The balance represented prepayments for purchase of property, plant and equipment and land use rights.

17 FINANCIAL INSTRUMENTS BY CATEGORY

17.1 Assets

	As at 31 December		
	2013	**2014**	**2015**
	RMB ('000)	**RMB ('000)**	**RMB ('000)**
Loans and receivables			
– Trade and other receivables, excluding non-financial assets	60,606	37,939	23,573
– Cash and cash equivalents *(Note 20)*	157,088	250,975	220,395
Total	217,694	288,914	243,968

17.2 Liabilities

	As at 31 December		
	2013	**2014**	**2015**
	RMB ('000)	**RMB ('000)**	**RMB ('000)**
Financial liabilities at amortised costs			
– Trade and other payables, excluding non-financial liabilities	118,613	71,150	53,140
– Amount due to the ultimate holding company	22,917	59,201	–
– Borrowings *(Note 24)*	1,795	–	–
	143,325	130,351	53,140

18 INVENTORIES

	As at 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Finished goods	57,685	17,467	17,074
Work-in-progress	25,965	30,015	27,632
Raw materials	56,493	45,198	48,669
Spare parts and consumables	5,205	5,856	5,462
	145,348	98,536	98,837

The cost of inventory recognized as expenses and included in cost of goods sold amounted to approximately RMB564,052,000, RMB533,754,000, and RMB438,061,000 for the year ended 31 December 2013, 2014 and 2015 respectively.

The Group provided for inventories write-down of RMB3,020,000, RMB279,000, and RMB528,000 for the years ended 31 December 2013, 2014 and 2015 respectively. These amounts have been included in cost of sales in the combined income statement *(Note 7)*.

19 TRADE AND OTHER RECEIVABLES

	As at 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Trade receivables	59,971	36,964	22,669
Less: provision for impairment	–	–	–
Trade receivables	59,971	36,964	22,669
Other receivables, prepayments and deposits			
– Advance payments to suppliers	5,235	5,817	3,920
– Prepayments for rental and utility fees	1,976	2,019	2,146
– Value added tax recoverable	22,349	4,360	8,672
– Others	635	975	904
	30,195	13,171	15,642
Trade and other receivables	90,166	50,135	38,311

The credit period ranges from 30 to 90 days. The ageing analysis of trade receivables based on invoice date, before provision for impairment, as at 31 December 2013, 2014 and 2015 was as follows:

	As at 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Within 30 days	30,952	13,659	3,144
31 – 180 days	27,839	17,881	15,273
181 – 365 days	602	4,425	2,317
Over 365 days	578	999	1,935
	59,971	36,964	22,669

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers. As the credit terms are short and most of the trade receivables are due for settlement within one year, the carrying value of the trade and bills receivables approximate their fair value at the balance sheet date.

As at 31 December 2013, 2014 and 2015, the credit quality of the trade receivables that were neither past due nor impaired totaled RMB44,346,000, RMB21,959,000 and RMB11,094,000 respectively could be assessed by reference to their payment history and current financial position. These receivables relate to a whole range of customers for whom there was no recent history of default. Management believes that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are expected to be fully recoverable.

As at 31 December 2013, 2014 and 2015, trade receivables of RMB15,625,000, RMB15,005,000 and RMB11,575,000, respectively, were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. As at 31 December 2013, 2014, and 2015, the ageing analysis of the trade receivables based on invoice date was as follows:

	As at 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Within 30 days	2,541	3,449	862
31 – 180 days	11,904	6,132	6,461
181 – 365 days	602	4,425	2,317
Over 365 days	578	999	1,935
	15,625	15,005	11,575

Movements in the provision for impairment of trade receivables were as follows:

	Year ended 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
At beginning of the year	1,631	–	–
Provision for impairment of trade receivables *(Note 7)*	12,601	82	5
Receivables written-off during the year as uncollectible	(14,232)	(82)	(5)
At end of the year	–	–	–

The creation and release of provision for impaired receivables have been included in 'administrative expenses' in the combined income statement *(Note 7)*. Amounts charged to the allowance account are generally written-off when there is no expectation of recovering additional cash.

As at 31 December 2013, 2014 and 2015, other receivables are neither past due nor impaired.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	As at 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
RMB	54,310	36,927	22,620
Other currencies	5,661	37	49
	59,971	36,964	22,669

20 CASH AND CASH EQUIVALENTS

	As at 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Cash and cash equivalents	157,088	250,975	220,395

The cash and cash equivalents represented cash deposits held at call with banks and in hand and deposits with short-term maturity.

The carrying amounts of the cash and cash equivalents were denominated in the following currencies:

	As at 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
RMB	157,011	249,907	192,172
HKD	77	1,068	92
USD	–	–	28,131
	157,088	250,975	220,395

The Group's bank deposits and cash denominated in RMB are mainly deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

21 OTHER RESERVES

	Combined capital	Statutory reserves	Exchange reserve	Total
	RMB ('000) *(Note (a))*	RMB ('000) *(Note (b))*	RMB ('000) *(Note (c))*	RMB ('000)
At 1 January 2013	122	165,892	4,176	170,190
Other comprehensive income – currency translation differences	–	–	2,074	2,074
Appropriation to statutory reserves	–	1,120	–	1,120
At 31 December 2013	122	167,012	6,250	173,384
At 1 January 2014	122	167,012	6,250	173,384
Other comprehensive income – currency translation differences	–	–	(419)	(419)
Appropriation to statutory reserves	–	1,753	–	1,753
At 31 December 2014	122	168,765	5,831	174,718
At 1 January 2015	122	168,765	5,831	174,718
Other comprehensive income – currency translation differences	–	–	(2,178)	(2,178)
Appropriation to statutory reserves	–	7,974	–	7,974
At 31 December 2015	122	176,739	3,653	180,514

(a) Combined capital represent the combined share capital of the entities now comprising the Group after elimination of inter-company investment cost.

(b) Statutory reserves comprise statutory surplus reserve of the subsidiary companies in the PRC. The Company's subsidiaries incorporated in the PRC are required to make appropriations to statutory reserves from their profit for the year after offsetting accumulated losses carried forward from prior years as determined under the PRC accounting regulations and before distribution to shareholders. The percentages to be appropriated to such statutory reserve are determined according to the relevant regulations in the PRC at rate of 10% or at the discretion of the board of directors of the PRC subsidiaries, and further appropriation is optional when the accumulated fund is 50% or more of the registered capital of the subsidiaries.

(c) Exchange reserve of the Group represents the difference arising from the translation of the financial statements of companies within the Group that have a functional currency different from RMB, the presentation currency of the financial statements of the Company and the Group.

22 RETAINED EARNINGS

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB ('000)	**RMB ('000)**	**RMB ('000)**
At beginning of the year	235,814	319,076	408,942
Profit for the year	84,382	91,619	63,752
Appropriation to statutory reserves	(1,120)	(1,753)	(7,974)
At end of the year	319,076	408,942	464,720

23 DEFERRED INCOME TAX

The analysis of deferred income tax assets and liabilities is as follows:

	As at 31 December		
	2013	**2014**	**2015**
	RMB ('000)	**RMB ('000)**	**RMB ('000)**
Deferred income tax assets			
– Deferred tax income asset to be recovered after more than 12 months	–	831	2,751
– Deferred tax income asset to be recovered within 12 months	8,752	7,477	5,403
	8,752	8,308	8,154
Deferred income tax liabilities			
– Deferred tax income liability to be settled within 12 months	(4,463)	(3,611)	(3,792)
Deferred income tax assets – net	4,289	4,697	4,362

The gross movement on the deferred income tax account is as follows:

	As at 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
At beginning of the year	5,964	4,289	4,697
(Charged)/credited to combined income statement *(Note 9)*	(1,675)	408	(335)
At end of the year	4,289	4,697	4,362

The movements in the deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax assets:

	Unrealised profit in inventories arising from intra-group transactions			Tax losses			Total		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
At beginning of the year	9,241	8,752	7,477	–	–	831	9,241	8,752	8,308
(Charged)/credited to combined income statement *(Note 9)*	(489)	(1,275)	(2,074)	–	831	1,920	(489)	(444)	(154)
At end of the year	8,752	7,477	5,403	–	831	2,751	8,752	8,308	8,154

Deferred income tax liabilities:

	Withholding tax on unremitted earnings in PRC subsidiaries		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
At beginning of the year	3,277	4,463	3,611
Charged/(Credited) to combined income statement *(Note 9)*	1,186	(852)	181
At the end of the year	4,463	3,611	3,792

Deferred income tax assets are recognized for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2013, 2014 and 2015, the Group did not recognize cumulative deferred tax assets of RMB2,052,000, nil and nil in respect of losses amounted to RMB8,208,000, nil and nil that can be carried forward against future taxable income respectively. The unrecognized tax losses as at 31 December 2015 would expire in year 2017.

As at 31 December 2013, 2014 and 2015, deferred income tax liabilities of RMB6,299,000, RMB5,978,000 and RMB6,017,000 respectively have not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. The unremitted earnings are permanently reinvested. Unremitted earnings totaled RMB125,977,000, RMB119,557,000 and RMB120,334,000 respectively as at 31 December 2013, 2014 and 2015.

24 BORROWINGS

	As at 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Short-term loans – unsecured	1,795	–	–

The borrowings comprised two entrusted loans from a third party through a commercial bank. The borrowings were unsecured with 2% interest per annum and had been repaid in August 2014.

The carrying amount of the borrowings was denominated in RMB.

25 TRADE AND OTHER PAYABLES

	As at 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Trade payables	82,469	46,873	36,963
Other payables and accrued charges			
– Payables for purchase of property, plant and equipment	25,712	13,620	13,795
– Accrued expenses	7,694	9,685	1,423
– Advance receipts from customers	76,625	26,010	38,623
– Staff salaries payables	23,638	23,830	22,465
– Taxes payables	1,456	899	981
– Other payables	2,738	972	959
	137,863	75,016	78,246
Trade and other payables	220,332	121,889	115,209

As at 31 December 2013, 2014 and 2015, the ageing analysis of trade payables based on invoice date was as follows:

	As at 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Within 30 days	40,772	31,069	19,171
31 – 180 days	39,269	14,873	17,200
181 – 365 days	1,453	417	387
Over 365 days	975	514	205
	82,469	46,873	36,963

The carrying amounts of trade and other payables approximated their fair value as at the balance sheet date due to short-term maturity.

The carrying amounts of trade payables were denominated in the following currencies:

	As at 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
RMB	81,519	46,827	36,963
USD	950	46	–
	82,469	46,873	36,963

26 DIVIDENDS

No dividend has been declared by the Company during each of the years ended 31 December 2013, 2014, and 2015.

27 NOTES TO THE COMBINED CASH FLOW STATEMENT

(a) Cash generated from operations

	Year ended 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Profit before income tax	112,366	126,285	87,821
Depreciation of property, plant and equipment *(Note 12)*	37,364	39,606	37,686
Amortisation of land use rights *(Note 14)*	883	931	959
Amortisation of intangible assets *(Note 15)*	21	470	576
Losses on disposal or write-off of property, plant and equipment and land use rights *(Note 6)*	3,513	392	422
Interest income	(4,008)	(8,407)	(11,818)
Finance costs *(Note 8)*	–	16	–
Operating profit before working capital changes	150,139	159,293	115,646
(Increase)/Decrease in inventories	(10,599)	46,812	(301)
(Increase)/Decrease in trade and other receivables	(12,743)	40,031	11,824
Increase/(Decrease) in trade and other payables	104,908	(86,269)	(8,064)
Cash generated from operations	231,705	159,867	119,105

(b) Proceeds from disposal of property, plant and equipment and land use rights

	Year ended 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Net book value *(Note 12 and Note 14)*	15,273	533	459
Losses on disposal or write-off of property, plant and equipment and land use rights *(Note 6)*	(3,513)	(392)	(422)
Proceeds from disposal of property, plant and equipment and land use rights	11,760	141	37

28 CONTINGENT LIABILITIES

As at 31 December 2013, 2014 and 2015, the Group did not have any significant contingent liabilities.

29 COMMITMENTS

As at 31 December 2013, 2014 and 2015, the Group had the following commitments:

(a) Capital commitments

	As at 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Contracted but not provided for in respect of:			
Machinery and equipment	14,511	11,608	5,712
Buildings	9,154	3,327	2,773
	23,665	14,935	8,485

(b) Commitments under operating leases

As at 31 December 2013, 2014 and 2015, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Not later than 1 year	3,042	3,044	2,803
Later than 1 year and not later than 5 years	14	919	95
	3,056	3,963	2,898

30 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The following is a summary of the significant transactions carried out between the Group and its related parties during the Relevant Periods, and balances arising from related party transactions as at 31 December 2013, 2014 and 2015.

(a) Name and relationship with related parties

Name of related party	Nature of relationship
Hengan	Ultimate holding Company

(b) Transactions with related parties

Discontinued related party transactions

(i) Funds received from related parties:

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB ('000)	**RMB ('000)**	**RMB ('000)**
Hengan.	281	36,284	63,496

The funds received from related parties were unsecured and interest free and were applied to pay dividends to the then shareholders of the Group.

(ii) Repayment to related parties:

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB ('000)	**RMB ('000)**	**RMB ('000)**
Hengan.	47,000	–	122,697

Continuing related party transactions

The Group shared certain offices, warehouses and information technology facilities owned or leased by Hengan and its subsidiaries during the Relevant Periods without consideration or compensation.

(c) Significant balances with related parties

	As at 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Amounts due to Hengan	22,917	59,201	–
Dividend payable to the then shareholders	102,206	66,738	6,055

As at 31 December 2013, 2014 and 2015, the amount due to the ultimate holding company and dividend payable to the then shareholders were unsecured, interest free and repayable on demand.

(d) Key management compensation

	Year ended 31 December		
	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)
Key management compensation			
– Basic salaries, housing allowances, and other allowances	1,688	1,684	1,649

31 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director of the Company for the Relevant Periods is set out below:

Name of Director	Fees	Salary and bonuses	Pension, housing fund allowances, medical insurance and other social insurance	Total
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Year ended 31 December 2013				
Non-executive Directors:				
Mr. Hui Lin Chit	42	–	–	42
Mr. Sze Man Bok	42	–	–	42
Mr. Hui Ching Lau	42	–	–	42
Mr. Wu Huolu	42	–	5	47
Mr. Wu Sichuan	42	–	5	47
Mr. Wu Yinhang	42	–	5	47
Executive Director:				
Mr. Cheng Yong	42	300	10	352
	294	300	25	619
Year ended 31 December 2014				
Non-executive Directors:				
Mr. Hui Lin Chit	42	–	–	42
Mr. Sze Man Bok	42	–	–	42
Mr. Hui Ching Lau	42	–	–	42
Mr. Wu Huolu	42	–	5	47
Mr. Wu Sichuan	42	–	5	47
Mr. Wu Yinhang	42	–	5	47
Executive Director:				
Mr. Cheng Yong	42	300	10	352
	294	300	25	619
Year ended 31 December 2015				
Non-executive Directors:				
Mr. Hui Lin Chit	42	–	–	42
Mr. Sze Man Bok	42	–	–	42
Mr. Hui Ching Lau	42	–	–	42
Mr. Wu Huolu	42	–	5	47
Mr. Wu Sichuan	42	–	5	47
Mr. Wu Yinhang	42	–	5	47
Executive Director:				
Mr. Cheng Yong	42	300	10	352
	294	300	25	619

(i) Mr. Hui Lin Chit is the chairman of the board of the Company.

(ii) Mr. Cheng Yong was the chief executive officer during the Relevant Periods.

(iii) Mr. Wong Wai Leung was appointed as a director, chief financial officer and company secretary on 22 March 2016.

(iv) Mr. Ng Swee Leng, Mr. Cai Meng, Mr. Paul Marin Theil and Mr. Chan Yiu Fai Youdey were appointed as the Company's independent non-executive directors on 17 June 2016.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include one director for each of the years ended 31 December 2013, 2014 and 2015. His emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four individuals during the Relevant Periods were as follows:

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB ('000)	**RMB ('000)**	**RMB ('000)**
Salaries, wages and bonuses	1,121	1,121	1,100
Pension, housing fund, medical insurance and other social insurance	20	22	26
	1,141	1,143	1,126

The emoluments fell within the following bands:

	Number of the individual Year ended 31 December		
	2013	**2014**	**2015**
Emolument bands			
Within HKD1,000,000	4	4	4

32 PRINCIPAL SUBSIDIARIES

Upon completion of the Reorganization and as at the date of this report, the Company had direct or indirect interest in the following subsidiaries, and their respective statutory auditors during the years ended 31 December 2013, 2014 and 2015 are set out below:

Company	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Relevant Periods	
				Effective interest held	Statutory auditors
Direct subsidiary:					
QinQin Foodstuffs Group Company Limited	British Virgin Island, limited liability company	Investment holding in Hong Kong	135,946,900 Ordinary shares of HKD0.001 each	100%	Not applicable *(Note (a))*
Indirect subsidiaries:					
QinQin Foodstuffs Group (Hong Kong) Company Limited (親親食品集團(香港)股份有限公司)	Hong Kong, limited liability company	Investment holding, distribution and sale of snack foods	1 ordinary share of HKD1 each	100%	PricewaterhouseCoopers (羅兵咸永道會計師事務所)
Fushun Nanfang Food Industry Co., Ltd. (撫順南方食品工業有限公司)	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in the PRC	RMB10,000,000	100%	Liaoning Yongsheng CPA Limited (遼寧永盛會計師事務所有限責任公司)
Fushun QinQin Food Industry Development Co., Ltd. (撫順親親食品工業發展有限公司)	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in the PRC	RMB22,000,000	100%	Liaoning Yongsheng CPA Limited (遼寧永盛會計師事務所有限責任公司)
Luohe Linying QinQin Food Industry Co., Ltd. (漯河臨潁親親食品工業有限公司)	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in the PRC	RMB100,000,000	100%	Henan Province Junnuo CPA GP (河南省君諾會計師事務所(普通合夥)) *(Note (b))*
QinQin Incorporated Co., Ltd. (Fujian) (福建親親股份有限公司)	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in the PRC	RMB70,000,000	100%	Jinjiang Yonglixin CPA Limited (晉江市永立信有限責任會計師事務所)

Company	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Relevant Periods	
				Effective interest held	Statutory auditors
Quanzhou QinQin Foodstuff Co., Ltd. (泉州親親食品有限公司)	PRC, wholly foreign-owned enterprise	Manufacturing, distribution and sale of snack foods in the PRC	RMB130,000,000	100%	Jinjiang Yonglixin CPA Limited (晉江市永立信有限責任會計師事務所)
Taian QinQin Food Co., Ltd. (泰安親親食品有限公司). .	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in the PRC	RMB5,000,000	100%	Jinjiang Yonglixin CPA Limited (晉江市永立信有限責任會計師事務所)
Xiantao QinQin Food Industry Co., Ltd. (仙桃親親食品工業有限公司)	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in the PRC	RMB10,000,000	100%	Xiantao Xinghua United CPA (仙桃興華聯合會計師事務所)
Xianyang QinQin Food Industry Co., Ltd. (咸陽親親食品有限公司). .	PRC, wholly foreign-owned enterprise	Manufacturing, distribution and sale of snack foods in the PRC	RMB5,000,000	100%	Xi'an Best CPA GP (西安百思特會計師事務所(普通合夥))
QinQin Business Trade Co., Ltd. (泉州親親商貿有限公司)	PRC, limited liability company	Trading in the PRC	RMB5,000,000	100%	Jinjiang Yonglixin CPA Limited (晉江市永立信有限責任會計師事務所)

(a) No audited statutory financial statements were prepared for QinQin Foodstuffs Group Company Limited as it is not required to issue audited financial statements under the local statutory requirements.

(b) Luohe Shali CPA GP 漯河沙澧會計師事務所(普通合夥) was the auditor of Luohe Linying QinQin Food Industry Co., Ltd. during 2013 and 2014.

(c) The English names of the PRC companies and their statutory auditors referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

(d) All of the above subsidiaries adopted 31 December as its financial year end.

33 SUBSEQUENT EVENTS

(a) The Company was incorporated in the Cayman Islands on 14 January 2016 as an exempted company with limited liability under the Companies Law (2013 revision) of the Cayman Islands. Pursuant to a group reorganization as described in *Note 1.2* of Section II, on 14 April 2016, the Company became the holding company of the subsidiaries now comprising the Group.

(b) On 17 June 2016, pursuant to the written resolutions of the shareholders of our Company, the authorized share capital of our Company was increased from HK$380,000 to HK$10,000,000 divided into 1,000,000,000 Shares of HK$0.01 each by the creation of 962,000,000 Shares of HK$0.01 each.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 December 2015 and up to the date of this report. No dividend or distribution have been declared, made or paid by the Company or its subsidiaries in respect of any period subsequent to 31 December 2015.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The following information does not form part of the Accountant's Report from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I to this listing document, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this listing document and the Accountant's Report set out in Appendix I to this listing document.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted combined net tangible assets of the Group attributable to equity holders of the Company prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purpose only, and is set out here to illustrate the effect of the Listing on the combined net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2015 as if the Listing had taken place on that date.

Due to its hypothetical nature, the unaudited pro forma statement of adjusted combined net tangible assets of the Group attributable to equity holders of the Company may not give a true picture of the combined net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2015 or any future date following the Listing and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2015	Estimated expenses relating to the Listing	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to equity holders of the Company	Unaudited pro forma adjusted combined net tangible assets per share	Unaudited pro forma adjusted combined net tangible assets per share
	RMB ('000) *(Note 1)*	RMB ('000) *(Note 2)*	RMB ('000)	RMB *(Note 3)*	HKD *(Note 4)*
Based on 475,696,557 shares in issue prior to the Listing *(Note 3)*	640,104	(21,442)	618,662	1.301	1.561

Notes:

1. The audited combined net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2015 is extracted from the financial information contained in the Accountant's Report set out in Appendix I to this listing document which is based on the audited combined net assets of the Group attributable to equity holders of the Company as at 31 December 2015 of RMB645,234,000 less intangible assets of RMB5,130,000.

2. The amount represents estimated expenses relating to the Listing expected to be incurred by the Group subsequent to 31 December 2015 which mainly include professional fees for the Sole Sponsor, the Company's legal advisers and the reporting accountant, and other listing expenses.

3. The unaudited pro forma adjusted combined net tangible asset attributable to shareholders of the Company per share is RMB1.301 (equivalent to approximately HKD1.561), which is based on that 475,696,557 shares were in issue immediately prior to the Listing taking into no account of the effect of exercise of outstanding options granted pursuant to the share option scheme of Hengan Group adopted on 26 May 2011 and convertible rights attached to outstanding convertible bonds of Hengan Group held by certain holders subsequent to 31 December 2015.

4. For the purpose of this unaudited pro forma adjusted combined net tangible assets per share, the amounts stated in Renminbi are converted into Hong Kong dollars at a rate of RMB1.00 to HKD1.2000. No representation is made that Renminbi has been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

5. No adjustment has been made to reflect any trading result, or other transaction of the Group entered into subsequent to 31 December 2015.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this listing document.

羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Qinqin Foodstuffs Group (Cayman) Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Qinqin Foodstuffs Group (Cayman) Company Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets of the Group as at 31 December 2015, and related notes (the "Unaudited Pro Forma Financial Information") as set out on page *II-1 to II-2* of the Company's listing document dated 24 June 2016, in connection with the listing of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on page *II-1 to II-2*.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the listing on the Group's financial position as at 31 December 2015 as if the listing had taken place at 31 December 2015. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the year ended 31 December 2015, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a listing document is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the listing at 31 December 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 24 June 2016

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum was conditionally adopted on 17 June 2016 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum is available for inspection at the address specified in "*Appendix V – Documents available for inspection*" in this listing document.

2 Articles of Association

The Articles were conditionally adopted on 17 June 2016 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is HK$10,000,000 divided into 1,000,000,000 shares of HK$0.01 each.

2.2 Directors

(a) Power to allot and issue Shares

Subject to the provisions of the Companies Law, the Memorandum and the Articles, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles;

(vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or the Articles may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared to the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution – majority required

A "special resolution" is defined in the Articles to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee(s)) which he represents as that recognized clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Law and Articles, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 14 January 2016 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the 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.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company may obtain an undertaking from the Governor in Cabinet:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

   (i) on or in respect of the shares, debentures or other obligations of the Company; or

   (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in "*Appendix V – Documents available for inspection*" in this listing document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 14 January 2016. Our Company has established a place of business in Hong Kong at Unit 2101D, 21st Floor, Admiralty Centre, Tower 1, 18 Harcourt Road, Hong Kong on 12 February 2016 and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 29 February 2016, with Mr. Sze Man Bok appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong. With effect from the Listing Date, we will change our principal place of business in Hong Kong to Unit 2601, 26th Floor, Admiralty Centre, Tower 1, 18 Harcourt Road, Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution comprising the Memorandum and the Articles. A summary of certain provisions of the Memorandum and Articles of our Company and relevant aspects of the Companies Law is set out in Appendix III to this listing document.

2. Changes in the share capital of our Company

The authorized share capital of our Company as at the date of its incorporation was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. Upon its incorporation, one Share was allotted and issued to its initial subscriber. On 14 January 2016, the said one Share was transferred to Hengan.

On 14 April 2016, our Company alloted and issued 50 nil-paid Shares and 49 nil-paid Shares to Ever Town and Total Good respectively so that our Company was owned as to 51% by Ever Town and 49% by Total Good.

On 14 April 2016, Ever Town and Total Good (each as a transferor) transferred their respective entire interest in QinQin BVI (representing in aggregate the entire issued share capital of QinQin BVI) to our Company. As consideration for the QinQin BVI Transfer, our Company (as transferee) (a) credited as fully paid the 51 nil-paid Shares held by Ever Town; and (b) credited as fully paid the 49 nil-paid Shares held by Total Good.

On 17 June 2016, pursuant to the written resolutions of the shareholders of our Company, the authorized share capital of our Company was increased from HK$380,000 to HK$10,000,000 divided into 1,000,000,000 Shares of HK$0.01 each by the creation of 962,000,000 Shares of HK$0.01 each.

On or after the Record Date and before the Listing Date, our Company will carry out a bonus issue of 475,696,457 new Shares to the shareholders whose names appear on the register of members of our Company as at the Record Date, in proportion to their then existing shareholdings in our Company, credited as fully paid at par ("**Bonus Shares**"). Ever Town will receive 242,605,193 Bonus Shares and Total Good will receive 233,091,264 Bonus Shares (calculated on the basis of (a) five Hengan Shares will be entitled to the distribution of one Share, and (b) the total number of issued Hengan Shares as at the Latest Practicable Date (i.e. 1,213,026,221), and assuming the total number of issued Hengan Shares on the Record Date remain the same).

As at the Latest Practicable Date, there are 1,213,026,221 Hengan Shares in issue and (i) outstanding options (granted pursuant to the share option scheme of Hengan adopted on 26 May 2011) which entitle the holders thereof to subscribe for 7,716,500 Hengan Shares on or before the Record Date and (ii) outstanding Convertible Bonds which entitle the holders thereof to exercise the conversion rights attached thereto and subscribe for 4,172,131 Hengan Shares on or before the Record Date. Assuming all such options and convertible bonds are exercised or converted on or before the Record Date, there will be a total of 1,224,914,852 Hengan Shares in issue on the Record Date. Accordingly, the number of Bonus Shares to be issued to Ever Town and Total Good would instead be 244,982,919 and 235,375,746, respectively.

Save as disclosed above, there has been no alteration in the share capital of our Company within two years immediately preceding the date of this listing document up to the Latest Practicable Date.

3. Changes in the share capital of our subsidiaries

The principal subsidiaries of our Company are set out in the Accountant's Report, the text of which is set out in Appendix I to this listing document.

Save as disclosed in the section headed "*History, Reorganization and Corporate Structure*" in this listing document, there are no changes in the issued capital or the registered capital of our Company's subsidiaries during the two years preceding the date of this listing document.

4. Written resolutions of the shareholders dated 17 June 2016

Pursuant to the written resolutions of Ever Town and Total Good, the Shareholders of our Company, passed on 17 June 2016:

(a) the Listing was approved and any Director was authorized to sign and execute such documents and do all such acts and things incidental to the Listing or as he or she considered necessary, desirable or expedient in connection with the implementation of or giving effect to the Listing;

(b) the adoption of the Memorandum and Articles (the terms of which are summarized in Appendix III to this listing document) with effect from the Listing was approved;

(c) subject to the fulfillment of the Spin-off Condition, a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with, additional Shares or securities convertible into Shares, and to make or grant offers, agreements, options or securities (including but not limited to warrants, bonds and debentures convertible into Shares) which would or might require Shares to be allotted or issued, (such approval to include authorization of our Directors to, during the validity of this mandate, make or grant offers, agreements, options or securities (including but not limited to warrants, bonds and debentures convertible into Shares) which would or might require Shares to be allotted and issued either during the validity of this mandate or after it has expired) provided that the aggregate nominal amount of Shares allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise), otherwise than pursuant to a rights issue, or pursuant to the exercise of any rights of subscription or conversion under any outstanding warrants to subscribe for Shares or any securities which are convertible into Shares or any scrip dividend in lieu of the whole or part of a dividend on our Shares, shall not exceed 20% of the aggregate nominal value of our Shares in issue as at the Listing Date. Such mandate will expire at the earliest of:

(i) the conclusion of the next annual general meeting of our Company following the passing of the resolution;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or

(iii) the revocation or variation of the authority given to our Directors by the passing of an ordinary resolution of the Shareholders.

(d) subject to the fulfillment of the Spin-off Condition, a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all the powers of our Company to make repurchases of Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, provided that such number of Shares shall not exceed 10% of the aggregate nominal value of the Shares in issue as at the Listing Date. Such mandate will expire whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company following the passing of the resolution;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or

(iii) the revocation or variation of the authority given to our Directors by the passing of an ordinary resolution of the Shareholders; and

(e) subject to the fulfillment of the Spin-off Condition and the passing of the resolutions referred to in sub-paragraphs (c) and (d) above, the extension of the general mandate to allot, issue and deal with Shares as mentioned in sub-paragraph (c) by the addition to the aggregate nominal value of our Shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of our Shares repurchased by us pursuant to sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of our Shares in issue as at the Listing Date.

5. Repurchase by our Company of its own Shares

This section sets out information required by the Stock Exchange to be included in this listing document concerning the repurchase by our Company of its own securities.

(a) Relevant legal and regulatory requirements in Hong Kong

The Listing Rules permit shareholders of a listed company to grant a general mandate to our Directors to repurchase shares of such company that are listed on the Stock Exchange. Such mandate is required to be given by way of an ordinary resolution passed by shareholders in general meeting. With regard to our Company, certain relevant laws and regulations are as follows:

(i) Shareholders' approval

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on 17 June 2016, a general unconditional mandate (being the Repurchase Mandate referred to above) was given to the board of Directors authorizing any repurchase by our Company of the Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, provided that such number of Shares shall not exceed 10% of the aggregate nominal value of our Shares in issue as at the Listing Date.

(ii) Source of funds

Repurchases by our Company must be funded out of funds legally available for the purpose in accordance with the Articles and the applicable laws and regulations of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange in effect from time to time. Subject to the foregoing, any repurchases by our Company may be made out of funds which would otherwise be available for dividend or distribution, or out of our Company's share premium account or out of an issue of new shares made for the purpose of the repurchase or, if authorized by the Articles and subject to the Companies Law, out of capital.

(iii) Trading restrictions

The total number of shares which our Company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue as at the Listing Date. Our Company may not issue or announce a proposed issue of new Shares for a period of 30 days immediately following a repurchase (other than an issue of Shares pursuant to an exercise of warrants, share options or similar instruments requiring our Company to issue Shares which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, our Company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit our Company from repurchasing its shares if that repurchase would result in the number of Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of repurchased Shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed. Under Cayman Islands Companies Law, a company's repurchased shares shall be treated as cancelled and the amount of our Company's issued share capital shall be reduced by the aggregate value of the repurchased shares accordingly although the authorized share capital of our Company will not be reduced.

(v) Suspension of repurchase

Pursuant to the Listing Rules, our Company may not make any repurchase of Shares on the Stock Exchange after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for publication of an announcement of our Company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, our Company may not repurchase its Shares on the Stock Exchange other than in exceptional circumstances.

(vi) Reporting requirements

Certain information relating to repurchases of Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following any day on which our Company may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our Company's annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(vii) Connected persons

The Listing Rules prohibit our Company from knowingly repurchasing Shares on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of our Company or any of its subsidiaries or their respective close associates, and a core connected person is prohibited from knowingly selling his/her/its Shares to our Company on the Stock Exchange.

(b) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 475,696,557 Shares in issue immediately after listing of our Shares (which is calculated based on the issued share capital of Hengan as at the Latest Practicable Date and assuming it will remain unchanged on the Record Date), could accordingly result in up to 47,569,655 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

On the basis of the current financial position of our Group as disclosed in this listing document and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, there might be a material adverse impact on the working capital and/or gearing position of our Group (as compared to the position disclosed in this listing document). However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(c) Reasons for repurchases

The Directors believe that the ability to repurchase Shares on the market is in the interests of our Company and the Shareholders. Our Directors sought the grant of a general mandate from our Shareholders to repurchase Shares to give our Company the flexibility to do so if and when appropriate. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by our Directors at the relevant time having regard to the circumstances then pertaining, and will only be made where our Directors believe that such repurchases will benefit our Company and the Shareholders.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company or its subsidiaries if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a repurchase of our Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**").

Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code as a result of any such increase. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person (as defined in the Listing Rules) has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

Our Company has not made any repurchase of our Shares since its incorporation.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP

1. Summary of material contract

The following contract (not being a contract in the ordinary course of business) has been entered into by members of the Group within the two years preceding the date of this listing document and is or may be material: sales and purchase agreement entered into among Ever Town, Total Good and our Company on 14 April 2016, pursuant to which Ever Town and Total Good agreed to transfer 51% and 49% equity interest in QinQin BVI to our Company, respectively, in exchange for which the 51 and 49 nil-paid Shares held by them were credited as fully paid.

2. Intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks in PRC:

1. Fujian QinQin

No.	Trademark	Registration No.	Class	Expiry Date
1.	艾莉格	10360263	29	7 March 2013 to 6 March 2023
2.	K 親親	1043055	29	28 June 2007 to 27 June 2017
3.	维乐多	10537177	29	21 April 2013 to 20 April 2023

No.	Trademark	Registration No.	Class	Expiry Date
4.		1066901	29	28 July 2007 to 27 July 2017
5.		10699711	29	28 May 2013 to 27 May 2023
6.		1078089	30	14 August 2007 to 13 August 2017
7.		11879001	29	14 August 2014 to 13 August 2024
8.		1221337	29	7 November 2008 to 6 November 2018
9.		1221340	29	7 November 2008 to 6 November 2018
10.		1241281	29	21 January 2009 to 20 January 2019
11.		12623914	29	28 March 2015 to 27 March 2025
12.		12624138	29	7 November 2014 to 6 November 2024
13.		13383667	29	21 January 2015 to 20 January 2025

No.	Trademark	Registration No.	Class	Expiry Date
14.	香格里	14330167	29	6 March 2015 to 6 June 2025
15.	海洋之心 HEART OF OCEAN	1494338	29	21 December 2010 to 20 December 2020
16.	家嫂	1550439	29	7 January 2011 to 6 April 2021
17.	香格里	1566961	29	7 May 2011 to 6 May 2021
18.	香格里	1566962	29	7 May 2011 to 6 May 2021
19.	亲亲 Qinqin	1566963	29	7 May 2011 to 6 May 2021
20.	亲亲	1574943	29	21 May 2011 to 20 May 2021
21.	领先	1591230	29	21 June 2011 to 20 June 2021
22.	海洋之心	1995261	29	21 October 2012 to 20 October 2022
23.	香格里	3085171	29	14 March 2013 to 13 March 2023
24.	CRACK!	3117970	29	21 January 2015 to 20 January 2025

No.	Trademark	Registration No.	Class	Expiry Date
25.	鲜度	3117972	29	14 January 2015 to 13 January 2025
26.	亲亲 Qinqin	3293585	29	7 February 2014 to 6 February 2024
27.	玫瑰浓情	4613253	29	7 December 2007 to 6 December 2017
28.	樱花物语	4613254	29	21 December 2007 to 20 December 2017
29.	茉莉飘香	4613255	29	7 December 2007 to 6 December 2017
30.	香格里	4886389	29	14 June 2008 to 13 June 2018
31.	亲亲 Qinqin	5537973	29	21 August 2009 to 20 August 2019
32.	魔力棒	6483582	29	28 November 2009 to 27 November 2019
33.	亲亲 Qinqin	7109705	29	14 February 2011 to 13 February 2021
34.	亲亲 Qinqin	7109707	29	14 February 2011 to 13 February 2021
35.	香格里	7314510	29	14 October 2010 to 13 October 2020

No.	Trademark	Registration No.	Class	Expiry Date
36.	就是爱动	7370899	29	21 October 2010 to 20 October 2020
37.	海洋之	7370924	29	21 October 2010 to 20 October 2020
38.	果然多汁 fruitJuice	7535960	29	28 December 2012 to 27 December 2022
39.	优汁悠冻	7535976	29	28 August 2013 to 27 August 2023
40.	真汁润	7536076	29	7 November 2010 to 6 November 2020
41.	爱汁族	7561859	29	14 November 2010 to 13 November 2020
42.	美汁汁	7561877	29	14 November 2010 to 13 November 2020
43.	果然珍汁	7561890	29	14 November 2010 to 13 November 2020
44.	香格里 SHANGERRY	7713519	29	21 January 2011 to 20 January 2021
45.	果然珍汁 fruitJuice	7844351	29	14 March 2011 to 13 March 2021

No.	Trademark	Registration No.	Class	Expiry Date
46.	亲亲 Qinqin	8377802	29	14 November 2010 to 13 November 2020
47.	纯薯亲亲	8431215	29	14 April 2012 to 13 April 2022
48.	亲亲 Qinqin	8431228	29	14 April 2012 to 13 April 2022
49.	K 親親	929983	29	14 January 2007 to 13 January 2017
50.	阿拉蕾	9352184	29	28 April 2012 to 27 April 2022
51.	动冻饮	9352196	29	14 June 2012 to 13 June 2022
52.	冻冻饮	9352197	29	28 June 2012 to 27 June 2022
53.	冻冻茶饮	9352198	29	28 September 2012 to 27 September 2022
54.	冻冻果饮	9352199	29	14 September 2012 to 13 September 2022
55.	福亲	9507656	29	14 August 2012 to 13 August 2022

No.	Trademark	Registration No.	Class	Expiry Date
56.	艾莉格 Elegant Waffle	10360325	30	7 March 2013 to 6 March 2023
57.		10537273	30	7 June 2013 to 6 June 2023
58.		1059523	30	21 July 2007 to 20 July 2017
59.	亲恬 Qintian	10699752	30	28 May 2013 to 27 May 2023
60.	美丽亲亲 beautiful	11312092	30	14 May 2015 to 13 May 2025
61.		11312104	30	7 January 2014 to 6 January 2024
62.		1225113	30	21 November 2008 to 20 November 2018
63.	亲亲 Qinqin	1225147	30	21 November 1998 to 20 November 2018
64.	親親	1393557	30	7 May 2010 to 6 May 2020
65.		14329671	30	14 July 2015 to 13 July 2025

No.	Trademark	Registration No.	Class	Expiry Date
66.	香格里	14330223	30	14 May 2015 to 13 May 2025
67.	香格里	1510249	30	21 January 2011 to 20 January 2021
68.	家嫂	1542496	30	21 March 2011 to 20 March 2021
69.	香格里	1542497	30	21 March 2011 to 20 March 2021
70.	香格里	1542498	30	21 March 2011 to 20 March 2021
71.	亲亲 Qinqin	1579414	30	28 May 2011 to 27 May 2021
72.	亲亲	1602785	30	14 July 2011 to 13 July 2021
73.	鲜度	3117973	30	21 April 2015 to 20 April 2025
74.	亲亲 Qinqin	3293583	30	28 February 2014 to 27 February 2024
75.	亲亲 Qinqin	3293584	30	21 March 2014 to 20 March 2024
76.	亲亲 Qinqin	4485907	30	21 November 2009 to 20 November 2019

No.	Trademark	Registration No.	Class	Expiry Date
77.	茉莉飘香	4613256	30	7 December 2007 to 6 December 2017
78.	樱花物语	4613257	30	21 December 2007 to 20 December 2017
79.	玫瑰浓情	4613258	30	7 December 2007 to 6 December 2017
80.	亲亲 Qinqin	5622069	30	14 January 2010 to 13 January 2020
81.	亲亲 Qinqin	5794144	30	28 October 2009 to 27 October 2019
82.	亲亲	5794145	30	28 November 2009 to 27 November 2019
83.	亲亲 Qinqin	6483879	30	28 March 2010 to 27 March 2020
84.	親親	680181	30	7 March 2014 to 6 March 2024
85.	亲亲 Qinqin	7109706	30	14 July 2010 to 13 July 2020
86.	亲亲 Qinqin	7109708	30	28 September 2010 to 27 September 2020
87.	香格里	7314525	30	14 October 2010 to 13 October 2020
88.	亲亲 Qinqin	7512653	30	7 September 2010 to 6 September 2020

No.	Trademark	Registration No.	Class	Expiry Date
89.	亲亲	7512667	30	7 September 2010 to 6 September 2020
90.	香格里 SHANGERRY	7713438	30	28 November 2010 to 27 November 2020
91.	晶果缘	7713488	30	28 November 2010 to 27 November 2020
92.		7844423	30	21 December 2010 to 20 December 2020
93.		7844431	30	21 December 2010 to 20 December 2020
94.		7844444	30	21 December 2010 to 20 December 2020
95.		7844451	30	21 December 2010 to 20 December 2020
96.		7844461	30	21 December 2010 to 20 December 2020
97.	亲亲蜜意	8535481	30	14 September 2011 to 13 September 2021
98.	亲亲蜜意	8535501	30	14 September 2011 to 13 September 2021
99.	加力	8774638	30	21 December 2011 to 20 December 2021
100.	亲亲加力	8774721	30	7 November 2011 to 6 November 2021

No.	Trademark	Registration No.	Class	Expiry Date
101.	真给粒	9352201	30	28 August 2012 to 27 August 2022
102.	香格里	950572	30	21 February 2007 to 20 February 2017
103.	福亲	9507665	30	14 June 2012 to 13 June 2022
104.	亲恬	9507672	30	14 June 2012 to 13 June 2022
105.	K	1024903	31	7 June 2007 to 6 June 2017
106.	channel	3819468	31	21 March 2008 to 20 March 2018
107.	艾莉格	10360278	32	7 March 2013 to 6 March 2023
108.	亲恬 Qintian	10699800	32	28 May 2013 to 27 May 2023
109.	我要长大	11312126	32	7 January 2014 to 6 January 2024
110.	福亲	9507675	32	14 June 2012 to 13 June 2022

No.	Trademark	Registration No.	Class	Expiry Date
111.		9507678	32	14 June 2012 to 13 June 2022
112.		3819467	33	21 March 2008 to 20 March 2018
113.		1294847	39	14 July 2009 to 13 July 2019
114.		1294850	39	14 July 2009 to 13 July 2019
115.		1302340	39	7 August 2009 to 6 August 2019
116.		1294995	42	14 July 2009 to 13 July 2019
117.		1294997	42	14 July 2009 to 13 July 2019
118.		1294998	42	14 July 2009 to 13 July 2019
119.		614573	30	20 October 2012 to 19 October 2022
120.		1243182	30	28 January 2009 to 27 January 2019

No.	Trademark	Registration No.	Class	Expiry Date
121.	美丽亲亲 beautiful	11312003	29	28 August 2015 to 27 August 2025
122.	Elegant 艾莉格	13383733	30	7 December 2015 to 6 December 2025
123.	Elegant 艾莉格	13383827	32	28 August 2015 to 27 August 2025
124.	福建亲亲股份有限公司	14329583	29	7 January 2016 to 6 January 2026
125.	香格里 福建亲亲	14329895	29	7 December 2015 to 6 December 2025
126.	亲亲 香格里	14330060	29	21 February 2016 to 20 February 2026
127.	亲恬	9507681	29	7 August 2012 to 6 August 2022
128.	情人	6256059	29	21 December 2010 to 20 December 2020
129.	我要长大	11312025	29	7 January 2014 to 6 January 2024
130.	夺宝联盟	16062573	29	7 March 2016 to 6 March 2026
131.	鲜蔬粒	16063009	30	7 March 2016 to 6 March 2026

2. Fushun Nanfang

No.	Trademark	Registration No.	Class	Expiry Date
1.	好食再 HAOSHIZ	1359060	29	28 January 2010 to 27 January 2020
2.	好食再 HAOSHIZ	1606863	30	21 July 2011 to 20 July 2021

As at the Latest Practicable Date, the Group had applied for registration of the following trademarks:

1. Fujian QinQin

No.	Trademark	Application No.	Class	Application Date
1.	魔力棒冰	14314712	29	3 April 2014
2.	亲亲萌冻	14721064	29	19 May 2014
3.	冻冻冰	15058030	29	8 July 2014
4.	萌动	16021777	29	25 December 2014
5.	粒粒星际	16424742	29	28 February 2015
6.	星际果粒	16424743	29	28 February 2015

No.	Trademark	Application No.	Class	Application Date
7.	粒粒星球	16424807	29	28 February 2015
8.	GUOBUQIRAN 果布奇然	16424870	29	28 February 2015
9.	Q柚me	16424883	29	28 February 2015
10.	亲亲 Qinqin	16977832	29	18 May 2015
11.	亲亲 Qinqin	16978084	29	18 May 2015
12.		17182469	29	11 June 2015
13.	妙零	17533357	29	28 July 2015
14.	轻零	17533574	29	28 July 2015
15.		11879016	30	11 December 2012

No.	Trademark	Application No.	Class	Application Date
16.		15057979	30	8 July 2014
17.		17533682	30	28 July 2015
18.		17533697	30	28 July 2015
19.		17533701	30	28 July 2015
20.		17533856	30	28 July 2015
21.		17533857	30	28 July 2015

(b) Domain Name

As at the Latest Practicable Date, our Group had registered the following domain names:

No.	Domain Name	Registrar	Application Date	Expiry Date
1.	fjqinqin.cn	Fujian QinQin	24 February 2004	22 February 2020
2.	fjqinqin.com	Fujian QinQin	13 July 2000	13 July 2019
3.	fjqinqin.com.cn	Fujian QinQin	13 November 2015	13 November 2025
4.	fjqinqin.net	Fujian QinQin	23 October 2014	23 October 2024
5.	qinqin.cn	Fujian QinQin	17 March 2003	13 March 2020
6.	qinqin.com.cn	Fujian QinQin	5 June 2002	5 June 2024

(c) Patent

As at the Latest Practicable Date, our Group had registered the following patents in PRC:

1. Fujian QinQin

No.	Name	Class	Patent No.	Application Date	Announcement Date of Authorization	Expiry Date
1.	Packaging bags (Shangerry chicken essence economic package)	exterior design	ZL2014301602184	2014.05.30	2014.11.05	2024.05.29
2.	Packaging bags for jelly products with tube-shaped suction design (grape flavored)	exterior design	ZL2012301109287	2012.04.16	2012.08.29	2022.04.15
3.	Packaging bags for jelly products with tube-shaped suction design (mango flavored)	exterior design	ZL2012301109291	2012.04.16	2012.08.19	2022.04.15
4.	Packaging bags for jelly products with tube-shaped suction design (orange flavored)	exterior design	ZL2012301109319	2012.04.16	2012.08.19	2022.04.15
5.	Packaging bags for jelly products with tube-shaped suction design (jasmine flavored)	exterior design	ZL2012301109427	2012.04.16	2012.08.29	2022.04.15
6.	Packaging bags for jelly products with tube-shaped suction design (litchi flavored)	exterior design	ZL2012301109431	2012.04.16	2012.08.29	2022.04.15
7.	Packaging bags for jelly products with tube-shaped suction design (blue berry and tea flavored)	exterior design	ZL2012301109446	2012.04.16	2012.08.29	2022.04.15

No.	Name	Class	Patent No.	Application Date	Announcement Date of Authorization	Expiry Date
8.	Packaging bags for jelly products with tube-shaped suction design (strawberry flavored)	exterior design	ZL2012301109592	2012.04.16	2012.08.29	2022.04.15
9.	Packaging bags for jelly products with tube-shaped suction design (pineapple flavored)	exterior design	ZL201230110961x	2012.04.16	2012.08.29	2022.04.15
10.	Packaging bags for jelly products with tube-shaped suction design (chrysanthemum tea with honey flavored)	exterior design	ZL2012301109624	2012.04.16	2012.10.17	2022.04.15
11.	Packaging bags for jelly products with tube-shaped suction design (orange and lemon flavored)	exterior design	ZL2012301109639	2012.04.16	2012.08.29	2022.04.15
12.	Packaging bags for jelly products with tube-shaped suction design (tangerine flavored with pulp)	exterior design	ZL2012301109751	2012.04.16	2012.08.29	2022.04.15
13.	Packaging bags (Shangerry)	exterior design	ZL2012301109770	2012.04.16	2012.08.29	2022.04.15
14.	Packaging bags (Victoria seaweed)	exterior design	ZL2012301109855	2012.04.16	2012.08.29	2022.04.15
15.	Chicken powder in pump bottle	practical new style	ZL201420712762x	2014.11.24	2015.04.08	2024.11.23
16.	Side can opener	practical new style	ZL2014207130321	2014.11.24	2015.04.15	2024.11.23
17.	Size measurement equipment for products in irregular shape	practical new style	ZL2014207130711	2014.11.24	2015.04.08	2024.11.23
18.	Packaging bags (grain rolls)	exterior design	ZL2015301650394	2015.05.27	2015.09.30	2025.05.26

No.	Name	Class	Patent No.	Application Date	Announcement Date of Authorization	Expiry Date
19.	Packaging bags (Shangerry essence premium package)	exterior design	ZL2015302712010	2015.07.24	2015.12.09	2025.07.23
20.	Packaging bags (prawn slices – barbeque-flavored)	exterior design	ZL2014305394693	2014.12.19	2015.06.10	2024.12.18
21.	Packaging bags (Shangerry chicken essence – seasoning)	exterior design	ZL2014305397117	2014.12.19	2015.06.10	2024.12.18
22.	Packaging bags (prawn chips – original flavored)	exterior design	ZL2014305395179	2014.12.19	2015.06.10	2024.12.18
23.	Packaging bags (Kongfu potato)	exterior design	ZL2014305396839	2014.12.19	2015.06.10	2024.12.18
24.	Packaging cans (chicken powder compound seasoning)	exterior design	ZL2014305397278	2014.12.19	2015.06.10	2024.12.18
25.	Packaging bags (Shangerry chicken essence – seasoning)	exterior design	ZL2014305392880	2014.12.19	2015.06.10	2024.12.18
26.	Packaging bags (Shangerry sparerib flavored)	exterior design	ZL2014305396805	2014.12.19	2015.06.10	2024.12.18
27.	Packaging bags (fish-shaped chops – barbeque flavored)	exterior design	ZL2014305391426	2014.12.19	2015.06.10	2024.12.18
28.	Packaging bags (prawn chips – barbeque flavored)	exterior design	ZL2014305394710	2014.12.19	2015.06.10	2024.12.18
29.	Packaging bags (iced jelly series in fruits flavored)	exterior design	ZL2014303290914	2014.09.05	2015.04.08	2024.09.04

2. Quanzhou QinQin

No.	Name	Class	Patent No.	Application Date	Announcement Date of Application	Expiry Date
1.	Chicken powder in pump bottle	practical new style	ZL2014207128764	2014.11.24	2015.04.15	2024.11.23
2.	A closed and consecutive production line for chicken essence with dust-free and vacuumed transportation	practical new style	ZL2014207134159	2014.11.24	2015.07.08	2024.11.23

As at the Latest Practicable Date, the Group had applied for registration of the following patents:

1. Fujian QinQin

No.	Name	Class	Patent No.	Application Date
1.	A production technique for compound potato chips	Invention	2014106821187	2014.11.24
2.	A controlling measure to balance strength of sealing and easiness of opening for jelly products in cup size	Invention	2014106819789	2014.11.24
3.	An extruded and distorted corn chips and its preparation	Invention	2014106820818	2014.11.24
4.	A kind of special syrup for speedy making puddings and its preparation	Invention	2014106828294	2014.11.24

2. *Quanzhou QinQin*

No.	Name	Class	Patent No.	Application Date	Announcement Date of Application	Expiry Date
1.	Chicken powder in pump bottle	practical new style	ZL2014207128764	2014.11.24	2015.04.15	2024.11.23
2.	A closed and consecutive production line for chicken essence with dust-free and vacuumed transportation	practical new style	ZL2014207134159	2014.11.24	2015.07.08	2024.11.23

Save as disclosed in the section headed "*Appendix IV – General Information – Intellectual Property Rights of Our Group*" above, there are no trademarks, patents or other intellectual property rights which are material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors' Service Contracts

(a) Executive Directors

The aggregate annual director's fee and salary (excluding discretionary bonus and allowances) of all our executive Directors pursuant to their service contracts is approximately RMB1.5 million. The executive Directors' service contracts have a term of 3 years commencing on the Listing Date and may be terminated by either party giving not less than one month's notice in writing. In certain other circumstances, the service contract can also be terminated by our Company, including but not limited to certain breaches of the Directors' obligations under the contract or certain misconducts. The appointments of the executive Directors are also subject to the provisions of retirement and rotation of Directors under the Articles. The salary of each executive Director after each financial year is subject to adjustment as determined or recommended by our Company's remuneration committee and approved by the Board (excluding the Director whose salary is under review).

(b) Non-executive Directors and Independent Non-executive Directors

Each of the non-executive Directors has entered into a service contract with our Company for a period of 3 years commencing on the Listing Date and may be terminated by either party giving not less than one month's notice in writing. The appointment of our non-executive Directors is also subject to the provisions of retirement and rotation of Directors under the Articles. Pursuant to the terms of the service contracts, the aggregate annual director's fee payable to our non-executive Directors is approximately RMB0.3 million (excluding discretionary bonus and allowances).

Each of the independent non-executive Directors has entered into a letter of appointment with our Company for a period of 3 years commencing on the Listing Date and may be terminated by either party giving at least one month's notice. The appointments of the independent non-executive Directors are also subject to the provisions of retirement and rotation of Directors under the Articles. Pursuant to the terms of the letters of appointment, the aggregate annual director's fee payable to our independent non-executive Directors is approximately RMB0.3 million.

2. Directors' Remuneration

Our Company's policies concerning remuneration of executive Directors and non-executive Directors are as follows:

(i) the amount of remuneration payable to the executive Directors will be determined on a case by case basis depending on the Director's experience, responsibility, workload and the time devoted to our Group; and

(ii) non-cash benefits may be provided at the discretion of the Board to our Directors under their remuneration package.

The aggregate emoluments paid and benefits in kind granted to our Directors in respect of the financial year ended 31 December 2015 was approximately RMB0.6 million. Details of the Directors' remuneration are also set out in note 31 of the Accountant's Report set out in Appendix I to this listing document.

Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including the independent non-executive Directors) for the year ending 31 December 2016, are expected to be approximately RMB2.1 million.

None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended 31 December 2015 as (i) an inducement to join or upon joining our Company; or (ii) compensation for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 December 2015.

3. Disclosure of Directors' Interests

Immediately following completion of the Spin-off (without taking into account any Hengan Shares that may be allotted and issued upon the exercise of any options which have been or may be granted under the share option scheme of Hengan or any Hengan Shares which may be issued upon the exercise of the conversion rights attached to the Convertible Bonds), based on the information available to the Company on the Latest Practicable Date, the interests or short positions of our Directors and the chief executive of our Company in our Shares, underlying Shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will 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 which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the

SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

Long positions in Shares of our Company

Name of Director	*Note*	Capacity/Nature of interest	Number of Shares *(Note 6)*	Approximate percentage of interest in our Company *(Notes 1 and 6)*
Mr. Sze Man Bok. . .	*2*	Beneficial owner and founder of discretionary trust	45,760,919	9.6%
Mr. Hui Lin Chit . . .	*3*	Founder of discretionary trust	44,933,950	9.4%
Mr. Wu Huolu	*4*	Interest of controlled corporation	85,214,895	17.9%
Mr. Hui Ching Lau. .	*5*	Interest of controlled corporations	31,221,478	6.6%

Notes:

1. The relevant percentages have been calculated by reference only to the aggregate number of Shares expected to be in issue on the Listing Date. Based on the issued share capital of Hengan as at the Latest Practicable Date and assuming that it will remain unchanged on the Record Date, our Company has assumed that 475,696,557 Shares will be in issue on the Listing Date.

2. Out of the 45,760,919 Shares, Tin Lee Investments Limited ("**Tin Lee**") holds 45,645,799 Shares while Mr. Sze Man Bok has personal interests in 115,120 Shares. Tin Lee is a wholly owned subsidiary of Tin Wing Holdings Limited, which is owned by Seletar Limited and Serangoon Limited as nominee on trust for Credit Suisse Trust Limited, the trustee of the Sze's Family Trust. Mr. Sze Man Bok is settlor and beneficiary of the Sze's Family Trust.

3. The 44,933,950 Shares are held by An Ping Holdings Limited, a wholly owned subsidiary of An Ping Investments Limited, which is in turn owned by Seletar Limited and Serangoon Limited as nominee on trust for Credit Suisse Trust Limited, the trustee of the Hui Family Trust. Mr. Hui Lin Chit is settlor and beneficiary of the Hui Family Trust.

4. Mr. Wu Huolu is deemed to be interested in the 85,214,895 Shares held by Easy Success, which will be wholly owned by him before the Listing.

5. Mr. Hui Ching Lau is deemed to be interested in the 29,555,978 Shares held by Sure Wonder Limited, 1,493,900 Shares held by Event Star Limited and 171,600 Shares held by King Terrace Limited, each a company wholly owned by him. Based on the information available to the Company as at the Latest Practicable Date, an additional 3,600 Shares may be distributed to Event Star Limited, based on the additional Hengan Shares that it may receive before the Record Date under structured products relating to Hengan Shares.

6. Fractional entitlements of the Shares under the Distribution may be taken into account in calculating the interests shown above, and accordingly the number of Shares in which they are, or are deemed to be interested, as well as the shareholding percentages, are approximate only.

4. Substantial Shareholders

Save as disclosed in the section headed "*Substantial Shareholders*" in this listing document, our Directors are not aware of any other person (not being a Director or the chief executive of our Company) who will have an interest or a short position in Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

5. Disclaimers

Save as disclosed in this listing document:

(a) none of our Directors or chief executive of our Company has any interests and short positions in our Shares, underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will 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 which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange;

(b) so far as is known to any of our Directors or the chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares of our Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(c) none of our Directors nor any of the persons listed in the section headed "*Appendix IV – General Information – Other Information – Qualifications and Consents of Experts*" below is interested, directly or indirectly, in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this listing document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) none of our Directors or the persons listed in the section headed "*Appendix IV – General Information – Other Information – Qualifications and consents of experts*" below is materially interested in any contract or arrangement with our Group subsisting at the date of this listing document which is unusual in its nature or conditions or which is significant in relation to the business of our Group;

(e) none of the persons listed in the section headed "*Appendix IV – General Information – Other Information – Qualifications and consents of experts*" below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(f) none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

D. UNDERTAKING BY MR. WU HUOLU

As set out in the section headed "*Waivers from Strict Compliance with the Listing Rules – Share Issue Restriction*" in this listing document, pursuant to Rule 10.07(1)(a) of the Listing Rules, Mr. Wu Huolu has undertaken to the Stock Exchange and to the Company that other than pursuant to the Spin-off and a deemed disposal of Shares upon any issue of securities by the Company, he will not and will procure that the relevant registered holder of the Shares in which he is beneficially interested will not in the period commencing on the date by reference to which the disclosure of his shareholding is made in this listing document and ending on the date which is six months from the Listing date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he is shown by this listing document to be the beneficial owner.

E. INFORMATION FOR HENGAN SHAREHOLDERS AND BENEFICIAL HENGAN SHAREHOLDERS RESIDING OR LOCATED OUTSIDE HONG KONG AND REGISTERED HENGAN SHAREHOLDERS HOLDING HENGAN SHARES ON THEIR BEHALF

Further information for Hengan Shareholders and Beneficial Hengan Shareholders residing in or located in certain jurisdictions outside Hong Kong and Registered Hengan Shareholders holding Hengan Shares on their behalf is set out below.

Australia

Owners of Hengan Shares or Beneficial Hengan Shareholders residing in or located in Australia should note that this listing document is not a prospectus or other disclosure document for the purposes of Chapter 6D of the Corporations Act 2001 (Cth) ("**Corporations Act**"). This listing document does not, and is not required to, contain all the information which would be required under the Corporations Act to be included in such a disclosure document, and has not been lodged with the Australian Securities and Investments Commission.

Hengan intends to make the Distribution to owners of Hengan Shares or Beneficial Hengan Shareholders residing in or located in Australia without disclosure pursuant to section 708(15) of the Corporations Act.

Any person to whom Shares are transferred under the Distribution must not, within 12 months after the transfer, offer, transfer or assign those Shares to any person except in circumstances where disclosure to investors is not required under Chapter 6D of the Corporations Act.

European Union

This listing document does not constitute an offer of nor is it calculated to invite offers for Shares or other securities or investment instruments of the Company which require the publication of a prospectus for the purposes of Directive 2003/71/EC of the European Parliament and of the Council, and the amendments thereto (including those resulting from Directive 2010/73/EU) (the "**Prospectus Directive**") or any implementing legislation in any member of the European Union that has implemented the Prospectus Directive ("**Relevant Member State**"). No such Shares or other securities or investment instruments have been, or will be, allotted or issued with a view to any of them being offered for sale to or subscription by the public in any manner which constitutes an offer to the public of securities requiring publication of a prospectus for the purposes of the Prospectus Directive or any implementing legislation in any Relevant Member State, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant

Member State (the "**Relevant Implementation Date**"). In each Relevant Member State, any offer of Shares, other securities and/or investment instruments may only be made (with effect from and including the Relevant Implementation Date): (a) to qualified investors (as defined in the Prospectus Directive); (b) to fewer than 150 natural or legal persons (other than qualified investors) in any Relevant Member State; or (c) in any other circumstances that do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive. Any investor receiving the Shares is solely responsible for ensuring that any offer or resale of the Shares it received occurs in compliance with applicable laws and regulations.

No Shares or other securities or investment instruments will be allotted or issued in connection with, or pursuant to this listing document in any manner which constitutes an offer to the public of securities requiring publication of a prospectus for the purposes of the Prospectus Directive. This listing document does not constitute a prospectus for the purposes of the Prospectus Directive or any implementing legislation in any Relevant Member State and has not been reviewed by any regulatory authority in any Relevant Member State.

Germany

This listing document does not constitute an offer of, nor is it calculated to invite offers for, Shares or other securities of the Company. The Shares must not and will not be offered to the public in the Federal Republic of Germany ("**Germany**") (within the meaning of section 3(1) of the German Securities Prospectus Act (Wertpapierprospektgesetz, "**WpPG**") save in circumstances where it is lawful to do so without an approved prospectus (within the meaning of section 3(1) WpPG) being made available to the public before the offer is made. This Listing document, the Shares, the Distribution or any other transaction contemplated in this listing document have not been and will not be approved by or filed with the German Financial Services Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, "**BaFin**") or any other competent German authority under applicable German law. The Shares may therefore not be offered, distributed, sold, transferred or delivered, directly or indirectly, to the public in Germany except to persons who qualify as "qualified investors" within the meaning of section 2 no. 6 WpPG.

This listing document is only directed to such recipients to whom it is directly addressed, and it may not be forwarded or distributed to any other person in Germany and may not be reproduced in any manner whatsoever. Any forwarding, distribution or reproduction of this listing document, in whole or in part, to any other person in Germany is unauthorised. This listing document should only be accepted by those persons who have been directly addressed, and no other person should accept or respond to it or rely on it.

Korea

The securities of the Company (the "**Securities**") have not been and will not be registered under the Financial Investment Services and Capital Markets Act of Korea. The Securities may not be offered, sold or delivered, directly or indirectly, in Korea or to, or for the account or benefit of, any resident (as defined under the Foreign Exchange Transaction Act of Korea and the rules and regulations promulgated thereunder) thereof except as otherwise permitted by applicable Korean laws and regulations.

Registered Hengan Shareholders, and Beneficial Hengan Shareholders residing in Korea, should inform themselves about and observe all legal and regulatory requirements applicable to them. It is the responsibility of the Registered Hengan Shareholders and Beneficial Hengan Shareholders to satisfy themselves as to the full observance of the laws of the relevant jurisdictions applicable to them in connection with the distribution. A Registered Hengan Shareholder forwarding this listing document to a beneficial owner or indirect owner of Hengan shares in Korea is recommended to accompany the listing document with the following message where applicable:

"In connection with the distribution in specie of certain shares in Qinqin Foodstuffs Group (Cayman) Company Limited to certain existing holders of shares ("**Hengan Shares**") in Hengan International Group Company Limited as part of the spin-off, the attached document is being provided to you as an owner of Hengan Shares. Nothing contained in this communication and/or in the attached document should be read as a solicitation activity for or offering of the securities described in the attached document in Korea or to or for the account of any resident (as defined under the Foreign Exchange Transaction Act of Korea and the rules and regulations promulgated thereunder) of Korea. The securities described in the attached document have not been and will not be registered under the Financial Investment Services and Capital Markets Act of Korea, and the securities described in the attached document may not be offered, sold or delivered, directly or indirectly, in Korea or to, or for the account or benefit of, any resident (as defined under the Foreign Exchange Transaction Act of Korea and the rules and regulations promulgated thereunder) of Korea except as otherwise permitted by applicable korean laws and regulations.

The attached document is provided to you in connection with the distribution in specie as part of the spin-off. We are not registered, and do not intend to register, in Korea to engage in investment dealing business and/or investment brokerage business, and we are not an underwriter, sponsor, manager, solicitation agent, placement agent or the like in connection with the securities described in the attached document, and do not in any way purport to act in such capacity, nor should anything be read as us having assumed such role, and we explicitly disclaim any liability that may arise from any misunderstanding to the contrary. This communication and the attached document may not in any way be distributed, transferred, disclosed, referred to or circulated to any other person by the recipient of this communication except as otherwise permitted by applicable Korean laws and regulations."

Norway

This listing document is not a prospectus within the meaning of the Norwegian Securities Trading Act Section 7-2 and has not been approved by the Financial Supervisory Authority of Norway.

PRC

In consideration of the difficulty in ascertaining whether the owners of Hengan Shares residing in or located in the PRC have complied with the relevant legal procedures in the PRC, this listing document shall not be distributed in or into the PRC.

Hengan PRC Stock Connect Investors

According to the "CCASS Shareholding Search" available on the Stock Exchange's website (www.hkexnews.hk), as at 14 June 2016, ChinaClear held 4,974,500 Hengan Shares, representing approximately 0.4% of the total issued Hengan Shares. ChinaClear is a CCASS Participant with HKSCC Nominees.

According to our PRC Legal Advisers, the Frequently Asked Questions & Answers 34 regarding the Shanghai-Hong Kong Stock Connect (港股通投資者常見問題解答) and Measures of the Shanghai Stock Exchange for the Shanghai-Hong Kong Stock Connect Pilot (上海証券交易所滬港通試點辦法), the Hengan PRC Stock Connect Investors whose stock accounts in ChinaClear are credited with our Shares may only sell them on the Stock Exchange under the Shanghai-Hong Kong Stock Connect but may not purchase our Shares as our Shares are not eligible securities under the Shanghai-Hong Kong Stock Connect.

Qatar

The Shares have not been registered for public offer or distribution in Qatar. The Shares must not be distributed within Qatar by way of a public offer, public advertisement or in any similar manner, and this listing document and any other document relating to the Shares, as well as information contained therein, may not be supplied to the public in Qatar or used in connection with any offer for subscription of the Shares to the public in Qatar. This offering has not been filed with, reviewed or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or any other relevant Qatari governmental body or securities exchange.

This listing document does not, and is not intended to, constitute an invitation or offer of securities in the State of Qatar and accordingly should not be construed as such.

This listing document is being issued to a limited number of institutional and/or sophisticated investors and/or current shareholders (i) upon their request and confirmation that they understand that the Company has not been approved or licensed by or registered with the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or any other applicable licensing authorities or governmental agencies in the State of Qatar; and (ii) on the condition that it will not be provided to any person other than the original recipient, is not for general circulation and may not be reproduced or used for any other purpose.

Persons into whose possession this listing document comes are advised to consult with their own legal advisers with respect to any applicable laws that may restrict the distribution of this listing document. Neither this listing document nor any part of it shall be relied upon in any way in connection with any contract for the acquisition of the Shares nor shall its issue be taken as any form of commitment on the part of the Company to proceed with any transaction.

Switzerland

This listing document is not intended to constitute an offer or solicitation to purchase or invest in the Shares described herein. The Shares may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this listing document nor any other offering or marketing material relating to the Shares constitutes a "prospectus" as such term is understood pursuant to article 652a of the Swiss Code of Obligations or a "listing prospectus" within the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland.

Taiwan

The offer of Shares or other securities of the Company has not been and will not be registered with the Financial Supervisory Commission of the Republic of China (Taiwan) pursuant to the relevant securities laws and regulations and may not be offered or sold within the Republic of China (Taiwan) through a public offering or in a circumstance which constitutes an offer within the meaning of the Securities and Exchange Act of the Republic of China (Taiwan) that requires registration with or approval of the Financial Supervisory Commission of the Republic of China (Taiwan).

UK

This listing document does not constitute an offer of, nor is it calculated to invite offers for, Shares or other securities of the Company. This document constitutes a 'financial promotion' for the purposes of section 21 of the UK Financial Services and Markets Act 2000, as amended ("**FSMA**") and its distribution in the UK is restricted. The Shares must not and will not be offered to the public in the UK (within the meaning of section 102B of the FSMA) save in circumstances where it is lawful to do so without an approved prospectus (within the meaning of section 85 of FSMA) being made available to the public before the offer is made. No Shares or other securities have been allotted or issued with a view to any of them being offered for sale to or subscription by the public in the UK except to: (a) persons who are outside the UK; (b) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (SI 2005/1529) (as amended) (the "**Order**"); (c) high net worth companies, unincorporated associations and other bodies falling within Article 49(2)(a) to (d) of the Order; (d) certified high net worth individuals within Article 48 of the Order who, in this regard, have signed a statement dated within a period of 12 months ending on the date of receipt of this document complying with Part 1 of Schedule 5 of the Order stating that inter alia, they have either or both: (i) during the financial year immediately preceding the date on which the statement is signed an annual income of not less than £100,000; or (ii) held, throughout the financial year immediately preceding the date on which the statement is signed, net assets to the value of not less than £250,000 (excluding the property which is their primary residence or any loan secured on that residence, any of their rights under a qualifying contract of insurance within the meaning of the Financial Services and Markets Act 2000 (Regulated Authorities) Order 2001, or any benefits (in the form of pensions or otherwise) which are payable on termination of their service or death or retirement and to which they are (or their dependants are), or may be entitled; (e) sophisticated investors falling within Article 50 of the Order; (f) self-certified sophisticated investors falling within Article 50A of the Order; and other persons to whom it may lawfully be communicated (all such persons together being "**Relevant Persons**"). It is not intended that this listing document be distributed or passed on, directly or indirectly, to any other class of person and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document. No Shares or other securities will be allotted or issued in connection with, or pursuant to this listing document. This listing document does not comprise a prospectus for the purposes of the FSMA and has not been approved by or filed with the Financial Conduct Authority.

United Arab Emirates and the Dubai International Financial Centre

This listing document has not been reviewed by or registered with the Emirates Securities and Commodities Authority, the Dubai Financial Services Authority, the Central Bank of the United Arab Emirates or any other governmental authority in the United Arab Emirates ("**UAE**") or the Dubai International Financial Centre ("**DIFC**"), and have not been authorized or licensed for offering, marketing, advertisement or sale in the UAE or the DIFC. The information contained in this document does not, and is not intended to, constitute a public offer, sale, promotion, advertisement or delivery of securities in the UAE or the DIFC in accordance with the Commercial Companies Law (Federal Law No. 2 of 2015), DIFC Regulatory Law (DIFC Law No. 1 of 2004), DIFC Markets Law (DIFC Law No. 12 of 2004), the DIFC Offered Securities Rules or otherwise and should not be construed as such.

F. OTHER INFORMATION

1. Share Option Scheme

As at the date of this listing document, we have not adopted any share option scheme.

2. Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance was pending or threatened by or against any member of our Group.

3. Sole Sponsor

The Sole Sponsor has declared its independence pursuant to Rule 3A.07 of the Listing Rules. The Sole Sponsor's fees in connection with the Spin-off are approximately US$1,000,000.

The Sponsor has made an application on our Company's behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, all our Shares in issue and to be issued as mentioned in this listing document. All necessary arrangements have been made for our Shares to be admitted into CCASS.

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately US$4,500, inclusive of incorporation costs and disbursements and are payable by our Company. Our Company's listing expenses include the fees of the Sole Sponsor, the reporting accountant, legal advisers, and other professional fees for the Reorganization and listing application. We expect to incur approximately RMB21.4 million of listing expenses, which will be recognized as expenses in our combined income statements for the financial year ending 31 December 2016, a substantial portion of which would be recognized in our combined income statements for the six months ending 30 June 2016.

5. Promoter

Our Company does not have any promoter (as defined in the Listing Rules). Save as disclosed in this listing document, within the two years immediately preceding the date of this listing document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Spin-off and the related transactions described in this listing document.

6. Taxation of holders of Shares

(a) Hong Kong and Cayman Islands

The sale, purchase and transfer of Shares registered with our Company's register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of our Shares being sold or transferred. Profits from dealings in our Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

(b) Consultation with professional advisers

Intending holders of our Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, the Directors or the other parties involved in the Spin-off can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

7. Qualifications and consents of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this listing document:

Name	Qualification
Merrill Lynch Far East Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) of the regulated activities as defined under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Global Law Office	Legal advisers to our Company as to PRC law
Maples and Calder	Legal advisers to our Company as to Cayman Islands law
Euromonitor International Limited	Industry consultant
RSM Consulting (Hong Kong) Limited	Internal control consultant

Each of the experts named above has given and has not withdrawn its written consent to the issue of this listing document with the inclusion of its reports and/or letter and/or opinions and/or the references to its name included herein in the form and context in which it is respectively included.

None of the experts named above has any shareholding interest in any members of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of our Group.

8. Compliance adviser

Our Company has appointed First Shanghai Capital Limited (第一上海融資有限公司) as the compliance adviser upon Listing in compliance with Rule 3A.19 of the Listing Rules. Further details of the appointment are set out in the section headed "*Directors and Senior Management – Compliance Adviser*" in this listing document.

9. Miscellaneous

(a) Save as disclosed in this listing document, within the two years immediately preceding the date of this listing document:

(i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no founders or management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued;

(iv) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of its subsidiaries; and

(v) no commission has been paid or payable subscribing, agreeing to subscribe or procuring subscription or agreeing to procure subscription for any shares in our Company or any of its subsidiaries;

(b) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this listing document;

(c) our Directors have been advised that no material liability for estate duty would be likely to fall upon any member of the Group;

(d) our register of members will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable our Shares to be admitted to CCASS;

(e) there is no arrangement under which future dividends have been waived;

(f) no company within our Group is presently listed on any stock exchange or traded on any trading system; and

(g) in case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Reed Smith Richards Butler at 20th Floor Alexandra House, 18 Chater Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this listing document:

1. the Memorandum and Articles of Association of the Company;
2. the accountant's report of the Group from PricewaterhouseCoopers, the text of which is set out in Appendix I to this listing document;
3. the audited combined financial statements of our Group for each of the years ended 31 December 2013, 2014 and 2015;
4. the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this listing document;
5. the legal opinion prepared by the PRC Legal Advisers in respect of certain aspects of the Group in the PRC;
6. the industry report prepared by Euromonitor referred to in the section headed "*Industry Overview*" in this listing document;
7. the report prepared by the Internal Control Consultant referred to in the section headed "*Business – Risk Management – Internal Control Consultant's Review*";
8. the letter prepared by Maples and Calder summarising certain aspects of Cayman Islands company law referred to in Appendix III to this listing document;
9. the Companies Law;
10. the material contract referred to in the paragraph headed "*B. Further information about the business of the Group – 1. Summary of material contract*" in Appendix IV to this listing document;
11. the written consents referred to in the paragraph headed "*F. Other information – 7. Qualifications and consents of experts*" in Appendix IV to this listing document; and
12. the service contracts referred to in the paragraph headed "*C. Further information about our directors and substantial shareholders – 1. Directors' service contracts*" in Appendix IV to this listing document.

親親食品集團（開曼）股份有限公司

QINQIN FOODSTUFFS GROUP (CAYMAN) COMPANY LIMITED