周黑鴨國際控股有限公司
Zhou Hei Ya International Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1458

GLOBAL OFFERING

Joint Sponsors and Joint Global Coordinators

Morgan Stanley CREDIT SUISSE

Joint Bookrunners and Joint Lead Managers

Morgan Stanley CREDIT SUISSE CMS 招商证券

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

Zhou Hei Ya International Holdings Company Limited
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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**424,470,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**42,447,000 Shares (subject to adjustment)**
Number of International Offer Shares	**:**	**382,023,000 Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$7.80 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**US$0.000001 per Share**
Stock code	**:**	**1458**

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company on or about Saturday, November 5, 2016 and, in any event, not later than Thursday, November 10, 2016. The Offer Price will be not more than HK$7.80 per Offer Share and is currently expected to be not less than HK$5.80 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$7.80 per Offer Share, together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK$7.80 per Offer Share.

The Joint Global Coordinators (on behalf of the Underwriters), with the consent of our Company, may reduce the indicative Offer Price range stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Such notice will also be available on the website of the Stock Exchange at **www.hkexnews.hk** and on the website of our Company at **www.zhouheiya.cn.** Further details are set out in "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus. If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) on or before Thursday, November 10, 2016 (Hong Kong time), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse. See "Underwriting - Underwriting Arrangements and Expenses - Hong Kong Public Offering - Grounds for Termination" in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Hong Kong Offer Shares should note that the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Hong Kong Underwriting Agreement—Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered, sold or delivered to QIBs in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from the registration requirements of the U.S. Securities Act. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

November 1, 2016

Latest time for completing electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[(2)]	11:30 a.m. on Friday, November 4, 2016
Application lists open[(3)]	11:45 a.m. on Friday, November 4, 2016
Latest time for lodging **WHITE** and **YELLOW** Application Forms	12:00 noon on Friday, November 4, 2016
Latest time for completing payment of **WHITE FORM eIPO** applications by effecting Internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, November 4, 2016
Latest time for giving electronic application instructions to HKSCC[(4)]	12:00 noon on Friday, November 4, 2016
Application lists close[(3)]	12:00 noon on Friday, November 4, 2016
Expected Price Determination Date[(5)]	Saturday, November 5, 2016
(1) Announcement of the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before	Thursday, November 10, 2016
(2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document or business registration numbers, where appropriate) to be available through a variety of channels as described in "How to Apply for Hong Kong Offer Shares — 11. Publication of Results" in this prospectus	Thursday, November 10, 2016
(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.zhouheiya.cn**[(6)] from	Thursday, November 10, 2016
Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** with a "search by ID" function from	Thursday, November 10, 2016

Dispatch of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before(7)(9)	Thursday, November 10, 2016
Dispatch of refund cheques and White Form e-Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before(8)(9)	Thursday, November 10, 2016
Dealings in the Shares on the Stock Exchange expected to commence on	Friday, November 11, 2016

Notes:

(1) All times refer to Hong Kong local time, except as otherwise stated.

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, November 4, 2016, the application lists will not open or close on that day. See "How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to "How to Apply for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.

(5) The Price Determination Date is expected to be on or around Saturday, November 5, 2016 and, in any event, not later than Thursday, November 10, 2016. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and us by Thursday, November 10, 2016, the Global Offering will not proceed and will lapse.

(6) None of the website or any of the information contained on the website forms part of this prospectus.

(7) Share certificates will only become valid at 8:00 a.m. on Friday, November 11, 2016 provided that the Global Offering has become unconditional and the right of termination described in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

(8) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.

(9) Applicants who have applied on **WHITE** Application Forms or through the **White Form eIPO** service for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates in person from our Company's Hong Kong Share Registrar, Computershare

Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, November 10, 2016 or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques. Applicants being individuals who is eligible for personal collection may not authorize any other person to collect on their behalf. Applicants being corporations which is eligible for personal collection must attend through their authorized representatives bearing letters of authorization from their corporation stamped with the corporation's chop. Both individuals and authorized representatives of corporations must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to their or the designated CCASS Participants' stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies — Personal Collection - (iv) If you apply via Electronic Application Instructions to HKSCC" in this prospectus for details.

Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to that bank account in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

Applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected Share certificates and/or refund cheques will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in "How to Apply for Hong Kong Offer Shares — 13. Refund of Application Monies" and "How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies" in this prospectus.

The above expected timetable is a summary only. You should refer to the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

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CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in "Risk Factors" of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

Braised food has a long history in the Chinese cooking tradition and is one of the favorite food types of Chinese people. Braised food is made by simmering food such as meat, vegetables or bean curd in a master stock for hours, after the initial treatment and blanching of the raw materials, to absorb the flavor of the master stock and be tenderized. The master stock generally consists of different spices and broth to create unique aroma and flavors. The ingredients of the master stock vary from region to region due to varying flavor preferences in different regions of China. Braised food has gradually shifted from traditional table food to casual food, mainly tailored for leisure consumption. Casual braised food has become more popular as a result of its easy-to-carry packaged format as well as the increased availability through sales outlets located among high pedestrian traffic locations. According to Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., or Frost & Sullivan, since 2010 casual braised food has been the fastest-growing market segment in the overall casual food industry in China.

We produce, market and retail casual braised food. Since our founder, Zhou Family opened our first store in Wuhan in 2002, we have become a leading brand and retailer of casual braised food in China, in terms of revenue, retail sales value as well as the number of self-operated retail stores, according to Frost & Sullivan. Under our brand "Zhou Hei Ya (周黑鴨)", we market and sell casual braised food in China primarily through 757 self-operated retail stores in 40 cities covering 12 provinces and municipalities in China as of the Latest Practicable Date as well as our established online channels. We contributed to transforming the casual braised food industry by upgrading its retail model from traditional roadside stalls into branded chain stores with a distinguishable brand image and hygienic shopping spaces that provide products and services of consistent quality. We are also the first braised food company that has achieved a complete shift from selling unpackaged products to MAP products.

Our Industry and Market Position

We have in the past benefitted from the robust growth of our industry. According to Frost & Sullivan, the retail sales value of the PRC casual braised food industry increased from RMB23.2 billion in 2010 to RMB52.1 billion in 2015, representing a CAGR of 17.6% from 2010 to 2015, and is expected to grow to RMB123.5 billion by 2020, representing a CAGR of 18.8% from 2015 to 2020.

According to Frost & Sullivan:

- we were the second largest casual braised food company by revenue and our revenue accounted for approximately 6.8% of total revenue generated by China's casual braised food companies in the twelve months ended June 30, 2016;
- we were the second largest casual braised food company by retail sales value and our retail sales value accounted for approximately 5.5% of total retail sales value of China's casual braised food companies in the twelve months ended June 30, 2016;
- we operated the second largest self-operated retail store network among all casual braised food companies in China as of June 30, 2016;
- we had an industry leading average revenue per self-operated retail store among all major casual braised food companies in China in the twelve months ended June 30, 2016;
- we had the largest market share in terms of revenue generated from online channels among all casual braised food companies in China in the twelve months ended June 30, 2016; and
- we ranked first in terms of top-of-mind awareness, customer satisfaction and frequency of customer patronage among all casual braised food brands according to the survey conducted by Frost & Sullivan in 20 cities in China in 2015.

See "Industry Overview" for more details.

Our Brand and Image

We aspire to establish ourselves as a young, exuberant and culturally defined lifestyle brand. We believe our products are popular, hygienic and convenient to consume. Our logo, which embodies our brand image, is a vivid cartoon image associated with the "Zhou Hei Ya (周黑鴨)" brand name. To promote our brand philosophy of "More Entertainment, More Fun" ("會娛樂更快樂"), we adopt various tailored and creative marketing campaigns, such as product placement in an international blockbuster movie, sponsoring a high-speed bullet train to market our brand and products and displaying advertisements on light rail trains, and utilize various interactive media formats, including online marketing and out-of-home advertisements, to effectively enhance our brand awareness.

Since our inception, one of our core values is "customers first" in our production and service provision, aiming at satisfying their expectations and needs. We continuously develop our product offerings, enhance hygiene and safety, and fine tune the taste of our products in order to cater to customer demands and preferences. In particular, we believe that young customers have played an important role in our industry. Our lifestyle brand image and marketing strategies are specially designed to appeal to young customers. Our customer-focused culture has enabled us to establish a loyal customer base, which in turn, further increases our brand value.

Our Products

We are specialized in the production, marketing and retailing of casual braised food, in particular, braised ducks and duck parts. Our duck part products primarily include duck necks, duck wings, duck collarbones, duck tongues, duck webs and others. We also offer other products, mainly including braised red meat, braised vegetable products and other braised poultry. Our products possess a popular and rich flavor, which appeals to consumers in different regions in China. High-quality and popular products form our core competitive advantage. According to a consumer survey conducted by Frost & Sullivan in 20 cities in China in 2015, we ranked first in terms of top-of-mind awareness and customer satisfaction among all casual braised food brands.

We offer products that change the traditional impressions of Chinese braised food. We introduced MAP products and vacuum packaged products which are ready-to-eat and allow customers to enjoy our products conveniently at leisure in various situations. Our continuous improvements in packaging technologies enable us to offer products with a relatively longer shelf life, thereby allowing us to retail and distribute our products to different regions in China through different sales channels, including online channels. We have influenced provincial standards for MAP technology that are applicable to casual braised food in Hubei Province.

Our Suppliers and Procurement Policies

We typically retain multiple suppliers for each of our major raw materials and all of them are independent third parties. Our major duck suppliers are qualified industrialized poultry companies in China. We transacted with 65, 67, 53 and 41 duck suppliers in the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively. Some of our suppliers are owned or controlled by two groups in poultry industry in China and the aggregate purchases from these suppliers accounted for approximately 59%, 64%, 65% and 66% of our total purchase cost in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively.

We select our duck suppliers based on stringent evaluation and assessment criteria and conduct an annual evaluation on all of our duck suppliers at each year end in order to review their performance and replace unqualified ones. Moreover, the suppliers are required to present relevant quality inspection certificates in connection with the products to be delivered to us.

Our typical supply agreements have a term of one year subject to annual review and renewal. We monitor the market price and trends of raw materials. Depending on the actual production plan, we place purchase orders under the supply agreements, which set forth the amount or quantity, quality specifications, payment terms and delivery schedule.

Raw material costs constituted the major component of our cost of sales. During the Track Record Period, our raw material costs amounted to approximately RMB409.2 million, RMB656.5 million, RMB845.5 million and RMB408.2 million, respectively, in 2013, 2014 and 2015 and the six months ended June 30, 2016, accounting for approximately 78.5%, 80.1%, 79.8% and 78.8%, respectively, of total cost of sales over the same periods.

Our Sales Channels

We market and sell our products primarily through our self-operated retail stores, as well as other sales channels, including online channels and a limited number of distributors. As of the Latest Practicable Date, we had established a self-operated retail store network that comprised 757 self-operated retail stores in 40 cities covering 12 provinces and municipalities in China. Our focus on our self-operated model enables us to effectively monitor product quality, enhance hygiene and safety, execute operational and financial initiatives, collect valuable customer data and feedback, as well as promptly and flexibly respond to shifting market trends and consumer preferences.

Similar to casual food, casual braised food is generally purchased impulsively and consumed at different occasions, including in-between meal snacking, at social and sporting events and while traveling. We believe it is important to establish a broad retail presence to satisfy consumer' desire to have easy access to appealing snack foods. We strategically locate our retail stores in areas with high pedestrian traffic and high concentrations of our customers, such as transport hubs, commercial complexes and shopping malls. Leveraging our standardized site identification and store establishment procedures, as well as centralized procurement of in-store furnishings and displays, we are able to significantly reduce upfront investment, minimize preparation time for new store openings, and achieve a short Breakeven Period and Investment Payback Period for our stores.

- During the Track Record Period, the Breakeven Period of our newly opened self-operated retail stores generally ranged from one to two months, and the Investment Payback Period of our newly opened self-operated retail stores generally ranged from two to six months.

- Taking advantage of our standardized store opening procedures and relatively small floor area of each store on average, we incurred relatively lower capital expenditures to open stores during the Track Record Period as compared to the store opening costs of other retailers that might have bigger average retail store size and wider product offerings in China. Our average capital expenditure to open a self-operated retail store was approximately RMB133.8 thousand, RMB108.8 thousand, RMB98.4 thousand and RMB107.3 thousand, respectively, in 2013, 2014 and 2015 and the six months ended June 30, 2016. We expect the average capital expenditure for opening a new self-operated retail store to be approximately RMB120.0 thousand for the year ending December 31, 2016.

The following table sets forth our same store comparable sales and relevant information for the periods indicated.

	2013 versus 2014		2014 versus 2015		Six Months Ended June 30, 2015 versus 2016	
Number of comparable self-operated retail stores	248		328		426	
Total comparable store sales (in RMB million)	886	1,112	1,386	1,549	944	990
Same store sales growth rate	25.5%		11.8%		4.9%	

We maintained same store sales growth during the Track Record Period. The same store sales growth rate was higher in 2013 and 2014 primarily because a large number of transport hub stores which we opened prior to 2013 became mature and recorded increased revenue in 2013 and 2014.

Our Production and Quality Control

We currently have two processing facilities located in Wuhan, Hubei Province and in Shanghai. To support our expanding retail store network and growing online channels, we are constructing the second phase of our processing facility in Wuhan, Hubei Province, which is expected to be completed by the end of 2016. We also plan to construct another processing facility in Dongguan, Guangdong Province, for which we have obtained a parcel of land. The table below sets forth a summary of production capacity in terms of the number of products and utilization rates for our MAP products in our current facilities for the periods indicated.

	Year Ended December 31, 2013					Year Ended December 31, 2014				
	Designed Production Capacity(1)		Production Volume		Utilization Rate(2)	Designed Production Capacity(1)		Production Volume		Utilization Rate(2)
	(boxes)	(tons)	(boxes)	(tons)		(boxes)	(tons)	(boxes)	(tons)	
Wuhan Facility(3)										
MAP products(4)	26,418,000	7,236	19,820,000	5,429	75.0%	75,248,000	19,390	60,440,000	15,575	80.3%
Shanghai Facility										
MAP products(5)	3,960,000	1,077	1,390,000	378	35.1%	8,660,000	2,048	7,440,000	1,760	85.9%

	Year Ended December 31, 2015					Six Months Ended June 30, 2016				
	Designed Production Capacity(1)		Production Volume		Utilization Rate(2)	Designed Production Capacity(1)		Production Volume		Utilization Rate(2)
	(boxes)	(tons)	(boxes)	(tons)		(boxes)	(tons)	(boxes)	(tons)	
Wuhan Facility(3)										
MAP products(4)	102,359,000	26,355	85,130,000	21,919	83.2%	55,603,000	13,863	51,510,000	12,843	92.6%
Shanghai Facility										
MAP products(5)	19,620,000	4,587	13,540,000	3,166	69.0%	11,121,000	2,607	8,219,000	1,927	73.9%

Notes:

(1) The designed production capacity is the number of boxes of MAP products that each product line can produce in the relevant year/period, which is calculated based on the production of standardized products and the actual amount of working hours of the machinery, assuming 16 hours per day in the Wuhan facility and 8 hours per day in the Shanghai facility. The number of days for the year ended December 31 and the six months ended June 30 is 365 days and 181 days, respectively. The designed capacity of MAP products in terms of tons is calculated based on the design capacity in terms of number of boxes and the actual average weight per box based on the actual product mix produced in the relevant year/period.

(2) The utilization rate is calculated based on the production volume divided by the designed annual production capacity in the relevant year/period.

(3) In addition to MAP, we also produced unpackaged products in 2013 and 2014 and vacuum packaged products during the Track Record Period. The designed and actual output volume of these production lines may be varied dependent on a number of factors, including the type of products to be produced, their respective specifications, working hours of the machinery, etc. In addition, subject to the type and specifications of vacuum packaged products to be produced, the vacuum sealing machines for the final packaging stage of vacuum packaged products is subject to constant manual adjustments by our employees, the output volume of which may be varied depending on the proficiency of these employees. As such, the production capacity and utilization rate of our production lines for unpackaged and vacuum packaged products cannot be ascertained objectively.

(4) We operated four, seven, eight and eight production lines in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively, for MAP products in Wuhan facility.

(5) We operated two, two, three and three production lines in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively, for MAP products in Shanghai facility.

As ensuring food safety is of the utmost importance in our industry, we adopt stringent quality control practices throughout the supply chain and across all of our sales channels to ensure the products we sell adhere to national food safety standards. We procure most of our key raw materials directly from raw material suppliers to exert better control over quality and costs. We also procure spices from their regions of origin to ensure consistent quality and competitive pricing. We require personnel involved in our production activities to follow strict hygiene standards.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths differentiate us from our competitors and have contributed to our success:

- A leading brand and retailer of casual braised food in China
- Strong brand recognition and popular products, underpinned by large and loyal customer base
- Well-established self-operated retail store network, leveraging our highly standardized and scalable business model to support sustainable growth
- Tailored and creative branding and marketing strategies that effectively enhance brand awareness and capture growth opportunities
- Efficient and effective supply chain management supported by strong and stringent quality assurance systems
- Experienced and visionary management team embracing a customer-focused corporate culture

OUR BUSINESS STRATEGIES

Our objective is to continue to grow and expand our business as a leading casual braised food company in China, to further strengthen and advance our leadership and market share in China, and to expand internationally as one of the top casual food brands. We aim to achieve this through the following:

- Further penetrate existing markets and strategically expand into new regions
- Further expand our online channels to offer convenience and value to customers
- Develop new products and introduce new technologies to continuously enhance consumers' satisfaction
- Further improve operational efficiency and expand production capacity
- Further strengthen our brand equity and promote our unique culture and lifestyle image

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following is a summary of our consolidated financial information as of and for the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016 as well as our unaudited consolidated financial information as of and for the six months ended June 30, 2015, extracted from the Accountants' Report set out in Appendix I to this prospectus. The below summary should be read in conjunction with the consolidated financial information in Appendix I, including the accompanying notes and the information set forth in "Financial Information".

Summary Consolidated Statements of Profit or Loss and Other Comprehensive Income

The following table sets forth, for the periods indicated, our consolidated results of operations.

	Year Ended December 31,						CAGR	Six Months Ended June 30,			
	2013		2014		2015		(2013-2015)	2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	%	RMB'000 (Unaudited)	%	RMB'000	%
Revenue	1,217,577	100.0	1,809,082	100.0	2,432,009	100.0	41.3	1,174,692	100.0	1,389,135	100.0
Cost of sales	(521,581)	(42.8)	(819,532)	(45.3)	(1,059,190)	(43.6)	42.5	(531,071)	(45.2)	(518,104)	(37.3)
Gross profit	695,996	57.2	989,550	54.7	1,372,819	56.4	40.4	643,621	54.8	871,031	62.7
Other income and gains, net	13,881	1.1	27,127	1.5	28,062	1.2	42.2	9,066	0.8	13,008	0.9
Selling and distribution expenses	(283,188)	(23.3)	(374,895)	(20.7)	(527,969)	(21.7)	36.5	(231,731)	(19.8)	(311,937)	(22.4)
Administrative expenses	(79,600)	(6.5)	(91,380)	(5.1)	(124,724)	(5.1)	25.2	(50,833)	(4.3)	(61,933)	(4.5)
Profit before tax	347,089	28.5	550,402	30.4	748,188	30.8	46.8	370,123	31.5	510,169	36.7
Income tax expense	(87,161)	(7.2)	(139,495)	(7.7)	(195,450)	(8.1)	49.7	(99,677)	(8.5)	(129,430)	(9.3)
Profit for the year/period	**259,928**	**21.3**	**410,907**	**22.7**	**552,738**	**22.7**	**45.8**	**270,446**	**23.0**	**380,739**	**27.4**

	Year Ended December 31,						CAGR	Six Months Ended June 30,			
	2013		2014		2015		(2013-2015)	2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	%	RMB'000 (Unaudited)	%	RMB'000	%
Other comprehensive income											
Other comprehensive income to be reclassified to profit or loss in subsequent periods:											
Available-for-sale investments:											
Changes in fair value, net of tax	3,083	0.3	3,341	0.2	1,405	0.1	(32.5)	1,280	0.1	1,537	0.1
Reclassification adjustments for gains and losses included in the profit or loss - gains on disposal, net of tax	(3,083)	(0.3)	(3,341)	(0.2)	(1,405)	(0.1)	32.5	(1,280)	(0.1)	(1,537)	(0.1)
Exchange differences on translation of foreign operations	—	—	—	—	7,690	0.3	N/A	—	—	1,360	0.1
Other comprehensive income for the year/period, net of tax	—	—	—	—	7,690	0.3	N/A	—	—	1,360	0.1
Total comprehensive income for the year/period	**259,928**	**21.3**	**410,907**	**22.7**	**560,428**	**23.0**	**46.8**	**270,446**	**23.0**	**382,099**	**27.5**

The following table sets forth the revenue contribution, the sales volume and the average selling prices of our product categories for the periods indicated:

	Year Ended December 31,									Six Months Ended June 30,					
	2013			2014			2015			2015			2016		
	Revenue (RMB'000)	Sales Volume (tons)	Average Selling Price (RMB/kg)	Revenue (RMB'000)	Sales Volume (tons)	Average Selling Price (RMB/kg)	Revenue (RMB'000)	Sales Volume (tons)	Average Selling Price (RMB/kg)	Revenue (RMB'000)	Sales Volume (tons)	Average Selling Price (RMB/kg)	Revenue (RMB'000)	Sales Volume (tons)	Average Selling Price (RMB/kg)
										(Unaudited)					
Ducks and duck part products[1]	1,090,000	17,045	63.9	1,662,589	23,548	70.6	2,206,208	27,293	80.8	1,064,644	13,731	77.5	1,231,851	13,932	88.4
Other products[1][2]	127,577	2,543	50.2	146,493	2,727	53.7	225,801	3,327	67.9	110,048	1,625	67.7	157,284	2,146	73.3
Total	**1,217,577**	**19,588**		**1,809,082**	**26,275**		**2,432,009**	**30,620**		**1,174,692**	**15,356**		**1,389,135**	**16,078**	

Notes:

(1) The average selling prices are for indicative purposes only. Our various products are sold in different specifications with a wide price range, see "Business — Our Products" for more details.

(2) Other products mainly include braised red meat, braised vegetable products and other braised poultry.

The following table sets forth the revenue contribution, the sales volume and the average selling prices of our main products by packaging we sold for the periods indicated:

	Year Ended December 31,									Six Months Ended June 30,					
	2013			2014			2015			2015			2016		
	Revenue (RMB'000)	Sales Volume (tons)	Average Selling Price (RMB/ kg)	Revenue (RMB'000)	Sales Volume (tons)	Average Selling Price (RMB/ kg)	Revenue (RMB'000)	Sales Volume (tons)	Average Selling Price (RMB/ kg)	Revenue (RMB'000)	Sales Volume (tons)	Average Selling Price (RMB/ kg)	Revenue (RMB'000)	Sales Volume (tons)	Average Selling Price (RMB/ kg)
										(Unaudited)					
MAP[1]	459,972	7,753	59.3	1,264,589	19,322	65.5	2,082,982	26,961	77.3	985,695	13,532	72.8	1,232,220	14,686	83.9
Vacuum packaged[1][2]	280,161	3,842	72.9	367,484	4,431	82.9	314,880	3,515	89.6	170,572	1,693	100.8	138,535	1,276	108.6
Unpackaged[1]	461,851	7,904	58.4	155,352	2,419	64.2	—	—	—	—	—	—	—	—	—

Notes:

(1) The average selling prices are for indicative purpose only. Our various products are sold in different specifications with a wide price range, see "Business — Our Products" for more details. We also offer sauce and other products, specifications and price ranges of which vary significantly. Therefore, the presentation of average selling price for other products is not meaningful.

(2) The average selling price of our vacuum packaged products in the first half of a calendar year is generally higher than that of the full year, primarily due to the sales of gift boxes during the Chinese New Year holiday which typically have higher selling prices.

The following table sets forth the revenue contribution by each of our sales channels for the periods indicated:

	Year Ended December 31,						CAGR	Six Months Ended June 30,			
	2013		2014		2015		(2013-2015)	2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	%	RMB'000 (Unaudited)	%	RMB'000	%
Self-operated retail stores	1,087,666	89.4	1,589,134	87.9	2,131,428	87.6	40.0	1,032,530	87.9	1,217,399	87.6
Online channels	58,735	4.8	110,492	6.1	172,435	7.1	71.3	69,831	5.9	113,679	8.2
Distributors	64,693	5.3	103,682	5.7	111,812	4.6	31.5	61,493	5.2	53,075	3.8
Others[1]	6,483	0.5	5,774	0.3	16,334	0.7	58.7	10,838	1.0	4,982	0.4
Total Revenue	**1,217,577**	**100.0**	**1,809,082**	**100.0**	**2,432,009**	**100.0**	**41.3**	**1,174,692**	**100.0**	**1,389,135**	**100.0**

Note:

(1) Primarily include revenue generated from vending machines and other direct sales through subsidiaries.

The table below sets forth (i) a breakdown of the number of our self-operated retail store network and (ii) a breakdown of revenue contribution as a percentage of total revenue from self-operated retail stores, each presented by geographic location as of the dates or for the periods indicated.

	As of December 31,						CAGR	As of June 30,			
	2013		2014		2015		(2013-2015)	2015		2016	
		%		%		%	%		%		%
Number of stores											
Central China[1]	283	72.8	314	67.1	341	53.2	9.8	326	57.8	361	50.4
Southern China[2]	69	17.7	81	17.3	140	21.8	42.4	127	22.7	157	21.9
Eastern China[3]	18	4.6	32	6.8	63	9.8	87.1	47	8.3	79	11.0
Northern China[4]	19	4.9	41	8.8	80	12.5	105.2	58	10.3	90	12.6
Southwestern China[5]	—	—	—	—	17	2.7	N.A.	5	0.9	29	4.1
Total number of stores	**389**	**100.0**	**468**	**100.0**	**641**	**100.0**	**28.4**	**563**	**100.0**	**716**	**100.0**

	Year Ended December 31,						CAGR	Six Months Ended June 30,			
	2013		2014		2015		(2013-2015)	2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	%	RMB'000 (Unaudited)	%	RMB'000	%
Revenue											
Central China[1]	902,074	82.9	1,237,539	77.8	1,493,759	70.1	28.7	753,410	73.0	844,134	69.3
Southern China[2]	120,390	11.1	190,238	12.0	325,755	15.3	64.5	142,621	13.8	167,801	13.8
Eastern China[3]	29,246	2.7	72,894	4.6	143,320	6.7	121.4	63,385	6.1	101,042	8.3
Northern China[4]	35,956	3.3	88,463	5.6	154,751	7.3	107.5	69,152	6.7	93,052	7.6
Southwestern China[5]	—	—	—	—	13,843	0.6	N.A.	3,962	0.4	11,370	1.0
Total	**1,087,666**	**100.0**	**1,589,134**	**100.0**	**2,131,428**	**100.0**	**40.0**	**1,032,530**	**100.0**	**1,217,399**	**100.0**

Notes:

(1) Comprises Hubei Province, Hunan Province, Henan Province and Jiangxi Province.

(2) Comprises Guangdong Province (including Shenzhen).

(3) Comprises Shanghai, Jiangsu Province and Zhejiang Province.

(4) Comprises Beijing and Tianjin.

(5) Comprises Chongqing and Sichuan Province.

During the Track Record Period, central China was our leading regional market and Hubei Province, our home market, contributed a significant portion of our revenue during the Track Record Period. As of December 31, 2013, 2014 and 2015 and June 30, 2016, there were 197, 231, 248 and 262 self-operated retail stores in

Hubei Province, respectively. Revenue derived from these self-operated retail stores in Hubei Province amounted to approximately RMB792.3 million, RMB1,090.0 million, RMB1,279.9 million and RMB718.4 million in 2013, 2014 and 2015 and six months ended June 30, 2016, respectively, representing approximately 65.1%, 60.3%, 52.6% and 51.7% of our total revenue over the same periods.

Summary Consolidated Statements of Financial Position

	As of December 31,			As of June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Non-current assets	354,515	424,533	549,100	606,959
Current assets	406,147	767,835	406,968	587,769
Total assets	760,662	1,192,368	956,068	1,194,728
Total equity	579,580	922,164	384,982	767,081
Liabilities				
Non-current liabilities	15,361	16,631	23,168	23,769
Current liabilities	165,721	253,573	547,918	403,878
Total liabilities	181,082	270,204	571,086	427,647
Net current assets/(liabilities)	240,426	514,262	(140,950)	183,891
Total assets less current liabilities	594,941	938,795	408,150	790,850

We had a net current liabilities position of RMB141.0 million as of December 31, 2015 as a result of the Reorganization, which was completed in July 2015. In connection with our Reorganization, Wuhan ZHY Holdco transferred the operating assets relating to our business as well as the equity interest of the subsidiaries engaged in our business to our Group. The assets and liabilities not related to our business, which amounted to RMB821.8 million, were retained by Wuhan ZHY Holdco and treated as a distribution to the Controlling Shareholders. See "Financial Information—Net Current Assets/Liabilities" and the Accountants' Report set out in Appendix I to this prospectus for more details.

Summary Consolidated Statements of Cash Flows

	Year Ended December 31,			Six Months Ended June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Net cash generated from operating activities	253,669	473,824	624,432	438,579
Net cash used in investing activities	(248,937)	(382,478)	(283,307)	(232,814)
Net cash used in financing activities	(60,000)	(64,317)	(329,010)	(202,771)
Net (decrease)/increase in cash and cash equivalents	(55,268)	27,029	12,115	2,994
Cash and cash equivalents at the beginning of the year/period	92,020	36,752	63,781	82,338
Effect of foreign exchange rate changes, net	—	—	6,442	450
Cash and cash equivalents at the end of the year/period	36,752	63,781	82,338	85,782

KEY FINANCIAL RATIOS

The following table sets forth key financial ratios for the periods or as of the dates indicated:

	For the Years Ended/ As of December 31,			Six Months Ended/ As of June 30,	
	2013	2014	2015	2015	2016
				(Unaudited)	
Profitability ratios:					
Gross margin	57.2%	54.7%	56.4%	54.8%	62.7%
Net profit margin	21.3%	22.7%	22.7%	23.0%	27.4%
Rates of return:					
ROA(1)	34.2%	34.5%	57.8%	22.0%	31.9%
ROE(2)	44.8%	44.6%	143.6%	30.3%	49.6%
Liquidity ratios:					
Current ratio(3)	2.5x	3.0x	0.7x	2.3x	1.5x
Quick ratio(4)	2.1x	2.8x	0.5x	2.1x	1.2x
Capital adequacy ratios:					
Net debt to equity ratio(5)	net cash	net cash	net cash	net cash	net cash

Notes:

(1) Calculated using profit for the year/period divided by total assets at the end of the year/period, multiplied by 100%.

(2) Calculated using profit for the year/period divided by total equity at the end of the year/period, multiplied by 100%.

(3) Calculated using current assets/current liabilities at the end of year/period.

(4) Calculated using current assets less inventory/current liabilities at the end of year/period.
(5) Calculated using total debt less cash and cash equivalent/total equity at the end of year/period. We did not have any bank borrowings during the Track Record Period.

The fluctuations of rates of return and liquidity ratios in 2015 and the six months ended June 30, 2016 were mainly caused by the decreased total assets and total equity as of December 31, 2015 due to the Reorganization which was completed in July 2015. In connection with the Reorganization, the assets and liabilities which were retained by Wuhan ZHY Holdco and were treated as a distribution to the Controlling Shareholders amounted to RMB821.8 million upon the completion of the Reorganization, primarily consisting of (i) prepayments, deposits and other receivables of RMB473.0 million, (ii) amount due from the Group of RMB215.6 million, (iii) available-for-sale investment of RMB80.0 million, and (iv) cash and bank balances of RMB40.4 million. As such, our return on assets ratio increased from 34.5% as of December 31, 2014 to 57.8% as of December 31, 2015 and our return on equity ratio increased from 44.6% as of December 31, 2014 to 143.6% as of December 31, 2015. Due to the same reason, our current ratio and quick ratio decreased significantly from 2014 to 2015 and from the six months ended June 30, 2015 to the corresponding period in 2016, primarily because we had a net current liabilities position of RMB141.0 million as of December 31, 2015 as a result of the Reorganization which was completed in July 2015. See "Financial Information — Net Current Assets/Liabilities" and Notes 11 and 31 of the Accountants' Report set out in Appendix I to this prospectus for more details.

For further details of our key financial ratios, see "Financial Information — Key Financial Ratios".

OUR CONTROLLING SHAREHOLDER AND INVESTORS

We were founded by Zhou Family. Immediately following the completion of the Capitalization Issue and the Global Offering (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), Zhou Family (through their interests in BVI Holdco I, BVI Holdco II and BVI Holdco IV), will control approximately 63.47% of the enlarged issued share capital of our Company, and will continue to be our Controlling Shareholder. See "Our History and Development — Reorganization—Setting up the offshore structure" and "Relationship with our Controlling Shareholders — Our Controlling Shareholders" for further details. Zhou Family owns 60.658% of BVI Holdco IV, whose other shareholders are family members and relatives of Zhou Family as well as our current and ex-employees. Our Investors, through Tiantu Investments and Rosy Result, will hold approximately 7.89% and 4.46%, respectively, in the total issued share capital of our Company immediately upon the completion of the Global Offering (and before the exercise of any Over-allotment Option). See "Our History and Development" for further details of our Investors.

RECENT DEVELOPMENTS

Since July 1, 2016 and up to the Latest Practicable Date, we had established our presence in two new cities, namely Zaoyang, Hubei Province and Xinxiang, Henan Province and opened 53 new self-operated retail stores and closed 12 stores in China. We did not make any material adjustment to the selling prices of our products during the three months ended September 30, 2016. For the nine months ended September 30, 2016, our total revenue amounted to approximately RMB2,072.8 million and our gross profit was approximately RMB1,300.1 million, compared with RMB1,813.2 million and RMB1,004.3 million, respectively, for the nine months ended September 30, 2015.

In the nine months ended September 30, 2016, the sales volume of our ducks and duck part products amounted to approximately 20,732 tons and the sales volume of other products amounted to approximately 3,139 tons, respectively. In the corresponding period in 2015, the sales volume of our ducks and duck part products was approximately 20,506 tons and the sales volume of other products was approximately 2,588 tons, respectively.

Despite the fact that we experienced decreased customer traffic in some of our stores resulting from severe weather conditions in China in the third quarter of 2016, including floods, typhoons and extreme high temperature events, our operations and financial results in this period were able to achieve positive moderate growth.

The financial information for the period ended September 30, 2016 disclosed above is derived from our interim financial statements for the nine months ended September 30, 2016, which have been reviewed by our Reporting Accountants in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that up to the date of this prospectus there has not been any material adverse change in our financial and trading position or prospects since June 30, 2016, and there has not been any event since June 30, 2016 which would materially affect the audited financial information as set out in Appendix I to this prospectus.

LISTING EXPENSES

During the Track Record Period, we incurred listing expenses of approximately RMB17.5 million, of which RMB14.0 million was recognized as general and administrative expenses in our consolidated statements of profit or loss and other comprehensive income for the year ended December 31, 2015 and the six months ended June 30, 2016, and RMB3.5 million was capitalized as deferred expenses in our consolidated statements of financial position as of June 30, 2016 to be recognized as a deduction in equity. We expect to incur additional listing expenses of approximately RMB100.0 million, of which RMB28.9 million is expected to be recognized as general and administrative expenses for the year ending December 31, 2016 and RMB71.1 million is expected to be recognized as a deduction in equity directly. Our Directors do not expect such expenses to have a material and adverse impact on our financial results for the year ending December 31, 2016.

OFFERING STATISTICS

Offer size:	Initially 18.3% of the enlarged issued share capital of our Company
Offering structure:	Initially 10% for the Hong Kong Public Offering (subject to adjustment) and 90% for the International Offering (subject to adjustment and the Over-allotment Option)
Over-allotment Option:	Up to 15% of the number of Offer Shares initially available under the Global Offering
Offer Price per Share:	HK$5.80 to HK$7.80 per Offer Share

	Based on an Offer Price of HK$5.80 per Offer Share	**Based on an Offer Price of HK$7.80 per Offer Share**
Our Company's capitalization upon completion of the Global Offering(1)(2)	HK$13,452.9 million	HK$18,091.9 million
Unaudited pro forma adjusted net tangible asset per Share(3)	HK$1.39	HK$1.74

Notes:

(1) All statistics in the table are based on the assumption that the Over-allotment Option is not exercised.

(2) The calculation of market capitalization is based on 2,319,470,000 Shares expected to be in issue upon completion of the Share Subdivision and immediately upon completion of the Capitalization Issue and the Global Offering.

(3) The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to in Appendix II "Unaudited Pro Forma Financial Information" in this prospectus and on the basis of 2,319,470,000 Shares in issue at the respective offer price of HK$5.80 and HK$7.80, assuming that the Shares issued pursuant to the Global Offering were issued on June 30, 2016.

FUTURE PLANS AND USE OF PROCEEDS

The table below sets forth the estimated net proceeds of the Global Offering which we will receive after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering:

	Assuming the Over-allotment Option is not exercised	**Assuming the Over-allotment Option is exercised in full**
Assuming an Offer Price of HK$6.80 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus)	HK$2,749.9 million	HK$3,171.1 million

We intend to use the net proceeds of HK$2,749.9 million of the Global Offering for the following purposes assuming the Offer Price is fixed at HK$6.80 per Offer Share (being the mid-point of the indicative Offer Price Range) and assuming the Over-allotment Option is not exercised:

(i) approximately 35.0%, or HK$962.4 million, will be used for development of processing facilities, logistics and storage centers;

— approximately 5.0%, or HK$137.4 million, will be used for the expansion and upgrade of our existing processing facilities, logistics and storage centers in Wuhan, Hubei Province and Shanghai;

— approximately 10.0%, or HK$275.0 million, will be used for the establishment of an additional processing facility, logistics and storage center in Dongguan, Guangdong Province and the procurement of machinery and equipment for this planned processing facility, logistics and storage center;

— approximately 20.0%, or HK$550.0 million, will be used for the establishment of additional processing facilities, logistics and storage centers in eastern, southwestern and northern China, for which we have not identified any particular parcel of land and no definitive agreement has been entered into in this regard; and

(ii) approximately 15.0%, or HK$412.5 million, will be used for investments in our self-operated retail store network by upgrading existing stores and opening new stores;

(iii) approximately 12.0%, or HK$330.0 million, will be used for implementation of our branding and marketing strategies, including expansion of our e-commence team and online channels and brand image campaigns and sponsorships to enhance our brand recognition;

(iv) approximately 10.0%, or HK$275.0 million, will be used for enhancing our research and development capabilities, including developing new products and developing and upgrading our processing and packaging technologies;

(v) approximately 10.0%, or HK$275.0 million, will be used to pursue prudent acquisitions and further develop strategic alliances. We plan to further enhance our control over the production value chain and deepen our vertical integration by selectively acquiring or partnering with high-quality raw material suppliers to secure supply and ensure quality of key raw materials;

(vi) approximately 8.0%, or HK$220.0 million, will be used for upgrading our information technology infrastructure, including upgrade of our ERP system, establishment of our big data infrastructure and analysis systems and integration of our membership programs across online and offline sales channels; and

(vii) approximately 10.0%, or HK$275.0 million, will be used for general replenishment of working capital in order to improve our liquidity.

The above allocation of the net proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated offer price range. See "Future Plans and Use of Proceeds" for further details.

DIVIDEND POLICY

We may distribute dividends by way of cash or by other means that we consider appropriate, based on various factors such as our results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, our capital requirements, future business plans and prospects and other factors that we may consider relevant. A decision to declare and pay any dividend would require the approval of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval.

We did not declare any dividend in 2013 and the six months ended June 30, 2016. We declared dividends of RMB68.3 million in 2014 and RMB300.0 million in 2015 to the then shareholders, which had been fully paid as of the Latest Practicable Date. Past dividend distribution records may not be used as a reference or basis in determining the level of dividends that may be declared or paid by us in the future.

We currently intend to adopt, after our Listing, a general annual dividend policy of declaring and paying dividends on an annual basis of no less than 30% of our distributable net profit attributable to our Shareholders in the future but subject to, among other things, our operational needs, earnings, financial condition, working capital requirements and future business plans as our Board may deem relevant at such time. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all.

RISK FACTORS

There are certain risks involved in our operations and in connection with the Global Offering, many of which are beyond our control. These risks can be categorized into (i) risks relating to our industry and business, (ii) risks relating to doing business in the PRC, and (iii) risks relating to the Global Offering. For example, our business depends significantly on market recognition of our "Zhou Hei Ya (周黑鴨)" brand, and any damage to our brand or reputation, or failure to effectively promote our brand, could materially and adversely impact our business and results of operations. Counterfeit stores may significantly harm our reputation and brand image and divert potential customers. Any failure to maintain food safety and consistent quality could have a material and adverse effect on our brand, business and financial condition. A detailed discussion of all the risk factors involved are set forth in "Risk Factors" and you should read the whole section carefully before you decide whether to invest in the Offer Shares.

HISTORICAL NON-COMPLIANCE

During the Track Record Period, we had certain non-compliance incidents, including failure to make full contribution to social insurance premiums and housing provident funds for our employees in a timely manner. See "Business — Licenses, Regulatory Approvals and Compliance" for details of the non-compliance incidents.

PROPERTY DEFECTS

As of the Latest Practicable Date, we leased 828 properties in 40 cities with a total floor area of approximately 29,260 square meters for our self-operated retail stores (approximately 25,140 square meters) and office space (approximately 4,120 square meters). We typically enter into lease agreements for our stores with a term of one to five years. As of the Latest Practicable Date, our valid leases had an average lease term of approximately 2.7 years and the average store size was approximately 31 square meters. The following table sets forth a maturity profile of our operating leases of our leased stores as of the Latest Practicable Date.

	Retail Stores		Floor Areas		Lease Expenses[(1)]
	number	**%**	**square meters**	**%**	**RMB millions**
Due within one year or at will	381	47.1	11,330	45.1	159.7
Due after one year but within two years	194	24.0	6,710	26.7	97.8
Due after two years but within three years...............................	142	17.5	4,260	16.9	49.2
Due after three years	92	11.4	2,840	11.3	26.6
Total...	809	100.0	25,140	100.0	333.3

Note:

(1) Represents the total lease expenses for the relevant remaining lease terms.

For a portion of our properties, the lessors failed to provide us with sufficient or valid ownership certificates or other ownership documents. Our leased properties can be divided into transport hub stores and non-transport hub stores, as we believe that the nature of leased properties located at transport hubs have specific characteristics that require separate consideration.

As of the Latest Practicable Date, we had 203 transport hub stores with a total floor area of approximately 6,430 square meters. As advised by our PRC legal advisor, most of our transport hub stores are located on allocated land because they are located in the vicinity of public transport infrastructure facilities. Substantially all of the lessors of these leased transport hub stores have failed to provide us with sufficient confirmations with respect to the fulfillment of the requirements applicable to allocated land. These defective transport hub stores had an aggregate floor area of approximately 6,270 square meters, accounting for approximately 24.9% of total floor area of our leased self-operated retail stores. During the Track Record Period, revenue derived from the defective transport hub stores was estimated to be approximately RMB340.5 million, RMB583.5 million, RMB834.2 million and RMB475.4 million in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively, representing approximately 28.0%, 32.3%, 34.3% and 34.2% of total revenue over the same periods.

As of the Latest Practicable Date, we also leased an aggregate floor area of approximately 18,710 square meters for non-transport hub stores. 298 of the non-transport hub stores out of the total of 606 non-transport hub stores were subject to potential title defects. These 298 non-transport hub stores had an aggregate floor area of approximately 9,320 square meters, accounting for approximately 37.1% of total floor area of our leased self-operated retail stores. See "Business — Properties — Leased Properties" for details. During the Track Record Period, revenue derived from the defective non-transport hub stores was estimated to be approximately RMB445.1 million, RMB532.2 million, RMB659.9 million and RMB376.6 million in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively, representing approximately 36.6%, 29.4%, 27.1% and 27.1% of total revenue over the same periods.

Due to the reasons set out in "Business — Properties — Leased Properties", our Directors consider that the possibility of being forced to move out and having to vacate from the Defective Transport Hub Stores and the Other Defective Leased Properties is remote. In any event, our Directors believe we will be able to find suitable replacements without material delay in close proximity to the original premises on similar terms. See "Business — Properties — Relocation Plan" for details.

Moreover, as of the Latest Practicable Date, we maintained a total of 828 leased properties, among which the lease agreements with respect to 709 had not been registered and filed with the relevant land and real estate administration bureaus in the PRC because the relevant lessors failed to provide necessary documents for us to register the leases with the local government authorities. These properties have an aggregate floor area of approximately 25,520 square meters. Revenue contributed by these self-operated retail stores with lease agreements not registered amounted to approximately RMB837.4 million, RMB1,205.3 million, RMB1,619.4 million and RMB926.7 million, respectively, in 2013, 2014 and 2015 and the six months ended June 30, 2016, accounting for approximately 68.8%, 66.6%, 66.6% and 66.7%, respectively, of total revenue in the same periods.

Based on the total number of the 197 Defective Transport Hub Stores and 298 Other Defective Leased Properties as of the Latest Practicable Date, the estimated relocation costs of approximately RMB65,000 per store and the estimated average potential loss of revenue of approximately RMB147,900 per store as disclosed in "Business — Relocation Plan," the aggregated amount of relocation cost and potential loss of revenue we may incur under the worst case scenario are estimated to be approximately RMB32.2 million and RMB73.2 million, respectively, although we believe the likelihood of being requested to relocate all the stores with title defects is highly remote, given our nationwide retail store network and the fact that the relevant leases were entered into with different landlords.

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s) or, where the context so requires, any of them
"Articles" or "Articles of Association"	the articles of association of our Company (as amended from time to time), adopted on October 24, 2016, which will become effective upon the Listing Date, a summary of which is set out in Appendix IV to this prospectus
"Board" or "Board of Directors"	the board of directors of our Company
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands
"BVI Holdco I"	Healthy Origin Holdings Limited (健源控股有限公司), a business company established in the BVI on April 28, 2015 and which is wholly-owned by Mrs. Zhou and our Controlling Shareholder
"BVI Holdco II"	ZHY Holdings II Company Limited, a business company established in the BVI on May 18, 2015 and which is wholly-owned by Mrs. Zhou and our Controlling Shareholder
"BVI Holdco III"	ZHY Holdings III Company Limited, a business company established in the BVI on May 18, 2015 and which is owned by Zhou's Sister and Zhou's Brother
"BVI Holdco IV"	ZHY Holdings IV Company Limited, a business company established in the BVI on May 18, 2015 and which is an associate of Mrs. Zhou and whose other shareholders are family members and relatives of Zhou Family as well as our current and ex-employees and our Controlling Shareholder
"Beijing ZHY"	北京周黑鴨商貿有限公司 (Beijing Zhou Hei Ya Commerce & Trade Co., Ltd.), a company established in the PRC on October 11, 2011 and our wholly owned subsidiary
"Capitalization Issue"	the issue of 895,000,000 Shares to be made upon capitalization of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed "A. Further Information About Our Group — Resolutions in Writing of the Shareholders of Our Company" in Appendix V to this prospectus

"Cayman Companies Law" or "Companies Law"	the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended or supplemented or otherwise modified from time to time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct participant or a general clearing participant
"CCASS Custodian Participant"	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
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
"Chongqing ZHY Foods"	重慶周黑鴨食品有限公司 (Chongqing Zhou Hei Ya Foods Co., Ltd.), a company established in the PRC on April 8, 2015 and our wholly owned subsidiary
"Circular 37"	the Circular of the SAFE on Foreign Exchange Administration of Overseas Investments and Financing and Round-Trip Investments by Domestic Residents via 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》) promulgated by SAFE on July 4, 2014
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
"Company" or "our Company"	Zhou Hei Ya International Holdings Company Limited (周黑鴨國際控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on May 13, 2015, and, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company of its present subsidiaries, its present subsidiaries

"Controlling Shareholder(s)"	have the meaning ascribed thereto in the Listing Rules and, unless the context otherwise requires, refers to Zhou Family and companies controlled by them, being BVI Holdco I, BVI Holdco II and BVI Holdco IV
"CSRC"	China Securities Regulatory Commission (中國證券業監督管理委員會)
"Deed of Non-Competition"	a deed of non-competition entered into by Mr. Zhou, Mrs. Zhou, BVI Holdco I, BVI Holdco II, BVI Holdco IV and our Company dated October 24, 2016 regarding non-competition undertakings given by Mr. Zhou, Mrs. Zhou, BVI Holdco I, BVI Holdco II and BVI Holdco IV in favor of our Company
"Director(s)"	the director(s) of our Company
"Dongguan Pengyu"	東莞市鵬裕食品商貿有限公司 (Dongguan Pengyu Foods Commerce & Trade Co., Ltd.), a company established in the PRC on June 3, 2013 and our wholly owned subsidiary
"EIT"	enterprise income tax
"EIT Law"	the PRC Enterprise Income Tax Law
"EIT Rules"	the Regulation on the Implementation of the PRC Enterprise Income Tax Law
"Global Offering"	the Hong Kong Public Offering and the International Offering
"GREEN Application Form(s)"	the application form(s) to be completed by the White Form eIPO Service Provider Computershare Hong Kong Investor Services Limited
"Group", "our Group", "we", "our" or "us"	our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries (or before such associated companies of our Company), the business operated by such subsidiaries or their predecessors (as the case may be)
"Guangzhou Fuxinxianghe"	廣州市富馨祥核商貿有限公司 (Guangzhou Fuxinxianghe Commerce & Trade Co., Ltd.), a company established in the PRC on March 30, 2011 and our wholly owned subsidiary
"Guangdong Industrial Park"	廣東周黑鴨食品工業園有限公司 (Guangdong Zhou Hei Ya Foods Industrial Park Co., Ltd.), a company established in the PRC on November 6, 2014 and our wholly owned subsidiary
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"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
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the 42,447,000 Shares being initially offered by our Company for subscription pursuant to the Hong Kong Public Offering (subject to adjustments as described in the section headed "Structure of the Global Offering" in this prospectus)
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and conditions described in this prospectus and the Application Forms
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section headed "Underwriting — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated October 31, 2016, relating to the Hong Kong Public Offering and entered into by, among others, the Joint Global Coordinators, the Hong Kong Underwriters, the Controlling Shareholders and our Company
"Hubei Industrial Park"	湖北周黑鴨食品工業園有限公司 (Hubei Zhou Hei Ya Foods Industrial Park Co., Ltd.), a company established in the PRC on September 4, 2009 and our wholly owned subsidiary
"Hubei Shiji Yuanjing"	湖北世紀願景商貿有限公司 (Hubei Shiji Yuanjing Commerce & Trade Co., Ltd.), a company established in the PRC on February 2, 2008 and our wholly owned subsidiary
"Hubei Huanle Shike"	湖北歡樂食客電子商務有限公司 (Hubei Huanle Shike E-Commerce Co., Ltd.), a company established in the PRC on April 17, 2012 and our wholly owned subsidiary
"Henan ZHY"	河南周黑鴨商貿有限公司 (Henan Zhou Hei Ya Commerce & Trade Co., Ltd.), a company established in the PRC on October 31, 2012 and our wholly owned subsidiary

"Hubei ZHY"	湖北周黑鴨網商有限公司 (Hubei Zhou Hei Ya E-Commerce Co., Ltd.), a company established in the PRC on January 18, 2016 and our wholly owned subsidiary
"Hunan Quanfuyu"	湖南全富裕商貿有限公司 (Hunan Quanfuyu Commerce & Trade Co., Ltd.), a company established in the PRC on August 12, 2011 and our wholly owned subsidiary
"IDG"	International Data Group, Inc., a corporation incorporated on February 12, 1976 under the Laws of the Commonwealth of Massachusetts of the United States
"IDG Investor"	the affiliates or investments managed by the affiliates of IDG which was a shareholder of Wuhan ZHY Holdco, namely Junyang Tongtai, or became a Shareholder of our Company following the Reorganization, namely Rosy Result
"independent third party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not connected with our Company or our connected persons as defined under the Listing Rules
"International Offer Shares"	the 382,023,000 Shares being initially offered by our Company pursuant to the International Offering for subscription at the Offer Price pursuant to the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option, subject to adjustments as described in the section headed "Structure of the Global Offering" in this prospectus
"International Offering"	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act, as further described in the section headed "Structure of the Global Offering" in this prospectus
"International Underwriters"	the group of international underwriters that is expected to enter into the International Underwriting Agreement to underwrite the International Offering

"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, the Joint Global Coordinators, the International Underwriters and our Company on or about Saturday, November 5, 2016
"Investors"	Tiantu Investors and IDG Investor
"Jiangsu Dashike"	江蘇達仕客貿易有限公司 (Jiangsu Dashike Trade Co., Ltd.), a company established in the PRC on November 27, 2014 and our wholly owned subsidiary
"Jiangxi Yuanjing"	江西願景商貿有限公司 (Jiangxi Yuanjing Commerce & Trade Co., Ltd.), a company established in the PRC on September 16, 2011 and our wholly owned subsidiary
"Joint Sponsors" and "Joint Global Coordinators"	Morgan Stanley Asia Limited and Credit Suisse (Hong Kong) Limited
"Joint Bookrunners" and "Joint Lead Managers"	Morgan Stanley Asia Limited, Credit Suisse (Hong Kong) Limited and China Merchants Securities (HK) Co., Limited
"Junyang Tongtai"	新疆鈞揚通泰股權投資有限合夥企業 (Xinjiang Junyang Tongtai Stock Investment Limited Partnership), a limited partnership established in the PRC on June 1, 2012, with 廣州瑞騏投資管理合夥企業(普通合夥) Guangzhou Ruiqi Investment Management Partnership (General Partnership) as the general partner, and a shareholder of Wuhan ZHY Holdco
"Latest Practicable Date"	October 23, 2016, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about Friday, November 11, 2016, on which the Shares are listed on the Stock Exchange and from which 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 of Hong Kong Limited, as amended or supplemented from time to time

"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company (as amended from time to time), adopted on October 24, 2016, which will become effective upon the Listing Date, a summary of which is set out in Appendix IV to this prospectus
"M&A Rules"	The Regulations for Merger with and Acquisition of Domestic Enterprises by Foreign Investors in PRC (關於外國投資者併購境內企業的規定) jointly promulgated by MOFCOM, SAT, SAIC, CSRC, SAFE and SASAC on August 8, 2006 and became effective on September 8, 2006 and was amended on June 22, 2009
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Zhou"	Mr. Zhou Fuyu (周富裕), our controlling shareholder
"Mrs. Zhou"	Ms. Tang Jianfang (唐建芳), Mr. Zhou's wife and our controlling shareholder
"Ningbo Shiji Yuanjing"	寧波世紀願景商貿有限公司 (Ningbo Shiji Yuanjing Commerce & Trade Co., Ltd.), a company established in the PRC on December 3, 2015 and our wholly owned subsidiary
"Offer Price"	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) to be determined in the manner further described in "Structure of the Global Offering — Pricing and Allocation" in this prospectus
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
"Orient Tianfu"	武漢東方天富投資管理中心(有限合夥) (Wuhan Orient Tianfu Investment Management Center L.P.), a limited partnership established under the laws of the PRC on June 21, 2012, with Mr. Tang Yong as the general partner, and a shareholder of Wuhan ZHY Holdco
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 63,670,500 Shares at the Offer Price to, among other things, cover over-allocations in the International Offering, if any

"PBOC"	People's Bank of China (中國人民銀行)
"PRC Government" or "State"	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organisations or, as the context requires, any of them
"Price Determination Agreement"	the agreement to be entered into by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or about Saturday, November 5, 2016 on which the Offer Price will be determined and, in any event, not later than Thursday, November 10, 2016
"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganization"	the reorganization arrangements undertaken by the Group in preparation for the Listing, details of which are set out in "Our History and Development — Reorganization" in this prospectus
"RMB"	Renminbi, the lawful currency of the PRC
"Rosy Result"	Rosy Result Holdings Limited, a company established in the BVI on January 2, 2014 and one of our Shareholders
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	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)
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council of the PRC (國務院國有資產監督管理委員會)
"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SFC"	the Securities and Futures Commission of Hong Kong

"Share Subdivision"	the share subdivision referred to in "Statutory and General Information — A. Further Information About Our Group — 3. Resolutions in Writing of the Shareholders of Our Company" in Appendix V
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
"Shanghai Dewei"	上海德威實業有限公司 (Shanghai Dewei Industrial Co., Ltd.) (later changed the name to 上海索壘實業有限公司 (Shanghai Suolei Industrial Co., Ltd.) in September 2014), a company established in the PRC on February 23, 1995 and our wholly owned subsidiary
"Shanghai Suolei"	上海索壘實業有限公司 (Shanghai Suolei Industrial Co., Ltd.)(formerly named as 上海德威實業有限公司 (Shanghai Dewei Industrial Co., Ltd.)), a company established in the PRC on February 23, 1995 and our wholly owned subsidiary
"Shanghai ZHY Foods"	上海周黑鴨食品有限公司 (Shanghai Zhou Hei Ya Foods Co., Ltd.), a company established in the PRC on February 25, 2011 and our wholly owned subsidiary
"Shanghai ZHY"	上海周黑鴨商貿有限公司 (Shanghai Zhou Hei Ya Commerce & Trade Co., Ltd.), a company established in the PRC on April 19, 2011 and our wholly owned subsidiary
"Shenzhen Shiji Development"	深圳市世紀發展商貿有限公司 (Shenzhen Shiji Development Commerce & Trade Co., Ltd.), a company established in the PRC on October 28, 2010 and our wholly owned subsidiary
"Shenzhen ZHY"	深圳市周黑鴨食品有限公司 (Shenzhen Zhou Hei Ya Foods Co., Ltd.), a company established in the PRC on June 13, 2010 and a wholly owned subsidiary of Wuhan ZHY Holdco until its corporate registration was cancelled on September 10, 2015
"Shenzhen Tiantu"	深圳市天圖投資管理有限公司 (Shenzhen Tiantu Investment Management Co., Ltd.), currently known as 深圳市天圖投資管理股份有限公司 (Tian Tu Capital Co., Ltd.), a company established in the PRC on January 11, 2010 and listed on the National Equities Exchange and Quotations (NEEQ: 833979), and a shareholder of Wuhan ZHY Holdco
"Shareholder(s)"	holder(s) of Shares

"Shares"	ordinary shares in the capital of our Company with nominal value of US$0.000001 each
"Sichuan ZHY Foods"	四川周黑鴨食品有限公司 (Sichuan Zhou Hei Ya Foods Co., Ltd.), a company established in the PRC on November 19, 2015 and our wholly owned subsidiary
"Sichuan ZHY"	四川周黑鴨商貿有限公司 (Sichuan Zhou Hei Ya Commerce & Trade Co., Ltd.), a company established in the PRC on December 9, 2015 and our wholly owned subsidiary
"State Council"	the PRC State Council (中華人民共和國國務院)
"Stabilizing Manager"	Morgan Stanley Asia Limited
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between Morgan Stanley & Co. International plc and BVI Holdco I on or around the Price Determination Date
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tiantu Fund Management"	深圳天圖股權投資基金管理企業(有限合夥) (Shenzhen Tiantu Stock Investment Fund Management (Limited Partnership), a limited partnership established in the PRC on January 20, 2011, with Shenzhen Tiantu Xingcheng Investment Management Co., Ltd. (深圳天圖興誠投資管理有限公司) as the general partner, and a shareholder of Wuhan ZHY Holdco
"Tiantu Investors"	the affiliates of or company managed by Shenzhen Tiantu which were shareholders of Wuhan ZHY Holdco, namely Shenzhen Tiantu/Tiantu Fund Management (as the case maybe), Tiantu Xingsheng and Tiantu Xinghua, or became a Shareholder of our Company following the Reorganization, namely Tiantu Investments
"Tiantu Investments"	Tiantu Investments Limited, a company established in the BVI on April 17, 2015 and one of our Shareholders
"Tiantu Xingsheng"	天津天圖興盛股權投資基金合夥企業(有限合夥) (Tianjin Tiantu Xingsheng Stock Investment Fund (Limited Partnership), a limited partnership established in the PRC on March 25, 2010, with 深圳天圖資本管理中心(有限合夥) (Shenzhen Tiantu Capital Management (Limited Partnership) as the general partner, and a shareholder of Wuhan ZHY Holdco

"Tiantu Xinghua"	天津天圖興華股權投資合夥企業（有限合夥） (Tianjin Tiantu Xinghua Stock Investment Fund (Limited Partnership), a limited partnership established in the PRC on April 1, 2011, with 深圳天圖資本管理中心(有限合夥) (Shenzhen Tiantu Capital Management (Limited Partnership) as the general partner, and a shareholder of Wuhan ZHY Holdco
"Tianjin ZHY"	天津周黑鴨商貿有限公司 (Tianjin Zhou Hei Ya Commerce & Trade Co., Ltd.), a company established in the PRC on May 23, 2014 and our wholly owned subsidiary
"Track Record Period" or "TRP"	January 1, 2013 to June 30, 2016
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"U.S." or "United States"	the United States of America
"U.S. Securities Act"	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"White Form eIPO"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of White Form eIPO at **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"Wuhan HXGH"	武漢洪興公滙商貿有限公司 (Wuhan Hongxing Gonghui Commerce & Trade Co., Ltd.)
"Wuhan ZHY Holdco"	周黑鴨食品股份有限公司 (Zhou Hei Ya Foods Joint Stock Limited Company) (formerly named as 周黑鴨食品有限公司 (Zhou Hei Ya Foods Co., Ltd.), 湖北周黑鴨食品有限公司 (Hubei Zhou Hei Ya Foods Co., Ltd.) and 武漢世紀周黑鴨食品有限公司 (Wuhan Shiji Zhou Hei Ya Foods Co., Ltd.)), a company established in the PRC on June 13, 2006 and, following our Reorganization, a connected person
"Zhejiang ZHY"	浙江周黑鴨商貿有限公司 (Zhejiang Zhou Hei Ya Commerce & Trade Co., Ltd.), a company established in the PRC on June 19, 2014 and our wholly owned subsidiary
"Zhou's Brother"	Mr. Zhou Changjiang (周長江), Mr. Zhou's elder brother

"Zhou's Sister"	Ms. Zhou Ping (周萍), Mr. Zhou's elder sister
"Zhou Family"	Mr. Zhou and Mrs. Zhou, or any one of them
"ZHY Development"	湖北周黑鴨企業發展有限公司 (Hubei Zhou Hei Ya Enterprise Development Co., Ltd.), a wholly foreign owned enterprise established in the PRC on July 2, 2015 and our wholly owned subsidiary
"ZHY Management"	湖北周黑鴨管理有限公司 (Hubei Zhou Hei Ya Management Co., Ltd.), a company established in the PRC on June 12, 2015 and our wholly owned subsidiary
"ZHY BVI Co"	Zhou Hei Ya Holdings Company Limited, a company established in the BVI on May 13, 2015 and our wholly-owned subsidiary
"ZHY HK Co"	Zhou Hei Ya Holdings (Hong Kong) Limited, a company established in Hong Kong on May 12, 2015 and our wholly-owned subsidiary

In this prospectus, the terms "associate", "close associate", "connected person", "connected transaction", "core connected person", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

If there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this prospectus and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities are provided for identification purposes only.

This glossary of technical terms contains terms used in this prospectus in connection with us. As such, these terms and their meanings may not correspond to standard industry meanings or usages of these terms.

"Breakeven Period"	the period of time from the commencement of operation of a self-operated retail store to the month in which the monthly operating revenue from this self-operated retail store is at least equal to its monthly operating expenses, including cost of goods, rent, labor and utility
"ERP system"	enterprise resource planning system, which is a business process management system consisting of integrated software applications that help manage a business and automate many back office functions related to technology, service and human resources
"CAGR"	compound annual growth rate
"GDP"	gross domestic product
"Investment Payback Period"	the period of time from the commencement of operation of a self-operated retail store to the month in which the accumulated operating revenue from this self-operated retail store is at least equal to its costs of opening and operating the store including any incurred capital expenditures and accumulated ongoing cost and operating expenses, such as inventory costs, rental, labor costs and utility
"MAP"	modified atmosphere packaging, a packaging technology used in the food industry which changes the composition of the internal atmosphere of a package by lowering the atmospheric oxygen level and replacing it with nitrogen to restrict the growth of bacteria and microbes, improves the shelf life of braised food
"POS"	a retail management system for points of sale

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "aim", "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would" and the negative of these words and other similar expressions, as they relate to the Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- 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;
- 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 ability to reduce costs;
- 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.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, 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 prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

In this prospectus, statements of or references to our intentions or those of the Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

In addition to other information in this prospectus, you should carefully consider the following risk factors before making any investment decision in relation to our Shares. Any of the following risks may materially and adversely affect our business, financial condition or results of operations, or otherwise cause a decrease in the trading price of our Shares and cause you to lose part or all of the value of your investment in our Shares.

Risks Relating to Our Industry and Business

Our business depends significantly on market recognition of our "Zhou Hei Ya (周黑鴨)" brand, and any damage to our brand, trademarks or reputation, or failure to effectively promote our brand, could materially and adversely impact our business and results of operations.

Brand image is a key factor in consumer purchase decisions. We believe our success depends substantially on the popularity of our "Zhou Hei Ya (周黑鴨)" brand and our reputation for high quality casual braised food. Therefore, maintaining and enhancing the recognition and image of our brand is critical to our ability to differentiate our products and services and to compete effectively. Any actual or perceived contamination, spoilage or other product misbranding or tampering may lead to the erosion of our brand and damage to our brand value, regardless of its merits.

We have invested significant resources in our distinctive combination of high quality and popular products throughout our retail store network. Our brand also depends on our ability to respond to competitive pressures. If we fail to do so, the value of our brand or reputation may be diminished and our business and results of operations may be materially and adversely affected. Furthermore, as we continue to grow in size, expand our product offerings and extend our geographic reach, maintaining product quality and consistency may be more difficult and we cannot assure you that we can maintain our customers' confidence in our brand name. If consumers perceive or experience a reduction in the quality of our products or service, or consider in any way that we fail to deliver a consistently high quality products, our brand value could suffer, which could have a material and adverse effect on our business.

We consider our trademarks and brand name to be material to our business. If we are unable to adequately protect these intellectual property rights, we may lose these rights, our brand image may be harmed, and our competitive position and business may suffer. See "— We may not be able to adequately protect our intellectual property, which could adversely affect our business and operation" below.

Counterfeit stores may significantly harm our reputation and brand image and divert potential customers.

Our established brand recognition has attracted imitators who operate counterfeit stores that utilize our trademarks and imitate our products without our authorization. Counterfeit stores have diverted potential customers from our self-operated retail stores. More importantly, counterfeit or substandard products sold in counterfeit stores may significantly harm our reputation and brand image, including the perceived quality and reliability of our products.

For example, in January 2016, multiple media reports alleged that the China Food and Drug Administration had publicly announced that food offered by 35 food services providers, including two stores in Anhui Province associated with the name of "Zhou Hei Ya," was found to contain illegal additives. Although these two stores are counterfeit stores and we had made clarification on media shortly after such news was released, our reputation was unavoidably impacted. As advised by our PRC legal advisor, we are not liable for these misconducts committed by counterfeit stores.

Any unauthorized use of our trademarks and imitation of our products could adversely affect our brand name and reputation, thereby causing a decline in our financial performance, reduction in our market share as well as an increase in the amount of resources we need to devote to detection and prosecution of unauthorized use of our trademarks or imitation of our products. We have adopted certain measures to crack down on counterfeit stores, see "Business — Other Internal Control Measures — Protection against Counterfeit Stores" for more details. However, we cannot assure you that any of our measures will provide effective prevention for unauthorized third-party use of our trademarks or imitation of our products which could adversely affect our reputation, results of operations and financial condition.

Any failure to maintain food safety and consistent quality could have a material and adverse effect on our brand, business and financial performance.

Food safety and quality are critical to our reputation and success. Maintaining consistent quality and food safety depends significantly on the effectiveness of our quality assurance systems, which in turn depends on a number of factors, including the design of our quality assurance systems and our ability to ensure that our employees and other third parties involved in our operations adhere to those quality assurance policies and guidelines. Although we implement certain quality assurance standards and measures throughout our entire product processing processes as detailed in "Business — Product Safety and Quality Control", there is no assurance that our quality assurance systems will prove to be effective at all times, or that we can identify any defects in our quality assurance systems in a timely manner. We face an inherent risk of food contamination and liability claims. Any food contamination that we fail to detect or prevent could adversely affect the quality of the products sold at our stores, which could lead to liability claims, reduced customer traffic at our stores and the imposition of penalties or fines by relevant authorities.

In 2013 and 2014, certain of our self-operated retail stores located in Nanchang, Shenzhen and Guangzhou had been imposed administrative penalties by the local food and drug administration bureaus or the local market administration of the Industry and Commerce Bureau, primarily because the bacterial level of the braised products sold at these stores failed to pass the sampling checks conducted by these food and drug administration bureaus. We believe that the failure to pass such sampling checks was mainly because the sampled products, which were mainly unpackaged products and had a short shelf life, were not preserved properly under the required storage temperature. Although we have shifted from selling unpackaged products to MAP products, we cannot assure you that we will not receive any food contamination claims or related administrative penalties in the future. Any such incidents could materially harm our reputation, results of operations and financial condition.

We face risks related to instances of food-borne illnesses, health epidemics, natural disasters and other catastrophic events.

Our business is susceptible to food-borne illnesses, health epidemics and other outbreaks. We cannot guarantee that our internal controls and trainings will be fully effective in preventing all food-borne illnesses. Furthermore, we rely on third-party raw material suppliers in our operations, which increases such risk. New illnesses resistant to any precautions or diseases with long incubation periods could arise that could give rise to claims or allegations on a retroactive basis. Reports in the media of instances of food-borne illnesses could, if highly publicized, negatively affect our industry and us. This risk exists even if it were later determined that the illness in fact were not spread by our products.

We also face risks related to health epidemics. Past occurrences of epidemics or pandemics, depending on their scale of occurrence, have caused different degrees of damage to the national and local economies in China. In 2013, there were outbreaks of highly pathogenic avian flu, caused by the H7N9 virus, in certain parts of China, which resulted in lower consumption of poultry products. An outbreak of any epidemics or pandemics in China, especially in the areas where we have retail stores, may adversely affect the local economy and willingness to spend in local areas and result in a decrease in the number of our customers in such areas. Any of the above may cause material disruptions to our operations, which in turn may materially and adversely affect our financial condition and results of operations. For example, due to the outbreak of H7N9 avian flu in 2013 which constrained the potential price increase of ducks and duck parts during that year, we experienced a significant increase in costs of ducks and duck parts in 2014 resulting from the recovery from the avian flu. In addition, we experienced decreased customer traffic in some of our stores in the third quarter of 2016 resulting from severe weather conditions, including the large-scale flood in Hubei Province, typhoons in coastal areas and extreme high temperature events in China.

Our operations are also vulnerable to natural disasters and other catastrophic events, including wars, terrorist attacks, earthquakes, typhoons, fires, floods, extreme high temperature events, power failures and shortages, water shortages, information system failures, and similar events that may or may not be foreseeable. Since our processing facilities and self-operated retail stores are currently located in various locations in China and we do not have a formal business continuity or disaster recovery plan, if any of such event occurs, our ability to operate our facilities may be restricted. As a result, we may have to incur substantial additional expenses to repair or replace the damaged equipment or facilities.

Adverse publicity involving our Company, our competitors or our industry could materially and adversely impact our business and results of operations.

The food industry in China as a whole is particularly sensitive to concerns over food safety and quality related issues and can be materially and adversely affected by negative publicity or news reports, whether accurate or not, regarding food safety and quality and public health concerns. Any such negative publicity, whether targeting our industry or our Group in particular, could materially harm our brand, business and results of operations. Due to our leading position in the industry, we may become the target of public scrutiny and thus incur significant costs to respond to such negative publicity. For example, in the past, some of duck farms in China were reported to add illegal ingredients to feed ducks which had resulted in an adverse impact on consumers' confidence in the quality and safety of duck products. Complaints or claims against us, if any, even if without any sufficient evidence, could force us to divert our resources, which may adversely affect our business, operations and financial performance.

Our rights to use our leased properties could be challenged by third parties, or we may be forced to relocate due to title defects of our leased properties, which may result in a disruption of our operations and subject us to penalties.

Certain of our leased properties had title defects due to various reasons, which may subject us to challenges by third parties, such that our leases may be deemed invalid or unenforceable and we may be forced to vacate from these leased properties. In particular, due to the inherent nature of the state-owned allocated land, collectively owned land, military facilities and other land parcels with other title defects under the PRC laws and the restrictive administrative requirements imposed on such land parcels in most regions in China, we believe such land parcels with title defects are commonly seen in China and we may continue to be subject to the similar defects of our self-operated retail stores. For example, a number of our transport hub stores are located in the public transport infrastructure or the ancillary facilities surrounding the transport infrastructure, such as airports, railway stations and subway stations. As advised by our PRC legal advisor, most of our transport hub stores are located on state-owned allocated lands. As of the Latest Practicable Date, substantially all of the lessors of our leased transport hub stores failed to provide us with sufficient confirmations with respect to the fulfilment of the relevant requirements relating to the lease of properties that are located on allocated lands. As of the Latest Practicable Date, out of our total 809 leased self-operated retail stores, such transport hub stores amounted to 197 with an aggregate floor area of approximately 6,270 square meters. The revenue derived from such transport hub stores in 2013, 2014 and 2015 and the six months ended June 30, 2016 was estimated to be approximately RMB340.5 million, RMB583.5 million, RMB834.2 million and RMB475.4 million, respectively, representing approximately 28.0%, 32.3%, 34.3% and 34.2%, respectively, of our total revenue in the same periods. As advised by our PRC legal advisor, it is the relevant lessors' responsibility to comply with the relevant requirements and to complete the requisite procedures for leases of allocated lands. Any failure to fulfill such procedures may subject the relevant lessors to penalties imposed by the land administrative authorities and the lease agreements may be deemed invalid and unenforceable in accordance with the relevant laws and regulations. As a tenant, we are not subject to any administrative punishment or penalties under relevant laws and regulations. However, we may be required to vacate from the relevant store locations as the parcel of land may be ordered to be transferred back to the administrative authorities.

In addition, as of the Latest Practicable Date, 298 out of 606 leased properties (excluding the transport hub stores as described above) were subject to potential title defects. As advised by our PRC legal advisor, it is the relevant lessors' responsibility to comply with the relevant rules and regulations and to obtain the required approvals and consents from the government authorities to effect the leases. As a tenant, we are not liable for the title defects and are not in breach of relevant laws and regulations, and we will not be subject to any administrative punishment or penalties in this regard. However, without valid ownership certificates or proper authorization from the lessors, our use of these properties may be affected upon third parties' claims or challenges against the lease. If we were forced to move out and vacate from the leased properties as described above, we may have to temporarily close the relevant stores and incur additional relocation costs. In addition, the failure of providing sufficient documents for the leases by our lessors may prevent us from timely registering the relevant lease agreements which may subject us to penalties. See "Business — Properties — Leased Properties" for more details about the defects of our leased properties.

We had not been able to obtain confirmations from the relevant authorities that we will not be penalized or required to vacate the premises with title defects, see "Business — Properties — Leased Properties" for more details. We currently estimate that the cost of relocating a store with title defects will be approximately RMB65,000, comprising the decoration cost for the new store and the removal cost in connection with the movable equipment and other assets from the original premise. We expect that we would be able to complete the relocation of each Defective Lease Property around 45 days upon notice of relocation, including a typical notice period of 30 days. Based on the average revenue per self-operated retail store in the twelve months ended June 30, 2016 of RMB3.6 million and assuming a 15-day gap period, we expect the potential loss of revenue due to a forced relocation will be approximately RMB147,900. As such, based on the total number of the 197 Defective Transport Hub Stores and 298 Other Defective Leased Properties as of the Latest Practicable Date, under the worst case scenario, the aggregated amount of relocation cost and potential loss of revenue we may incur are estimated to be approximately RMB32.2 million and RMB73.2 million, respectively, although we believe the likelihood of being requested to relocate all the stores with title defects is highly remote, given our nationwide retail store network and the fact that the relevant leases were entered into with different landlords. See "Business — Properties — Relocation Plan" for more details.

If our right to use these properties were challenged by any third parties, including the relevant government authorities, we would incur additional costs in relocating our stores to other suitable locations, thus affecting our business operations and financial condition.

Our future growth depends on our ability to increase the number of our stores and to maintain and enhance our online performance.

As we primarily market and sell our products through our self-operated retail store network, our growth largely depends on our ability to increase the number of these stores and to maintain and enhance their performance. The number of our self-operated retail stores in China increased from 389 as of December 31, 2013 to 468 as of December 31, 2014 and further increased to 641 as of December 31, 2015. We operated 716 and 757 self-operated retail stores as of June 30, 2016 and the Latest Practicable Date, respectively. Delays or failures in opening new stores could materially and adversely affect our growth strategy and our expected results. We may face competition for new store locations in our target markets and thus incur higher lease costs. Even if we are able to open additional stores as planned, these stores may be unprofitable or require longer time to generate our desired level of revenue. This growth strategy and substantial efforts associated with the development of each additional store may cause our operating results and financial performance to fluctuate. In addition, if we open new stores in our existing geographic markets, the sales performance and customer traffic in our existing stores near new ones may be affected. Furthermore, economic conditions of the neighborhood where our stores are located may decline in the future, thus potentially resulting in reduced sales in these locations. Pedestrian traffic may also be adversely affected due to urban renewal projects. In addition, competition for locations with high pedestrian traffic is intense, if we cannot obtain commercially desirable locations at reasonable terms, our ability to implement our growth strategy may be adversely affected.

To complement our self-operated retail store network, we also engage distributors. The performance of our distributors is subject to a number of factors and risks, some of which may be out of our control. Although we generally require our distributors to strictly comply with our quality standards and other operational policies (including the proper use of our trademarks) and obtain all requisite licenses and approvals, they may improperly use our trademarks, breach other terms and conditions of distribution agreements or we may not be able to effectively monitor the operations of our distributors. Any of these may adversely affect our reputation and brand image, which may in turn materially and adversely affect our business, results of operations and financial condition.

We expect to further enhance our online strategies and increase sales from our online channels. However, we may not be able to maintain a high growth rate of our online sales, and if we fail to manage the continuous development of our online sales, our business, financial condition and results of operations may be adversely affected.

We may not be able to achieve same store sales growth or increase our market share in existing markets.

We have achieved positive same store sales growth rates during the Track Record Period. We cannot assure you that we are able to sustain same store sales growth in the future due to various factors beyond our control, such as general market conditions. Our same stores sales growth rate may also be affected if we open additional new stores in our existing markets.

Our ability to achieve and increase same store sales depends in part on our ability to successfully implement our initiatives to effectively increase our customer traffic and average spending per purchase order and, to a lesser extent, our ability to maintain the popularity of our products and further develop our product offerings. There can be no assurance that we will be able to achieve or increase our same store sales growth, or maintain a positive same store sales growth rate at all, or that we will achieve our targeted level of expansion in existing markets. If we are unable to maintain or increase our same store sales growth, our sales and profit growth may be materially and adversely affected.

We could be adversely affected if we fail to adapt to the changing consumer preferences, perception and market dynamics.

The casual food industry in China is subject to changes in consumer preferences and trends, perception and discretionary spending. Although we have a dedicated product development team that studies consumer preferences and trends, we cannot assure you that we will be able to maintain product offerings that cater to the changing consumer preferences and trends in China. In addition, if dietary preferences and perceptions cause consumers to avoid casual braised food, our business could suffer. Any changes in consumer preferences could lead to increased levels of selling and promotional expenses, thereby resulting in a material and adverse effect on our business, financial condition or results of operations.

If we are unable to manage our growth effectively, we may not be able to capitalize on new business opportunities and our business and financial results may be materially and adversely affected.

We experienced rapid growth during the Track Record Period and plan to further expand in the future. Our total revenue increased by 48.6% from RMB1,217.6 million in 2013 to RMB1,809.1 million in 2014 and further increased by 34.4% to RMB2,432.0 million in 2015. Our total revenue increased by 18.3% from RMB1,174.7 million for the six months ended June 30, 2015 to RMB1,389.1 million for the corresponding period in 2016. Our planned expansion may place substantial demands on our resources.

Our ability to further increase our production capacity is critical to supporting our stable and continuous business growth, which involves additional costs and uncertainties. In addition, to manage and support our growth, we must improve our existing operational and administrative systems as well as our financial and management controls. Our continued success also depends on our ability to recruit, train and retain qualified management personnel as well as other administrative and sales and marketing personnel, particularly when we expand into new markets. We also need to continue to manage our relationships with our suppliers and customers. All of these endeavors will require substantial management resources. As a result, our revenue and results of operations in future may fluctuate significantly and our results for a given fiscal period during the Track Record Period are not necessarily indicative of results to be expected for our operations in future. We cannot assure you that we will be able to manage any future growth effectively and efficiently, and any failure to do so may materially and adversely affect our ability to capitalize on new business opportunities, which in turn may have a material and adverse effect on our business and financial performance.

Furthermore, we may not be able to achieve our expansion goals or effectively ramp up the sales of our new stores. If we encounter any difficulty in expanding our retail store network, our growth prospects may be adversely affected, which could in turn have a material and adverse effect on our business, financial condition and results of operations.

A majority of our revenue is derived from the central China market, in particular, Hubei Province.

In 2013, 2014 and 2015 and the six months ended June 30, 2016, the central China market contributed 82.9%, 77.8%, 70.1% and 69.3%, respectively, of our revenue from self-operated retail stores, of which, Hubei Province, our home market, had contributed a majority portion. Although we have been actively expanding our network to other regional markets, we expect central China to continue to be a major market for us in the foreseeable future. In addition, our current major production facility is also located in Wuhan. As a result, our revenue and results of operations are largely dependent on conditions in this region. If there is any change in the regulatory, political or economic environment in this region and its neighboring areas, or any change in customer demand for our products or the competition landscape in this region, or any interruption to our business operations or production schedules resulting from natural disasters or severe weather conditions, such as floods, typhoons and extreme high temperature events in China, our business, results of operations and financial condition may be adversely affected.

Our retail stores are susceptible to risks in relation to rental increases and fluctuations and unexpected early termination of leases.

As we lease the premises for all of our self-operated retail stores, we have significant exposure to the retail rental market in China. In 2013, 2014 and 2015 and the six months ended June 30, 2016, our store-level rental expenses amounted to approximately RMB103.1 million, RMB125.9 million, RMB179.4 million and RMB110.6 million, respectively, representing 36.4%, 33.6%, 34.0% and 35.5%, respectively, of our total selling and distribution expenses during the respective periods. Since rental expenses represent a significant portion of total operating expenses, our profitability may be materially and adversely affected by any substantial increase in the rental expenses of our store premises. Please also refer to "Financial Information — Significant Factors Affecting Our Results of Operations — Lease expenses" for a sensitivity analysis on the fluctuation in lease expenses during the Track Record Period.

We typically enter into lease agreements for our self-operated retail stores with a term of one to five years. In the event we fail to renew our lease agreements, we may temporarily terminate the operation of the relevant stores and relocate them to other premises which may not be as attractive as the original locations.

In addition, we may be exposed to risks of unexpected early termination of leases due to urban renewal projects or at the request of our landlords, and our business may be adversely affected if we are not able to identify a suitable premise on acceptable terms to relocate our stores in a timely manner.

We may be subject to fines as a result of unregistered leases.

We leased properties, most of which are for our self-operated retail stores. Under PRC law, all lease agreements are required to be registered with the relevant real estate administration bureaus. However, as of the Latest Practicable Date, 680 of our lease agreements with respect to 709 of our leased properties had not been registered and filed with the relevant land and real estate administration bureaus in the PRC because the relevant lessors failed to provide necessary documents for us to register the leases with the local government authorities. These properties have an aggregate floor area of approximately 25,520 square meters, accounting for approximately 87.2% of the total floor area of our leased properties. Revenue contributed by these self-operated retail stores of which lease agreements were not registered amounted to approximately RMB837.4 million, RMB1,205.3 million, RMB1,619.4 million and RMB926.7 million, respectively, in 2013, 2014 and 2015 and the six months ended June 30, 2016, accounting for approximately 68.8%, 66.6%, 66.6% and 66.7%, respectively, of total revenue in the same periods.

As advised by our PRC legal advisor, failure to complete the registration and filing of lease agreements will not affect the validity of such leases or result in our being required to vacate the leased properties. However, the relevant government authorities may impose a fine ranging from RMB1,000 to RMB10,000. The aggregate amount of maximum fine will be approximately RMB6,800,000. See "Business — Properties — Leased Properties — Lease Registration" for more details.

We require various approvals, licenses and permits to operate our business and any failure to obtain or renew any of these approvals, licenses and permits could materially and adversely affect our business and results of operations.

In accordance with the laws and regulations of the PRC, we are required to maintain various approvals, licenses and permits in order to operate our business in the PRC. In addition to business licenses, our processing facilities are required to obtain the food production licenses and each of our retail stores in the PRC is required to obtain the food operation license (formerly known as the food distribution license). These approvals, licenses and permits are granted upon satisfactory compliance with, among other things, the applicable laws and regulations in relation to food safety, hygiene, environmental protection and fire safety. These approvals, licenses and permits are subject to examinations or verifications by relevant authorities and are valid only for a fixed period of time subject to renewal and accreditation.

Complying with government regulations may require substantial expenses, and any non-compliance may expose us to liability. In case of any non-compliance, we may have to incur significant expenses and divert substantial management time and resources to resolving any deficiencies. The relevant store may be required to temporarily close until it satisfies all legal and regulatory requirements. We may also experience negative publicity arising from such deficiencies, which may materially and adversely affect our business and financial performance.

We may experience difficulties, delays or failures in obtaining the necessary approvals, licenses and permits for our new stores and our new processing facilities. In addition, there can be no assurance that we will be able to obtain or renew all of the approvals, licenses and permits required for our existing business operations in a timely manner or at all. If we fail to obtain and/or maintain required approvals, licenses or permits, our ongoing business could be interrupted and our expansion plan may be delayed.

Business interruptions at our current processing facilities due to any downtime for maintenance and repair of equipment or the delay of the construction of our new processing facilities could adversely and materially affect our business.

Our production process utilizes automated machinery and equipment to optimize production flow and enhance the efficiency of our workforce. Any significant downtime associated with the maintenance and repair of machinery and equipment used in our processing facilities will result in temporary interruption of our production. Although we have an in-house maintenance and repair team for our machinery and equipment, the failure of equipment manufacturers or our team to conduct timely repairs on our machinery and equipment could interrupt the operation of our processing facilities for extended periods of time. Any extended downtime could result in a loss of sales. In addition, we may encounter shortages or temporary suspension of supplies of electricity or water due to local governments' policies and control measures. Although we typically have our own backup power and water supplies which are able to support our production for twenty four hours, any extended suspension may cause an interruption to our operations and result in a loss of sales. As a result, our business and results of operations would be adversely affected.

Moreover, our ability to expand our production capacity is critical to our success. We are constructing the second phase of our Wuhan processing facility (the "Phase II Wuhan processing facility"), which is expected to be completed by the end of 2016. We also plan to construct another processing facility in Dongguan, Guangdong Province. See "Business — Our Strategies — Further improve operational efficiency and expand production capacity" for more details. However, we cannot guarantee that the construction of the new processing facilities will be completed in a timely manner, and any failure to do so may materially and adversely affect our ability to capitalize on new business opportunities, which in turn may have a material and adverse effect on our business and financial performance.

We depend on a stable and adequate supply of quality raw materials which are subject to price volatility and other risks.

The principal raw materials for our products include ducks, duck parts and spices purchased for our production. During the Track Record Period, our raw material costs amounted to RMB409.2 million, RMB656.5 million, RMB845.5 million, RMB425.9 million and RMB408.2 million, respectively, in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, accounting for approximately 33.6%, 36.3%, 34.8%, 36.3% and 29.4%, respectively, of total revenue over the same periods. As a result, our production volume and production costs depend on our ability to source quality key raw materials at competitive prices. We generally do not enter into long-term supply agreements with fixed price arrangements. If we are unable to obtain raw materials in the quantities, of a quality or at a price that we require, our production volume, quality of products and profit margins may be adversely affected. Raw materials used in our production are subject to price volatility caused by external conditions, such as market supply and demand, changes in governmental policies and natural disasters.

Our raw material costs generally increased during the Track Record Period primarily due to the increase in purchased volumes, which were in line with the growth of our business operations. The increase from 2013 to 2015 was also attributable to an overall price increase of our raw materials during such period. There is no assurance that our raw material cost will not increase significantly in the future. Please also refer to "Financial Information — Description of Major Components of Our Results of Operations — Cost of Sales" for a sensitivity analysis on the fluctuation in raw material costs during the Track Record Period. As is customary in our industry, we typically are not able to immediately pass raw material price increases on to our customers. As a result, any significant price increase of our raw materials may have an adverse effect on our profitability and results of operations.

We have a number of key raw material suppliers. In the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016, we transacted with 65, 67, 53 and 41 third-party duck suppliers, respectively. During the Track Record Period, aggregate purchases from our top five suppliers in terms of dollar amount in aggregate accounted for approximately 27.3%, 26.1%, 32.5% and 27.6% respectively, of our total purchase cost in 2013, 2014 and 2015 and the six months ended June 30, 2016. Purchases from our largest supplier in terms of dollar amount accounted for approximately 7.2%, 7.8%, 13.9% and 7.1%, respectively, of our total purchase cost in such periods. Although we transact with our suppliers on an individual basis, some of our suppliers are owned or controlled by two groups in poultry industry in China, namely Shandong New Hope Liuhe Group Co., Ltd., or Liuhe, and Jiangsu Yike Food Co., Ltd., or Yike, and the average aggregate purchases from these suppliers accounted for approximately 59%, 64% 65% and 66% of our total purchase cost in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively. If a large number of our current suppliers decide to terminate business relationships with us or, if the raw materials supplied by our current suppliers fail to meet our standards, or if our current supplies of raw materials are interrupted for any reason, qualified suppliers may not be readily available and we may not be able to easily switch to other suppliers in a timely fashion, which may materially and adversely affect our business and financial results.

We recorded net current liabilities in the Track Record Period.

We had a net current liabilities position as of December 31, 2015 in the amount of RMB141.0 million. This was primarily due to the Reorganization, details of which are set out in "Our History and Development—Reorganization". In connection with our Reorganization, Wuhan ZHY Holdco disposed of its operating assets to the Group, and the assets and liabilities retained by Wuhan ZHY Holdco were reflected as a distribution to the Controlling Shareholders. The distribution amounted to RMB821.8 million, primarily consisting of (i) prepayments, deposits and other receivables of RMB473.0 million, (ii) amount due from the Group of RMB215.6 million, (iii) available-for-sale investment of RMB80.0 million, and (iv) cash and bank balances of RMB40.4 million. See "Financial Information — Net Current Assets/Liabilities" and the Accountants' Report set out in Appendix I to this prospectus for more details. We recorded net current assets of RMB183.9 million as of June 30, 2016. However, we cannot assure you that we will not have net current liabilities in the future. Having significant net current liabilities could constrain our operational flexibility and adversely affect our ability to expand our business. If we do not generate sufficient cash flows from our operations to meet our present and future financial needs, we may need to rely on external borrowings or other alternative funding. If adequate funds are not available, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to adequately protect our intellectual property, which could adversely affect our business and operations.

We rely on a combination of trademarks, copyrights, patents, and other intellectual property laws as well as confidentiality agreements with our senior management team and research and development team members to protect our trademarks, copyrights, and other intellectual property rights. Details of our intellectual property rights are set out in "Business — Intellectual Property" and "Appendix V —Statutory and General Information — B. Further Information about our Business — 2. Intellectual Property Rights of the Group". As of the Latest Practicable Date, we were not aware of any material violations or infringements of our trademarks, copyrights, patents or any other intellectual property rights.

Implementation of PRC intellectual property-related laws has historically been lacking, primarily because of ambiguities in the PRC laws and difficulties in enforcement. Accordingly, intellectual property rights and confidentiality protections in China may not be as effective as those in Hong Kong, the United States or other countries. Policing unauthorized use of proprietary technology is difficult and costly, and we may need to resort to litigation to enforce or defend patents issued to us or to determine the enforceability, scope and validity of our proprietary rights or those of others. Any such litigation may require significant expenditure of financial and managerial resources and could have a material adverse impact on our business, financial condition and results of operations. An adverse determination in any such litigation will impair our intellectual property rights and may harm our business, prospects and reputation. In addition, given that the enforceability and scope of protection of proprietary rights in China are uncertain and still evolving, we may choose not to litigate or spend significant resources in litigation to enforce our intellectual property rights or to defend our trademarks against unauthorized use by third parties.

Information technology system failures or breaches of our network security could interrupt our operations and adversely affect our business.

We rely on our information technology systems and network infrastructure, mainly our ERP system and POS system, across our operations to monitor the daily operations of our retail stores and manage processing processes. Any damage or failure of our information technology systems or network infrastructure that causes an interruption in our operations could have a material and adverse effect on our business and results of operations.

We also utilize our information technology system to collect and archive information of members of our membership program and we receive and maintain certain personal information about our customer when accepting credit cards or prepaid cards for payment or accepting orders through online channels. If our network security is compromised and such information is stolen or obtained by unauthorized persons or used inappropriately, we may become subject to litigation or other proceedings brought by cardholders and financial institutions. Any such proceedings could divert management attention and our other resources from our business and cause us to incur significant unplanned losses and expenses. Consumer perception of our brand could also be negatively affected by these events, which could further adversely affect our business and results of operations.

Our success depends on the continuing efforts of our senior management team and our business may be harmed if we lose their services.

We depend on our senior management for our operations. The expertise, industry experience and contributions of our senior management are crucial to our success. If any members of our senior management is unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all. As a result, our business may be disrupted, our management quality may deteriorate and our results of operations may be materially and adversely affected. In addition, if any member of our senior management team joins a competitor or forms a competing business, we may lose trade secrets and business know-how as a result. Competition for experienced management in our industry is intense, and the pool of qualified candidates is limited. We may not be able to retain the services of our senior management or attract and retain additional high quality senior executives in the future.

Moreover, our ability to constantly produce high quality products is partially attributable to a large number of skilled employees who are familiar with and adept at our processing technologies. We also rely on our sales personnel, including regional operational managers and store staff, to effectively operate our retail network. As we expand our operations, we may not be able to retain such skilled processing and sales personnel at a reasonable cost and our business and results of operations may be materially and adversely affected.

We may be subject to additional contributions of social insurance premium and housing provident funds and late payments and fines imposed by relevant governmental authorities.

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法) and the Administrative Regulations on the Housing Provident Fund of the PRC (住房公積金管理條例), we are required to make social insurance premium contributions and housing provident funds for our employees. Our PRC subsidiaries have in the past failed to make full contribution to the social insurance premiums and housing provident funds in a timely manner. As of December 31, 2013, 2014 and 2015 and June 30, 2016, the carrying amount of our provision for social insurance premium contribution and housing provident funds amounted to approximately RMB30.6 million, RMB46.9 million, RMB65.4 million and RMB66.8 million, respectively. We are not aware of any complaints or demands for payment of these contributions from employees. As advised by our PRC legal advisor, the relevant PRC authorities may request us to pay the outstanding social insurance contributions within a stipulated deadline and pay an overdue charge equal to 0.05% of the outstanding amount for each day of delay. If we fail to repay the outstanding social insurance contributions within the prescribed period, we may be liable to a fine of one to three times the outstanding contribution amount.

In case we fail to complete the housing provident fund registration and open a housing provident fund account prior to the deadline, we may be subject to a fine of RMB10,000 to RMB50,000. In case we fail to make payments of outstanding housing fund contributions prior to the deadline, we may be subject to an order from the relevant people's courts to make such payment. For further details, see "Business — Licenses, Regulatory Approvals and Compliance".

Our operating results depend on the effectiveness of our marketing and promotional programs.

Our operating results are dependent on our brand marketing efforts and advertising activities. We continuously invest in our brand to further raise brand recognition and acceptance and engage in marketing campaigns to promote our products. We utilize tailored and creative branding and marketing strategies, which have achieved positive results. We expect to continue to adopt such strategies in the future. We incurred advertising and promotional expenses of RMB21.6 million, RMB28.4 million, RMB22.3 million, RMB10.6 million and RMB12.8 million, respectively, in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016. However, if our marketing and advertising programs may not continue to be successful, our business and operating results may be materially and adversely affected. In addition, we believe marketing trends in China are evolving, which requires us to experiment with new marketing strategies to keep pace with industry developments and consumer preferences. Moreover, as we continue to build up our online platform, we expect our marketing expenses relating to cooperation with online channels to continue to increase.

We have limited insurance to cover our potential losses and claims.

We maintained limited statutory insurance, which we believe is customary for businesses of our size and type and in line with the standard commercial practice in our industry. See "Business — Insurance" for more details on our insurance policies. If we were held liable for uninsured losses, our business and results of operations may be materially and adversely affected.

In addition, we are not insured against product liability or business interruptions resulting from natural disasters such as droughts, floods, earthquakes or severe weather conditions, any suspension or cessation in the supply of utilities or other calamities. Any liability claim for damages relating to our products, interruption to our operations, and the resulting losses or damages, could materially and adversely affect our business, results of operations and financial condition.

Our success depends on our ability to remain competitive in the industry.

The casual braised food industry is intensely competitive with respect to, among other things, flavor, product quality and consistency, services, prices and store locations. Our competitors include a variety of independent local operators, in addition to regional and national casual braised food manufacturers. Furthermore, new competitors may emerge from time to time, which may further intensify the competition. In particular, competitors may start to offer food products with flavor that is similar to our products. There are also many well-established competitors with substantially greater financial, marketing, personnel and other resources than ours, and several of our competitors are well established in certain regional markets where we currently have stores or intend to open stores.

Our ability to effectively compete will depend on various factors, including the successful implementation of our retail store network expansion strategy, and our ability to improve existing products, to develop and launch new products, and to enhance production capacity and efficiency. Failure to successfully compete may prevent us from increasing or sustaining our revenue and profitability and potentially lead to a loss of market share, which could have a material and adverse effect on our business, financial condition, results of operations and cash flows.

We rely on third-party logistics companies to deliver our products.

We have established an in-house logistics team with 33 vehicles responsible for delivery in Hubei Province as of the Latest Practicable Date, and engaged third-party logistics companies to transport our products to cities that are not currently covered by our logistics fleet. Disputes with or a termination of our contractual relationships with one or more of our logistics companies could result in delayed delivery of products or increased costs. There can be no assurance that we can continue or extend relationships with our current logistics companies on terms acceptable to us, or that we will be able to establish relationships with new logistics companies or expand our logistics team to ensure accurate, timely and cost-efficient delivery services. If we are unable to maintain or develop good relationships with logistics companies or expand our logistics team to cover cities which are not currently covered by our own logistics team, it may inhibit our ability to offer products in sufficient quantities, on a timely basis, or at prices acceptable to our consumers. In addition, as we do not have any direct control over these logistics companies, we cannot guarantee their quality of services. If there is any delay in delivery, damage to products or any other issue, our sales and brand image may be affected.

We may require additional funding to finance our operations, which may not be available on terms acceptable to us or at all, and if we are able to raise equity capital, the value of your investment in us may be negatively impacted.

Taking into account cash generated from operating activities and the estimated net proceeds we expect to receive from this Global Offering, our Directors are of the view that we will have available sufficient working capital to meet our present requirements and for at least the next 12 months from the date of this prospectus. We may, however, require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. To the extent that our funding requirements exceed our financial resources, we will be required to seek additional financing or to defer planned expenditures. There can be no assurance that we can obtain additional funds on terms acceptable to us, or at all. In addition, our ability to raise additional funds in the future is subject to a variety of uncertainties, including, but not limited to:

- our future financial condition, results of operations and cash flows;

- general market conditions for capital raising and debt financing activities; and

- economic, political and other conditions in China and elsewhere.

Furthermore, if we raise additional funds through equity or equity-linked financings, your equity interest in our Company may be diluted. Alternatively, if we raise additional funds by incurring debt obligations, we may be subject to various covenants under the relevant debt instruments that may, among other things, restrict our ability to pay dividends or obtain additional financing. Servicing debt obligations could also be burdensome to our operations. If we fail to service our debt obligations or are unable to comply with any of these covenants, we could be in default under these debt obligations and our liquidity and financial condition could be adversely affected.

Our manufacturing operations are subject to a variety of environmental protection, health, fire safety and other safety laws and regulations.

We are subject to a variety of laws and regulations imposed by the PRC government relating to environmental protection, health, fire safety and other safety. Compliance with existing and future environmental protection, health, fire safety and other safety laws could subject us to costs or liabilities, including monetary damages and fines; impact our production capabilities; result in suspension of our business operations; and generally impact our financial performance. Our Shanghai facility had on two instances during the Track Record Period been found to have discharged sewage with excessive pollutants. In respect of these two incidents, we received a warning from the relevant authorities but no fine was imposed on us. We cannot assure you that such event will not happen in the future. We currently do not carry any insurance relating to environmental protection. If we are held liable for damages in the event of any pollution, injury or other violation of applicable environmental protection, health, fire safety or other safety laws, we may also be subject to adverse publicity and our financial condition and results of operations could be materially and adversely affected.

We may be subject to investment risks relating to available-for-sale investments and structured deposits.

We from time to time purchase structured deposits and available-for-sale investments from commercial banks to better manage our surplus funding. As of December 31, 2013, 2014 and 2015 and June 30, 2016, the structured deposits amounted to approximately RMB190.0 million, RMB470.0 million, RMB10.0 million and RMB175.0 million, respectively, and available-for-sale investments amounted to RMB70.0 million, RMB85.0 million, RMB100.0 million and RMB125.0 million, respectively, in the same periods. Structured deposit products that we purchased during the Track Record Period generally have a term of three months to six months and may be redeemed upon their respective expiry dates while available-for-sale investments represent money market funds and generally do not have a fixed term or coupon rate and may be redeemed at any time at our discretion. However, as we only have limited general information about the underlying investments and do not have specific and detailed information, such as duration or credit ratings, of these asset management products, there is no assurance that we can make sound investment decisions on an informed basis.

We have established capital and investment policies to monitor and control risks relating to our investment activities. We only purchase low-risk asset management products issued by commercial banks or other qualified financial institutions. See "Financial Information—Description of Major Components of our Results of Operations—Other Income and Gains, Net" for more details. However, there is no assurance that we can always recover principals or receive any interest income from our investments. If we fail to manage the risks associated with such investments, we may not be able to profit or may incur losses, and our results of operations and financial condition may be adversely affected.

Risks Relating to Doing Business in the PRC

Changes in PRC economic, political and social conditions, as well as government policies, laws and regulations, could have a material and adverse effect on our business, financial condition, results of operations and prospects.

All of our business assets are located in the PRC and all of our sales are currently derived from the PRC. Accordingly, our results, financial position and prospects are subject, to a significant degree, to the economic, political and legal developments of the PRC. Political and economic policies of the PRC government could affect our business and financial performance and may result in our being unable to sustain our growth.

In recent years, the PRC government implemented a series of laws, regulations and policies which imposed stricter standards with respect to, among other things, quality and safety control, and supervision and inspection of enterprises operating in our industry. See "Regulatory Overview — Laws, Rules and Regulations Related to the Food Service Industry in China" for more details. If the PRC government continues to impose stricter regulations on our industry, we could face higher costs in order to comply with those regulations, which may impact our profitability.

The economy of the PRC differs from the economies of most developed countries in a number of respects, including the extent of government involvement, level of development, growth rate, and control of foreign exchange. China has been reforming the PRC economic system, and has also begun reforming the government structure in recent years. Although these reforms have resulted in significant economic growth and social progress, we cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on our future business, results or financial condition. Moreover, the PRC government continues to play a significant role in regulating industrial development. It also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary policies and providing preferential treatments to particular industries or companies. All of these factors could affect the economic conditions in China and, in turn, our industry and our Company.

Uncertainties with respect to the PRC legal system could have a material and adverse effect on us.

Our business and operations are primarily conducted in the PRC and are governed by PRC laws and regulations. The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court. Prior court decisions may be cited for reference, but have limited weight as precedents. Since the late 1970s, the PRC Government has significantly enhanced the PRC legislation and regulations to provide protection to various forms of foreign investments in the PRC. However, the PRC has not developed a fully integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activity in the PRC. As many of these laws, rules and regulations are relatively new, and because of the limited volume of published decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent and predictable as in other jurisdictions. In addition, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of our violations of these policies and rules until some time after the violation. Furthermore, the legal protection available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and may result in substantial costs and the diversion of resources and management attention.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions against us or our Directors and officers.

We are an exempted company incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our Memorandum and Articles of Association and by the Cayman Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. This may mean that the remedies available to our Company's minority shareholders may be different from those they would have under the laws of other jurisdictions. A summary of Cayman Companies Law is set out in Appendix IV to this prospectus. It may not be possible for you to bring an action against us or against our Directors or officers based upon Hong Kong laws in the event that you believe that your rights as a shareholder have been infringed.

All of our assets, and almost all of the assets of our Directors are located in the PRC. It may not be possible for investors to effect service of process upon us or those persons inside the PRC. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned, the "Arrangement," pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction over the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against our assets or Directors in the PRC in order to seek recognition and enforcement of foreign judgments in the PRC.

We rely principally on dividends paid by our subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material and adverse effect on our ability to conduct our business.

We are a holding company incorporated in the Cayman Islands and operate our core businesses through our operating subsidiaries in the PRC. Therefore, despite certain income at the holding company level, the availability of funds to pay dividends to our Shareholders largely depends upon dividends received from these subsidiaries. If our subsidiaries incur debts or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends will be restricted.

PRC laws and regulations require that dividends be paid only out of distributable profits, which are our net profit as determined in accordance with PRC GAAP or HKFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient distributable profits, if any, to enable us to make dividend distributions to our Shareholders in the future, including periods for which our financial statements indicate that our operations have been profitable. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years. Moreover, because the calculation of distributable profits under PRC GAAP is different from the calculation under HKFRS in certain respects, our operating subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under HKFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our operating subsidiaries to pay dividends to us could have a negative impact on our cash flow and our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

Furthermore, restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to provide capital or declare dividends to us and our ability to receive distributions. Therefore, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders.

We may be considered a "PRC resident enterprise" under the EIT Law, which could result in our global income being subject to a 25% PRC enterprise income tax.

Our Company is incorporated in the Cayman Islands. We conduct our business through operating subsidiaries in the PRC. Under the EIT Law, enterprises established under the laws of foreign countries or regions and whose "de facto management bodies" are located within the PRC are considered "PRC resident enterprises" and thus will generally be subject to an EIT at the rate of 25% on their global income. On December 6, 2007, the State Council adopted the EIT Rules, effective on January 1, 2008, which defines the term "de facto management bodies" as "bodies that substantially carry out comprehensive management and control on the business operation, employees, accounts and assets of enterprises." Currently, substantially all of our management is based in the PRC, and may continue to be based in the PRC in the future. In April 2009, the PRC State Administration of Taxation promulgated a circular to clarify the definition of "de facto management bodies" for enterprises incorporated overseas with controlling shareholders being onshore enterprises or enterprise groups in China. However, it remains unclear how the tax authorities will treat an overseas enterprise invested or controlled by another overseas enterprise and ultimately controlled by PRC individual residents, as in our case.

If we were considered a PRC resident enterprise, we would be subject to the EIT at the rate of 25% on our global income, and any dividends or gains on the sale of our Shares received by our non-resident enterprise shareholders may be subject to a withholding tax at a rate of up to 10%. In addition, although the EIT Law provides that dividend payments between qualified PRC resident enterprises are exempted from EIT, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our PRC operating subsidiaries to us would meet such qualification requirements if we were considered a PRC resident enterprise for this purpose. If our global income were to be taxed under the EIT Law, our financial position and results of operations would be materially and adversely affected.

Gains on the sales of Shares and dividends on the Shares may be subject to PRC income taxes.

Under the EIT Law and the EIT Rules, dividends payable by "PRC tax resident enterprises" to non-PRC residents are subject to PRC withholding tax at the rate of 10% (for "non-PRC resident enterprises") and 20% (for "non-PRC resident individuals"), to the extent such dividends have their source within the PRC. "Non-PRC resident enterprises" refers to enterprise investors that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business. "Non-PRC resident individuals" refers to individual investors who do not have any domicile and do not reside in the PRC, or do not have any domicile but have resided in the PRC for less than one year.

Similarly, any gain realized on the transfer of shares of "PRC tax resident enterprises" by such investors is also subject to PRC income tax, usually at a rate of 10% (for non-PRC resident enterprises) and 20% (for non-PRC resident individuals) unless otherwise reduced or exempted by relevant tax treaties or similar arrangements, if such gain is regarded as income derived from sources within the PRC. We are a holding company incorporated in the Cayman Islands and substantially all of our operations are in the PRC. There is uncertainty as to whether we will be considered a "PRC tax resident enterprise" for the purpose of the EIT Law. As a result, it is unclear whether dividends paid on our Shares, or any gain realized from the transfer of our Shares, would be treated as income derived from sources within the PRC and would as a result be subject to PRC income tax. If we are considered a "PRC tax resident enterprise", then any dividends paid to our Shareholders that are "non-PRC resident enterprises" or "non-PRC resident individuals" and any gains realized by them from the transfer of our Shares may be regarded as income derived from PRC sources and, as a result, would be subject to PRC income tax, unless otherwise exempted. It is unclear whether, if we are considered a "PRC tax resident enterprise", our Shareholders would be able to claim the benefit of income tax treaties or agreements entered into between the PRC and other countries or regions. If dividends payable to our non-PRC Shareholders that are "non-PRC resident enterprises" or "non-PRC resident individuals", or gains from the transfer by them of our Shares, are subject to PRC tax, the value of such non-PRC Shareholders' investment in our Shares may be materially and adversely affected.

Our dividend income from our foreign-invested PRC subsidiaries may be subject to a higher rate of withholding tax than that which we currently anticipate.

Under the EIT Law and the EIT Rules, dividend payments from PRC subsidiaries to their foreign shareholders, if the foreign shareholder is not deemed as a PRC tax resident enterprise under the EIT Law, are subject to a withholding tax at the rate of 10%, unless the jurisdiction of such foreign shareholders has a tax treaty or similar arrangement with China and the foreign shareholder obtains approval from competent local tax authorities for application of such tax treaty or similar arrangement. If certain conditions and requirements under the Arrangement between the Mainland China and the Hong Kong Special Administration Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income entered into between Hong Kong and the PRC (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) (the "**Hong Kong Tax Treaty**"), are met, the withholding rate could be reduced to 5%. However, the SAT promulgated Circular of the State Administration of Taxation on Understanding and determining the "Beneficial Owners" under Tax Treaties (the "Circular 601") on October 27, 2009, which provides that tax treaty benefits will be denied to "conduit" or shell companies without business substance, and a beneficial ownership analysis will be adopted based on a "substance over form" analysis to determine whether or not to grant tax treaty benefits to a "conduit" company. It is unclear whether Circular 601 applies to dividends from our PRC operating subsidiaries paid to us through ZHY Management. It is possible, however, that under Circular 601, ZHY Management would not be considered the "beneficial owner" of any such dividends, and that such dividends would, as a result, be subject to income tax withholding at the rate of 10% rather than the favorable 5% rate applicable under the Hong Kong Tax Treaty. In that case, our financial position and results of operations would be materially and adversely affected.

Governmental control over currency conversion and fluctuations in exchange rates may affect the value of your investment and limit our ability to utilize our cash effectively.

The Renminbi is not currently a freely convertible currency. We receive all of our payments from customers in Renminbi and may need to convert and remit Renminbi into foreign currencies for the payment of dividends, if any, to holders of our Shares. Under the PRC's existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from SAFE or its local branches by complying with certain procedural requirements. However, the PRC government may take measures at its discretion in the future to restrict access to foreign currencies for current account transactions if foreign currencies become scarce in the PRC. We may not be able to pay dividends in foreign currencies to our Shareholders if the PRC government restricts access to foreign currencies for current account transactions. Foreign exchange transactions under our capital account continue to be subject to significant foreign exchange controls and require the approval of the SAFE or its local branches. These limitations could affect our ability to obtain foreign exchange through equity financing, or to obtain foreign exchange for capital expenditures.

Our revenue and costs are denominated in Renminbi. Any significant revaluation of the Renminbi may materially and adversely affect our cash flows, results of operations and financial position. The exchange rate of the Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the PRC government and changes in the PRC and in international political and economic conditions. Since 1994, the conversion of the Renminbi into foreign currencies, including U.S. dollars, has been based on rates set by the People's Bank of China, which are set daily based on the previous business day's interbank foreign exchange market rates and current exchange rates on the world financial markets. From 1994 to July 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. Since the adoption of this new policy, the value of the Renminbi against the Hong Kong dollar has fluctuated daily. The PRC government has since made, and in the future may make, further adjustments to the exchange rate system.

There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which, together with domestic policy considerations, could result in appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or other foreign currencies. If the Renminbi appreciates against other currencies significantly, and as we need to convert and remit the proceeds from the Global Offering and future financing into the Renminbi for our operations, appreciation of the Renminbi against the relevant foreign currencies would reduce the Renminbi amount we would receive from the conversion. On the other hand, because the dividends on our Shares, if any, will be paid in Hong Kong dollars, any devaluation of the Renminbi against the Hong Kong dollar could reduce the amount of any cash dividends on our Shares in Hong Kong dollar terms.

PRC regulations relating to the establishment of offshore special purpose vehicles by PRC residents may subject our PRC-resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to make capital contributions into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute profits to us, or otherwise adversely affect our financial position.

Under several regulations promulgated by SAFE, PRC residents and PRC corporate entities are required to register with and obtain approval from local branches of SAFE or designated qualified foreign exchange banks in China in connection with their direct or indirect offshore investment activities. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local branch of SAFE, with respect to any material change involving that offshore company, such as an increase or decrease in capital, transfer or swap of shares, merger or division. These regulations apply to direct and indirect holders of our Shares who are PRC residents and may apply to any offshore acquisitions that we make in the future. To the best of our knowledge, as of the Latest Practicable Date, our Controlling Shareholder who is required to make the foreign exchange registration under Circular 37 had completed such registration. However, we may not be fully aware or informed of the identities of all the PRC residents holding direct or indirect interests in our Company, and we cannot assure you that all of our shareholders and beneficial owners who are PRC residents will comply with these foreign exchange regulations.

If any PRC-resident Shareholder fails to make the required registration or update a previously filed registration, our PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may also be prohibited from injecting additional capital into our PRC subsidiaries. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability on the related PRC-resident Shareholder or our PRC subsidiaries under PRC laws for evasion of applicable foreign exchange restrictions.

PRC regulation of loans to and direct investment by offshore holding companies into PRC entities may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC operating subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

In utilizing the proceeds of the Global Offering in the manner described in the section "Future Plans and Use of Proceeds" in this prospectus, as an offshore holding company of our PRC operating subsidiaries, we may make loans or additional capital contributions to our PRC subsidiaries or a combination thereof. Any loans to our PRC subsidiaries are subject to PRC regulations and approvals. For example, loans by our Company to our subsidiaries in China, each of which is a foreign-invested enterprise, to finance their activities cannot exceed statutory limits and must be registered with SAFE or its local counterpart.

In addition, any capital contributions to our PRC subsidiaries must be approved by the PRC Ministry of Commerce or its local counterpart. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries. If we fail to receive such registrations or approvals, our ability to use the proceeds of this Global Offering and to capitalize our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

There is uncertainty with respect to the indirect transfers of equity interests in our PRC resident enterprises through transfers made by our Shareholders or our non-PRC holding companies.

On February 3, 2015, the SAT promulgated the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告) ("Circular 7") , which replaced certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on Equity Transfers of Non-resident Enterprises (國家稅務總局關於加强非居民企業股權轉讓所得企業所得稅管理的通知) ("Circular 698"). Circular 7 provided comprehensive guidelines relating to, and also heightened the Chinese tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a Chinese resident enterprise (the "**Chinese Taxable Assets**"). For example, Circular 7 stated that where a non-resident enterprise transfers Chinese Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such Chinese Taxable Assets, and such transfer is deemed for the purpose of avoiding EIT payment obligations and without any other bona fide commercial purpose, the transfer may be reclassified by the Chinese tax authorities as a direct transfer of Chinese Taxable Assets.

Although Circular 7 contains certain exemptions, it is unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of China involving Chinese Taxable Assets, or whether the Chinese tax authorities will classify such transaction by applying Circular 7. Therefore, the Chinese tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisitions by us outside of China involving Chinese Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional Chinese tax reporting obligations or tax liabilities.

Risks Relating to the Global Offering

There has been no prior public market for our Shares, and an active trading market may not develop.

Before the Global Offering, there was no public market for our Shares. The initial offer price range of our Shares, and the Offer Price, will be the result of negotiations between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and us.

In addition, while we have applied to have our Shares listed on the Stock Exchange, there can be no guarantee that (i) an active trading market for our Shares will develop or, (ii) if it does, that it will be sustained following the completion of the Global Offering, or (iii) that the market price of our Shares will not decline below the Offer Price. You may not be able to resell your shares at a price that is attractive to you, or at all.

The price and trading volume of our Shares may be volatile which could result in substantial losses for investors purchasing our Shares in the Global Offering.

The price and trading volume of our Shares may be volatile. The market price of our Shares may fluctuate significantly and rapidly as a result of the following factors, among others, some of which are beyond our control:

- actual or anticipated variations of our results of operations;
- loss of key raw material suppliers;
- changes in securities analysts' estimates or market perception of our financial performance;
- announcement by us of significant acquisitions, depositions, strategic alliances or joint ventures;
- addition or departure of key senior management or other key personnel;
- fluctuations in stock market price and volume;
- regulatory or legal developments, including involvement in litigation;
- fluctuations in trading volumes or the release of lock-up or other transfer restrictions on our outstanding Shares or sales of additional Shares by us; and
- general economic, political and stock market conditions in Hong Kong, China and elsewhere in the world.

In addition, stock markets and the shares of other companies listed on the Stock Exchange with significant operations and assets in the PRC have experienced increasing price and volume fluctuations in recent years, some of which have been unrelated or disproportionate to the operating performance of such companies. These broad market and industry fluctuations may materially and adversely affect the market price of our Shares.

Future sale or major divestment of Shares by our Controlling Shareholders or our Investors could materially and adversely affect the prevailing market price of our Shares.

The future sale of a significant number of our Shares in the public market after the Global Offering, or the possibility of such sales, by our Controlling Shareholders or Investors could materially and adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares. Although such Controlling Shareholders and Investors have agreed to a lock-up on their Shares, any major disposal of our Shares by any of such Controlling Shareholder and Investors upon expiry of the relevant lock-up periods (or the perception that these disposals may occur) may cause the prevailing market price of our Shares to fall which could negatively impact our ability to raise equity capital in the future.

Purchasers of our Shares in the Global Offering will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The initial Offer Price of our Shares is higher than the net tangible asset value per Share of the outstanding Shares issued to our existing Shareholders immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution in terms of the pro forma net tangible asset value. In addition, we may consider offering and issuing additional Shares or equity-related securities in the future to raise additional funds, finance acquisitions or for other purposes. Purchasers of our Shares may experience further dilution in terms of the net tangible asset value per Share if we issue additional Shares in the future at a price that is lower than the net tangible asset value per Share.

Since there will be a gap of several days between pricing and trading of our Shares, holders of our Shares are subject to the risk that the price of our Shares could fall when the trading of our Shares commences.

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be about four Hong Kong business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price or value of our Shares could fall when trading commences as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

There can be no assurance as to whether we will pay dividends in the future.

We declared dividends of RMB68.3 million in 2014 and RMB300.0 million in 2015 to the shareholders as of such time, all of which had been paid as of the Latest Practicable Date. However, there is no assurance as to whether we will pay dividends in the future. Declaration and distribution of dividends shall be proposed and formulated by our Board of Directors at their discretion and will be subject to shareholder approval. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including, without limitation, our results of operations, financial condition, operating and capital expenditure requirements, distributable profits, future prospects and other factors that our Board of Directors may determine are important. Accordingly, our historical dividend distributions are not indicative of our future dividend distribution policy and potential investors should be aware that the amount of dividends paid previously should not be used as a reference or basis upon which future dividends are determined. See "Financial Information — Dividend Policy" for more details of our dividend policy.

Our interests may conflict with those of our Controlling Shareholders, who may take actions that are not in, or may conflict with, our or our public shareholders' best interests.

The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. If the interests of our Controlling Shareholders conflict with the interests of our other Shareholders, or if our Controlling Shareholders cause our business to pursue strategic objectives that conflict with the interests of our other Shareholders, the non-controlling shareholders could be disadvantaged by the actions that our Controlling Shareholders choose to cause us to pursue.

Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matter submitted to the Shareholders for approval, including but not limited to mergers, privatizations, consolidations and the sale of all, or substantially all, of our assets, election of directors, and other significant corporate actions. Our Controlling Shareholders have no obligation to consider the interests of our Company or the interests of our other shareholders other than pursuant to the deed of non-competition, see "Relationship with Our Controlling Shareholders — Non-competition Undertaking" for more details. Consequently, our Controlling Shareholders' interests may not necessarily be in line with the best interests of our Company or the interests of our other Shareholders, which may have a material and adverse effect on our Company's business operations and the price at which our Shares are traded on the Stock Exchange.

Certain statistics contained in this prospectus are derived from a third party report and publicly available official sources.

This prospectus, particularly the section headed "Industry Overview" in this prospectus, contains information and statistics, including but not limited to information and statistics relating to the PRC and the casual braised food industry and markets. Such information and statistics have been derived from various official government and other publications and from a third party report prepared by Frost & Sullivan commissioned by us. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and no representation is given as to its accuracy. We cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy, as the case may be, in other jurisdictions. Therefore, you should not unduly rely upon the industry facts and statistics contained in this prospectus.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains certain statements and information that are forward-looking and uses forward-looking terminology such as "anticipate," "believe," "could," "going forward," "intend," "plan," "project," "seek," "expect," "may," "ought to," "should," "would" or "will" and similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that 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. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering.

Prior to the publication of this prospectus, there has been press and media coverage regarding us and the Global Offering, including but not limited to, coverage in Apple Daily, Ming Pao and Hong Kong Economic Journal in May 2016, among others, certain financial information, industry comparisons, and/or other information about the Global Offering and us. There may continue to be additional press and media coverage on us and this Global Offering. 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 such information appearing in publications other than this prospectus is inconsistent with, or conflicts with, the information contained in this prospectus, we disclaim it, and accordingly you should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the information included in this prospectus.

In preparation for the Global Offering, our Company has sought the following waiver from strict compliance with the relevant provisions of the Listing Rules.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong.

The headquarters of our Group is located in the PRC. All of our executive Directors and all members of the senior management of our Group currently reside in the PRC. Substantially all of the business operations and management functions of our Group are carried out in the PRC. We do not and, in the foreseeable future, will not have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with Rule 8.12 of the Listing Rules, subject to the condition that the following measures and arrangements are made for maintaining regular communication between the Stock Exchange and us:

(a) pursuant to Rule 3.05 of the Listing Rules, we have appointed two authorized representatives, namely Mr. HAO Lixiao, our Director and Ms. LI Oi Lai, our Company Secretary. The authorized representatives will act as the principal channel of communication between the Stock Exchange and our Company. The authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by the Stock Exchange by telephone, facsimile and/or email to deal promptly with any enquiries which may be made by the Stock Exchange. Each of the authorized representatives is authorized to communicate on behalf of our Company with the Stock Exchange;

(b) each of the authorized representatives has means to contact all Directors (including the non-executive Director and the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters. We will implement a policy whereby:

    (i) each Director will provide his or her mobile phone number, office phone number, residential phone number, email address and facsimile number to the authorized representatives;

    (ii) each Director will provide his or her phone numbers or means of communication to the authorized representatives when he or she is travelling; and

    (iii) each Director will provide his or her mobile phone number, office phone number, residential phone number, email address and facsimile number to the Stock Exchange;

(c) in compliance with Rule 3A.19 of the Listing Rules, we have retained Guotai Junan Capital Limited to act as our compliance advisor who will act as an additional channel of communication between the Stock Exchange and our Company for the period commencing on the Listing Date and ending on the date that our Company publishes our financial results for the first full financial year after the Listing Date pursuant to Rule 13.46 of the Listing Rules;

(d) any meetings between the Stock Exchange and our Directors may be arranged through the authorized representatives within a reasonable time frame;

(e) our Company will inform the Stock Exchange promptly in respect of any change in our Company's authorized representatives;

(f) all Directors have confirmed that they possess valid travel documents to visit Hong Kong for business purposes and would be able to come to Hong Kong and, when required, meet with the Stock Exchange upon reasonable notice; and

(g) we will retain a Hong Kong legal advisor to advise us on the application of the Listing Rules and other applicable Hong Kong laws and regulations after our Listing.

DIRECTORS' RESPONSIBILITY STATEMENT

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, 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 us. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus 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 prospectus misleading.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors and any of the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to us and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) agreeing on the Offer Price. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or around the Price Determination Date.

If, for any reason, the Offer Price is not agreed among us and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, please see the section headed "Underwriting" in this prospectus.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

PROCEDURES FOR APPLICATION FOR THE HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set forth in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and in the Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed "Structure of the Global Offering" in this prospectus.

RESTRICTIONS ON OFFERS AND SALES OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and the relevant Application Forms.

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than in Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option).

No part of our equity or debt securities is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, November 11, 2016. The Shares will be traded in board lots of 500 Shares each. The stock code of the Shares will be 1458.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply 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 Listing Date 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.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the Shares or exercising any rights attaching to the Shares. We emphasize that none of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, the Shares or your exercise of any rights attaching to the Shares.

REGISTER OF MEMBERS AND STAMP DUTY

Our principal register of members will be maintained by our principal registrar, Intertrust Corporate Services (Cayman) Limited, in the Cayman Islands, and our Hong Kong register of members will be maintained by the Hong Kong Share Registrar in Hong Kong. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

Dealings in our Shares registered on our Hong Kong register will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the Shares. In addition, a fixed duty of HK$5 is charged on each instrument of transfer (if required).

EXCHANGE RATE CONVERSION

For the purpose of illustration only, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. Unless otherwise specified, (i) the translations between Renminbi and HK dollars were made at the rate of HK$1.00 to RMB0.8610, and (ii) the translations between U.S. dollars and Hong Kong dollars were made at the rate of HK$7.7555 to US$1.00. No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, departments, entities (including certain of our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese name shall prevail.

OTHER

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the Global Offering assume that the Over-allotment Option is not exercised.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. ZHOU Fuyu (周富裕)	No. 3A, Building 4 Meng Hu Xiang Jun, Houhu Street Jiangan District, Wuhan City Hubei Province, PRC	Chinese
Mr. ZHU Yulong (朱于龍)	Room 2503, Block B 159 Changqing Road Jianghan District, Wuhan City Hubei Province, PRC	Chinese
Mr. WEN Yong (文勇)	Room 2705, Unit 1, Block 1 Wanke Cheng, 159 Changqing Road Jianghan District, Wuhan City Hubei Province, PRC	Chinese
Mr. HU Jiaqing (胡佳慶)	Room 402, Unit 1, Block 13 Changcheng Jiayuan, 40 Xudong Road Wuchang District, Wuhan City Hubei Province, PRC	Chinese
Mr. HAO Lixiao (郝立曉)	Room 1801, Unit 1, Block 3 Dushi Lanting, 98 Hanyang Avenue Hanyang District, Wuhan City Hubei Province, PRC	Chinese
Non-Executive Directors		
Mr. PAN Pan (潘攀)	Flat 3B, Block 7 Xiangyu Central Garden 66 Nongyuan Road, Futian District, Shenzhen Guangdong Province, PRC	Chinese
Independent Non-Executive Directors		
Mr. WU Chi Keung (胡志強)	Flat A, 9/F, Block 2 Braemar Hill Mansion 17 Braemar Hill Road North Point Hong Kong	Chinese

Name	Residential Address	Nationality
Mr. CHAN Kam Ching, Paul (陳錦程)	Flat D1 4/F Wisdom Court 5 Hatton Road Hong Kong	Chinese
Mr. LU Weidong (盧衛東)	Unit 806, Block 1 Hengguan Haoyuan, Fumin Road Futian District, Shenzhen PRC	Chinese

Further information about the Directors and other senior management members are set out in the section headed “Directors and Senior Management” in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors and Joint Global Coordinators	Morgan Stanley Asia Limited Level 46 International Commerce Centre 1 Austin Road West Kowloon Hong Kong Credit Suisse (Hong Kong) Limited Level 88 International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Joint Bookrunners and Joint Lead Managers	Morgan Stanley Asia Limited Level 46 International Commerce Centre 1 Austin Road West Kowloon Hong Kong Credit Suisse (Hong Kong) Limited Level 88 International Commerce Centre 1 Austin Road West Kowloon Hong Kong China Merchants Securities (HK) Co., Limited 48/F, One Exchange Square Central Hong Kong
Legal Advisors to Our Company	*As to Hong Kong and U.S. laws:* Simpson Thacher & Bartlett 35/F, ICBC Tower 3 Garden Road Central Hong Kong *As to PRC law:* Commerce & Finance Law Offices 6/F, NCI Tower A12 Jianguomenwai Avenue Chaoyang District Beijing, PRC *As to Cayman Islands law:* Walkers 15th Floor, Alexandra House 18 Chater Road Central Hong Kong

Legal Advisors to the Joint Sponsors and the Underwriters	*As to Hong Kong and U.S. laws:* Paul Hastings 21-22/F, Bank of China Tower 1 Garden Road Central Hong Kong *As to PRC law:* Jingtian & Gongcheng 34/F, Tower 3, China Central Place 77 Jianguo Road Chaoyang District Beijing, PRC
Auditors and Reporting Accountants	Ernst & Young *Certified Public Accountants* 22nd Floor, CITIC Tower 1 Tim Mei Avenue Central, Hong Kong
Property Valuer	DTZ Cushman & Wakefield Limited 16/F, Jardine House Central Hong Kong
Industry Consultant	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. Room 1018, Tower B No. 500 Yunjin Road Xuhui District Shanghai, 200232 PRC
Compliance Advisor	Guotai Junan Capital Limited 27th Floor, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Receiving Banks	Standard Chartered Bank (Hong Kong) Limited 15/F Standard Chartered Tower 388 Kwun Tong Road Kwun Tong Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central Hong Kong

Registered Office	190 Elgin Avenue George Town Grand Cayman KY1-9005 Cayman Islands
Principal Place of Business and Head Office in China	No. 8-1 Huitong Road Zoumaling Dongxihu District Wuhan City, Hubei Province, 430040 PRC
Principal Place of Business in Hong Kong	18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Company's Website	**www.zhouheiya.cn** *(The information on the website does not form part of this prospectus)*
Company Secretary	Ms. LI Oi Lai (李愛麗) 18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Authorized Representatives	Mr. HAO Lixiao (郝立曉) No. 8-1 Huitong Road Zoumaling Dongxihu District Wuhan City, Hubei Province, 430040 PRC
	Ms. LI Oi Lai (李愛麗) 18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Audit Committee	Mr. WU Chi Keung (胡志強) (*Chairman*) Mr. CHAN Kam Ching, Paul (陳錦程) Mr. LU Weidong (盧衛東)
Remuneration Committee	Mr. CHAN Kam Ching, Paul (陳錦程) (*Chairman*) Mr. LU Weidong (盧衛東) Mr. ZHU Yulong (朱于龍)
Nomination Committee	Mr. ZHOU Fuyu (周富裕) *(Chairman)* Mr. WU Chi Keung (胡志強) Mr. LU Weidong (盧衛東)

Strategic Development Committee	Mr. ZHU Yulong (朱于龍) *(Chairman)* Mr. HU Jiaqing (胡佳慶) Mr. HAO Lixiao (郝立曉)
The Cayman Islands Principal Share Registrar and Transfer Office	Intertrust Corporate Services (Cayman) Limited 190 Elgin Avenue George Town Grand Cayman KY1-9005 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal Banks	Industrial and Commercial Bank of China Limited (Xibeihu Sub-Branch) No. Te2 Xinhuaxia Road Jianghan District Wuhan City, Hubei Province PRC
	Bank of Communications Co., Ltd. (Xinshijie Sub-Branch) 2/F, New World Tower Block A 634 Jiefang Road Qiaokou District Wuhan City, Hubei Province PRC
	China Merchants Bank Co., Limited (Dongxihu Sub-Branch) 113 Wujiashan Tianyuan Street Dongxihu District Wuhan City, Hubei Province PRC
	Industrial Bank Co., Ltd. (Wuhan Branch) Industrial Bank Building 108 Zhongbei Road Wuchang District Wuhan City, Hubei Province PRC

The information presented in this section is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan, which was commissioned by us, unless otherwise indicated. We believe that the sources of the information are appropriate sources for the information and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by us, the Joint Sponsors, Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers, the Underwriters or any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and no representation is given as to its accuracy or completeness. The information and statistics may not be consistent with other information and statistics compiled within or outside of China. Our Directors confirm that, after taking reasonable care, there has been no adverse change in the market information since the date of the Frost & Sullivan Report, which may qualify, contradict or have an impact on the information as disclosed in this section.

SOURCE OF INFORMATION

In connection with the Global Offering, we have commissioned Frost & Sullivan, an independent third party, to analyze and report on China's casual food industry and casual braised food industry during the period of 2010 to 2020. The report, or the Frost & Sullivan Report, and a customer satisfaction survey conducted with over 2,000 respondents in 20 cities in China (namely Beijing, Shanghai, Shenzhen, Guangzhou, Tianjin, Hangzhou, Nanchang, Wuhan, Changsha, Dongguan, Shenyang, Chengdu, Xi'an, Zhuzhou, Yichang, Qinhuangdao, Zhuhai, Jilin, Mianyang and Xining), have been completed by Frost & Sullivan independent of our influence. We paid Frost & Sullivan a fee of RMB0.9 million for the preparation of the report and the customer survey, which we believe to be consistent with market rates. Founded in 1961, Frost & Sullivan has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. It offers industry research and market strategies and provides growth consulting and corporate training. Frost & Sullivan has been covering the Chinese market from its offices in China since the 1990's.

The Frost & Sullivan Report includes information on China's casual food industry and its sub-segments and other market as well as economic data, which are quoted in this prospectus. Frost & Sullivan's primary research was undertaken through discussion of the status of the industry with certain leading industry participants. For secondary research, Frost & Sullivan reviewed company reports, independent research reports and data from its own databases. Projected data is derived from analysis of historical data plotted against macroeconomic data as well as specific industry-related drivers. In preparing and rendering the ranking of the casual braised food producers in the PRC with self-operated retail stores, Frost & Sullivan researched major casual braised food producers in the PRC, which included mostly large-scale casual braised food producers in terms of revenue generated in the entire market and the most popular brands among end consumers according to the consumer survey. Among these producers, most of them have relied highly on the franchisers to distribute products. Among all the casual braised food producers that own self-operated retail stores, top ten players have had accounted for 69.76% of the market share considering revenue generated from self-operated business for the 12 months ended June 30, 2016. The Company has had occupied 37.12% of such total market share, which nearly doubled the market share of the producer ranked the second. That demonstrated the leading position of the Company in the segmented market. As the casual braised food producer ranked 10th has occupied 0.16% of market share only, other players ranked behind are smaller-scale producers with limited revenue scale and few self-operated retail stores. Among the top 10 players, the Company ranked first by average revenue per self-operated store, and given that the other leading ranked players had lower average revenue per self-operated store compared with the Company as demonstrated above, the Company has ability in generating leading average revenue per self-operated stores in the industry for the periods discussed.

Frost & Sullivan considers the source of information as reliable because (i) it is general market practice to adopt official data and announcements from various PRC government agencies and (ii) the information obtained from interviews is for reference only and the findings in the report are not directly based on the results of the interviews. In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has adopted the following assumptions: (i) China's social, economic and political environments are likely to remain stable in the forecast period; (ii) related industry key drivers are likely to drive the market in the forecast period; and (iii) there is no war or large scale disaster during the forecast period.

Except as otherwise noted, all data and forecasts in this section are derived from the Frost & Sullivan Report.

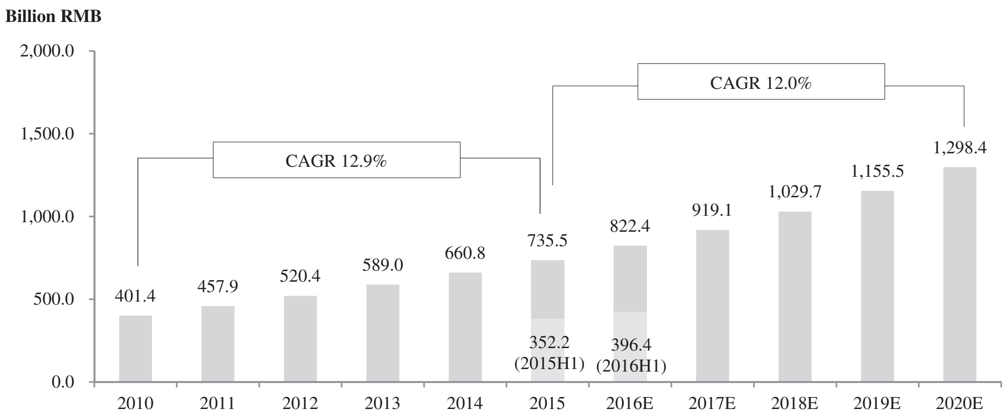
OVERVIEW OF THE CASUAL FOOD INDUSTRY IN CHINA

Casual food refers to food products that are consumed and eaten during leisure time. Key categories of casual food include casual braised food, confectionery and preserves, bread, cakes and pastries, puffed food, roasted seeds and nuts, biscuits.

The growth of the casual food industry in China has been driven primarily by economic growth and increasing disposable income, population growth in urban areas and increasing urbanization, increased leisure time and leisure spending and development of sales channels.

The retail sales value of the casual food industry in China grew from RMB401.4 billion in 2010 to RMB735.5 billion in 2015, representing a CAGR of 12.9% from 2010 to 2015, and is expected to reach RMB1,298.4 billion in 2020, representing a CAGR of 12.0% from 2015 to 2020. The following chart sets forth the retail sales value of the casual food industry in China for the periods indicated.

Retail Sales Value of the Casual Food Industry in China



Source: Frost & Sullivan

As set forth in the following chart, casual braised food has enjoyed, and is expected to maintain, the fastest growth among all segments of the casual food industry in China. The following chart sets forth the retail sales value of the casual food industry in China by product category for the periods indicated.

Retail Sales Value of the Casual Food Industry in China by Product Category

	Market Size (by retail sales value)			CAGR	
	2010	2015	2020E	2010-2015	2015-2020E
Casual braised food	23.2	52.1	123.5	17.6%	18.8%
Confectionery and preserves	146.4	258.5	414.8	12.1%	9.9%
Bread, cakes and pastries	81.6	155.5	266.3	13.8%	11.4%
Puffed food	36.2	78.3	168.9	16.7%	16.6%
Roasted seeds and nuts	40.5	63.6	105.3	9.5%	10.6%
Biscuits	38.5	63.8	101.7	10.6%	9.8%
Others	35.0	63.7	117.9	12.7%	13.0%

Source: Frost & Sullivan

Food stores and food markets have been the largest sales channel of casual food products in China. However, online channels have enjoyed the highest growth rate from 2010 to 2015, and are expected to sustain rapid growth, with sales value expected to reach RMB164.6 billion in 2020. The following chart sets forth the retail sales value of the casual food industry in China by sales channel for the periods indicated.

Retail Sales Value of the Casual Food Industry in China by Sales Channel

	Retail Sales Value			CAGR	
	2010	2015	2020E	2010-2015	2015-2020E
Food stores and food markets	225.2	368.1	598.5	10.3%	10.2%
Supermarkets and convenience stores	134.2	268.7	478.3	14.9%	12.2%
Online channels	20.6	61.0	164.6	24.3%	21.8%
Other channels	21.4	37.7	57.0	12.0%	8.6%

Source: Frost & Sullivan

Key Growth Drivers of the Casual Food Industry in China

Economic growth and increasing disposable income

China's GDP increased from RMB40.9 trillion in 2010 to RMB67.7 trillion in 2015, representing a CAGR of 10.6% during the period, and is expected to reach RMB92.4 trillion by 2020. Such economic growth has led to the increasing disposable income in China. The per capita disposable income of urban and rural households reached RMB31.2 thousand and RMB11.4 thousand, respectively, in 2015, and is expected to reach RMB49.6 thousand and RMB19.5 thousand, respectively, in 2020.

Increasing households' income in China enhances the purchasing power and living standard of Chinese people and enables them to increase discretionary spending, especially on leisure activities. As a result, casual foods, mainly consumed at various leisure occasions, enjoy rapid growth in China. Moreover, Chinese consumers are looking for higher quality casual foods and opting for well-known brands. Therefore it further boosts the development of casual food industry in China.

Population growth in urban areas and increasing urbanization

Due to China's rapid economic development and the influx of migrants from rural areas to urban areas, from 2010 to 2015, the urban population increased from 50.0% to 56.1% of the total population, and is expected to further grow, reaching 59.4% of the total population by 2020.

Chinese consumers nowadays consume more casual foods between the meals or to replace meals given the fast-paced lifestyle in the urban areas. Moreover, the improving transportation and logistics system driven by urbanization enhance the operation efficiency of casual foods companies, and boost the development of casual food industry in China.

Increased leisure time and leisure spending

With rising levels of disposable income and increased leisure time, households in China allocate more income to leisure and entertainment related spending. As a result, the per capita expenditure on casual food in China increased from RMB299.3 in 2010 to RMB535.1 in 2015, representing a CAGR of 12.3% during the period. However, according to Frost & Sullivan, the per capita consumption of casual food in China was USD86.2 in 2015, compared to USD394.2, USD327.5, USD286.3 and USD228.5 in the U.S., U.K., Japan and Korea, respectively, in the same year. This gap suggests that there is still a significant upside potential in the casual food industry in China.

Development of sales channels

The development and expansion of sales channels have made a greater range of casual food accessible to consumers across the country. Although food stores and food markets have been, and will continue to be the primary sales channel for casual food, supermarkets, convenience stores and online channels are gaining popularity with consumers due to the greater convenience and accessibility offered by such channels. According to Frost & Sullivan, in 2015, the retail sales value of casual food sold through supermarkets and convenience stores and online channels is expected to grow at a CAGR of 12.2% and 21.8%, respectively, from 2015 to 2020.

Expansion of sales channels of casual food products from offline to online largely increases the consumption convenience, which helps to further expand the consumer base of the industry. At the same time, existing consumers are expected to increase their consumption with more convenient purchase channels.

OVERVIEW OF THE CASUAL BRAISED FOOD INDUSTRY

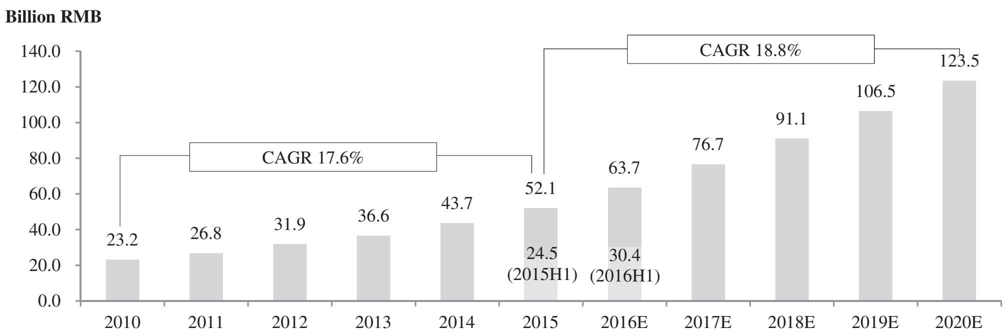
Casual Braised Food Industry in China

Braising has over two thousand years of history in the Chinese cooking tradition. Braised food is made by simmering food such as meat, vegetables or bean curd in a master stock for hours, after the initial treatment and blanching of the raw materials, to absorb the flavor of the master stock and become tenderized. The master stock generally consists of different spices and broth to create unique aroma and flavors. The ingredients of the master stock vary from region to region due to varying flavor preferences in different regions in China, e.g. spicy flavors in Hubei, Sichuan and other provinces in central China and salty flavors in Guangdong, Fujian and other provinces in southern China. Braised food is very popular among Chinese people.

Since 1990s, a number of branded braised food stores sprang up and they have made great efforts to build their brand image to attain market share. Consumers in China are more willing to purchase braised food from such branded stores instead of traditional roadside stalls. In addition, the braised food industry in China underwent a major transformation in terms of production. Braised food is now mainly manufactured in modern facilities using automated production lines, instead of traditional workshops. The manufacturing process has become more standardized and automated, thereby enabling mass production of braised food with standardized taste, quality, safety and hygiene level. In addition, unpackaged braised food has been gradually replaced by easy-to-carry packaged braised food.

As a result, braised food has gradually shifted from traditional table food to casual food, mainly tailored for leisure consumption. According to Frost & Sullivan, the retail sales value of the casual braised food industry increased from RMB23.2 billion in 2010 to RMB52.1 billion in 2015, representing a CAGR of 17.6%, and is expected to reach RMB123.5 billion by 2020, representing a CAGR of 18.8%. The following chart sets forth the retail sales value of the casual braised food industry in China for the periods indicated.

Retail Sales Value of the Casual Braised Food Industry in China

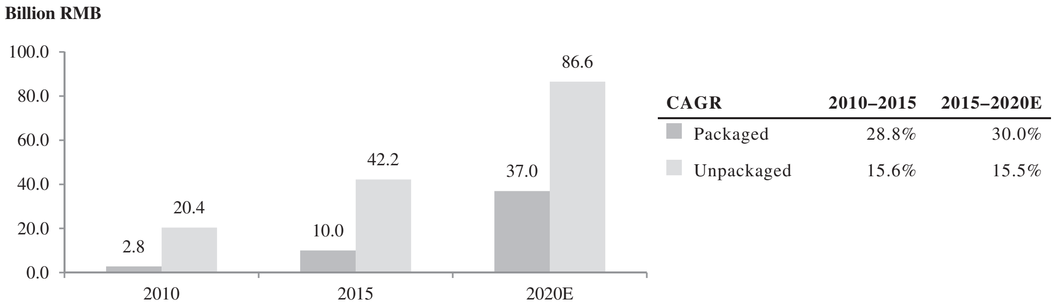


Source: Frost & Sullivan

With the development of product packaging technologies and rising awareness of hygienic conditions, packaged casual braised food products have witnessed a rapid growth during the past five years. Product packaging technologies in the casual braised food industry today include vacuum packaging and MAP. Vacuum packaging technology prolongs the shelf life of braised food, but ultra-heat treatment in the packaging process damages the taste and texture of braised food. MAP technology, which changes the composition of the internal atmosphere of a package by lowering the atmospheric oxygen level and replacing it with nitrogen to restrict the growth of bacteria and microbes, improves the shelf life of braised food, whilst preserving its fresh taste and texture as it does not apply ultra-heat treatment in the packaging process. Such packaging has proven to be popular among Chinese people.

Generally speaking, packaged casual braised food gained market share from unpackaged casual braised food and achieved a CAGR of 28.8% from 2010 to 2015 in terms of retail sales value. The retail sales value of packaged casual braised food is expected to grow from RMB10.0 billion in 2015 to RMB37.0 billion in 2020, representing a CAGR of 30.0%. The following chart sets forth the retail sales value of packaged and unpackaged casual braised food in China for the periods indicated.

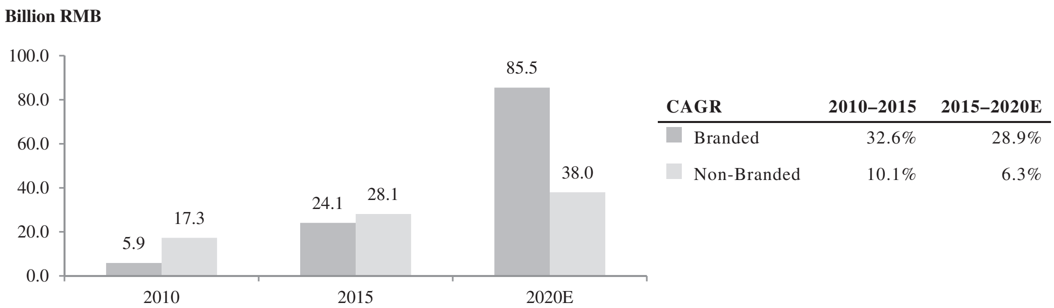
Retail Sales Value of Packaged/Unpackaged Casual Braised Food in China



Source: Frost & Sullivan

Brand awareness has become an important factor in influencing consumers' purchasing decisions. Branded casual braised food is more easily recognized and perceived to have higher quality and hygiene standards. The retail sales value of branded casual braised food in China grew at a CAGR of 32.6% from 2010 to 2015, and is expected to grow at a CAGR of 28.9% from 2015 to 2020, reaching RMB85.5 billion in 2020. On the other hand, the retail sales value of non-branded casual braised food is expected to grow at a CAGR of 6.3% from 2015 to 2020. The following chart sets forth the retail sales value of branded and non-branded casual braised food in China for the periods indicated.

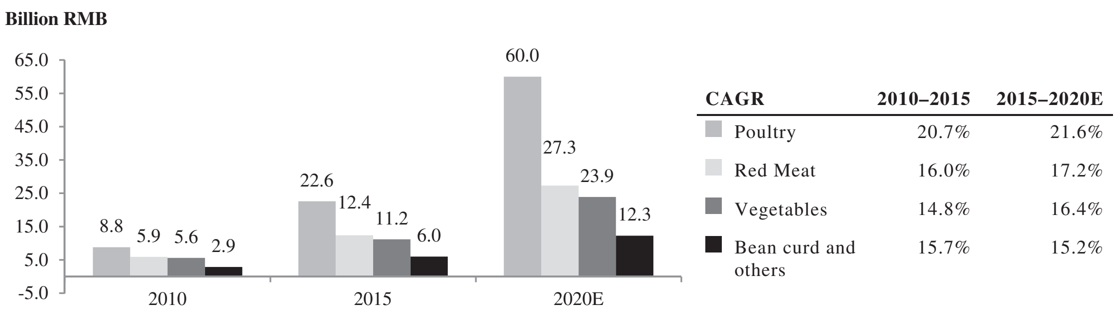
Retail Sales Value of Branded/Non-branded Casual Braised Food in China



Source: Frost & Sullivan

Major categories of casual braised food include poultry, red meat, vegetables, and bean curd and others. Poultry products, especially braised duck products, is the most popular category in the casual braised food industry, with a market share of 43.3% in terms of retail sales value in 2015. Poultry products have achieved the highest CAGR of 20.7% from 2010 to 2015 in the casual braised food industry and are expected to grow at a CAGR of 21.6% from 2015 to 2020.

Retail Sales Value of Casual Braised Food by Product Category in China



Source: Frost & Sullivan

Key Growth Drivers of China's Casual Braised Food Industry

In addition to increasing levels of disposable income and rising leisure spending, the following factors have contributed to the rapid growth of China's casual braised food industry.

Long history of braised food

Braising has a long history in the Chinese cooking tradition. The unique flavor of braised food is a key factor in attracting and retaining consumers, especially when they are faced with abundant casual food choices. With thousands of years in development, braised food has been indispensable to Chinese cuisine. Moreover, interprovincial migration and population redistribution in China as a result of increasing urbanization has enabled regional delicacies, such as spicy braised foods from Sichuan and Hubei Provinces, to become popular across different regions in China.

Increased frequency of casual braised food consumption

Changing consumer habits are a key driver of the casual braised food industry in China. Braised food is no longer just served for meals but can be consumed conveniently at leisure in various situations, including as a snack-between meals, at social and sporting events and while traveling. This is partly due to product innovation and improved packaging as well as an increasing variety of products in recent decades. This change of consumption habits in braised food is also attributable to the rapid expansion of distribution networks of braised food and continuous investments in shaping consumers' consumption habits of casual braised food by leading companies in the industry.

Expansion and development of sales channels

The expansion of sales channels not only enhances the accessibility of casual braised food across China, but also contributes to the development of national braised food brands, which further boost the development of the industry. The sales outlets of branded casual braised food which are typically located in areas with high pedestrian traffic such as shopping malls, commercial complexes, parks and tourist spots, transport hubs and cinemas effectively associate casual braised food with leisure and increase its popularity among consumers. Online channels are becoming one of the major sales channels of casual braised food, and are expected to continue to grow significantly as consumers spend more time on the Internet and enjoy the convenience of "24/7" shopping on demand.

Upgraded processing and packaging technologies and improved logistics support

Leading casual braised food companies have improved their processing and packaging technologies and logistics systems with the aim of providing customers with products of higher quality and better tastes. Traditional processing in individual workshops has given way to advanced modern large-scale production lines, which has resulted in improved product quality and hygiene. The improvement of packaging techniques, especially the application of MAP and vacuum packaging technologies, makes it more convenient for consumers to consume casual braised food. Cold chain logistics also help ensure food quality and safety.

Sales Channels of Casual Braised Food in China

Unlike braised food consumed as traditional table food which is primarily sold via roadside stalls and wet markets, casual braised food is mainly sold via food store channels, supermarkets, convenience stores, groceries, branded chain stores and online channels. Food stores refer to specific shops that sell a broad variety of casual foods. Branded chain stores include both self-operated and franchised stores that sell branded braised food products. Online channels refer to online marketplaces, such as Tmall and JD.com, and other self-operated websites or apps of casual braised food manufacturers.

With rising brand awareness and demand for product quality as well as changing consumer habits, branded chain stores, supermarkets and convenience stores have witnessed rapid growth. Leading casual braised food manufacturers have strived to establish extensive distribution networks by opening a large number of self-operated and franchised branded stores across the country to enhance brand awareness. They also establish presences in supermarkets, convenience stores and grocery stores to expand customer coverage. Retail sales value through branded chain stores, supermarkets and convenience stores grew at a CAGR of 22.9% and 21.1%, respectively, from 2010 to 2015.

With an increasing travel population in China, leading players are also opening stores in airports, high-speed railway stations, subway stations and other transport hubs to further attract consumers and strengthen their market position. As of December 31, 2015, there were more than 200 airports and more than 2,000 railway stations in China, and there were over 20 cities that had a metro system with a total of approximately 100 light rail and subway lines. In 2015, high-speed rail stations had been built in approximately 300 cities in China, and the passenger volume in China on high-speed trains has witnessed dramatic growth in recent years. The total passenger volume on railways and through airports reached 2.5 billion and 436 million, respectively, in 2015, representing a CAGR of 8.6% and 10.2%, respectively, from 2010 to 2015. Transport hub stores have gradually become an important sales channel of casual braised food with high potential for future growth.

Driven by the increasing penetration of PC Internet and mobile Internet in China, online channels have achieved rapid growth in China. The retail sales value of casual braised food generated through online channels in China grew from RMB0.4 billion in 2010 to RMB2.6 billion in 2015, representing a CAGR of 44.1% from 2010 to 2015, and is expected to grow at a CAGR of 39.5% from 2015 to 2020, reaching RMB13.5 billion in 2020. More casual braised food brands are developing their online sales channels and integrating their online and offline sales channels. In addition, location-based home delivery services further enhance the value of online shopping offered to consumers.

The following table sets forth the retail sales value of the casual braised food industry in China by sales channel for the periods indicated.

Retail Sales Value of the Casual Braised Food Industry in China by Sales Channel

	Retail Sales Value			CAGR	
	2010	2015	2020E	2010-2015	2015-2020E
	RMB billions	RMB billions	RMB billions		
Supermarkets and convenience stores	6.1	16.0	38.4	21.1%	19.2%
Food stores and food markets	12.0	20.7	31.3	11.5%	8.6%
Self-operated and franchised branded outlets	3.8	10.7	34.1	22.9%	26.1%
Online channels	0.4	2.6	13.5	44.1%	39.5%
Other channels	0.8	2.1	6.2	20.9%	23.7%

Source: Frost & Sullivan

Market Trends of the Casual Braised Food Industry in China

With rising standards of living, Chinese consumers are gradually switching to lifestyle-enhancing food consumption. They place more attention to the health and safety of food and are willing to pay a premium for products with better quality and tastes and convenience.

As a result of consumers' stringent requirements for a wide range of products, manufacturers have continuously refined their business models to provide diversified product offerings and more convenient casual braised food through technological innovation in production and packaging. Industry players are also focusing more on establishing and advertising their brand philosophy to obtain recognition and acceptance from customers. Meanwhile, the Chinese government also published a series of policies, including the 12th Five-Year Plan for the meat and poultry industry, which help to regulate and standardize the food manufacturing and processing industry.

The rapid development of the cold chain logistics industry as well as the advancement in product packaging technologies have also facilitated the expansion of sales channels of casual braised food, thereby making a greater range of casual braised food more accessible to consumers.

MARKET COMPETITION DYNAMICS

Highly Fragmented Market with Increased Competition

The casual braised food industry in China is fragmented with increased competition among existing market players. According to Frost & Sullivan, the Group was the second largest company in the casual braised food industry in China in terms of total revenue in the twelve months ended June 30, 2016, with a market share of 6.8% and the top ten players in aggregate accounted for 23.4% of the market share. In addition, according to Frost & Sullivan, the Group was the second largest company in the casual braised food industry in China in terms of total retail sales value in the twelve months ended June 30, 2016, with a market share of 5.5%. In line with the continued development of the casual braised food industry and increasingly stringent regulatory requirements, it is expected that the casual braised food industry will become more concentrated with leading players with advantages in manufacturing, sales and marketing and branding expected to increase market share.

Many leading casual braised food manufacturers sell their products primarily through franchised stores, while the majority of the Group's stores are self-operated. According to Frost & Sullivan, the Group operated the second largest self-operated retail store network in China as of June 30, 2016.

The following table set forth the top five casual braised food manufacturers in China by total revenue in the twelve months ended June 30, 2016, and the number of their stores as of June 30, 2016.

Top Five Casual Braised Food Manufacturers in China by Total Revenue

Rank	Name	Market Share (by total revenue in the twelve months ended June 30, 2016)	Number of Stores(1)	Number of Self-operated Retail Stores(2)
1	A	7.4%	7,200	128
2	The Group	6.8%	734	716
3	B	3.4%	1,480	1,405
4	C	2.4%	2,560	180
5	D	1.4%	480	340

Source: Frost & Sullivan

Notes:

(1) Refers to the total number of offline retail stores operated directly by the relevant casual braised food manufacturer itself, or by any of its franchisees.

(2) Refers to the total number of offline retail stores that are directly operated by the relevant casual braised food manufacturer and excludes any of its franchised stores.

The following table sets forth the top five casual braised food manufacturers in China by retail sales value in the twelve months ended June 30, 2016.

Top Five Casual Braised Food Manufacturers in China by Total Retail Sales Value

Rank	Name	Market Share (by total retail sales value in the twelve months ended June 30, 2016)
1	A	8.9%
2	The Group	5.5%
3	B	2.7%
4	C	2.6%
5	D	1.3%

Source: Frost & Sullivan

According to Frost & Sullivan, the Group recorded industry leading average revenue per self-operated retail store in the amount of RMB3.6 million among all major casual braised food manufacturers in China in the twelve months ended June 30, 2016. Frost & Sullivan conducted researches on major casual braised food producers in the entire China market, which included large-scale casual braised food producers in terms of revenue as well as the popular brands based on the consumer survey it conducted in 20 cities. Among all major casual braised food producers that own self-operated retail stores, top market players had occupied a significant aggregate market share considering revenue generated from self-operated stores, with the remaining smaller scale players with insignificant market share and limited number of self-operated stores. Among the top 10 players in such sub-market, the Group ranked first by average revenue per self-operated store for the twelve months ended June 30, 2016, and given that the other leading ranked players had lower average revenue per self-operated store compared with the Group, Frost & Sullivan concluded that the Group has ability in generating leading average revenue per self-operated stores in the industry for the periods discussed.

In addition, more and more casual braised food manufacturers in China have commenced to establish their online sales channels . The following table sets forth the top five casual braised food manufacturers in China and their respective market shares by revenue generated from online channels in the twelve months ended June 30, 2016.

Top Five Casual Braised Food Manufacturers in China by Revenue Generated from Online Channels

Rank	Name	Market Share (by revenue generated from online channels in the twelve months ended June 30, 2016)
1	The Group	9.6%
2	A	6.6%
3	B	4.1%
4	C	2.2%
5	D	1.5%

Source: Frost & Sullivan

Key Success Factors and Barriers to Entry

- *Branding and reputation.* With rising concerns over food safety, Chinese consumers are now more willing to purchase products from well-known brands. Most existing players, especially the leading players, have established strong brand names and a large and loyal customer base.
- *Manufacturing and packaging technology.* Advanced manufacturing and packaging technologies have led to the improvement of product quality, thereby enabling existing players to expand their market share. New entrants may not have the capital and resources required to establish modern production facilities and conduct research and development activities.
- *Flavor*. According to the survey conducted by Frost & Sullivan, flavor is the most important factor in consumer's purchase decision for casual braised food. Casual braised food with a unique spice mix and flavor has a distinct competitive advantage. Existing players generally have a better understanding of consumer preferences and can react promptly to changing consumer demands and preferences.
- *Supply chain network.* To secure a sufficient supply of quality ingredients, it is crucial for market players to build a strong and stable supply chain network. The leading companies have established longstanding relationships with large suppliers, and have better control over food quality and costs of ingredients.

Our Competitive Advantages

For our competitive advantages, see "Business — Our Strengths" for more details.

Consumer Behavior and Brand Awareness

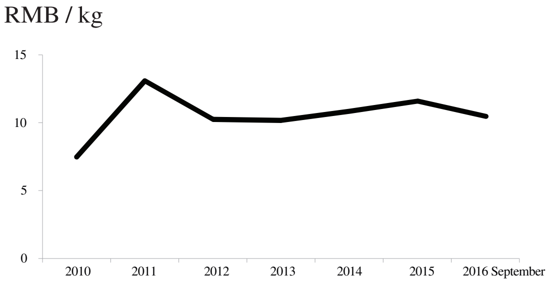
We commissioned Frost & Sullivan to conduct on-the-street discussions and pen-and-paper interviews (collectively, the “Interviews”) on casual food and casual braised food with approximately 2,770 respondents across 20 cities in China from March to April 2015. According to the Interviews conducted in various regions across China, casual braised food, roasted seeds and nuts are the top three popular casual food categories. Flavor, food quality and safety and brand recognition are the three most important factors affecting consumers’ purchase decisions for casual food. Among all casual braised food brands, the Group ranked first in terms of top-of-mind awareness and customer satisfaction.

Raw Materials

Duck Parts and Ducks

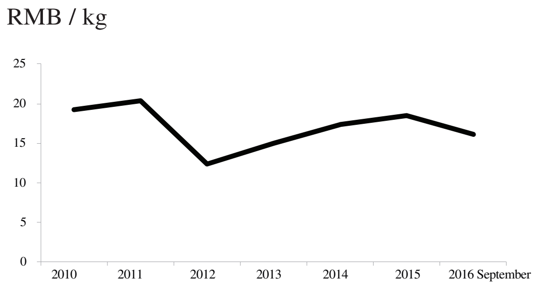
The principal raw materials for casual braised food include duck neck, duck feet, duck clavicle, duck tongue and duck wings. Duck tongues are the most expensive raw material, while duck neck, duck clavicles and duck wings are relatively cheaper. The charts below set forth the price trends of these key raw materials for the periods indicated.

Price Trend of Duck Necks



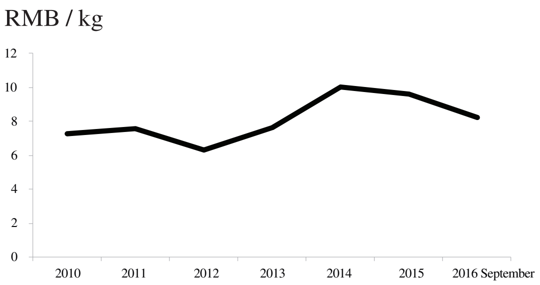
Source: Frost & Sullivan

Price Trend of Duck Feet



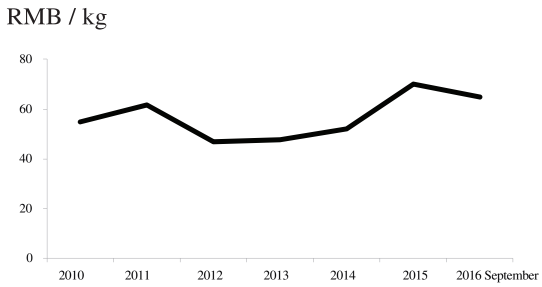
Source: Frost & Sullivan

Price Trend of Duck Clavicles



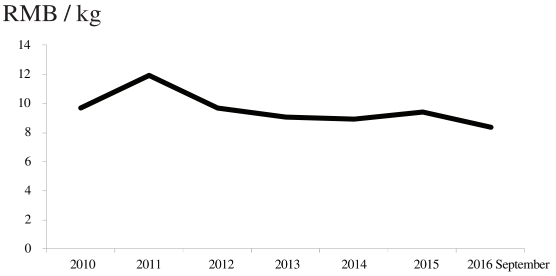
Source: Frost & Sullivan

Price Trend of Duck Tongues



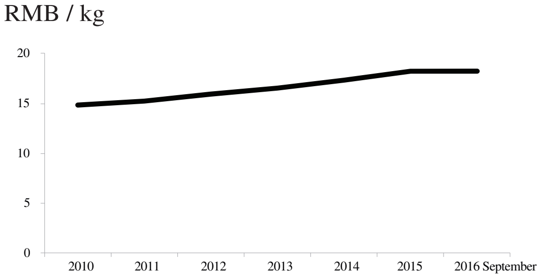
Source: Frost & Sullivan

Price Trend of Duck Wings



Source: Frost & Sullivan

Price Trend of Whole Ducks



Source: Frost & Sullivan

The prices of duck parts are affected by feed costs, demand and supply of each duck part, livestock and poultry epidemic diseases, etc. The prices of duck parts are generally more volatile than that of ducks. From 2010 to 2012, the prices of duck parts all witnessed significant fluctuations, which influenced the raw material cost of casual braised food companies. For example, the price of duck necks increased by 75.4% in 2011 which was mainly due to the supply shortages of duck parts as a result of rising feed costs. The price rapidly rose in 2014 primarily due to the tight supplies of duck parts as a result of the outbreak of H7N9 avian flu in 2013, which constrained the price increase of duck parts in 2013. In 2015, the price of duck tongues increased significantly primarily due to the increased demand of this product, and the prices of other duck parks maintained a relatively steady growth. In the nine months ended September 30, 2016, all major duck parts saw significant price decrease as the supply rebounded. The price of duck clavicle decreased by 15.4% comparing to 2015, other duck part prices also decreased by more than 8% during the same period.

In 2015, the average price of duck necks, duck feet, duck clavicles, duck tongues, duck wings and whole ducks was RMB11.6 per kilogram, RMB18.4 per kilogram, RMB9.6 per kilogram, RMB69.8 per kilogram, RMB9.3 per kilogram and RMB18.2 per kilogram, respectively. In the nine months ended September 30, 2016, the average price of duck necks, duck feet, duck clavicles, duck tongues, duck wings and whole ducks was RMB10.4 per kilogram, RMB16.0 per kilogram, RMB8.1 per kilogram, RMB63.8 per kilogram, RMB8.3 per kilogram and RMB18.2 per kilogram, respectively.

Packaging Materials

Various packaging techniques for casual braised food may adopt different packaging materials, among which, polyethylene, or PE, plastic food vacuum bags and polypropylene, or PP, MAP containers with MAP films are the major packaging materials for vacuum packaged products and MAP products, respectively.

Average price of PE plastic food vacuum bags has experienced slight increase since 2010, due to the improvement on the packaging materials. However, due to mature production techniques and fierce market competition, the average price has not seen large growth in 2015 and has declined in the nine months ended September 30, 2016.

Due to more advanced fresh-keeping effect, MAP packaging has been applied more in food industry. Average price of PP MAP containers with films has increased at a CAGR of 5.46% from 2010 to 2015. The increase of the price is mainly due to the growing demand of end consumers on MAP packaged products, as well as the increased application of MAP packaging on different food products.

The following table sets forth the price trends of PE plastic food vacuum bags and PP MAP containers with MAP films, each with the most popular specifications, for the periods indicated.

Packaging Materials	Specifications	2010	2015	2016.9
PE plastic food vacuum bags	15cm*20cm*16dmm	RMB0.12/bag	RMB0.16/bag	RMB0.14/bag
PP MAP containers with films	22cm*13cm*5cm	RMB0.46/set	RMB0.60/set	RMB0.57/set

Our business operations are subject to extensive supervision and regulation by the PRC government. This section sets out an introduction to the major PRC government authorities with jurisdiction over our operations and a summary of the main laws, rules, regulations and policies of the PRC which have a significant impact on our business.

RELEVANT PRC GOVERNMENT AUTHORITIES

The following PRC government authorities exercise national jurisdiction. The Group is also subject to supervision and control by relevant PRC government authorities at the provincial and local levels.

1. The State Council

國務院 (the State Council) is the highest executive and administrative organ of the PRC. The State Council is responsible for exercising unified control and leadership over financial and economic work as well as the development of both urban and rural areas on a national scale.

2. THE NDRC

中華人民共和國國家發展和改革委員會 (the National Development and Reform Commission, the NDRC) plans and coordinates the total scale and structure of fixed asset investment and formulates and implements industry policies and investment directions for national economic and social development. The NDRC examines, approves and grants permission to major investment projects, including in respect of the construction of processing production lines.

3. National Health and Family Planning Commission of the People's Republic of China

中華人民共和國國家衛生和計劃生育委員會 (the National Health and Family Planning Commission of the PRC) is responsible for formulating food safety standards in food production and distribution, and coordinating and organizing food safety risk assessments and pre-warnings. It is also in charge of the comprehensive coordination of food safety as well as the investigation of and sanctions for major food safety accidents.

4. General Administration of Quality Supervision, Inspection and Quarantine

國家質量監督檢驗檢疫總局(The General Administration of Quality Supervision, Inspection and Quarantine) is a ministerial administrative organ directly under the State Council in charge of quality, metrology, entry-exit commodity inspection and health, animal and plant quarantine, import-export food safety, certification and accreditation, standardization as well as administrative law enforcement.

5. Ministry of Commerce

中華人民共和國商務部 (the Ministry of Commerce of the PRC) is responsible for formulating development strategies, guidelines and policies of domestic and foreign trade and international economic cooperation, drafting laws and regulations governing domestic and foreign trade, consumer protection, market competition and foreign investment, and negotiating bilateral and multilateral trade agreements.

LAWS, RULES AND REGULATIONS RELATED TO THE FOOD SERVICE INDUSTRY IN CHINA

Food Safety Law

According to the Food Safety Law of the People's Republic of China (中華人民共和國食品安全法) (the "Food Safety Law"), which was promulgated on February 28, 2009, by the Standing Committee of the NPC and came into effect on June 1, 2009, and amended on April 24, 2015 (the "**New Food Safety Law**"), and the Regulations for the Implementation of the Food Safety Law of the People's Republic of China (中華人民共和國食品安全法實施條例) (the "Implementation Rules") which were promulgated by the State Council and came into effect on July 20, 2009, and amended on February 6, 2016, businesses engaging in food production and trading shall obtain relevant food production and trading licenses in accordance with the law. The supervision and management of food production and trading activities shall be carried out by the State Council departments of quality supervision, administration of industry and commerce, and food and drug supervision and management. Food producers who have obtained a food production license shall not be required to obtain a food circulation license for the sale of food produced by them at their production site.

The PRC has established a food recall system under the Food Safety Law and its Implementation Rules. Where a food producer or trader finds that food it has produced or sold does not comply with relevant food safety standards, it shall immediately cease the production or trade thereof and notify the relevant producers, traders and consumers. The food producer or trader shall maintain records of the recall and notification procedures and report the recall and treatment to the relevant authorities.

In accordance with the revised Food Safety Law, which will come into effect on October 1, 2015, the supervision and management of food production, food circulation and catering shall be carried out by the State Council departments of food and drug supervision and management. If any food does not comply with relevant food safety standards due to the reasons attributable to the food traders, the food traders shall recall such foods. The New Food Safety Law extends its regulatory scope to not only to food storage and transportation but also to food-related products and other product categories.

The main amendments of the New Food Safety Law are relating to online food trades. The New Food Safety Law mandates that online food traders shall register its real name on the platform, and clearly set forth the traders' responsibilities and the platform providers' examination duties.

Food Recall

The Administrative Measures for Food Recall (食品召回管理辦法), which was promulgated by the CFDA on March 11, 2015 and became effective on September 1, 2015 provides detailed rules for the food recall system. For any violation of the Food Safety Law, competent authorities may confiscate the relevant illegal incomes and food products, issue warnings and impose orders of rectification or fines ranging from RMB2,000 to RMB50,000 (where the value of the illegal products is below RMB10,000) or fines ranging from two times to ten times of the value of the illegal products (where the value of the illegal products is RMB10,000 or more). Under the New Food Safety Law, more severe penalties are imposed on food producers and traders. For example, for commodities valued over RMB10,000, the fine is increased from 5-10 times to 15-30 times the total value of the commodity.

For commodities valued under RMB10,000, the fine is increased by an amount ranging from RMB100,000 to RMB150,000. Personal penalties are proposed for the first time in the New Food Safety Law to punish serious violations, including manufacturing and trading of foods containing drugs or using recycled food as food raw materials.

Food Production Licensing

The Measures for the Administration of Food Production Licensing (食品生產許可管理辦法), which were promulgated on April 7, 2010, by the General Administration of Quality Supervision, Inspection and Quarantine and came into effect on June 1, 2010, and amended on August 31, 2015, and came into effect on October 1, 2015 provide that any enterprise engaging in food production activities must obtain a food production license.

The PRC Food and Drug Administration shall take charge of the supervision over and guidance to the nationwide food production licensing administration. Local food and drug regulatory authorities at and above the county level shall take charge of food production licensing within their respective administrative regions. The number of a food production license is composed of SC and 14 Arabic numerals The date on which the decision on licensing is made shall be the date of issuance of the food production license. The food production license shall be valid for five years.

Production Licenses for Industrial Products

The Administrative Regulations of the People's Republic of China on Production Licenses for Industrial Products (中華人民共和國工業產品生產許可證管理條例) which was promulgated by the State Council on July 9, 2005, and came into effect on September 1, 2005 and the Measures for the Implementation of the Regulation of the People's Republic of China on the Administration of Production Licenses 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 was promulgated by the State Administration of Quality Supervision, Inspection and Quarantine on April 21, 2014, and came into effect on August 1, 2014, provide that a production licensing system shall be implemented for enterprises producing processed meat products and certain other processed foods. For food processing enterprises, the term of validity of production licenses shall be three years. The symbols and format for production licenses shall be formulated and promulgated by the State Council department responsible for production licenses for industrial products.

Food Operation Licensing and Food Distribution Licenses

Measures for the Administration of Food Distribution Licenses and Administrative Measures for Food Operation Licensing

The Measures for the Administration of Food Distribution Licenses (食品流通許可證管理辦法), which were promulgated by the SAIC on July 30, 2009, and came into effect on the same day, and was abolished on November 10, 2015, stipulate that food distributors shall obtain a food distribution license. A food producer which has obtained food production license need not obtain a food distribution license for the sale of self-produced food at its production place. Where the branches of an enterprise are engaged in food distribution operations, each respective branch shall apply for a food distribution license. A food distribution license shall be valid for three years. The local administrative departments of industry and commerce at the county level and above are responsible for the administration of the food distribution licensing regime.

The Administrative Measures for Food Operation Licensing (食品經營許可管理辦法), which were promulgated on August 31, 2015, by The China Food and Drug Administration and came into effect on October 1, 2015, provide that the food operation shall be licensed in accordance with the law to engage in food selling and catering service within the territory of the People's Republic of China. The principle of one license for one enterprise shall apply to the licensing for food operation, that is, the same food seller engaged in food operation activities shall obtain a food operation license. The Administrative Measures for Food Operation Licensing also provide application requirements regarding operators who engage in the sale of food using vending equipment.

The China Food and Drug Administration shall take charge of the supervision over and guidance to the nationwide food operation licensing administration. Local food and drug regulatory authorities at and above the county level shall take charge of food operation licensing within their respective administrative regions.

The date on which the decision on licensing is made shall be the date of issuance of the food operation license. The food operation license shall be valid for five years.

Quality Safety of Food Manufacturing and Processing Enterprises

In accordance with the Trial Implementation Rules for the Supervision and Administration of the Quality Safety of Food Manufacturing and Processing Enterprises (食品生產加工企業質量安全監督管理實施細則(試行)), which were promulgated by the General Administration of Quality Supervision, Inspection and Quarantine on September 1, 2005, and came into effect on the same day, food manufacturing and processing enterprises shall satisfy requisite conditions for guaranteeing food quality safety and shall obtain a manufacturing permit for industrial products. Manufactured and processed foods must not leave the factory without first passing relevant quality testing and being packaged and affixed with the relevant market access symbol for food quality safety. Enterprises must not engage in the manufacture of food for which a manufacturing permit is required unless the relevant enterprise has obtained such permit. Manufacturing permits are denoted by the market access symbol for food quality safety, represented by the English abbreviation of quality safety -"QS" - as uniformly designed and formulated by the AQSIQ (hereinafter referred to as the "QS Symbol"). An enterprise's use of the QS Symbol indicates that it promises that its product has passed the inspection and meets the basic requirements of food quality safety. Where, except as a result of any improper use or storage by consumers, food packaged and affixed with a QS Symbol is subject to a quality problem prior to its expiration date, the manufacturer and the seller shall assume their liabilities in accordance with their respective duties.

Supervision and Administration over Food and Drugs

The Guiding Opinions of the State Council on Reforming and Improving the System of Supervision and Administration over Food and Drugs by Local Authorities (國務院關於地方改革完善食品藥品監督管理體制的指導意見), which were promulgated by the State Council on April 10, 2013, and came into effect on the same day, stipulate that governments at the provincial, municipal and county level shall integrate the functions of food safety supervision and drugs administration originally undertaken by the food safety office, the former food and drugs regulatory departments, the administration for industry and commerce, and the quality and technology regulatory department. Provincial, municipal and county governments shall establish food and drug regulatory authorities to conduct unified supervision and administration over food and drugs, and simultaneously assume the work of the food safety committee under the government at the same level.

LAWS AND REGULATIONS RELATED TO FOREIGN INVESTMENT IN CHINA

Wholly Foreign-Owned Enterprise Law

The Wholly Foreign-Owned Enterprise Law of the People's Republic of China (中華人民共和國外資企業法), which was promulgated by the Standing Committee of the NPC on April 12, 1986, came into effect on the same day, and amended on October 31, 2000, and the Implementation Measures for 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 by the State Council on December 12, 1990, came into effect on the same day and amended on April 12, 2001 and February 19, 2014, stipulate that foreign enterprises and other economic organizations or individuals may establish wholly foreign-owned enterprises ("WFOEs") in China. The application for the establishment of a WFOE is subject to the examination and approval by the competent commercial departments before an Approval Certificate is issued.

Investment Made by Foreign-Invested Enterprises in China

The Interim Provisions on Investment Made by Foreign-Invested Enterprises in China (關於外商投資企業境內投資的暫行規定), which were jointly promulgated by MOFCOM and the State Administration of Industry and Commerce on July 25, 2000, and amended on May 26, 2006, and amended on October 28, 2015 stipulate that the provisions of the Interim Provisions Guiding Foreign Investment Direction and the Industry Catalog for Guiding Foreign Investment will govern foreign-invested enterprises' investment in China. Foreign-invested enterprises are not permitted to invest in any sector prohibited to foreign investment. Where a foreign-invested enterprise makes investment in a restricted sector, the foreign-invested enterprise must file an application with the provincial commercial department of the place where the investee company is located. The relevant company registration authority will, in accordance with the relevant provisions of the Company Law and the Regulations on the Administration of Company Registration of the People's Republic China (中華人民共和國公司登記管理條例), decide whether or not to approve the registration. If the registration is approved, a Business License of an Enterprise Legal Person will be issued with the designation "Invested by a Foreign-Invested Enterprise". The foreign-invested enterprise is required to report the establishment of the investee company within 30 days of the date of its establishment to the original examination and approval authority for record-filing.

Industry Catalogue for Guiding Foreign Investment and Provisions on Guiding Foreign Investment Direction

The current Industry Catalogue for Guiding Foreign Investment (外商投資產業指導目錄)(the "Foreign Investment Catalogue"), which was jointly promulgated by the NDRC and MOFCOM on March 10, 2015, and came into effect on April 10, 2015, and the Provisions on Guiding Foreign Investment Direction (指導外商投資方向規定), which were promulgated by the State Council on February 11, 2002, and came into effect on April 1, 2002, and amended on September 23, 2012, and December 21,2013, classify all foreign investment projects into four categories: (1) encouraged projects, (2) permitted projects, (3) restricted projects and (4) prohibited projects. If the industry in which the investment is to occur falls into the encouraged category, foreign investment, in certain cases, may enjoy preferential policies or benefits. If restricted, foreign investment may be conducted in accordance with applicable legal and regulatory restrictions. If prohibited, foreign investment of any kind is not allowed.

LAWS AND REGULATIONS RELATED TO PRODUCT QUALITY AND CONSUMER PROTECTION IN CHINA

Product Quality Law

The Product Quality Law of the People's Republic of China (中華人民共和國產品質量法), which was promulgated by Standing Committee of the National People's Congress on February 22, 1993, became effective on September 1, 1993, and was subsequently amended on July 8, 2000, stipulates that producers are liable for the quality of the products they produce. Where anyone produces or sells products that do not comply with the relevant national or industrial standards safeguarding the health and safety of persons and property, the relevant authority will order such person to suspend production and/or sales, confiscate the products, impose a fine of an amount higher than the value of the products and less than three times of the value of the products, confiscate illegal gains (if any) as well as revoke the business license of the producer in severe cases. Where the activities constitute a crime, the offender will be prosecuted in accordance with the Criminal Law of the PRC.

Consumer Protection Law

The Consumer Protection Law of the People's Republic of China (中華人民共和國消費者權益保護法) was promulgated by Standing Committee of the National People's Congress (the "NPC") on October 31, 1993, amended on August 27, 2009 and October 25, 2013, and came into effect on March 15, 2014 sets out standards of behavior for business operators in their dealings with consumers, including, among others, (i) compliance of goods and services with the Product Quality Law and other relevant laws and regulations; (ii) accurate information 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 agreements 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.

LAWS AND REGULATIONS RELATED TO PRODUCTION SAEFTY IN CHINA

Production Safety

Pursuant to the Production Safety Law of the People's Republic of China (中華人民共和國安全生產法), which was promulgated by the Standing Committee of the National People's Congress on June 29, 2002, amended on August 27, 2009, amended on August 31, 2014, and came into effect on December 1, 2014, and other relevant laws and regulations, enterprises engaged in production activities are required to: (i) comply with relevant laws and regulations on production safety, (ii) strengthen managerial control over production safety, (iii) improve safety precautions at production sites, and (iv) establish or improve accountability systems with regard to safety incidents to ensure workplace safety at the production sites. Entities which do not satisfy the relevant safety requirements may not engage in production activities. Further, entities that engage in production in disregard of the relevant safe production laws and regulations may be subject to administrative sanctions such as penalties, orders for rectification within a set limited period or suspension of business operations. Such illegal production activities may also violate criminal statutes and be subject to criminal liabilities.

LAWS AND REGULATIONS RELATING TO ENVIROMENTAL PROTECTION

The Environmental Protection Law of the PRC

The Environmental Protection Law of the People's Republic of China (中華人共和國環境保護法), which was promulgated by the Standing Committee of the NPC on December 26, 1989, revised on April 24, 2014 and came into effect on January 1, 2015, provides a regulatory framework to protect and develop the environment, prevent and reduce pollution and other public hazards, and safeguard human health. The environmental protection department of the State Council is in charge of promulgating national standards for environmental protection. The Environmental Protection Law requires any facility that produces pollutants or other hazards to adopt environmental protection measures in its operations and establish an environmental protection responsibility system. Enterprises that are in violation of the Environmental Protection Law may be subject to a warning, payment of damages, imposition of a fine, or limitation or suspension of production or an order to shut down in accordance with the seriousness of the case. If a criminal offense is committed, the offender may be subject to criminal liabilities.

The Law of the PRC on Prevention and Control of Water Pollution and other relevant regulations

The Law of the 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 February 28, 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 April 29, 2000 (On August 29, 2015 the Standing Committee of the NPC passed the amendments to this law which will come into effect on January 1, 2016), and the Law of the 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 October 29, 1996 and became effective on March 1, 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 December 29, 2004, June 29, 2013, and April 24, 2015 and become effective on the same day prescribe the details for the prevention and control of water pollution, atmospheric pollution, noise pollution and solid waste pollution. The Environmental Impact Appraisal Law (中華人民共和國環境影響評價法), which was promulgated by the Standing Committee of the NPC on October 28, 2002 and became effective on September 1, 2003, the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例), which was promulgated by the State Council and became effective on November 29, 1998, and the Measures for the Administration of Examination and Approval of Environmental Protection Facilities of Construction Projects (建設項目竣工環境保護驗收管理辦法), which was promulgated by the former State Environmental Protection Administration of the PRC (中華人民共和國國家環境保護總局) on December 27, 2001 and became effective on February 1, 2002 amended on December 22, 2010, require enterprises planning construction projects to engage qualified professional institution to provide assessment reports on the environmental impact of such projects. The assessment report must be approved by the competent environmental protection authorities prior to commencement of any construction work. Enterprises shall file an application for examination and acceptance of the environmental protection facilities upon the completion of the construction project. A construction project may be formally put into production or use only if the corresponding environmental protection facilities have passed the acceptance examination.

LAW ON INTELLECTUAL PROPERTY RIGHTS

Trademark Law

Pursuant to the Trademark Law of the People's Republic of China (中華人民共和國商標法), which was promulgated by the Standing Committee of National People's Congress on August 23,1982, amended on October 27, 2001, and August 30, 2013, and came into effect on May 1, 2014, and the Regulation for the Implementation of the Trademark Law of the People's Republic of China (中華人民共和國商標法實施條例), which was promulgated by the State Council on August 3, 2002, and amended on April 29, 2014, the Trademark Office of the State Administration for Industry and Commerce shall be 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 shall be responsible for handling trademark disputes. The trademark registrant shall enjoy an exclusive right to use the trademark when a certificate of trademark registration has been issued. 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 period of validity, an application for renewal of the registration shall be made within twelve months before the said expiration. Any trademark registrant may authorize other persons to use his registered trademark by signing a trademark license contract under which the licensor shall supervise the quality of the goods and the licensee shall guarantee the quality of the goods in respect of which the registered trademark is used.

Patent Law

The Patent Law of the People's Republic of China (中華人民共和國專利法), which was promulgated by the Standing Committee of the NPC on March 12, 1984 and amended on September 4, 1992, August 25, 2000 and December 27, 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 June 15, 2001 and amended on December 28, 2002 and January 9, 2010 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

The Measures for the Administration of Domain Names for the Chinese Internet (中國互聯網絡域名管理辦法), which were promulgated by the then existing Ministry of Information Industry on November 5, 2004, and came into effect on December 20, 2004, regulate the registration of domain names with the Internet country code ".cn" and domain names in Chinese.

Taxation

Enterprise income tax ("EIT")

According to the PRC EIT Law, which was promulgated on March 16, 2007 and became effective from January 1, 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 December 6, 2007 and became effective from January 1, 2008.

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稅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 may 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% of the equity interests of the aforesaid enterprise (i.e. the dividend distributor), the tax levied shall be 5% of the distributed dividends. If the beneficiary is a Hong Kong resident enterprise, which directly holds less than 25% of the equity interests of the aforesaid enterprise, the tax levied shall be 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 (國家稅務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 the determination of "beneficial owner".

Value-added tax ("VAT")

Provisional Regulations on Value-added Tax (中華人民共和國增值稅暫行條例) were promulgated by the State Council on December 13, 1993 and came into effect on January 1, 1994. The Provisional Regulations were amended on November 10, 2008 and the amended Provisional Regulations came into effect on January 1, 2009. The Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (中華人民共和國增值稅暫行條例實施細則) were promulgated by the Ministry of Finance and the SAT on December 15, 2008 and were amended on October 28, 2011 and came into effect on November 1, 2011 (collectively, the "VAT Law"). According to the VAT Law, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC must pay VAT.

Social Insurance

As required under the Social Insurance Law of the PRC (中華人民共和國社會保險法), implemented on July 1, 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 fails to pay the required premiums on time or in full amount, the authorities in charge will demand the enterprise to settle the overdue amount within a stipulated time period and impose a 0.05% overdue fine. If the overdue amount is still not settled within the stipulated time period, an additional fine with an amount of one to three times of the overdue amount will be imposed.

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 April 3, 1999, became effective on the same day and was amended on March 24, 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 the relevant bank for the deposit of employees' 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.

M&A Rules

Under the Rules on the Merger and Acquisition of Domestic Enterprises by Foreign Investors in PRC (關於外國投資者并購境內企業的規定) (the "M&A Rules"), which was issued by the MOFCOM, SASAC, SAT, SAIC, CSRC and SAFE on August 8, 2006, effective on September 8, 2006 and further amended on June 22, 2009 by the MOFCOM, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchase and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. 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.

Foreign Exchange Administration Regulations

The principal law governing foreign currency exchange in the PRC is the Foreign Exchange Administration Regulations (外匯管理條例). The Foreign Exchange Administration Regulations was enacted by the State Council on January 29, 1996 and implemented on April 1, 1996. On January 14, 1997 and August 5, 2008, the State Council amended the Foreign Exchange Administration Regulations. According to the Foreign Exchange Administration Regulations currently in effect, international payments in foreign currencies and transfer of foreign currencies under current items shall not be restricted. Foreign currency transactions under the capital account are still subject to limitations and require approvals from, or registration with, the SAFE and other relevant PRC governmental authorities.

Circular No. 37

The SAFE promulgated Circular 37 on July 14, 2014 which rescinded the Circular of the State Administration of Foreign Exchange on Issues Concerning the Regulation of Foreign Exchange in Equity Finance and Return Investment by Domestic by Domestic Residents through Offshore Special purpose Vehicles ("Circular 75"). Subject to the Circular 37, domestic resident, individuals or institutions, are required to register with the bureau of foreign exchange administration before they invest in special purpose vehicles with legitimate assets or equity interests inside and outside the PRC. Failure to comply with the registration procedures set forth in the Circular 37 may result in restrictions imposed on the subsequent foreign exchange activities of the relevant domestic residents, including the remitting back of dividends and profits. Domestic residents who invest special purpose vehicles with legitimate assets or equity interests inside and outside the PRC prior to the implementation of the Circular 37, but fail to conduct the foreign exchange registration of overseas investments shall submit explanatory statement and state the reasons to the bureau of foreign exchange administration. The bureau of foreign exchange administration may allow complementary registration under the principles of legality and legitimacy. In the event of any violation of foreign exchange regulations by domestic residents who apply for the foresaid complementary registration, administrative penalty would be imposed in accordance with relevant laws. According to the Circular on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (關於進一步簡化和改進直接投資外匯管理政策的通知) (the "SAFE Circular 13") which was promulgated on February 13, 2015 and became effective on June 1, 2015, the above mentioned registration under Circular 37 will be handled directly by the bank that has obtained the financial institution identification codes issued by the foreign exchange regulatory authorities and that has opened the capital account information system at the foreign exchange regulatory authority in the place where it is located and the foreign exchange regulatory authorities shall perform indirect regulation over the direct investment-related foreign exchange registration via banks.

Laws and Regulations Relating to Retailing

The Administrative Measures for Fair Transactions Between Retailers and Suppliers (零售商供應商公平交易管理辦法) were promulgated by the MOFCOM on October 13, 2006 and came into effect with the approval of the NDRC, the Public Security Bureau (公安部), the State Administration of Taxation (國家稅務總局) and the State Administration of Industry and Commerce (國家工商行政管理總局) of the People's Republic of China on November 15, 2006. Such Administrative Measures promote the protection of a fair marketplace and the lawful rights of consumers by regulating trading activities between retailers and suppliers. The departments of commerce, price, tax and administrations for industry and commerce shall supervise and administer the activities stipulated in these Measures within their respective jurisdictions. With regard to the activities possibly deemed as crime, they shall report to public security authorities to handle under law. The commercial authorities above county level shall dynamically supervise the fair dealing of retailers and suppliers with other relevant departments at the same level, make risk warning and timely make countermeasures. Any unit or individual is entitled to report the activities violating the stipulation of these Measures to the aforementioned departments. The relevant departments shall investigate and prosecute according to law after receiving the report. Retailers or suppliers violating the provisions of these Measures shall be punished according to the provisions of the laws and regulations; if there are not such provisions, otherwise, they shall be ordered to correct their behaviors; in case there is illegal income, they may be fined with below three times of illegal income but not more than RMB30,000; in case there is no illegal income, they may be fined with below RMB10,000 and publicized to the public. If local commercial, price, tax, administration for industry and commerce departments above county level find the retailer suspicious of being involved in obtaining the suppliers' payment for commodities by deception, they shall transmit the clue of suspected crime to the local public security authorities. The public security authorities shall timely conduct investigation. In case of suspected crime, the case shall be filed and investigation shall be conducted.

The Administrative Measures for the Sales Promotion Acts of Retailers (零售商促銷行為管理辦法) were promulgated by the MOFCOM on September 12, 2006 and came into effect with the approval of the NDRC, the Public Security Bureau, the State Administration of Taxation and the State Administration of Industry and Commerce of the People's Republic of China on October 15, 2006. Such Administrative Measures promote a fair and competitive marketplace and the protection of the lawful rights of consumers by regulating and standardizing promotional and sales activities amongst retailers.

OUR HISTORY

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on May 13, 2015. We are a leading brand in the fast-growing casual braised food industry in China, and produce, market and retail casual braised food, in particular, braised ducks and duck parts.

Our Early History

Mr. and Mrs. Zhou were married in China in 1998. Mr. Zhou founded our business with Mrs. Zhou and established the first store "富裕怪味鸭店" (富裕怪味鴨店 Fuyu Guai Wei Ya Store) in Wuhan, Hubei Province, China as a husband-and-wife shop with their own funds to sell braised duck products in April 2002. In September 2004, Zhou Family opened the second store "周记黑鸭经营部" (周記黑鴨經營部 Zhou Ji Hei Ya Jing Ying Bu) in Wuhan, Hebei Province, China.

Our previous holding company, Wuhan ZHY Holdco, was established in June 2006 by Zhou Family, when Mr. Zhou (80%) and Mrs. Zhou (20%) established 武漢世紀周黑鴨食品有限公司 (Wuhan Shiji Zhou Hei Ya Foods Co., Ltd.) (subsequently renamed as Wuhan ZHY Holdco in May 2008), with an initial registered capital of RMB500,000. While Mr. and Mrs. Zhou make decisions jointly, Mr. Zhou leads the management of our business on Zhou Family's behalf. In January 2009, the registered capital of Wuhan ZHY Holdco was increased from RMB500,000 to RMB10 million. As a result of the increase, Mr. Zhou and Mrs. Zhou owned 64% and 36% of Wuhan ZHY Holdco, respectively.

In October 2010, as a further step in our development, we entered into an investment agreement with Tiantu Investors, pursuant to which Shenzhen Tiantu and Tiantu Xingsheng invested RMB5.8 million and RMB52.20 million, respectively, in exchange for 1% and 9% of the registered capital of Wuhan ZHY Holdco. As a result of the investment by the Tiantu Investors, Mr. Zhou and Mrs. Zhou's shareholdings were adjusted to 57.60% and 32.40%, respectively. Please see the paragraph headed "Investment by the Investors" in this section for further details.

In July 2011, Zhou Family invited ten individuals, comprising family members and relatives of Zhou Family as well as employees to become shareholders of Wuhan ZHY Holdco by acquiring shares from Zhou Family. In September 2011, Mr. Yu Xueyong, our employee, also became a shareholder of Wuhan ZHY Holdco by investing RMB8.8 million in a capital increase in exchange for a 1.5% ownership interest.

In June 2012, Mr. Zhou and the Tiantu Investors transferred a 1.5% and a 0.5% interest, respectively, to Orient Tianfu for a consideration based on the corresponding net asset of Wuhan ZHY Holdco. Mr. Tang Yong and Mr. Zhu Youhua, being Mrs. Zhou's brother and brother-in-law, were entrusted to hold 60% and 40% of the interests in Orient Tianfu as general partner and limited partner, respectively, in contemplation of a potential future employee stock award or shareholding plan.

Further in June 2012, we entered into another investment agreement with the Tiantu Investors (through Tiantu Xinghua) as well as new investment from the IDG Investor (through Junyang Tongtai), pursuant to which the Tiantu Investors and the IDG Investor invested RMB30 million and RMB100 million, respectively, in exchange for approximately 1.76% and 5.88% of the registered capital of Wuhan ZHY Holdco. Please see the paragraph headed "Investment by the Investors" in this section for further details.

In November 2012, in order to consolidate the casual braised food business of the family members, Wuhan ZHY Holdco entered into an agreement with Ms. Zhou Ping (Zhou's Sister) to acquire all of her braised food processing business and stores, for a consideration of approximately RMB82.28 million (calculated based on an independent valuation conducted for this purpose). In December 2012, Ms. Zhou Ping (Zhou's Sister) and Mr. Zhou Changjiang (Zhou's Brother) invested approximately RMB20.17 million and RMB7.76 million (based on arm's length negotiations between the parties), respectively, in exchange for 5.20% and 2.00% of the registered capital of Wuhan ZHY Holdco.

The shareholding structure of Wuhan ZHY Holdco following each transaction described above was as follows:

Name	Shareholding after Tiantu Investors' Investment (2010)*	Shareholding after Senior Management & Employee Purchase (2011)*	Shareholding after Transfer to Orient Tianfu and Investment from IDG and Tiantu Investors (2012)*	Shareholding after Capital Increase by Zhou's Sister & Zhou's Brother (2012)*
Mr. Zhou	57.60%	47.58%	42.55%	39.49%
Mrs. Zhou	32.40%	31.92%	29.47%	27.35%
Tiantu Investors	10.00%	9.85%	10.40%	9.65%
IDG Investor	—	—	5.88%	5.46%
Zhou's Sister(2)	—	—	—	5.20%
Mr. Zhu Yulong(1)	—	2.96%	2.73%	2.53%
Zhou's Brother(2)	—	—	—	2.00%
Orient Tianfu	—	—	1.85%	1.71%
Mr. Yu Xueyong(1)	—	1.50%	1.38%	1.29%
Mr. Du Hanwu(1)	—	0.98%	0.91%	0.84%
Mr. Hu Jiaqing(1)	—	0.98%	0.91%	0.84%
Mr. Tang Yong(1)(3)	—	0.98%	0.91%	0.84%
Mr. Wen Yong(1)	—	0.98%	0.91%	0.84%
Mr. Hao Lixiao(1)	—	0.69%	0.64%	0.59%
Ms. Zhou Xiaohong(2)	—	0.69%	0.64%	0.59%
Ms. Tang Hongqiong(1)(3)	—	0.34%	0.32%	0.30%
Mr. Zhu Youhua(1)(3)	—	0.34%	0.32%	0.30%
Mr. Liu Dingcheng(1)	—	0.20%	0.18%	0.17%
Total:	100.00%	100.00%	100.00%	100.00%

Notes:

* The percentage figures are subject to rounding adjustments. Accordingly, figures shown in totals may not be an arithmetic aggregation of the figures preceding them.

(1) Mr. Zhu Yulong, Mr. Yu Xueyong, Mr. Hu Jiaqing, Mr. Tang Yong, Mr. Wen Yong, Mr. Hao Lixiao, Ms. Tang Hongqiong, Mr. Zhu Youhua and Mr. Liu Dingcheng are our current employees. Mr. Du Hanwu is our ex-employee.

(2) Zhou's Sister and Ms. Zhou Xiaohong are Mr. Zhou's elder sisters. Zhou's Brother is Mr. Zhou's elder brother.

(3) Mr. Tang Yong is Mrs. Zhou's younger brother. Ms. Tang Hongqiong is Mrs. Zhou's elder sister. Mr. Zhu Youhua is Mrs. Zhou's brother-in-law.

In February 2013, the registered capital of Wuhan ZHY Holdco was increased from RMB13.16 million to RMB156 million.

There were no other changes in the capital of Wuhan ZHY Holdco during the Track Record Period and up to the Reorganization described below.

Development of our Business

The following is a summary of our Group's key business development milestones:

Year	Event
2002	• Our founder, Zhou Family, opened the first store "富裕怪味鴨店" (富裕怪味鴨店 Fuyu Guai Wei Ya Store) in Wuhan
2004	• Zhou Family opened the second store "周记黑鸭经营部" (周記黑鴨經營部 Zhou Ji Hei Ya Jing Ying Bu)
2005	• Applied for registration of our trademark "周黑鴨" (Zhou Hei Ya)
2006	• Wuhan ZHY Holdco, our holding company prior to our Reorganization, was established
2007	• Established our first processing facility in Wuhan
2008	• Upgraded our retail model to branded chain stores
2009	• Our expansion into Hunan saw the simultaneous opening of 5 stores
	• Launch of vacuum packaged products
2010	• Tiantu Investors became an investor
	• Established online channels to supplement our retail network
	• Our expansion into Guangdong (including Shenzhen) saw the simultaneous opening of 8 stores
2011	• Our expansion into Shanghai and Jiangxi saw the simultaneous opening of 4 and 22 stores, respectively
2012	• IDG Investor became an investor
	• Our expansion into Henan and Beijing saw the simultaneous opening of 2 and 7 stores, respectively
	• Launch of MAP products
2013	• Recognized as National Key Leading Enterprise in Agriculture Industrialization
2014	• Our expansion into Tianjin, Zhejiang and Jiangsu saw the simultaneous opening of 3, 8 and 1 stores, respectively
2015	• Our expansion into Chongqing saw the simultaneous opening of 17 stores
	• Launch of individually-packed vacuum packages and fixed-weighted packages for our MAP products
2016	• Our expansion into Sichuan saw the simultaneous opening of eight stores

Our Subsidiaries

Set forth below are details of our wholly-owned PRC subsidiaries as of January 1, 2013, the start of our Track Record Period:

Name	Principal Activity	Date of Establishment/ Commencement of Business
Shanghai Suolei	Property holdings	February 23, 1995
Hubei Shiji Yuanjing	Food retail company: Hubei area	February 2, 2008
Hubei Industrial Park	Production company: all lines of products (including MAP products and vacuum packaged products)	September 4, 2009
Shenzhen Shiji Development	Food retail company: Shenzhen area	October 28, 2010
Shanghai ZHY Foods	Production company: MAP products for Jiangxi, Shanghai, Zhejiang and Jiangsu areas	February 25, 2011
Guangzhou Fuxinxianghe	Food retail company: Guangzhou area	March 30, 2011
Shanghai ZHY	Food retail company: Shanghai area	April 19, 2011
Hunan Quanfuyu	Food retail company: Hunan area	August 12, 2011
Jiangxi Yuanjing	Food retail company: Jiangxi area	September 16, 2011
Beijing ZHY	Food retail company: Beijing area	October 11, 2011
Hubei Huanle Shike	Online company: online store operations on Yihaodian, JD.com, Tmall, Suning, etc.	April 17, 2012
Henan ZHY	Food retail company: Henan area	October 31, 2012
Dongguan Pengyu	Food retail company: Dongguan area	June 3, 2013

We describe below the major changes in the equity capital of our existing PRC subsidiaries which were material to the performance of our Group.

Shanghai Suolei

Shanghai Suolei, formerly named as Shanghai Dewei, was established on February 23, 1995 by independent third parties, Wu Wenwei (50%) and Cai Jianying (50%), with registered capital of RMB500,000, fully paid up by cash.

In November 2012, Hunan Quanfuyu acquired all interests in Shanghai Suolei from Shanghai Suolei's then shareholders, who are independent third parties, at an aggregate consideration of RMB41 million (based on arm's length negotiations between the parties). The consideration has been fully settled and there have been no changes in shareholdings since then.

Hubei Shiji Yuanjing

Hubei Shiji Yuanjing was established on February 2, 2008 by Mrs. Zhou (100%) with registered capital of RMB500,000, fully paid up by cash.

In December 2008, Mrs. Zhou transferred a 20% interest in Hubei Shiji Yuanjing to Wen Yong and Zhu Youhua, and each of them acquired 10% equity interest in Hubei Shiji Yuanjing for a consideration of RMB50,000 (based on the registered capital amount), following which Mrs. Zhou, Wen Yong and Zhu Youhua owned 80%, 10% and 10% of Hubei Shiji Yuanjing, respectively. The consideration has been full settled.

In December 2009, Mrs. Zhou together with Wen Yong and Zhu Youhua, transferred 80%, 10% and 10%, respectively, of their interest in Hubei Shiji Yuanjing to Wuhan ZHY Holdco for a consideration of RMB400,000, RMB50,000 and RMB50,000 (based on the registered capital amount), respectively. The consideration has been full settled.

In June 2015, Wuhan ZHY Holdco transferred all equity interest in Hubei Shiji Yuanjing to ZHY Management for a consideration of RMB11,817,800 (based on arm's length negotiations between the parties). The consideration has been fully settled.

In January 2016, the registered capital of Hubei Shiji Yuanjing was increased to RMB5,000,000 with the payment to be completed by ZHY Management by January 19, 2017.

Hubei Industrial Park

Hubei Industrial Park was established on September 4, 2009 by Wuhan ZHY Holdco (83.33%) and Wen Yong (16.67%) with registered capital of RMB3,000,000, fully paid up by cash.

In October 2010, Wen Yong transferred all his 16.67% interest in Hubei Industrial Park to Wuhan ZHY Holdco for a consideration of RMB500,000 (based on the registered capital amount). The consideration has been fully settled.

In October 2013, the registered capital of Hubei Industrial Park was increased to RMB50,000,000 and has been fully paid up by Wuhan ZHY Holdco.

In June 2015, the registered capital of Hubei Industrial Park was further increased to RMB62,500,000. In addition, Wuhan ZHY Holdco transferred all equity interest in Hubei Industrial Park to ZHY Management for a consideration of RMB75,003,000 (based on arm's length negotiations between the parties). The consideration has been fully settled.

Shenzhen Shiji Development

Shenzhen Shiji Development was established on October 28, 2010 by Wuhan ZHY Holdco (100%) with registered capital of RMB500,000, fully paid up by cash.

In July 2015, Wuhan ZHY Holdco transferred all equity interest in Shenzhen Shiji Development to ZHY Management for a consideration of RMB979,000 (based on arm's length negotiations between the parties). The consideration has been fully settled.

In February 2016, the registered capital of Shenzhen Shiji Development was increased to RMB5,000,000, with the payment to be completed by ZHY Management by April 27, 2040.

Shanghai ZHY Foods

Shanghai ZHY Foods was established on February 25, 2011 by Wuhan ZHY Holdco (100%) with registered capital of RMB10,000,000, fully paid up by cash.

In July 2015, Wuhan ZHY Holdco transferred all equity interest in Shanghai ZHY Foods to ZHY Management for a consideration of RMB10,985,000 (based on arm's length negotiations between the parties). The consideration has been fully settled.

Guangzhou Fuxinxianghe

Guangzhou Fuxinxianghe was established on March 30, 2011 by Wuhan ZHY Holdco (100%) with registered capital of RMB500,000, fully paid up by cash.

In July 2015, Wuhan ZHY Holdco transferred all equity interest in Guangzhou Fuxinxianghe to ZHY Management for a consideration of RMB769,000 (based on arm's length negotiations between the parties). The consideration has been fully settled.

In February 2016, the registered capital of Guangzhou Fuxinxianghe was increased to RMB5,000,000, with the payment to be completed by ZHY Management by October 1, 2017.

Shanghai ZHY

Shanghai ZHY was established on April 19, 2011 by Wuhan ZHY Holdco (100%) with registered capital of RMB500,000, fully paid up by cash.

In July 2015, Wuhan ZHY Holdco transferred all equity interest in Shanghai ZHY to ZHY Management for a consideration of RMB753,000 (based on arm's length negotiations between the parties). The consideration has been fully settled.

In March 2016, the registered capital of Shanghai ZHY was increased to RMB5,000,000, with the payment to be completed by ZHY Management by April 18, 2021.

Hunan Quanfuyu

Hunan Quanfuyu was established on August 12, 2011 by Wuhan ZHY Holdco (100%) with registered capital of RMB2,010,000, fully paid up by cash.

In July 2015, Wuhan ZHY Holdco transferred all equity interest in Hunan Quanfuyu to ZHY Management for a consideration of RMB3,019,000 (based on arm's length negotiations between the parties). The consideration has been fully settled.

In February 2016, the registered capital of Hunan Quanfuyu was increased to RMB5,000,000, with the payment to be completed by ZHY Management by December 2017.

Jiangxi Yuanjing

Jiangxi Yuanjing was established on September 16, 2011 by Wuhan ZHY Holdco (100%) with registered capital of RMB2,000,000, fully paid up by cash.

In June 2015, Wuhan ZHY Holdco transferred all equity interest in Jiangxi Yuanjing to ZHY Management for a consideration of RMB2,403,000 (based on arm's length negotiations between the parties). The consideration has been fully settled.

In March 2016, the registered capital of Jiangxi Yuanjing was increased to RMB5,000,000, with the payment to be completed by ZHY Management by December 2016.

Beijing ZHY

Beijing ZHY was established on October 11, 2011 by Wuhan ZHY Holdco (100%) with registered capital of RMB1,000,000, fully paid up by cash.

In June 2015, Wuhan ZHY Holdco transferred all equity interest in Beijing ZHY to ZHY Management for a consideration of RMB1,617,000 (based on arm's length negotiations between the parties). The consideration has been fully settled.

In March 2016, the registered capital of Beijing ZHY was increased to RMB5,000,000, fully paid up by cash.

Hubei Huanle Shike

Hubei Huanle Shike was established on April 17, 2012 by Wuhan ZHY Holdco (100%) with registered capital of RMB1,000,000, fully paid up by cash.

In June 2015, Wuhan ZHY Holdco transferred all equity interest in Hubei Huanle Shike to ZHY Management for a consideration of RMB833,000 (based on arm's length negotiations between the parties). The consideration has been fully settled.

Henan ZHY

Henan ZHY was established on October 31, 2012 by Wuhan ZHY Holdco (100%) with registered capital of RMB1,000,000, fully paid up by cash.

In July 2015, Wuhan ZHY Holdco transferred all equity interest in Henan ZHY to ZHY Management for a consideration of RMB1,468,000 (based on arm's length negotiations between the parties). The consideration has been fully settled.

In February 2016, the registered capital of Henan ZHY was increased to RMB5,000,000, with the payment to be completed by ZHY Management by October 2022.

Dongguan Pengyu

Dongguan Pengyu was established on June 3, 2013 by Wuhan ZHY Holdco (100%) with registered capital of RMB500,000, fully paid up by cash.

In July 2015, Wuhan ZHY Holdco transferred all its equity interest in Dongguan Pengyu to ZHY Management for a consideration of RMB754,000 (based on arm's length negotiations between the parties). The consideration has been fully settled.

In March 2016, the registered capital of Dongguan Pengyu was increased to RMB5,000,000, with the payment to be completed by ZHY Management by June 2, 2043.

Subsidiaries Established During the Track Record Period

Set forth below are details of our wholly-owned PRC Subsidiaries established during the Track Record Period and up to the Latest Practicable Date:

Name	Principal Activity	Date of Establishment and Date of Commencement of Business
Tianjin ZHY	Food retail company: Tianjin area	May 23, 2014
Zhejiang ZHY	Food retail company: Zhejiang area	June 19, 2014
Guangdong Industrial Park	N/A	November 6, 2014
Jiangsu Dashike	Food retail company: Jiangsu area	November 27, 2014
Chongqing ZHY Foods	Food retail company: Chongqing area	April 8, 2015
ZHY Management	Investment holding company	June 12, 2015
ZHY Development	Investment holding company	July 2, 2015
Sichuan ZHY Foods	N/A	November 19, 2015
Ningbo Shiji Yuanjing	Food retail company: Ningbo area	December 3, 2015
Sichuan ZHY	Food retail company: Sichuan area	December 9, 2015
Hubei ZHY	Online company: online store operations on Taobao	January 18, 2016

Tianjin ZHY

Tianjin ZHY was established on May 23, 2014 by Wuhan ZHY Holdco (100%) with registered capital of RMB1,000,000, fully paid up by cash in June 2014.

In June 2015, Wuhan ZHY Holdco transferred all its equity interest in Tianjin ZHY to ZHY Management for a consideration of RMB636,000 (based on arm's length negotiations between the parties). The consideration has been fully settled.

In February 2016, the registered capital of Tianjin ZHY was increased to RMB5,000,000, fully paid up by cash in March 2016.

Zhejiang ZHY

Zhejiang ZHY was established on June 19, 2014 by Wuhan ZHY Holdco (100%) with registered capital of RMB10,000,000 to be paid up in full by June 10, 2034.

In June 2015, Wuhan ZHY Holdco transferred all its equity interest in Zhejiang ZHY to ZHY Management for a consideration of RMB7,000 (based on arm's length negotiations between the parties). The consideration has been fully settled.

Guangdong Industrial Park

Guangdong Industrial Park was established on November 6, 2014 by Wuhan ZHY Holdco (100%) with registered capital of RMB50,000,000 to be paid up in full by October 18, 2017.

In July 2015, Wuhan ZHY Holdco transferred all its equity interest in Guangdong Industrial Park to ZHY Management for a consideration of RMB692,000 (based on arm's length negotiations between the parties). The consideration has been fully settled.

Jiangsu Dashike

Jiangsu Dashike was established on November 27, 2014 by Wuhan ZHY Holdco (100%) with registered capital of RMB10,000,000 to be paid up in full by November 19, 2034.

In July 2015, Wuhan ZHY Holdco transferred all its equity interest in Jiangsu Dashike to ZHY Management for a consideration of RMB97,000 (based on arm's length negotiation between the parties). The consideration has been fully settled.

Chongqing ZHY Foods

Chongqing ZHY Foods was established on April 8, 2015 by Wuhan ZHY Holdco (100%) with registered capital of RMB500,000, fully paid up by cash on May 5, 2015.

In July 2015, Wuhan ZHY Holdco transferred all its equity interest in Chongqing ZHY Foods to ZHY Management for a consideration of RMB266,000 (based on arm's length negotiations between the parties). The consideration has been fully settled.

In February 2016, the registered capital of Chongqing ZHY Foods was increased to RMB5,000,000, with the payment to be completed by ZHY Management by December 2016.

ZHY Management

ZHY Management was established on June 12, 2015 by Wuhan ZHY Holdco (100%) with registered capital of RMB10,000,000, fully paid up in June 25, 2015.

In July 2015, Wuhan ZHY Holdco transferred all the equity interest in ZHY Management to ZHY Development for a consideration of RMB10,491,300 (based on arm's length negotiations between the parties). The consideration has been fully settled.

ZHY Development

ZHY Development was established on July 2, 2015 by ZHY HK Co (100%) with registered capital of RMB80,000,000, fully paid up in August 2015 by way of cash in the amount of US dollars equivalent to RMB80,000,000.

Sichuan ZHY Foods

Sichuan ZHY Foods was established on November 19, 2015 by ZHY Management (100%) with registered capital of RMB50,000,000 to be paid up in full by November 10, 2025.

Ningbo Shiji Yuanjing

Ningbo Shiji Yuanjing was established on December 3, 2015 by ZHY Management (100%) with registered capital of RMB5,000,000 to be paid up in full by December 1, 2035.

Sichuan ZHY

Sichuan ZHY was established on December 9, 2015 by ZHY Management (100%) with registered capital of RMB2,000,000, to be paid up in full by December 10, 2025.

In March 2016, the registered capital of Sichuan ZHY was increased to RMB5,000,000, with the payment to be completed by ZHY Management by December 10, 2025.

Hubei ZHY

Hubei ZHY was established on January 18, 2016 by ZHY Management (100%) with registered capital of RMB1,000,000 to be paid up in full by September 26, 2016.

See "Statutory and General Information — Changes in the Share Capital of Our Subsidiaries" for details of changes in capital of our subsidiaries.

INVESTMENTS BY THE INVESTORS

Investment by Tiantu Investors

Wuhan ZHY Holdco sought investments from Tiantu Investors in 2010 and 2012. Pursuant to an equity investment agreement dated October 8, 2010, entered into by Zhou Family, Shenzhen Tiantu, Tiantu Xingsheng and Wuhan ZHY Holdco (the "**2010 Investment Agreement**"), Shenzhen Tiantu and Tiantu Xingsheng agreed to invest in Wuhan ZHY Holdco for consideration of RMB58 million (RMB1.12 million for an increase in the registered capital of Wuhan ZHY Holdco and the rest as capital reserve of Wuhan ZHY Holdco). Upon completion of the investment, Tiantu Investors held 10.0% of the equity interest in Wuhan ZHY Holdco.

Pursuant to a share subscription and capital increase agreement dated June 8, 2012, entered into by Zhou Family, Junyang Tongtai, Tiantu Xinghua and Wuhan ZHY Holdco (the "**2012 Investment Agreement**"), Tiantu Xinghua agreed to invest in Wuhan ZHY Holdco at a consideration of RMB30 million (RMB215,547 for an increase in the registered capital of Wuhan ZHY Holdco and the rest as capital reserve of Wuhan ZHY Holdco). Upon the completion of the second round investment, Tiantu Investors held 10.40% of the equity interest in Wuhan ZHY Holdco.

Details of the two rounds of investment by Tiantu Investors are set forth below:

Date of investment agreement	Amount of consideration paid	Payment date	Cost per share(1)	Discount to the Offer Price(2)	Use of proceeds (fully utilized)	Shareholding in the Wuhan ZHY Holdco immediately after the investment	Shareholding in the Company upon Listing	Strategic benefits to the Company
	RMB millions		RMB					
October 8, 2010	58	November 25, 2010	0.38	93.48%	Purchase of land in Wuhan and construction of our Wuhan facility	10.00%	6.55%	Knowledge and experience in the development of business strategy
June 8, 2012...	30	July 12, 2012	0.97	83.49%	Construction of our Wuhan facility and purchase of equipment and machineries	10.40%	7.89%	Same as above

Notes:

(1) As part of the Reorganization, the interest held by Tiantu Investors in Wuhan ZHY Holdco was converted into the interest in our Company. See " — Reorganization" for details.

Cost per share is calculated by reference to the considerations paid by each of the Tiantu Investors for the subscription of the registered capital of Wuhan ZHY Holdco and the subsequent capital increase and their respective proportional shareholding in Wuhan ZHY Holdco, adjusted as a result of the capital increase.

(2) Assuming the Offer Price is fixed at HK$6.80, being the midpoint of the indicative Offer Price range.

Due to a restructuring of Shenzhen Tiantu, on May 4, 2015, Shenzhen Tiantu transferred its 0.8% interest in Wuhan ZHY Holdco to Tiantu Fund Management, a limited partnership established in the PRC with Shenzhen Tiantu Xingcheng Investment Management Co., Ltd. (深圳天圖興誠投資管理有限公司) as the general partner (holding 1% of Tiantu Fund Management's interest) and 12 individuals as the limited partners (holding 99% of Tiantu Fund Management's interest). Shenzhen Tiantu Xingcheng Investment Management Co., Ltd. (深圳天圖興誠投資管理有限公司) is in turn a subsidiary wholly-owned by Shenzhen Tiantu. After such restructuring of Shenzhen Tiantu, Shenzhen Tiantu continues to manage the 0.8% interest in Wuhan ZHY Holdco.

Investment by IDG Investor

In 2012, Wuhan ZHY Holdco sought an investment from the IDG Investor. The IDG Investor invested through Junyang Tongtai, a PRC limited partnership in which Guangzhou Junyang Tongtai Investment Advisory Co., Ltd. (廣州鈞揚通泰投資咨詢有限公司) and Mr. Wu Xiaoji, an independent third party, were beneficially interested in 24.27% and 75.73%, respectively of the partnership interests. Guangzhou Junyang Tongtai Investment Advisory Co., Ltd. (廣州鈞揚通泰投資咨詢有限公司), a company controlled by the affiliates of IDG, was responsible for managing Junyang Tongtai's investment in Wuhan ZHY Holdco.

Pursuant to the 2012 Investment Agreement, IDG Investor agreed to invest in Wuhan ZHY Holdco at a consideration of RMB100 million (RMB718,492 for an increase in the registered capital of Wuhan ZHY Holdco and the rest as capital reserve of Wuhan ZHY Holdco). Details of investment by IDG Investor are set forth below:

Date of investment agreement	Amount of consideration paid	Payment date	Cost per share (1)	Discount to the Offer Price (2)	Use of proceeds (fully utilized)	Shareholding in the Wuhan ZHY Holdco immediately after the investment	Shareholding in the Company upon Listing	Strategic benefits to the Company
	RMB millions		RMB					
June 8, 2012.....	100	July 9, 2012	0.97	83.49%	Construction of our Wuhan facility, purchase of equipment and machineries and purchase of equity interests of Shanghai Suolei	5.88%	4.46%	Knowledge and experience in the development of business strategy

Notes:

(1) As part of the Reorganization, the interest held by IDG Investor in Wuhan ZHY Holdco was converted into the interest in our Company. See " — Reorganization" for details.

Cost per share is calculated by reference to the considerations paid by IDG Investor for the subscription of the registered capital of Wuhan ZHY Holdco and the subsequent capital increase and their respective proportional shareholding in Wuhan ZHY Holdco, adjusted as a result of the capital increase.

(2) Assuming the Offer Price is fixed at HK$6.80, being the midpoint of the indicative Offer Price range.

The consideration of the investments by and the percentage of shareholdings allotted to Tiantu Investors and IDG Investor were determined on an arm's length basis as a result of negotiations among the parties having made reference to earnings and growth potentials of the business of Wuhan ZHY Holdco.

Rights of Investors

Zhou Family, Tiantu Investors, IDG Investor and other shareholders of Wuhan ZHY Holdco entered into a shareholders agreement on July 4, 2012 (the "**Shareholders Agreement**"). Pursuant to such shareholders agreement, 2010 Investment Agreement and 2012 Investment Agreement, Tiantu Investors and IDG Investor were granted a number of special rights in relation to Wuhan ZHY Holdco. As a result of the Reorganization, Tiantu Investors and IDG Investor nominated their respective offshore affiliates (namely Tiantu Investments and Rosy Result, respectively) to hold their Shares in our Company, and the Shareholders Agreement with such special rights in relation to Wuhan ZHY Holdco was subsequently adopted by the shareholders of our Company following the Reorganization.

Set forth below is a summary of the principal special rights granted to Tiantu Investors and IDG Investor in relation to Wuhan ZHY Holdco and our Company (as the case may be). All of the following special rights of the Investors shall cease to apply upon Listing:

- Right of first refusal: Each of the existing shareholders (excluding Tiantu Investors and IDG Investor) shall first offer Tiantu Investors and IDG Investor the opportunity to purchase the respective ordinary shares held by such existing shareholder before they are offered to any third parties.

- Pre-emptive right: Tiantu Investors and IDG Investor have a pre-emptive right to purchase a pro rata portion of any new securities which may be sold and issued.

- Anti-dilution protection: Tiantu Investors and IDG Investor shall be entitled to compensation in the event that the proposed issue price for any new securities prior to an initial public offering is less than the subscription price paid by Tiantu Investors and IDG Investor under the 2012 Investment Agreement. As there will be no issue of new Shares prior to the Listing, it is expected that the anti-dilution protection will not be applicable in any event.

- Nomination of director and board participation right: Tiantu Investors shall have the right to nominate one director and IDG Investor shall have the right to nominate one independent non-executive director and assign one observer to attend all board meetings.

- Information and inspection rights: Tiantu Investors and IDG Investor are entitled to receive periodic financial information and operation information, and to inspect books and records of each group member.

- Exit right: Tiantu Investors and IDG Investor have an option to sell all or part of the shares of Wuhan ZHY Holdco to Zhou Family if (i) a Qualified IPO (as defined below) is not achieved within five years after the completion date of the 2012 Investment Agreement; or (ii) there is material breach in the Shareholders Agreement by the then existing shareholders of Wuhan ZHY Holdco (excluding Tiantu Investors and IDG Investor) which would (a) hinder the ability of Tiantu Investors and IDG Investor to enjoy their rights under the Shareholders Agreement or (b) cause Tiantu Investors and/or IDG Investor to suffer a loss of RMB10 million or more. "**Qualified IPO**" means an initial public offering involving a listing of shares of Wuhan ZHY Holdco on a qualified exchange in the PRC where to the extent permissible under applicable law, the shares then held by Tiantu Investors and IDG Investor in Wuhan ZHY Holdco and their permitted transferees shall be fully and freely tradable. Since the current Listing is in Hong Kong, all provisions under the Shareholders Agreement that are relevant to the Qualified IPO are no longer applicable. And as a result of the Reorganisation, Tiantu Investors and IDG Investor confirmed that the exit right under the Shareholders Agreement is no longer applicable and they are not entitled to any exit right in relation to their investment in the shares of the Company, including the initial public offering in Hong Kong.

The Joint Sponsors' View

Based on their review of the relevant agreements, the Joint Sponsors have determined that the terms of the pre-IPO investments by Tiantu Investors and IDG Investor as described above are in compliance with (i) the Interim Guidance on the Pre-IPO Investments issued by the Stock Exchange on October 13, 2010; (ii) the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and (iii) the Guidance Letter HKEx-GL44-12 issued by the Stock Exchange in October 2012.

Information on the Investors

Rosy Result

Rosy Result is a company established under the laws of BVI with limited liability. Rosy Result is held as to 24.27% by IDG Technology Venture Investment IV, L.P. ("**IDG-IV**"), an affiliate of IDG, and 75.73% by Mr. Wu Xiaoji's wife, Ms. Jiang Xiangqing, an independent third party. IDG-IV is responsible for managing Rosy Result. IDG-IV is a limited partnership established in the State of Delaware with IDG Technology Venture Investment IV, LLC as the general partner and IDG as the limited partner. IDG-IV focuses on private equity and venture capital investments in the PRC.

Shares held by Rosy Result shall be counted as part of the public float for the purpose of Rule 8.08 of the Listing Rules.

Tiantu Investments

Tiantu Investments is a company established under the laws of BVI with limited liability. It is a subsidiary of a Hong Kong company, Tiantu Advisory Company Limited, which is in turn wholly-owned by Shenzhen Tiantu, a company listed on the National Equities Exchange and Quotations (NEEQ: 833979) in the PRC. Shenzhen Tiantu focuses on investing in consumer good companies and managing private equity funds.

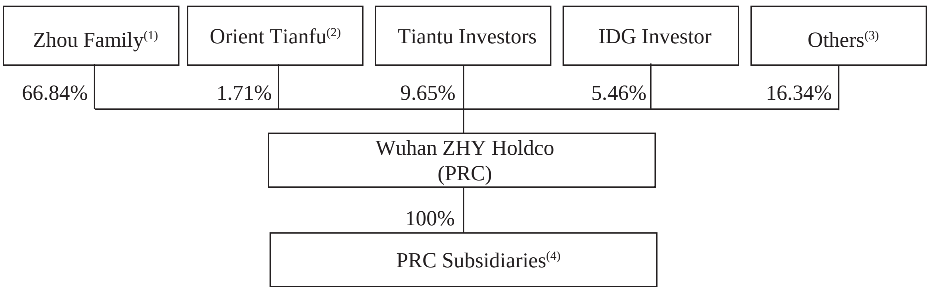
Shares held by Tiantu Investments shall be counted as part of the public float for the purpose of Rule 8.08 of the Listing Rules.

Lock-up

Each of the Investors has agreed that, it will not, at any time during the period of six months (or an even longer period as the case may be) following the Listing Date, dispose of any of its Shares. See "Underwriting" for further details.

REORGANIZATION

In anticipation of our Listing, we commenced the Reorganization in April 2015 which was completed in July 2015, to implement a structure whereby our Company became the holding company of our Group. Set forth below is our corporate structure immediately before the start of the Reorganization:



Notes:

(1) Zhou Family's interest in Wuhan ZHY Holdco is held by Mr. Zhou (39.49%) and Mrs. Zhou (27.35%).

(2) Orient Tianfu's interest in Wuhan ZHY Holdco is held by Mr. Tang Yong (60%) as the general partner and Mr. Zhu Youhua (40%) as the limited partner.

(3) Others are: Zhou's Sister (5.20%), Zhou's Brother (2.00%), Mr. Zhu Yulong (2.53%), Mr. Du Hanwu (0.84%), Mr. Hu Jiaqing (0.84%), Mr. Tang Yong (0.84%), Mr. Wen Yong (0.84%), Mr. Hao Lixiao (0.59%), Ms. Zhou Xiaohong (0.59%), Mr. Tang Hongqiong (0.30%), Mr. Zhu Youhua (0.30%), Mr. Liu Dingcheng (0.17%), and Mr. Yu Xueyong (1.29%).

(4) The PRC Subsidiaries are: Hubei Shiji Yuanjing, Shanghai ZHY, Henan ZHY, Beijing ZHY, Guangzhou Fuxinxianghe, Shenzhen Shiji Development, Jiangxi Yuanjing, Hunan Quanfuyu, Hubei Huanle Shike, Shanghai ZHY Foods, Hubei Industrial Park, Shanghai Suolei, Dongguan Pengyu, Tianjin ZHY, Zhejiang ZHY, Jiangsu Dashike, Chongqing ZHY Foods, Guangdong Industrial Park, Shenzhen ZHY, Hubei Zhou Hei Ya E-Commerce Co., Ltd. (湖北周黑鴨電子商務有限公司), Hunan Shiji Yuanjing Commerce & Trade Co., Ltd. (湖南世紀願景商貿有限公司), Hubei Zhou Hei Ya Foods Co., Ltd. (湖北周黑鴨食品有限公司) and Hebei Zhou Hei Ya Foods Industrial Park Co., Ltd. (河北周黑鴨食品工業園有限公司).

Setting up the offshore structure

Zhou Family has been acting in consensual manner since the establishment of the Group. As part of the Reorganization, Zhou Family established an offshore structure, whereby Zhou Family decided that their interests in our Group would be consolidated under Mrs. Zhou's name through BVI Holdco I, a company wholly-owned by Mrs. Zhou, and BVI Holdco IV as described below. Upon completion of the Reorganization, BVI Holdco I held 62.84% interests in the Company and was its single largest Shareholder. BVI Holdco I was wholly-owned by Mrs. Zhou and Mr. Zhou ceased to hold any equity interests in the Group. Since Mr. and Mrs. Zhou's respective interests in the Group are deemed to be assets collectively owned as a married couple and Mr. Zhou has led and continues to lead the management of our business, Mr. Zhou remains our Controlling Shareholder together with Mrs. Zhou after the consolidation of their interests. See "—Joint Control by Mr. Zhou and Mrs. Zhou" and "Joint Ownership by Mr. Zhou and Mrs. Zhou" below for further details.

Orient Tianfu which were previously held by Mr. Tang Yong and Mr. Zhu Youhua would also consolidated under Mrs. Zhou's name through BVI Holdco II after Reorganization. Upon completion of the Reorganization, BVI Holdco II held 1.71% interests in the Company. BVI Holdco II is intended to be used for a potential future employee incentive plan.

Further, the other individual shareholders of Wuhan ZHY Holdco divided themselves into two groups for the purposes of forming an investment holding company to hold their Shares in our Company, one consisting of Zhou's Sister and Zhou's Brother through BVI Holdco III and one consisting of Mrs. Zhou (which included part of her interests originally held through Zhou Family) and individuals who are family members and relatives of Zhou Family as well as current or ex-employees of our Group through BVI Holdco IV.

The Investors also nominated their respective affiliates (namely, Tiantu Investments and Rosy Result) to hold their Shares in our Company, while Mr. Wu Xiaoji nominated his wife, Ms. Jiang Xiangqing, to hold the legal and beneficial interests in Rosy Result through a BVI company, Best Jolly Investments Limited.

The number of Shares held by the shareholders of Wuhan ZHY Holdco through their offshore companies were as follows:

Shareholder	No. of Shares Subscribed For	Total Ownership Following Subscription
BVI Holdco I(1)	62,840	62.840%
BVI Holdco II(1)	1,714	1.714%
BVI Holdco III	7,200	7.200%
BVI Holdco IV	13,136	13.136%
Tiantu Investments	9,651	9.651%
Rosy Result	5,459	5.459%
	100,000	100%

Note:

(1) BVI Holdco I and BVI Holdco II are wholly-owned by Mrs. Zhou.

Joint Control by Mr. Zhou and Mrs. Zhou

The voting rights in the Company (and Wuhan ZHY Holdco) have been, and continue to be, under the joint control of Mr. Zhou and Mrs. Zhou, notwithstanding that Mr. Zhou ceased to own any shareholding interest in the Company following the Reorganization:

(a) Mr. Zhou and Mrs. Zhou are a married couple. Their husband and wife relationship gives rise to a very strong degree of closeness. They act as part of a controlling group and demonstrate a mutual trust and bonding as a group in the consensus building process and in their joint control of our Company.

(b) Mr. Zhou and Mrs. Zhou have managed their assets and business affairs jointly and act as a single unit. Mr. Zhou and Mrs. Zhou make decisions jointly and reach consensus by obtaining each other's concurrence on their joint assets and key decisions relating to them.

(c) Every resolution of the shareholders of Wuhan ZHY Holdco and the Company since the commencement of the business in 2006, including those involving both key as well as routine matters, have been passed unanimously.

(d) Mr. Zhou and Mrs. Zhou are "acting in concert" for the purposes of The Codes on Takeovers and Mergers and Share Buy-backs (the "**Takeovers Code**"). As husband and wife, Mr. Zhou and Mrs. Zhou are treated as "close relatives" under the Takeovers Code and therefore presumed to be parties acting in concert.

Joint Ownership by Mr. Zhou and Mrs. Zhou

The Company (and Wuhan ZHY Holdco) has been, and continues to be, under the joint ownership of Mr. Zhou and Mrs. Zhou, notwithstanding that Mr. Zhou ceased to own any shareholding interest in the Company following the Reorganization:

(a) Mr. Zhou and Mrs. Zhou have always viewed their assets as jointly owned marital assets, consistent with the PRC Marriage Law, which provides that, unless otherwise agreed in writing, assets which are owned or acquired by one or both parties to a marriage during the period of their marriage shall be deemed to be "marital assets" collectively owned by the married couple.

(b) Wuhan ZHY Holdco was established in 2006 with Mr. Zhou and Mrs. Zhou holding 80% and 20% of its interests, respectively. The reasons for using two shareholders and for not adopting a single shareholder or a 50-50 shareholding structure are as follows:

   (i) The reason for using two shareholders was that Wuhan ZHY Holdco was intended to be the holding company of future subsidiaries to be established as the business expanded in Wuhan and beyond and, as confirmed by the Company's PRC legal advisor, the PRC Company Law provides that a company with a single natural person shareholder is not permitted to establish a wholly owned subsidiary.

(ii) The reason for not adopting a 50-50 shareholding was a practical one. Mr. Zhou and Mrs. Zhou considered it more convenient for the development of Wuhan ZHY Holdco's business in the PRC if it was able to present Mr. Zhou (who was a director as well as the legal representative) as the single majority owner.

(c) Mr. Zhou and Mrs. Zhou could have selected either one or both of them to be the shareholder of the offshore holding companies, given Mr. Zhou and Mrs. Zhou view their shareholding interests in the Company as their joint assets. There were no special considerations or legal reasons as to who should be the shareholder of the offshore holding companies, Mr. Zhou and Mrs. Zhou's decision to consolidate their interests under Mrs. Zhou's name for the Reorganization was purely voluntary and a practical choice made by them.

In order to formalize the consensual relationship between Mr. Zhou and Mrs. Zhou with regard to the exercise of voting rights in the Company, Mr. Zhou and Mrs. Zhou have arranged to sign a confirmation on September 28, 2016 to confirm that Zhou Family has been acting in consensual manner since the establishment of the Group, and Mrs. Zhou has since May 2015, when she became a shareholder of BVI Holdco I, BVI Holdco II and BVI Holdco IV, exercised her voting rights in her shareholdings in BVI Holdco I, BVI Holdco II and BVI Holdco IV with the mutual agreement and concurrence of Mr. Zhou. Mrs. Zhou has also undertaken and procured BVI Holdco I, BVI Holdco II and BVI Holdco IV to undertake to Mr. Zhou, for so long as she owns any shares of BVI Holdco I, BVI Holdco II and BVI Holdco IV, exercise her voting rights in respect of her shareholding in BVI Holdco I, BVI Holdco II and BVI Holdco IV with the mutual agreement and concurrence of Mr. Zhou, and will not exercise her vote or act in a manner which would result in a removal of Mr. Zhou as an executive Director of the Company involuntarily. As such, Mrs. Zhou and Mr. Zhou are a group of persons who are together entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of the Group and therefore within the definition of "controlling shareholder" under the Listing Rules. They will continue to be our Controlling Shareholders after the completion of the Capitalization Issue and the Global Offering.

Setting up the onshore entity

Following the establishment of our offshore structure, ZHY HK Co established ZHY Development on July 2, 2015 with a registered capital of RMB80,000,000.

Onshore reorganization

Wuhan ZHY Holdco established ZHY Management on June 12, 2015 and ZHY HK Co established ZHY Development on July 2, 2015. Pursuant to the onshore reorganization, all equity interests in Hubei Shiji Yuanjing, Shanghai ZHY, Henan ZHY, Beijing ZHY, Guangzhou Fuxinxianghe, Shenzhen Shiji Development, Jiangxi Yuanjing, Hubei Huanle Shike, Shanghai ZHY Foods, Hubei Industrial Park, Dongguan Pengyu, Tianjin ZHY, Zhejiang ZHY, Jiangsu Dashike, Chongqing ZHY Foods, Guangdong Industrial Park and Hunan Quanfuyu (including Shanghai Suolei) were transferred to ZHY Management during June and July 2015. Subsequently, Wuhan ZHY Holdco transferred all the equity interest in ZHY Management to ZHY Development in July 2015. As such, ZHY Management owned all of the assets of Wuhan ZHY Holdco that are used in connection with our business, including the processing facilities, as well as the relevant subsidiaries of Wuhan ZHY Holdco. The total consideration of the acquisition of the assets and subsidiaries was RMB122.6 million, which was calculated based on an independent valuation conducted for this purpose. The transfer of the assets and subsidiaries was completed on July 26, 2015.

Wuhan ZHY Holdco's interests in Shenzhen ZHY, Hubei Zhou Hei Ya E-commerce Co., Ltd. (湖北周黑鴨電子商務有限公司) ("**Hubei E-commerce**"), Hunan Shiji Yuanjing Commerce & Trade Co., Ltd. (湖南世紀願景商貿有限公司) ("**Hunan Commerce**"), Hubei Zhou Hei Ya Foods Co., Ltd. (湖北周黑鴨食品有限公司) ("**Hubei Foods**") and Hebei Zhou Hei Ya Foods Industrial Park Co., Ltd. (河北周黑鴨食品工業園有限公司) ("**Hebei Industrial Park**") were not transferred to ZHY Management for the following reasons:

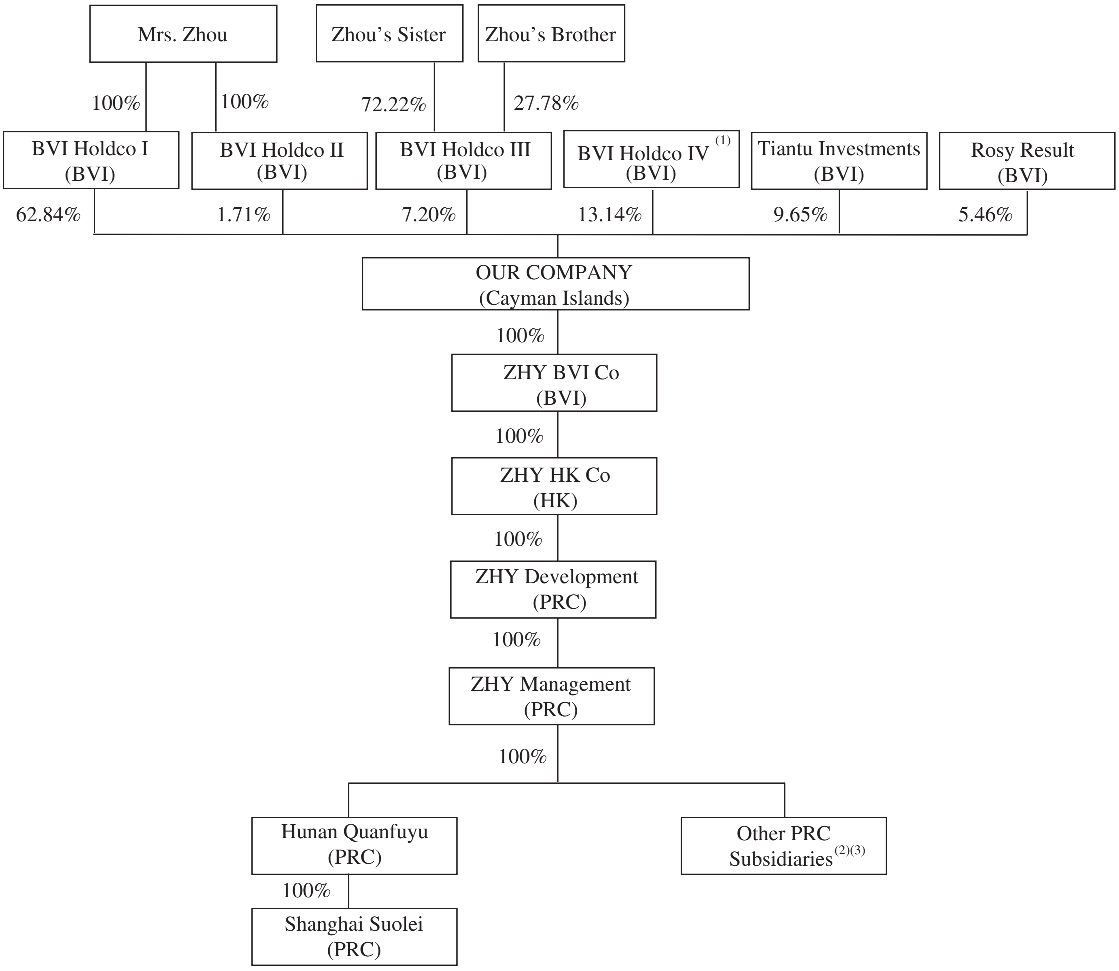
- Shenzhen ZHY operated our leased Shenzhen processing facility, the majority of production assets of which were transferred to our Wuhan processing facility following our decision not to renew the lease and relocate our production lines in 2015. Shenzhen ZHY was de-registered on September 10, 2015.

- Hubei E-commerce, Hunan Commerce and Hubei Foods were incorporated on January 23, 2014, February 2, 2015 and January 26, 2015, respectively, and were intended to be used for a reorganization that did not take place. They remained shell companies until their deregistrations during 2015.

- Hebei Industrial Park is a subsidiary of Wuhan ZHY Holdco intended to acquire a piece of land, but was not included in the Reorganization because it did not have any assets or liabilities relating to our business at the time of the Reorganization.

In connection with our Reorganization, Wuhan ZHY Holdco transferred the operating assets relating to our business as well as the equity interest of the subsidiaries engaged in our business to our Group. The assets and liabilities not related to our business, which amounted to RMB821.8 million, were retained by Wuhan ZHY Holdco and treated as a distribution to the Controlling Shareholders. The distribution primarily consisted of (i) prepayments, deposits and other receivables of RMB473.0 million, (ii) amount due from the Group of RMB215.6 million, (iii) available-for-sale investment of RMB80.0 million, and (iv) cash and bank balances of RMB40.4 million. See Notes 11 and 31 of the Accountants' Report set out in Appendix I to this prospectus for more details.

Set forth below is our shareholding structure immediately upon completion of the Reorganization:



Notes:

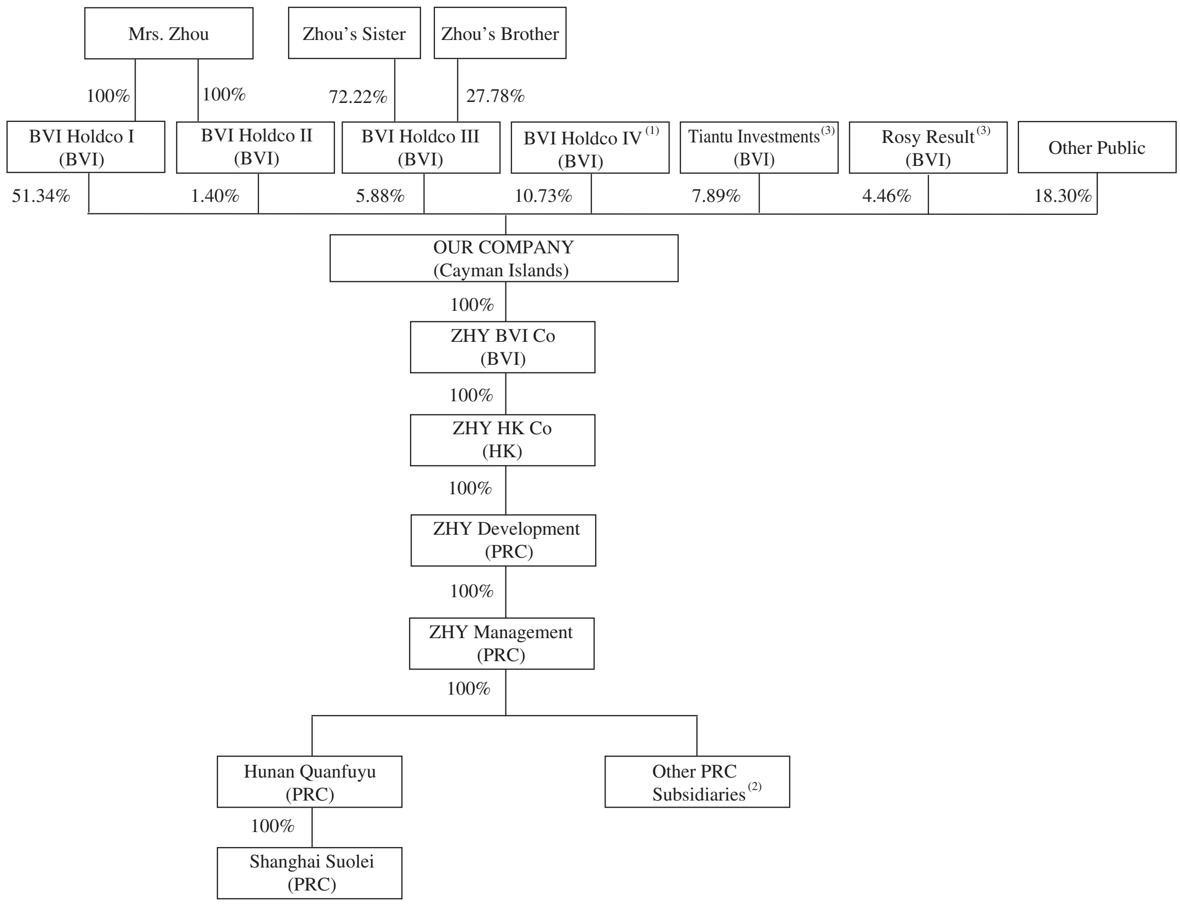
(1) BVI Holdco IV is owned by Mrs. Zhou (30.451%), Mr. Zhu Yulong (19.283%), Mr. Hu Jiaqing (6.425%), Mr. Hao Lixiao (4.499%), Mr. Yu Xueyong (9.790%), Mr. Du Hanwu (6.425%), Mr. Tang Yong (6.425%), Mr. Wen Yong (6.425%), Ms. Zhou Xiaohong (4.499%), Mr. Zhu Youhua (2.246%), Ms. Tang Hongqiong (2.246%) and Mr. Liu Dingcheng (1.287%). As Mrs. Zhou, a connected person, owns more than 30% of BVI Holdco IV, thereby resulting in BVI Holdco IV being an associate under the Listing Rules, the Shares owned by BVI Holdco IV are not part of our public float.

(2) The Other PRC Subsidiaries are: Hubei Shiji Yuanjing, Shanghai ZHY, Henan ZHY, Beijing ZHY, Guangzhou Fuxinxianghe, Shenzhen Shiji Development, Jiangxi Yuanjing, Hubei Huanle Shike, Shanghai ZHY Foods, Hubei Industrial Park, Dongguan Pengyu, Tianjin ZHY, Zhejiang ZHY, Jiangsu Dashike, Chongqing ZHY Foods and Guangdong Industrial Park. Please refer to paragraph headed "Our Subsidiaries" above for further details of these subsidiaries.

(3) ZHY Management established Hubei ZHY, Sichuan ZHY, Ningbo Shiji Yuanjing and Sichuan ZHY Food after completion of the Reorganization. Please refer to paragraph headed "Our Subsidiaries" above for further details of these subsidiaries.

CORPORATE STRUCTURE

Set forth below is our shareholding structure immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised):



Notes:

(1) BVI Holdco IV is owned by Mrs. Zhou (60.658%), Mr. Yu Xueyong (9.790%), Mr. Du Hanwu (6.425%), Mr. Tang Yong (6.425%), Mr. Wen Yong (6.425%), Ms. Zhou Xiaohong (4.499%), Mr. Zhu Youhua (2.246%), Ms. Tang Hongqiong (2.246%) and Mr. Liu Dingcheng (1.287%). As Mrs. Zhou, a connected person, owns more than 30% of BVI Holdco IV, thereby resulting in BVI Holdco IV being an associate under the Listing Rules, the Shares owned by BVI Holdco IV are not part of our public float.

(2) The Other PRC Subsidiaries are: Hubei Shiji Yuanjing, Shanghai ZHY, Henan ZHY, Beijing ZHY, Guangzhou Fuxinxianghe, Shenzhen Shiji Development, Jiangxi Yuanjing, Hubei Huanle Shike, Shanghai ZHY Foods, Hubei Industrial Park, Dongguan Pengyu, Tianjin ZHY, Zhejiang ZHY, Jiangsu Dashike, Hubei ZHY, Sichuan ZHY, Chongqing ZHY Foods, Ningbo Shiji Yuanjing, Guangdong Industrial Park and Sichuan ZHY Foods. Please refer to paragraph headed "Our Subsidiaries" above for further details of these subsidiaries.

(3) Shares held by Tiantu Investments and Rosy Result shall be counted as part of the public float for the purpose of Rule 8.08 of the Listing Rules.

PRC LEGAL COMPLIANCE

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (關於外國投資者併購境內企業的規定) (the "**M&A Rules**"), which were jointly promulgated by the MOFCOM, the State Assets Supervision and Administration Commission, the SAT, the SAIC, the CSRC and the SAFE on August 8, 2006, came into effect on September 8, 2006 and subsequently amended on June 22, 2009, require that foreign investors acquiring domestic companies by means of asset acquisition or equity acquisition comply with relevant foreign investment industry policies and shall be subject to approval by the relevant commerce authorities. Article 11 of the M&A Rules stipulates that an offshore special purpose vehicle established or controlled by a PRC domestic company, enterprise or natural person shall obtain approval from the MOFCOM prior to the acquisition of any domestic enterprise related to such company, enterprise or natural person. As advised by our PRC legal advisor, based on the confirmation issued by the relevant authority and given that Mrs. Zhou has obtained permanent residency from the The Republic of Vanuatu in January 2015 and cancelled her PRC residency in June 2015, Mrs. Zhou was no longer a "PRC domestic natural person" under the M&A Rules at the time of the transfer of the 100% equity interest in ZHY Management to ZHY Development. Accordingly, the Reorganization is not subject to approval from MOFCOM under the M&A Rules.

In addition, as advised by our PRC legal advisor, all of our ultimate shareholders who are subject to the registration requirements under Circular 37 completed their registrations with the SAFE as of the Latest Practicable Date. Our PRC legal advisor has confirmed that all relevant material registrations, approvals and permits required under PRC laws and regulations in relation to the Reorganization and the share transfers in respect of the PRC subsidiaries of our Group as described above have been completed and obtained.

OVERVIEW

We are a leading brand and retailer of casual braised food in China, in terms of revenue, retail sales value as well as the number of self-operated retail stores, according to Frost & Sullivan. As of the Latest Practicable Date, we marketed and retailed casual braised food primarily through our 757 self-operated retail stores in 40 cities covering 12 provinces and municipalities in China as well as through our established online channels. We believe that our brand "Zhou Hei Ya (周黑鴨)" is synonymous with the rapidly growing casual braised food market in China. According to Frost & Sullivan, in the twelve months ended June 30, 2016, we were the second largest casual braised food company in China by revenue and our revenue accounted for approximately 6.8% of total revenue generated by China's casual braised food companies. During the same period, we were also the second largest casual braised food company in China by retail sales value and our retail sales value accounted for approximately 5.5% of total retail sales value of China's casual braised food companies. We operated the second largest self-operated retail store network in China among casual braised food companies as of June 30, 2016. According to Frost & Sullivan, the retail sales value of the PRC casual braised food industry increased from RMB23.2 billion in 2010 to RMB52.1 billion in 2015, representing a CAGR of 17.6% from 2010 to 2015, and it is expected to further grow to RMB123.5 billion by 2020, representing a CAGR of 18.8% from 2015 to 2020. We believe that we are well positioned to continue to capitalize on the strong growth opportunities in our industry.

Braising has over two thousand years of history in the Chinese cooking tradition and braised food is one of the favorite food types of Chinese people. We contributed to transforming the casual braised food industry in China by upgrading its retail model from traditional roadside stalls into branded chain stores with a distinguishable brand image and hygienic shopping spaces that provide products and services of consistent quality. We have deployed advanced processing and packaging technologies and automated production lines to achieve highly efficient mass production while maintaining the original taste of our products. According to Frost & Sullivan, we are the first braised food company that has achieved a complete shift from selling unpackaged products to MAP products. Our continuous improvements in packaging technologies enable us to offer products with a relatively longer shelf life, thereby allowing us to retail and distribute our products to different regions of China through different sales channels, including online channels.

Strong brand awareness and consistently high quality products have enabled us to attract a sizable and loyal customer base. We aspire to establish ourselves as a young, exuberant and culturally defined lifestyle brand. Our products possess a popular and rich flavor, which appeals to consumers in different geographic regions of China. In addition, our products and retail platforms provide our customers with a convenient and hygienic consumption experience. According to a consumer survey conducted by Frost & Sullivan in 20 cities in China in 2015, we ranked first in terms of top-of-mind awareness and customer satisfaction as well as frequency of customer patronage among all casual braised food brands.

We believe that our strategic focus on our self-operated retail store network strengthens our competitiveness and market position and enables us to assert effective quality control and implement highly standardized operations throughout our retail store network. We strategically locate our self-operated retail stores in areas with high pedestrian traffic and high concentrations of our customers, such as transport hubs, commercial complexes and shopping malls, with the aim to make it more convenient for consumers to make purchases and to enhance the visibility of our brand and products. Our highly standardized and scalable retail model enables us to rapidly expand our retail store network. Leveraging our standardized site identification and store establishment procedures, as well as centralized procurement of in-store furnishings and displays, we are able to significantly reduce upfront investment, minimize preparation time for new store openings, and achieve a short Breakeven Period and Investment Payback Period for our stores. During the Track Record Period, the Breakeven Period of our newly opened self-operated retail stores generally ranged from one to two months, and the Investment Payback Period of our newly opened self-operated retail stores generally ranged from two to six months. We incurred relatively lower capital expenditures in relation to our new store openings as compared to the new store opening costs of other retailers that might have bigger average retail store size and wider product offerings in China. According to Frost & Sullivan, we had an industry leading average revenue per self-operated retail store among all major casual braised food producers in China in the twelve months ended June 30, 2016.

To capture the opportunities presented by rapidly growing e-commerce in China and fulfill consumer demand for more convenient shopping, we have established our online sales channels by opening our online shops on well-known third-party online marketplaces and maintaining our website to introduce our products and direct customer traffic to our online shops. According to Frost & Sullivan, we had the largest market share in terms of revenue generated from online channels among all casual braised food producers in China in the twelve months ended June 30, 2016. As part of our online initiatives to attract more mobile users, we launched our WeChat store in mid 2015.

To promote our "Zhou Hei Ya (周黑鴨)" brand and our brand philosophy of "More entertainment, More Fun" ("會娛樂更快樂"), we adopt tailored and creative marketing strategies. To attract our customers, we adopted an entertainment marketing strategy by promoting our brands in entertainment activities such as product placement in an international blockbuster movie. Moreover, we utilize various interactive media formats, including online marketing and out-of-home advertisements that tailored for our business strategies. For example, we sponsored a high-speed bullet train to market our brand and products, and displayed advertisements on light rail trains in furtherance of our strategy to locate retail stores in transport hubs.

We have established streamlined supply chain management systems that monitor and control our operational value chain, which allows us to assert control over the utilization rates of our processing facilities to maximize production efficiency and ensure the highest product quality. We adopt stringent quality control practices throughout the supply chain and across all of our sales channels to ensure the products we sell adhere to national food safety standards. We are one of the few casual braised food companies in China that are able to monitor and trace finished products back to the key raw material sources, according to Frost & Sullivan. We have an experienced and visionary management team, which has led the transformation from traditional roadside stalls to our current modern, scalable business model.

As a result of our highly standardized and scalable business model premised upon our commitment to food safety and high quality products, our strong brand recognition, well-established self-operated retail store network, tailored and creative branding and marketing strategies adopting entertaining and interactive media formats efficient and effective supply chain management supported by our strong quality assurance system and experienced and visionary management team, we have achieved remarkable growth during the Track Record Period. Our total revenue increased from RMB1,217.6 million in 2013 to RMB1,809.1 million in 2014, and further to RMB2,432.0 million in 2015, representing a CAGR of 41.3% from 2013 to 2015. Our total revenue increased by 18.3% from RMB1,174.7 million for the six months ended June 30, 2015 to RMB1,389.1 million for the corresponding period in 2016. Our net profit increased from RMB259.9 million in 2013 to RMB410.9 million in 2014, and further to RMB552.7 million in 2015, representing a CAGR of 45.8% from 2013 to 2015. Our net profit increased by 40.8% from RMB270.4 million for the six months ended June 30, 2015 to RMB380.7 million for the corresponding period in 2016.

OUR STRENGTHS

We believe that the following competitive strengths differentiate us from our competitors and have contributed to our success:

A leading brand and retailer of casual braised food in China

According to Frost & Sullivan, in the twelve months ended June 30, 2016, we were the second largest casual braised food company in China by revenue and our revenue accounted for approximately 6.8% of total revenue generated by China's casual braised food companies. In the twelve months ended June 30, 2016, we were also the second largest casual braised food company in China by retail sales value and our retail sales value accounted for approximately 5.5% of total retail sales value of China's casual braised food companies. We have strategically focused on establishing a self-operated retail store network to optimize the consumer experience. As such, we locate our retail stores in areas with high pedestrian traffic, such as transport hubs, commercial complexes and shopping malls, to maximize our brand awareness among and accessibility to our customers. We operated the second largest self-operated retail store network among casual braised food companies in China as of June 30, 2016, according to Frost & Sullivan. As of the Latest Practicable Date, we had 757 self-operated retail stores in 40 cities covering 12 provinces and municipalities in China.

Our products and retail platforms are tailored for consumers' casual impulse purchases of casual food and provide our customers with a convenient and hygienic consumption experience. We contributed to transforming the casual braised food industry in China by upgrading its retail model from traditional roadside stalls into branded chain stores with a distinguishable brand image and hygienic shopping spaces that provide products and services of consistent quality. According to Frost & Sullivan, we are the first braised food company that has achieved a complete shift from selling unpackaged products to MAP products.

Our solid reputation for providing high quality and popular products throughout our retail store network has played a significant role in increasing our market recognition and strengthening our leading position, thereby allowing us to achieve strong financial results. Our market leadership is further enhanced by our proactive efforts to deepen our market penetration through online channels. According to Frost & Sullivan, we had the largest market share in terms of revenue generated from online channels among all casual braised food producers in China in the twelve months ended June 30, 2016.

We have in the past benefitted from the robust growth of our industry. According to Frost & Sullivan, the retail sales value of the PRC casual braised food industry increased from RMB23.2 billion in 2010 to RMB52.1 billion in 2015, representing a CAGR of 17.6% from 2010 to 2015, and is expected to further grow to RMB123.5 billion by 2020, representing a CAGR of 18.8% from 2015 to 2020. Moreover, consumers' increasing focus on product quality, instead of prices, has promoted brand consciousness among customers, which has led to significant growth of the branded casual braised food market. According to Frost & Sullivan, in terms of retail sales value, the branded braised casual food market recorded a high CAGR of 32.6% from 2010 to 2015, and is expected to further grow from RMB24.0 billion in 2015 to RMB84.4 billion in 2020, representing a CAGR of 28.5% from 2015 to 2020. We believe that our extensive retail network, well-recognized brand image and reputation will enable us to continue to solidify our market share in the industry and capitalize on strong growth opportunities anticipated in China.

Strong brand recognition and popular products, underpinned by large and loyal customer base

We enjoy strong brand recognition in China. We believe that our high quality and popular products together with the convenient and hygienic consumption experience we promote have successfully made our brand "Zhou Hei Ya (周黑鴨)" synonymous with the rapidly growing casual braised food market in China. According to a consumer survey conducted by Frost & Sullivan in 20 cities in China in 2015, we ranked first in terms of top-of-mind awareness and customer satisfaction among all casual braised food brands.

High quality and popular products form our core competitive advantage. Our products possess a popular and rich flavor, which appeals to consumers in different geographic regions of China. To ensure product quality and food safety, we source our key raw materials, including ducks and duck parts, from reputable and qualified suppliers based on our stringent quality requirements and standards. We also procure spices from their regions of origin to ensure consistent quality and competitive pricing. In response to consumer demand for more convenient consumption options for casual braised food, we have also been actively enhancing our packaging technologies, including introducing MAP products, to extend the shelf life of our products without sacrificing freshness and taste. Leveraging our experience with MAP technology, we have influenced provincial standards in relation to the MAP technology applicable to casual braised food in Hubei Province. This first-mover advantage has been a key driver of our continued success and strengthened our brand recognition and brand loyalty.

Strong brand awareness and high quality products have enabled us to attract a sizable and loyal customer base that appreciates the quality of our products. Average spending per purchase order of our self-operated retail stores increased from approximately RMB42.00 in 2013 to RMB51.71 in 2014, and further to RMB56.27 in 2015. Average spending per purchase order of our self-operated retail stores amounted to RMB58.95 in the six months ended June 30, 2016. Moreover, according to a customer survey conducted by Frost & Sullivan in 20 cities in China, we ranked first in terms of customer patronage frequency among all casual braised food brands in China in 2015. In particular, our efforts to broaden the reach of our products through online channels have further expanded our customer base. The number of online marketplaces on which we had established online stores increased from four as of December 31, 2013 to seven as of December 31, 2015, and further to 11 as of the Latest Practicable Date. We believe that we have benefited, and will continue to benefit, from our broad and loyal customer base.

Well-established self-operated retail store network, leveraging our highly standardized and scalable business model to support sustainable growth

We have established and operated a self-operated retail store network under the “Zhou Hei Ya (周黑鴨)” brand. Similar to other types of casual food, casual braised food is generally purchased and consumed at different occasions, including as a snack between meals, at social and sporting events and while traveling. We believe it is important to establish a broad retail presence to capture a wide range of consumption events and satisfy consumers’ unplanned needs. Our focus on the self-operated model enables us to effectively monitor product quality, enhance hygiene and food safety, execute operational and financial initiatives, collect valuable customer data and feedback, as well as promptly and flexibly respond to shifting market trends and consumer preferences. We strategically locate our retail stores in areas with high pedestrian traffic and high concentrations of our customers, such as transport hubs, commercial complexes and shopping malls. We had 389, 468, 641 and 716 self-operated retail stores, respectively, as of December 31, 2013, 2014 and 2015 and June 30, 2016. As of the Latest Practicable Date, we had 757 self-operated retail stores in 40 cities covering 12 provinces and municipalities in China.

We exercise a high degree of control over our self-operated retail store network, and have developed a retail network management system which enables us to flexibly and promptly adjust our retail store network to satisfy our customers’ needs. We have a systematic approach to identifying and evaluating prospective store locations. Our standardized store opening and operational procedures allow us to quickly replicate our success in other new regional markets. Leveraging our standardized site identification and store establishment procedures, as well as centralized procurement of in-store furnishings and displays, we are able to significantly reduce upfront investment, minimize preparation time for new store openings, and achieve a short Breakeven Period and Investment Payback Period for our stores. We lease properties for substantially all of our stores, which further lowers the costs and risks associated with the expansion of our retail store network. As a result of our strong brand recognition, high quality products as well as our highly standardized and efficient operations, our retail stores were able to achieve the following store level economics during the Track Record Period:

- *Industry leading average revenue per self-operated retail store*. According to Frost & Sullivan, we had an industry leading average revenue per self-operated retail store among all major casual braised food producers in China in the twelve months ended June 30, 2016. During the Track Record Period, average revenue per self-operated retail store amounted to RMB2.9 million, RMB3.7 million, RMB3.8 million and RMB3.6 million, respectively, in 2013, 2014 and 2015 and the twelve months ended June 30, 2016.

- *Short Breakeven Period and Investment Payback Period*. During the Track Record Period, the Breakeven Period of our newly opened self-operated retail stores generally ranged from one to two months, and the Investment Payback Period of our newly opened self-operated retail stores generally ranged from two to six months. We incurred relatively lower capital expenditures in relation to our store openings during the Track Record Period as compared to the store opening costs of other retailers that might have bigger average retail store size and wider product offerings in China. Our average capital expenditure for opening a self-operated retail store was approximately RMB133.8 thousand, RMB108.8 thousand, RMB98.4 thousand and RMB107.3 thousand, respectively, in 2013, 2014 and 2015 and the six months ended June 30, 2016.

To capture the opportunities presented by rapidly growing e-commerce in China and fulfill consumer demand for more convenient shopping, we have established our online sales channels by opening our online shops on well-known domestic third-party online marketplaces and maintaining our website to introduce our products and direct customer traffic to our online shops. According to Frost & Sullivan, we had the largest market share in terms of revenue generated from online channels among all casual braised food producers in China in the twelve months ended June 30, 2016. As part of our online initiatives to attract more mobile users, we launched our WeChat store in mid-2015.

Based on the above, we believe that we will be able to continue to replicate our success in the cities where we operate and rapidly expand our retail network.

Tailored and creative branding and marketing strategies that effectively enhance brand awareness and capture growth opportunities

We place significant emphasis on the marketing and development of our "Zhou Hei Ya (周黑鴨)" brand image and the promotion of our brand philosophy of "More Entertainment, More Fun" ("會娛樂更快樂") among our customers. We adopt tailored and creative marketing strategies and utilize various traditional and new media channels to effectively reach our customers and increase our brand awareness. We have adopted the following branding and marketing methods:

- *Entertainment marketing strategy.* We have developed a unique entertainment marketing strategy, which is specially designed to target young customers. For example, our products were featured in an international blockbuster movie in 2014. We also coordinated with advertising agents to launch on-screen film advertisements as well as on-site campaigns at movie theaters in Wuhan. In addition, we sponsored the Creative Marketing Competition held at universities and colleges in Hubei Province and participated in marketing-related speeches and lectures on university campuses from 2013 to 2016.

- *Interactive media formats.* In August 2014, in furtherance of our strategy to locate our retail stores in transport hubs, we sponsored a high-speed bullet train between Wuhan and Beijing, becoming the first Wuhan-based company to be granted naming rights to a high-speed bullet train. The train was named after "Zhou Hei Ya", our corporate name during the contract term, and we were allowed to broadcast and display our advertisements in the train during the five-hour journey. We placed our advertisements on domestic airlines from May 2014 to May 2015 and provided our products as free airline snacks for promotional purposes to enhance our brand recognition. We also displayed our advertisements on four light rail trains in Chongqing from May to November 2015.

- *Online marketing.* We have actively participated in online promotional events, such as those held on November 11 ("**Double Eleven**" or "**雙十一**") and May 17 ("**Foodie Festival**" or "**吃貨節**", an event to promote online food purchases). In addition, we have cooperated with third-party online marketplaces and placed prominent advertisements on their landing pages to take advantage of precision marketing initiatives and leverage their online search functions.

- *Cross-promotional events.* We market our brand through cross-promotions with other partners in complementary industries to jointly offer coupons or free gifts. We also coordinate with movie theaters and karaoke establishments to launch promotional events for our members by issuing discounted or free tickets or coupons.

Efficient and effective supply chain management supported by strong and stringent quality assurance systems

We have established streamlined supply chain management systems that monitor and control our operational value chain. Such efficient supply chain management systems are supported by our ERP system connected with the POS system. Our systems centralize all material operational data, including raw material procurement, product processing, logistics and inventory, and store sales. We are therefore able to monitor in real time supplies, production schedules and the availability of production lines, which in turn allows us to assert control over the utilization rates of our processing facilities to maximize production efficiency and ensure the highest product quality. Our systems keep track of inventory levels on a real time basis, ensuring the freshness and quality of our raw materials and products. We are able to trace the status of each product in storage and transit until it is sold, and efficiently identify, locate and lock down expired products or defective batches of products. We are one of the few casual braised food companies in China that are able to monitor and trace finished products back to the key raw material sources, according to Frost & Sullivan. In addition, our production lines utilize various automated and computerized systems for many key processing stages, which ensure the quality of our products by effectively controlling our production parameters.

As ensuring food safety is of the utmost importance in our industry, we adopt stringent quality control practices throughout the supply chain and across all of our sales channels to ensure the products we sell adhere to national food safety standards. We separate several clean zones and high clean zones in our processing facilities with different dust and bacteria sterilization and temperature standards, based on relevant processing technologies and stages. We also require our personnel involved in production activities to follow strict hygiene standards. See "—Product Safety and Quality Control" below for more details. Our logistics vehicles are equipped with thermal control equipment and GPS devices for the transportation of our raw materials and processed products to ensure their quality and freshness. Moreover, we procure most of our key raw materials directly from raw material suppliers to exert better control over quality and costs. We also procure spices from their regions of origin to ensure consistent quality and competitive pricing. We implement stringent acceptance inspections on each batch of key raw materials that arrive at our processing facilities.

In addition to our own production personnel, we also require our store staff and third parties involved in our production processes, such as raw material suppliers, third-party logistics companies and distributors, to strictly comply with our high product safety and quality standards. To ensure and maintain ongoing compliance, we actively conduct quality inspections and reviews of our major raw material suppliers, such as periodic on-site spot checks and annual inspections at their facilities, including their slaughterhouses, processing facilities and storage facilities. We require third-party logistics companies to provide vehicles equipped with cold chain logistics services and to comply with sanitization standards that are equivalent to those of our own logistics team.

Experienced and visionary management team embracing a customer-focused corporate culture

We have a stable, experienced and visionary management team that possesses extensive knowledge of our industry, strives for the best quality and effectively promotes our brand and products. Our proven track record of lifestyle marketing and branding strategies envisioned and undertaken by our management team illustrates our success in growing our customer base, and in turn our total revenue. Over the years, our management team has established a sound corporate management system to support sustainable growth. The key members of our senior management team have an average of ten years of experience in the casual food industry, and many of them have worked with us since our establishment. Our senior management team has led the transformation from traditional roadside stalls to our current modern, scalable business model. In addition, to ensure that our staff understand our corporate culture and fully comply with our high standards, we place a strong emphasis on encouraging, training and retaining our employees, which we believe have been crucial to our expansion and success. We periodically provide various trainings to our store staff to develop their knowledge and skills.

Moreover, as a retail business operator, we have advocated and cultivated a customer-focused corporate culture to understand customer preferences and meet their evolving demands and expectations. We have established our presence on popular Internet social media platforms and engage in active interaction with our customers. We also reinforce customer loyalty by launching tailored marketing initiatives and offering various innovative in-store events. Our motivated and adaptive corporate organization facilitates open communication between headquarters and local subsidiaries, enabling us to efficiently receive first-hand feedback on a timely and frequent basis from our retail stores, which are direct points of contact with our customers. As we continue to grow our customer base, we expect to further benefit from our customer-focused corporate culture.

OUR STRATEGIES

Our objective is to continue to grow and expand our business as a leading casual braised food company in China, to further strengthen and advance our leadership and market share in China, and to expand internationally as one of the top casual food brands.

Further penetrate existing markets and strategically expand into new regions

Leveraging our mature product portfolio and established business model, we plan to further expand our retail store network. Our planned initiatives include the following:

- *Deepen market penetration in existing markets.* We plan to increase the number of our retail stores in our existing markets, in particular areas with high pedestrian traffic, such as transport hubs, commercial complexes and shopping malls, to further deepen our market penetration. We believe there is still room for us to grow further in our existing markets, even in mature markets. As of the Latest Practicable Date, we had 196 self-operated retail stores in Wuhan. As of the same date, we had 81 and 40 self-operated retail stores, respectively, in Beijing and Shanghai, which numbers indicate further growth opportunities for us.

- *Expand into new markets.* We expect to expand our footprint by strategically replicating our successful retail store model into new regions in China by opening new stores or pursuing prudent acquisitions. In general, we will particularly focus on opportunities in affluent regions with high population densities and strategic locations that can provide a potential customer base with higher spending on casual braised food. We plan to further increase the number of our self-operated retail stores by approximately 187 and 180 stores in 2016 and 2017, respectively. In addition, we expect to continue to identify and engage high-quality distributors to effectively penetrate our target markets. Finally, we will also prudently seek appropriate opportunities to tap into overseas markets with Chinese consumers, such as Hong Kong, Macau, Taiwan and Singapore, that are familiar with and receptive to our products. As of the Latest Practicable Date, we have not formulated any concrete plans for such expansion. We currently expect to leverage on our operating cash flow and do not plan to use the proceeds from the Global Offering for the potential overseas expansion plans.

Further expand our online channels to offer convenience and value to customers

The proliferation of mobile Internet and the emergence of the digital era are changing the way business is done for most of the industries in China, including our industry. To capture the great market potential brought by rapidly growing e-commerce in China, we plan to accelerate the development and integration of our online channels. We strive to enhance the visibility of our online stores so as to drive more user traffic to our online stores. We plan to open online shops on more third-party online marketplaces.

We will offer self-pickup service to allow customers to place orders online or directly at our stores and to pick up the ordered products at designated stores. We plan to continue working with third-party online local food service providers to provide online ordering and delivery services in order to broaden our customer base and drive more customers to our retail stores. We have established local logistics hubs in Wuhan, Hubei Province, Shanghai, Beijing and Guangzhou, Guangdong Province to offer more convenient local delivery services in and around these cities and expect to expand the coverage of such services. In order to support the launch of such delivery services in additional cities, we are in the process of upgrading our processing and storage capacity as well as product packaging technologies in order to improve the taste and shelf life of our products. In addition, we will continue to explore more logistics service solutions to facilitate our online initiatives and ensure timely delivery.

Most importantly, in order to establish a further integrated and sustainable modern business model, we expect to further streamline our online and offline resources with the aim to creating greater convenience and unique shopping experiences for our customers. Accordingly, we are in the process of establishing an integrated customer database by consolidating information collected from our offline membership program and online channels, including third-party online marketplaces and third-party payment system operators. Such integration will provide valuable insights and guidance to help us understand, analyze and predict our customers' tastes and demands as well as their spending patterns, which in turn can assist us in better serving them with specially tailored online and offline services.

Develop new products and introduce new technologies to continuously enhance consumers' satisfaction

We believe that continuously delivering top quality and diversified products to consumers is key to maintaining our competitive position and ensuring our future growth and success. Accordingly, we will continue to emphasize product development and innovation. We plan to selectively develop new products to cater to consumer needs, such as braised vegetables, bean curd, poultry, eggs and seafood.

We will continue to develop and introduce new product packaging technologies that may further improve the taste and shelf life of our products. We will also continue to promote the establishment of industry standards, which will further enhance our competitiveness. For example, by leveraging our experience with MAP technology, we have influenced provincial standards in relation to the MAP technology applicable to casual braised food in Hubei Province.

Since 2015, we have offered individually-packed vacuum packages of certain selected popular products, such as duck necks, duck webs and duck wings, which offer a more convenient consumption option for casual food consumers. Our individually-packed vacuum packages and fixed-weighted packages for our MAP products have become popular among customers and we expect them to gradually replace our conventional family size packaged products.

Further improve operational efficiency and expand production capacity

Continuously improving our operational efficiency and expanding our production capacity is key to maintaining our competitive position. Accordingly, we plan to improve our processing technologies to improve our operational efficiency. We have upgraded our automated transmission and defrosting processes and plan to further increase automation in other production processes, such as cutting and packaging, so as to optimize our cost structure and production efficiency. Moreover, we intend to leverage our cooperation with third-party research and development entities to customize and upgrade our production equipment which will further improve our production efficiency and product quality. We also expect to optimize the standardization of our product specifications, which may further enhance our production efficiency and reduce check-out times in our retail stores.

We will scale up our production capacity and improve our production efficiency. We are constructing the Phase II Wuhan processing facility, which is expected to be completed by the end of 2016. We also plan to construct another processing facility in Dongguan, Guangdong Province, for which we have obtained a parcel of land. Upon completion, we expect these facilities to substantially increase our overall production capacity. We also plan to construct addition processing facilities in eastern, southwestern and northern China, for which we have not identified any particular parcel of land and no definitive agreement has been entered into in this regard. These new processing facilities, together with our current processing facilities, will effectively extend and enhance the service radius of our cold chain logistics from transportation, delivery to storage, thereby enabling us to increase the supply and freshness of our products at our stores, in particular, our MAP products which require low-temperature preservation. In addition, we expect to further enhance our control over our production value chain and deepen our vertical integration. To keep pace with the expansion of our production capacity as well as our retail store network, we expect to increase our investments in logistics systems, such as procuring additional logistics-related equipment.

We plan to further enhance our control over the production value chain and deepen our vertical integration by selectively acquiring or partnering with high-quality raw material suppliers to secure supply and ensure quality of key raw materials. We will carefully consider and evaluate the synergies between us and our potential partners, including but not limited to the spectrum and quality of their products, their production capacity, and the estimated costs and potential risks in association with the synergies of their operations with ours. As of the Latest Practicable Date, we had not identified any acquisition target and had not entered into any definitive agreement or arrangement in this regard.

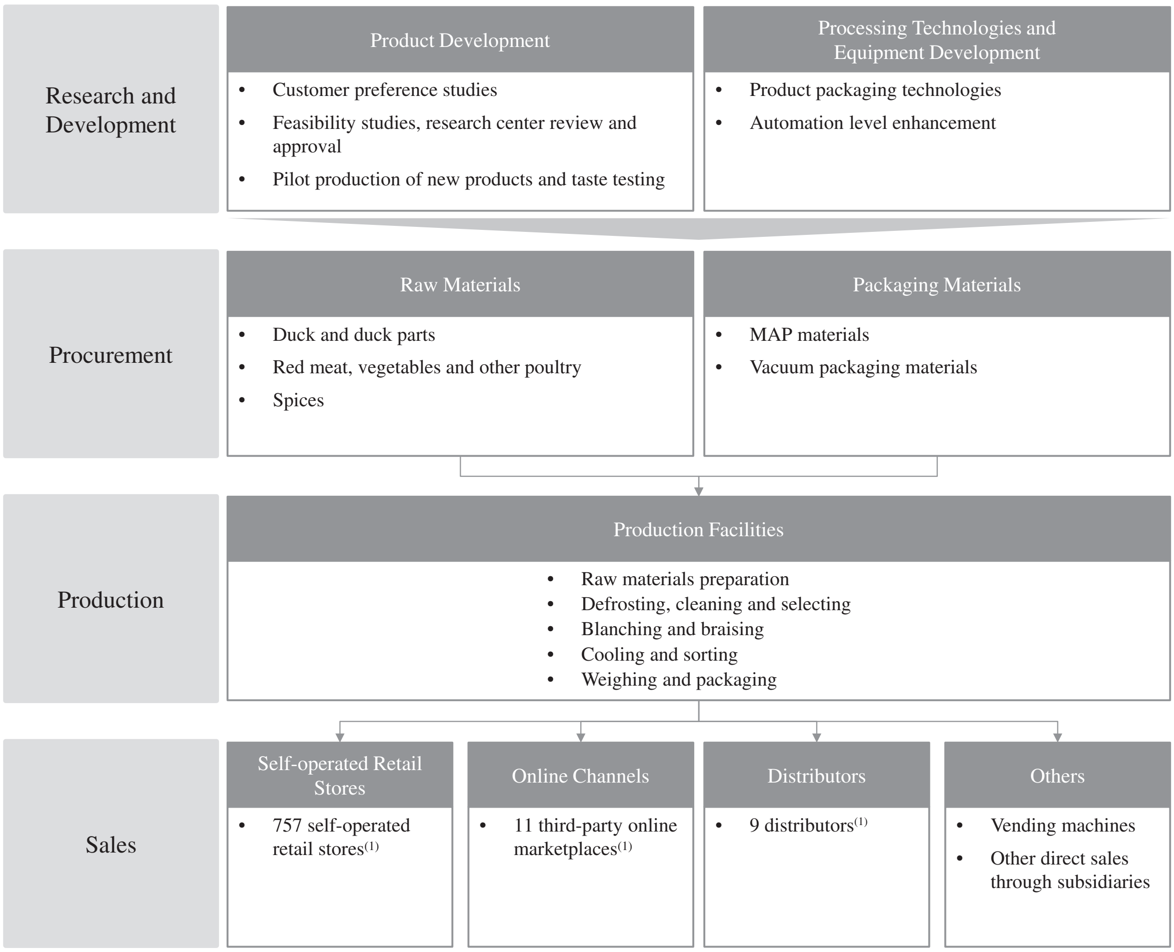
Further strengthen our brand equity and promote our unique culture and lifestyle image

We will continue to implement our entertainment marketing strategies, both online and offline, to further enhance our brand image while promoting our unique culture and lifestyle image of "More Entertainment, More Fun" ("會娛樂更快樂"). We plan to increase our brand image campaigns and sponsorships, such as in movies, to promote our core lifestyle concept. We will also actively study the changing trends and preferences of our customers in order to tailor our promotional initiatives to better attract their attention. We have been holding and will continue to hold innovative marketing events, and will aim to increase customer engagement in such events. For example, we plan to establish flagship stores to demonstrate our product braising processes and promote duck-related culture. We also plan to set up customer experience zones in certain selected stores, which will provide interactive games that convey our corporate culture and lifestyle. We expect these initiatives to be specially tailored to enhance customer experience and to further differentiate ourselves from our competitors, and in the long run enable us to maintain our price premiums. We currently estimate to use approximately 6% of the proceeds we will receive from this Global Offering for our brand image campaigns and sponsorships to enhance our brand recognition, please also refer to "Future Plans and Use of Proceeds" for more details.

We also expect to further reinforce our corporate culture and customer stickiness through active interactions with our existing and potential customers. We plan to design and offer more functions and events for our membership program that are expected to reinforce customer loyalty. For instance, we intend to provide additional promotional incentives to attract more members and encourage their consumption.

OUR BUSINESS MODEL

We produce, market and retail casual braised food. Our business model is illustrated in the following diagram.



Note:

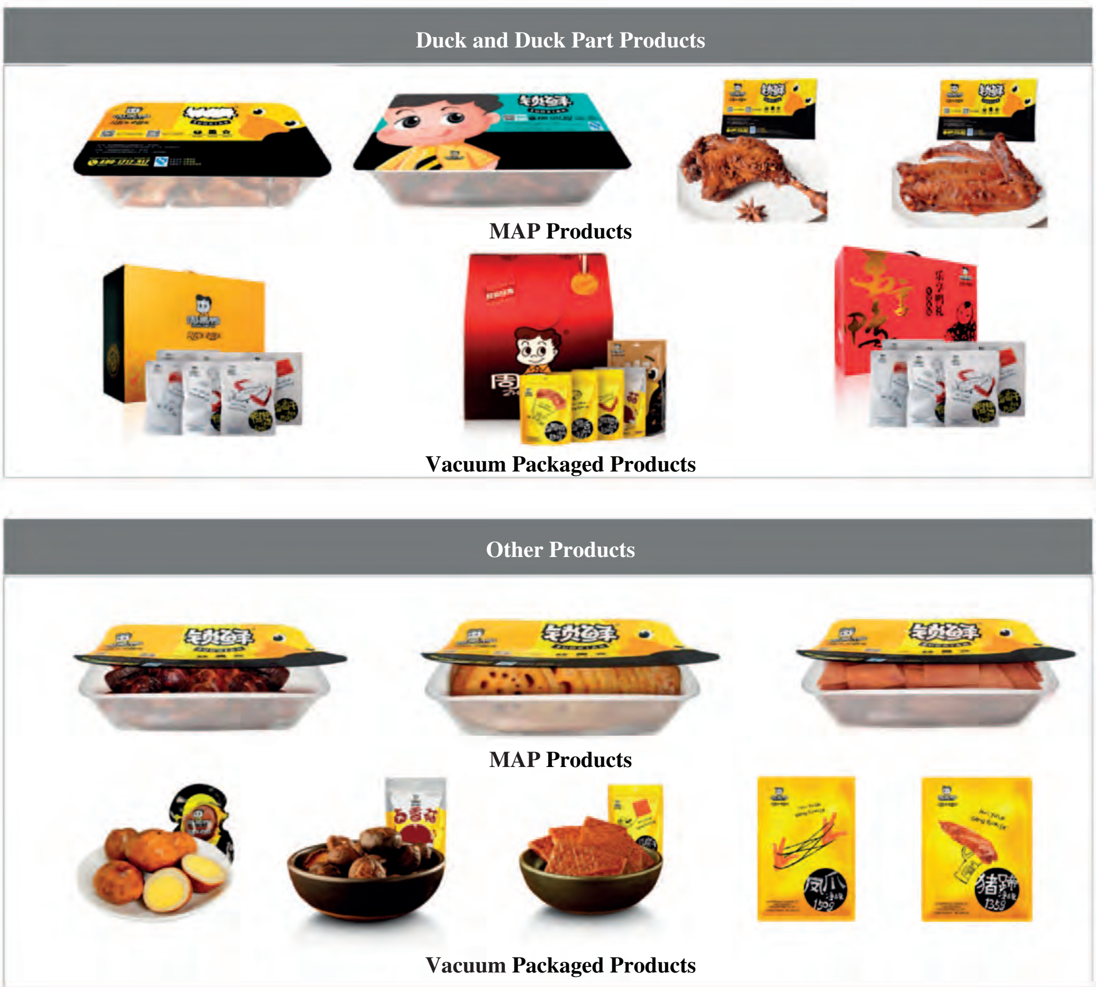
(1) As of the Latest Practicable Date.

OUR PRODUCTS

We were recognized as the leading brand in terms of customer satisfaction among all casual braised food brands in China, according to a survey conducted by Frost & Sullivan in 20 cities in China in 2015. We are specialized in the production, marketing and retailing of casual braised food, in particular, braised ducks and duck parts. Our duck part products primarily include duck necks, duck wings, duck collarbones, duck tongues and duck webs. We also offer braised red meat, braised vegetable products and other braised poultry. During the Track Record Period, revenue generated from our braised ducks and duck parts accounted for approximately 89.5%, 91.9%, 90.7% and 88.7%, respectively, of our total revenue in 2013, 2014 and 2015 and the six months ended June 30, 2016.

Over the past decade, we have been continuously improving our blending and processing technologies. In addition, by using high quality spices, our products possess a popular and rich flavor, which appeals to consumers in different geographic regions of China. To ensure the consistency of quality and taste of our products, we adopt a uniform base flavor through establishing standardized quality control measures and product processing procedures. We conduct reviews every month of our employees who are responsible for production processes. Our new products are also subject to several rounds of flavor testing by the designated professionals in our research center and by a special tasting team before we officially launch the commercial production. In addition to a tasting team which is comprised of a broad range of experienced professionals from various departments, we also invite customers to participate in new product tasting events.

Below are samples of some of our products.



The table below sets forth certain information regarding our main product categories.

Main Product Categories	Packaging	Suggested Retail Price Range and General Specification[(2)]
Ducks and Duck Parts	MAP packages and vacuum packages	• RMB9.0 to RMB36.0 per small-sized MAP package ranging from 80 g to 200 g[(3)] • RMB12.0 to RMB58.0 per large-sized MAP package ranging from 150 g to 320 g[(3)] • RMB12.0 to RMB48.0 per vacuum package ranging from 88 g to 180 g • RMB128 to RMB338.0 for various gift boxes
Other Products[(1)]	MAP packages, vacuum packages and vacuum bottles	• RMB7.9 to RMB23.9 per small-sized MAP package ranging from 100 g to 180 g[(3)] • RMB11.9 to RMB43.9 per large-sized MAP package ranging from 200 g to 300 g[(3)] • RMB12.0 to RMB25.0 per vacuum package ranging from 128 g to 170 g • RMB6.8 to RMB12.0 per vacuum bottle of 100 g

Notes:

(1) Other products mainly include braised red meat, braised vegetable products and other braised poultry.

(2) The majority of products sold through our online channels include vacuum packaged products and MAP products.

(3) The weight of the package of our products varies from product to product.

Product Packaging

To ensure product safety and quality, we have achieved a complete shift from selling unpackaged products to MAP products. Our products are currently sold either in MAP or vacuum packaging.

MAP. Modified atmosphere packaging, or MAP, technology, which changes the composition of the internal atmosphere of a package by lowering the atmospheric oxygen level and replacing it with nitrogen to restrict the growth of bacteria and microbes, improves the shelf life of braised food. In comparison to vacuum packaging technology, the MAP technology also preserves the fresh taste and texture of food as it does not apply ultra-heat treatment in the packaging process. The nitrogen level in our MAP products typically remains over 99% during the period of shelf life. Substantially all of our MAP products have a shelf life of five to seven days from the production date if preserved by refrigeration. The MAP technology, which is a mature packaging technology in overseas markets, is modified by our in-house research and development to accommodate our braised food. We imported our MAP production lines from Germany to ensure that our MAP products are not only properly sealed but also easy to open by our customers.

We began to introduce MAP products in 2012 and fully launched such products in all our stores in 2014. We believe that we are one of the first companies in China to widely apply the MAP technology in the casual braised food industry, influencing the consumption behavior and competitive landscape in our industry. Leveraging our experience with MAP technology, we have influenced provincial standards in relation to the MAP technology applicable to casual braised food in Hubei Province. In the second half of 2015, we started to offer fixed-weighted packages for our MAP products. The standardized product specifications enhance the cashier efficiency in our retail stores and allow us to sell and distribute our products to different regions of China through different sales channels, including online channels. We expect that revenue derived from MAP products as a percentage of total revenue to continue to grow.

Although MAP products have a relatively shorter shelf life as compared to vacuum packaged products, MAP packaging better maintains fresh taste, texture and nutrient content of our products, partially because it does not require high-temperature steaming process, making them more tasteful and popular than vacuum packaged products. As such, we continued to promote and enhance the manufacturing and sales of our MAP products.

Vacuum Packaging. Our vacuum packaged products are sealed packages in which oxygen is completely removed. Our vacuum packaged products generally have a shelf life ranging from 90 to 180 days, thereby allowing us to sell and distribute products to different regions of China, including distant regions.

Moreover, we offer premium packaged gift boxes of various popular vacuum packaged products. Additionally, since 2015, to enhance our competitiveness in the casual food industry, we also started to offer individually-packed vacuum packages of certain selected popular products, including duck necks, duck webs and duck wings, which offer a more convenient option for consumers. Our individually-packed vacuum packages have become popular among customers since their launch and we expect them to gradually replace our conventional family size vacuum packages and serve as the major alternative to our MAP products.

Product Pricing

We believe our leading position in our industry in China as well as our brand recognition and product quality have provided us with strong pricing power. We intend to apply reasonable prevailing market prices with consistent and high quality products.

We generally take into account a number of factors to set the price of our products, including production costs, market demand, local purchasing power, rental expenses and competition intensity. As a result, our products may be sold at different prices in different regions of China. In addition, the retail price of our products is generally higher in some because of higher rental and operating expenses, such as our stores located in airports.

The price of each product in each region is proposed by the management of our local companies and is then determined by our management at our headquarters. Our self-operated retail stores are not allowed to change the retail unit prices. The unit price of our MAP products sold through our online channels is slightly higher than that at our self-operated retail stores, primarily due to additional costs related to cold storage packaging.

Seasonality

Although our products are not seasonal, our sales are generally higher during long public holidays in China, such as Chinese New Year, Labor Day and National Day, as well as during summer vacations. Our results for a given fiscal period are not necessarily indicative of results to be expected for any other fiscal period.

In addition, a number of factors may cause fluctuations in our results in certain period, including overall customer demand for our products, the timing and number of new store openings, and our production capacity and utilization rate.

However, the impacts of seasonality on our operations and financial performance are not material.

MARKETING

We place great emphasis on the promotion of customers' awareness of our brand name and products. Since our incorporation, we have adopted tailored and creative marketing strategies and have utilized various traditional and new media channels to effectively reach our customers and increase our brand awareness.

Our marketing initiatives aim to place advertisements in places with high pedestrian traffic and high concentration of customers with the habit of casual food consumption. For example, our products were featured in an international blockbuster movie in 2014. We have sponsored the Creative Marketing Competition held at universities and colleges in Hubei Province and participated in relevant speeches and lectures on university campuses from 2013 to 2016. These activities helped to reinforce our brand awareness among young students and influence their purchasing behavior at an early stage. In August 2014, we sponsored a high-speed bullet train between Wuhan and Beijing, becoming the first Wuhan-based company to be granted naming rights to a high-speed bullet train. The train was re-named "Zhou Hei Ya" during the contract term and we are allowed to broadcast and display our advertisements in the train during the five-hour journey. In 2015, we also displayed our advertisements on four light rail trains in Chongqing from May to November 2015. We placed our advertisements on domestic airlines from May 2014 to May 2015 and provided our products as free airline snacks for promotional purposes to enhance our brand recognition.

We also market our brand through cross-promotions with our partners in complementary industries to jointly offer coupons and free gifts. We collaborate with movie theaters and karaoke establishments to launch promotional events for our customers by issuing discounted or free tickets or coupons. Leveraging our unique position in the casual food industry, we expect to further strengthen cooperation with other leading food or beverage brands in cross-promoting our brand and products.

In addition, we operate our official accounts on leading social media platforms in China, such as Weibo and WeChat, through which we are able to engage in active interactions with our existing and potential customers, collect first-hand customer feedback and promote our brand and products in a visually impactful way and on a frequent basis. We believe that these social media platforms allow us to efficiently and cost-effectively reach a broader customer base.

We have enhanced the visibility of the QR code of our online stores, such as at our local stores and outdoor advertisements in order to drive the user traffic to our online stores. To further explore market opportunities online, we have actively participated in online promotional events, such as those held on November 11 ("**Double Eleven**" or "雙十一") and May 17 ("**Foodie Festival**" or "吃貨節", an event to promote online food purchases in China). In addition, we have cooperated with third-party online marketplaces and placed prominent advertisements on their landing pages to take advantage of their precision marketing initiatives and leverage their online search functions. We also purchase marketing services provided by Taobao to optimize the hits of keyword search results in connection with our brand and products. We are actively seeking cooperative opportunities with online payment channels, including mobile payment service providers, to offer more convenient payment options for our online purchasers. Moreover, we plan to enhance synergies between our retail store network and our online channels by developing a consolidated member database across our sales channels.

We have been holding and will continue to hold innovative marketing events, and aim to increase customer engagement in such events. For example, from time to time we invite customers to visit our processing facilities to facilitate their understanding of the high quality and hygiene of our products during the processing process, and to learn about our corporate culture in person. In addition, we plan to establish flagship stores to demonstrate our product braising processes and promote duck-related culture. We also plan to set up customer experience zones in selected stores, which will provide interactive games that convey our corporate culture and lifestyle. We expect these initiatives to be specially tailored to enhance customer experience and to further differentiate ourselves from our competitors and in the long run enable us to maintain our price premiums.

CUSTOMERS AND SALES CHANNELS

Customers

The popular and rich flavor of our products enables us to attract a customer base consisting of different occupations, income segments and age groups.

We sell our products directly to consumers through our sales channels, primarily our self-operated retail stores across China. See "— Sales Channels" below. As a retail-based casual food business operator, our customer base is highly diversified. Our revenue derived from our top five customers accounted for less than 30% of our total revenue for the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016. None of our Directors, their respective associates or any of our shareholders holding more than 5% of our issued share capital after the Global Offering, to the knowledge of our Directors, held any interests in any of our five largest customers during the Track Record Period.

Sales Channels

We have established an extensive and well-managed retail network. We sell our products primarily through our self-operated retail stores. We also sell products through different sales channels, including online channels and distributors.

The table below sets forth our revenue contribution by sales channel during the Track Record Period:

	Year Ended December 31,						CAGR	Six Months Ended June 30,			
	2013		2014		2015		(2013-2015)	2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	%	RMB'000	%	RMB'000	%
Self-operated retail stores	1,087,666	89.4	1,589,134	87.9	2,131,428	87.6	40.0	1,032,530	87.9	1,217,399	87.6
Online channels	58,735	4.8	110,492	6.1	172,435	7.1	71.3	69,831	5.9	113,679	8.2
Distributors	64,693	5.3	103,682	5.7	111,812	4.6	31.5	61,493	5.2	53,075	3.8
Others(1)	6,483	0.5	5,774	0.3	16,334	0.7	58.7	10,838	1.0	4,982	0.4
Revenue	**1,217,577**	**100.0**	**1,809,082**	**100.0**	**2,432,009**	**100.0**	**41.3**	**1,174,692**	**100.0**	**1,389,135**	**100.0**

Note:

(1) Primarily include revenue generated from vending machines and other direct sales through subsidiaries.

Our strategic focus on the establishment and maintenance of our self-operated retail store network enables us to exert control over the quality of our products and customer service during the rapid expansion of our retail network.

Self-operated Retail Stores

The majority of our products are sold through our self-operated retail store network. All of our self-operated retail stores are operated by us under the "Zhou Hei Ya (周黑鴨)" brand. Our focus on the self-operated model enables us to effectively monitor product quality, enhance hygiene and product safety, execute operational and financial initiatives, collect valuable customer data and feedback, as well as promptly and flexibly respond to shifting market trends and consumer preferences.

Since our first store opened in Jianghan District, Wuhan in 2002, we have gradually expanded our footprint to other cities in Hubei Province, then to Hunan Province, Jiangxi Province, Guangdong Province (including Shenzhen), Zhejiang Province, Henan Province, Jiangsu Province, Sichuan Province, Beijing, Tianjin, Shanghai and Chongqing. As of the Latest Practicable Date, we had established an extensive self-operated retail store network that consisted of 757 stores in 40 cities covering 12 provinces and municipalities in China.

The following pictures illustrate some of our self-operated retail stores.

We exercise a high degree of control over our self-operated retail store network, and have developed a retail network management system which enables us to flexibly and promptly adjust our retail store network to satisfy our customers' needs. We have a systematic approach to identifying and evaluating prospective store locations. Our standardized store opening and operational procedures allow us to quickly replicate our success in other new regional markets. As a result of our business model, standardized site identification and store establishment procedures, and centralized procurement of in-store furnishings and displays, we are able to significantly reduce upfront investment, minimize preparation time for new store openings, and achieve a short Breakeven Period and Investment Payback Period for our stores. We lease properties for substantially all of our stores, which further lowers the upfront capital investments and risks associated with the expansion of our retail store network.

The map below illustrates our self-operated retail store network in China as of the Latest Practicable Date. The colored regions are where we have self-operated retail stores presence and the numbers in the parenthesis denote the number of self-operated retail stores we have in the region.

The table below sets forth the changes in the number of our self-operated retail stores during the Track Record Period.

	Year Ended December 31,			Six months Ended June 30,	
	2013	2014	2015	2015	2016
Beginning of period	349	389	468	468	641
Additions	97	117	222	115	96
Closures[(1)]	(57)	(38)	(49)	(20)	(21)
Net increase	40	79	173	95	75
End of period	389	468	641	563	716

(1) Closure means the actual termination of operations of our stores.

During the Track Record Period, the number of our self-operated retail stores increased from 389 as of December 31, 2013 to 468 as of December 31, 2014 and further to 641 as of December 31, 2015 and 716 as of June 30, 2016. As of the Latest Practicable Date, we had 757 self-operated retail stores covering 40 cities in 12 provinces and municipalities in China. During the Track Record Period, revenue generated from our self-operated retail stores amounted to RMB1,087.7 million, RMB1,589.1 million, RMB2,131.4 million and RMB1,217.4 million, respectively, in 2013, 2014 and 2015 and the six months ended June 30, 2016, accounting for approximately 89.4%, 87.9%, 87.6% and 87.6%, respectively, of our total revenue in such periods.

We consistently monitor the performance of our self-operated retail stores with the assistance of our information technology system, which enables us to track the sales data and inventory level of each self-operated retail store on a real-time basis.

During the Track Record Period, we closed 57, 38, 49 and 21 self-operated retail stores, respectively, in 2013, 2014 and 2015 and the six months ended June 30, 2016, primarily due to underperformance of these stores. During the Track Record Period, we opened 97, 117, 222 and 96 new self-operated retail stores, respectively, in 2013, 2014, 2015 and the six months ended June 30, 2016 to expand our retail network and enhance our market penetration.

The table below sets forth (i) a breakdown of the number of our self-operated retail store network and (ii) a breakdown of revenue contribution as a percentage of total revenue generated from self-operated retail stores, each presented by geographic location for the periods indicated.

	As of December 31,						CAGR	As of June 30,			
	2013		2014		2015		(2013-2015)	2015		2016	
		%		%		%	%		%		%
Number of stores											
Central China[(1)]	283	72.8	314	67.1	341	53.2	9.8	326	57.9	361	50.5
Southern China [(2)]	69	17.7	81	17.3	140	21.8	42.4	127	22.6	157	21.8
Eastern China [(3)]	18	4.6	32	6.8	63	9.8	87.1	47	8.3	79	11.0
Northern China [(4)]	19	4.9	41	8.8	80	12.5	105.2	58	10.3	90	12.6
Southwestern China [(5)]	—	—	—	—	17	2.7	N.A.	5	0.9	29	4.1
Total number of stores	**389**	**100.0**	**468**	**100.0**	**641**	**100.0**	**28.4**	**563**	**100.0**	**716**	**100.0**

	For the Years Ended December 31,						CAGR	Six Months Ended June 30,			
	2013		2014		2015		(2013-2015)	2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	%	RMB'000	%	RMB'000	%
Revenue											
Central China(1)	902,074	82.9	1,237,539	77.8	1,493,759	70.1	28.7	753,410	73.0	844,134	69.3
Southern China(2)	120,390	11.1	190,238	12.0	325,755	15.3	64.5	142,621	13.8	167,801	13.8
Eastern China(3)	29,246	2.7	72,894	4.6	143,320	6.7	121.4	63,385	6.1	101,042	8.3
Northern China(4)	35,956	3.3	88,463	5.6	154,751	7.3	107.5	69,152	6.7	93,052	7.6
Southwestern China(5)	—	—	—	—	13,843	0.6	N.A.	3,962	0.4	11,370	1.0
Total	**1,087,666**	**100.0**	**1,589,134**	**100.0**	**2,131,428**	**100.0**	**40.0**	**1,032,530**	**100.0**	**1,217,399**	**100.0**

Notes:

(1) Comprises Hubei Province, Hunan Province, Henan Province and Jiangxi Province.

(2) Comprises Guangdong Province (including Shenzhen).

(3) Comprises Shanghai, Jiangsu Province and Zhejiang Province.

(4) Comprises Beijing and Tianjin.

(5) Comprises Chongqing and Sichuan Province.

Our average revenue per self-operated retail store amounted to RMB2.9 million, RMB3.7 million, RMB3.8 million and RMB3.6 million, respectively, in 2013, 2014 and 2015 and the twelve months ended June 30, 2016. According to Frost & Sullivan, we recorded an industry leading average revenue per self-operated retail store among all major casual braised food producers in China in the twelve months ended June 30, 2016. The overall increase in our average revenue per self-operated retail store from 2013 to 2015 was also partially because of upward price adjustments due to the gradual replacement of unpackaged products with MAP products and the launch of fixed-weighted packages for our MAP products and individually-packed vacuum packages for our vacuum packaged products in the second half of 2015, each of which has a higher suggested retail price.

During the Track Record Period, central China was our leading regional market and Hubei Province, our home market, contributed a significant portion of our revenue during the Track Record Period. As of December 31, 2013, 2014 and 2015 and June 30, 2016, there were 197, 231, 248 and 262 self-operated retail stores in Hubei Province, respectively. Revenue derived from these self-operated retail stores in Hubei Province amounted to approximately RMB792.3 million, RMB1,090.0 million, RMB1,279.9 million and RMB718.4 million in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively, representing approximately 65.1%, 60.3%, 52.6% and 51.7% of our total revenue over the same periods.

Store Network Management

We have established a dedicated team to manage our self-operated retail store network. At the beginning of each calendar year, our development department at headquarters establishes a new store opening schedule based on our annual operational target, which is subject to review during the normal course of operation execution.

We follow a disciplined approach in selecting cities for our new stores. In determining the regions we expect to tap into, we evaluate a number of factors, including the target city's local economy, level of urbanization and population, purchasing power, local industrial composition as well as the coverage of our facilities and logistics centers. We prioritize affluent cities with high population density in China as we believe such areas can provide us with a more sizable and stable potential customer base.

We conduct thorough surveys and analysis (including on-site visits and pedestrian traffic count) in connection with the target location. We also conduct feasibility studies in connection with the target location, which cover customer traffic, spending pattern, competition level, expected revenue and profit level, estimated rent and cost structure, as well as legal compliance status. We strategically locate our stores in areas with high pedestrian traffic and high concentrations of our customers, such as transport hubs, commercial complexes and shopping malls, business districts, schools and colleges and large scale residential districts, with the aim to increase the convenience of consumers to make purchases and enhance the visibility of our brand and products. We determine the distance between our stores based on our market analysis as well as commercial considerations to minimize competition between stores. To cater to the high demand of our products in certain areas, additional stores may be set up in close proximity to the existing stores.

Our regional development teams are generally responsible for the site identification and selection and preparation of the proposal for preliminary screening and initial approval by the manager of our headquarters' development department. Upon initial review, the development manager may either reject the proposal if it fails to meet our site selection criteria, or, request the relevant regional development team to prepare detailed feasibility studies. Such feasibility studies will also be jointly reviewed by regional operation and sales teams in order to leverage their experience and expertise, which will then be submitted to and reviewed by our headquarters. Our site selection and store opening procedures require each new store to be approved by the office of the chief executive officer.

All of our stores adopt the same basic design features, including storefront, store interior decorations and displays. We believe that our uniform store design strengthens brand recognition, improves the efficiency of expansion of stores and lower the risks of a counterfeit store. We from time to time upgrade our store design to optimize the consumer experience. We engage third parties to manufacture store decoration materials which are standardized, thereby allowing us to shorten the time required to open new stores.

See "— Internal Control Measures — Protection against Counterfeit Stores" below for more details.

Recent and Planned Expansion

We experienced rapid expansion in recent years. During the Track Record Period, we opened 97, 117, 222 and 96 new stores, respectively, in 2013, 2014 and 2015 and the six months ended June 30, 2016. Leveraging our mature product portfolio and established business model, we expect to further expand our self-operated retail store network.

We plan to increase the number of our retail stores in our existing markets, in particular areas with high pedestrian traffic, such as transport hubs, commercial complexes and shopping malls, to further deepen our market penetration. We believe there is still room for us to grow further in our existing markets, even in mature markets. As of the Latest Practicable Date, we had 196 self-operated retail stores in Wuhan, our home market and had 81 and 40 self-operated retail stores, respectively, in Beijing and Shanghai, which numbers indicate further growth opportunities for us.

In addition, we expect to expand our footprint by strategically replicating our successful retail store model into new regions in China by opening new stores or pursuing prudent acquisitions. We will typically focus on opportunities in affluent regions with high population density and strategic locations that can provide a potential customer base with higher spending on casual braised food. As for potential acquisitions for new stores, we will primarily consider the costs associated with the potential acquisition, including potential legal compliance cost, the store location, economic conditions of its neighboring regions, the presence of our competitors as well as the frequent customers in such local area.

In 2015, we opened self-operated retail stores in two new cities, namely Chongqing and Suzhou. Since July 1, 2016 and up to the Latest Practicable Date, we had opened 53 self-operated retail stores and entered into two new cities, namely Zaoyang, Hubei Province and Xinxiang, Henan Province. We plan to further increase the number of our self-operated retail stores by approximately 187 and 180 stores in 2016 and 2017, respectively. For the years ending December 31, 2016 and 2017, our planned capital expenditure for opening new stores is expected to be approximately RMB22.4 million and RMB21.6 million, respectively, assuming the estimated average capital expenditure per store at RMB120.0 thousand. The following table sets forth a breakdown of the number of new self-operated retail stores we expect to open, represented by geographic location, in 2016 and 2017.

	2016	2017
Number of Stores		
Central China (1)	43	29
Southern China (2)	39	41
Eastern China (3)	49	47
Northern China (4)	22	45
Southwestern China (5)	34	13
Northwestern China (6)	—	5
Total	187	180

Notes:

(1) Comprises Hubei Province, Hunan Province, Henan Province and Jiangxi Province.

(2) Comprises Guangdong Province (including Shenzhen).

(3) Comprises Shanghai, Jiangsu Province and Zhejiang Province.

(4) Comprises Beijing and Tianjin.

(5) Comprises Chongqing and Sichuan Province.

(6) Comprises Shaanxi Province.

In a long run, we will also seek appropriate opportunities to tap into overseas markets with Chinese consumers, such as Hong Kong, Macau, Taiwan and Singapore, that are familiar with and more receptive to our products. As of the Latest Practicable Date, we have not formulated any concrete plans for such expansion.

We expect the average capital expenditure per store to be approximately RMB120.0 thousand in 2016. Historically, we funded our retail store network expansion with a mix of cash flow generated from our operations and investments from private equity investors. Our regional marketing teams will prepare an annual budgeting plan in relation to the proposed new store expansion plan in their respective regions at the beginning of each year, based on their respective staffing capacity, actual sales targets achieved in the previous year as well as the difficulty of developing local markets. Our headquarters shall then consolidate and develop the annual budgeting plan for our Group based on such regional markets' plans after taking into account our overall business development strategies.

During the Track Record Period, once we had identified a store location, it typically took us around 45 days to open a store. In addition, during the Track Record Period, the Breakeven Period of our newly opened self-operated retail stores generally ranged from one to two months, and the Investment Payback Period of our newly opened self-operated retail stores generally ranged from two to six months.

However, the actual number, location and timing of new store openings in any period will be affected by a number of factors and subject to uncertainties. We may review and make adjustments to our expansion plans from time to time depending on the market conditions, pre-opening preparation and development of existing self-operated retail store network, see "Risk Factors — Our future growth depends on our ability to increase the number of our self-operated retail stores and to maintain and enhance their performance."

In the six months ended June 30, 2016, we had opened 96 new stores and closed 21 stores. As such, as of June 30, 2016, we had 716 self-operated retail stores. Since July 1, 2016 and up to the Latest Practicable Date, we had opened 53 new stores and closed 12 stores. As such, as of the Latest Practicable Date, we had 757 self-operated retail stores.

Lease Arrangements

We lease properties for substantially all of our stores, which generally have a floor area of 10 to 50 square meters. We typically enter into lease agreements for our stores with a term of one to five years. As of the Latest Practicable Date, our valid leases had an average lease term of approximately 2.7 years.

As of the Latest Practicable Date, we maintained a total of 809 leased properties for self-operated retail stores, occupying a floor area of approximately 25,140 square meters, of which 55 stores were not in operation mainly because they were obtaining the requisite licenses and certificates for operation, or certain leased properties were under decoration or had not been handed over to us or under preparation for operation, or we were terminating the relevant leases due to commercial considerations. As of the Latest Practicable Date, the average store size was approximately 31 square meters. The following table sets forth a maturity profile of our operating leases of our leased stores as of the Latest Practicable Date.

	Retail Stores		Floor Areas		Lease Expenses(1)
	number	%	square meters	%	RMB millions
Due within one year or at will	381	47.1	11,330	45.1	159.7
Due after one year but within two years	194	24.0	6,710	26.7	97.8
Due after two years but within three years................................	142	17.5	4,260	16.9	49.2
Due after three years	92	11.4	2,840	11.3	26.6
Total...	809	100.0	25,140	100.0	333.3

Note:

(1) Represents the total lease expenses for the relevant remaining lease terms.

We are generally allowed to terminate lease agreements with one month prior written notice and either party may terminate the agreements prior to expiry by obtaining the counterparty's consent. We own the equipment and movable property in the stores purchased by us and will be required to remove such equipment and property when we terminate the relevant lease agreement and return the premises to the landlord.

Online Channels

To capture opportunities presented by rapidly growing e-commerce in China and fulfill consumer demand for more convenient shopping, we have established online channels to supplement our retail network. Our online channels not only appeal to young customers who are more tech-savvy and seek a convenient shopping experience, but also enable us to reach less affluent and more remote cities where our physical retail stores have not yet been established.

We have established our online sales channels by opening our online shops on well-known third-party online marketplaces, including Tmall, Taobao, JD.com, Yihaodian (1號店) and Suning, and maintaining our website to introduce our products and direct customer traffic to our online shops. The number of online marketplaces on which we had established online stores increased from four as of December 31, 2013 to seven as of December 31, 2015, and further to 11 as of the Latest Practicable Date. Pursuant to the relevant agreements, we manage online stores on these third-party online marketplaces, where we list our products. These online marketplaces also usually offer various tools and supporting functions that we may utilize to manage our online store and purchase orders, as well as to communicate with online customers. We are subject to the operational terms and conditions of these online marketplaces. We are typically required to make one time deposits to the platforms to ensure our compliance with the relevant laws and regulations of the government and the rules issued by respective platforms. Such deposits will be refunded upon termination of the cooperation after deducting any applicable penalties for breach of the relevant rules.

During the Track Record Period, revenue generated from online channels amounted to RMB58.7 million, RMB110.5 million, RMB172.4 million and RMB113.7 million, respectively, in 2013, 2014, 2015 and the six months ended June 30, 2016, accounting for approximately 4.8%, 6.1% and 7.1% and 8.2%, respectively, of our total revenue in such periods.

Below are screenshots of the storefronts of our online stores on Tmall and Yihaodian (1號店), respectively.

Below are screenshots of our WeChat store.

Distributorship Model

To complement our self-operated retail store network, we engage a limited number of distributors to leverage their local resources and experiences to tap into certain markets. Although we believe that the distributorship model is a common practice in our industry, we expect to continue focusing on our self-operated retail store network and retaining only a limited number of distributors to optimize our management resources. Historically, we also entered into consignment agreements with third-party partners. However, we no longer carry out the consignment arrangement as a result of such optimization.

Some of our distributors and third party partners under consignment arrangements are or were authorized to operate authorized retail stores which are required to comply with our standardized operational policies and practices, including the same store design, such as storefront, store interior decorations and displays, in-store quality control standards and procedures. We also dispatch sales staff to these authorized retail stores to facilitate the sales of our products and ensure that quality services are consistently delivered to our consumers. In addition, they may sell our products through other sales channels, such as specialty stores, supermarkets, convenience stores and karaoke establishments.

As of December 31, 2013, 2014 and 2015 and June 30, 2016, we had a total of 24, 19, 6 and 8 distributors, respectively, and a total of six, six, nil and nil third-party partners under consignment arrangements, respectively. These distributors and third-party partners operated in aggregate a total of 37, 36, 26 and 18 authorized retail stores in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively. Our revenue derived from the distributorship model (including distributors and third-party partners under consignment arrangements) amounted to RMB64.7 million, RMB103.7 million, RMB111.8 million and RMB53.1 million, respectively, in 2013, 2014 and 2015 and the six months ended June 30, 2016, accounting for approximately 5.3%, 5.7%, 4.6% and 3.8%, respectively, of our total revenue over the same periods.

Distributors

As of December 31, 2013, 2014 and 2015 and June 30, 2016, we had 24, 19, 6 and 8 distributors, respectively, operating 32, 28, 26 and 18 authorized retail stores, respectively.

In order to ensure the quality of our distributors and to avoid unhealthy competition against our self-operated retail stores, we carefully decide whether to engage distributors in a given regional market, based on the estimated market demands for our products, local purchasing power, as well as the number of our existing self-operated retail stores. We consider to engage distributors for a new regional market where we have not established our self-operated retail stores. We may also consider to engage distributors when we estimate that it is difficult and costly for us to open self-operated retail stores at the initial stage while the distributor candidates possess stronger local resources. We select distributors based on a number of factors, including, among others, their local resources and experiences, access to sales channels (such as specialty stores, supermarkets, hotels and karaoke establishments), understanding of our company, brand, culture, products, business model and ability to work with us effectively, industry experiences, marketing capabilities, as well as their historical operational performance and legal compliance status.

Moreover, we require our distributors to comply with the distribution agreements they entered into with us, in order to minimize the competition among our self-operated retail stores and the stores operated by our distributors. Subject to our distribution agreements, our distributors are only allowed to sell our products in the designated premises and we periodically conduct on-site inspections in order to ensure that our distributors are in compliance with the requirements provided in our distribution agreements.

Our eight distributors as of June 30, 2016 had business relationships with us for approximately two years. The following table sets forth changes in our distributors for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,
	2013	2014	2015	2016
At beginning of the period	18	24	19	6
Add: new appointments	14	3	1	3
Less: termination of appointments	(8)	(8)	(14)	(1)
At the end of the period	24	19	6	8

All of the distributors are our customers and do not act as our agents. In order to maintain our brand integrity, leading position and product quality, we place stringent controls on our distributors in a number of aspects, including entering into written distribution agreements with substantially all of our distributors. These agreements typically have a term of one year and may be renewed upon mutual consent. Pursuant to the terms of our distribution agreements, without our prior written consent, the distributors are not allowed to engage sub-distributors or other third parties to distribute our products. They are also not allowed to use our trademarks and business names or to distribute our products outside of the premises or regions as specified in the relevant agreements. Some of our distribution agreements prohibit our distributors from bundling our products with any other similar products. The distribution agreements usually contain no minimum purchase requirements. We generally set sales targets for our distributors under the distribution agreements, and we also review and assess their performance. We recognize revenue when products has delivered to our distributors and our distributor has accepted the products. There is no obsolete stock or repurchase arrangement between our distributors and us. Products sold to our distributors belong to them, except that distributors can return defective products to us for a full price refund. We generally do not allow distributors to return their unsold products to us upon termination of the distribution agreements. During the Track Record Period, the value of returned products by our distributors was insignificant. We also provide our distributors with training programs to enhance their understanding of our operational strategies and business philosophy as well as to improve their marketing skills.

Our distribution agreements set forth suggested retail price of our products. We generally require our distributors to make payments in full before we dispatch products to them. During the Track Record Period, we sold our products to our distributors at a discount to our retail prices. Depending on the different product categories, the discount rate typically ranged from 15% to 25% to our suggested retail prices.

During the Track Record Period, three distributors were owned by our ex-employees, all of whom had worked for us for at least five years. In addition to the factors we typically consider in selecting distributors, including their local resources and experiences, access to sales channels (such as specialty stores, supermarkets, hotels and karaoke establishments), understanding of our company, brand, culture, products, business model and ability to work with us effectively, industry experiences, marketing capabilities, as well as historical operational performance, we chose to cooperate with these three distributors because we believe their previous employment background with us and their understanding of us give them a significant advantage over others. The three ex-employee distributors mainly operated in Hubei Province, Beijing and Guangdong Province, respectively. The distribution agreements that we entered into with these ex-employee distributors contain the same terms and conditions that we offer to other distributors. None of such ex-employees had become our distributors while they were still employed by us. Save as disclosed below, other than the former employment relationship, none of them had other relationships with us, our Directors, senior management and their respective associates.

One of our Directors, Mr. Wen Yong, personally extended a RMB5.0 million loan to the shareholder of Wuhan HXGH to facilitate her capital contribution to Wuhan HXGH. The loan carried an interest rate of 1.5% per annum and had a term of three years. The loan had been fully repaid by the shareholder of Wuhan HXGH as of the Latest Practicable Date. Other than this, none of our Company, our Directors, senior management or respective associates had provided any assistance to our distributors.

In July 2015, the three ex-employee distributors agreed to join together as a single distributor. One of these three ex-employee distributors established a company, Wuhan HXGH, in July 2015, and were joined by the other two ex-employee distributors as senior management in August and September, 2015, respectively. Wuhan HXGH replaced the three ex-employee distributors and entered into a new distribution agreement with us. The terms and conditions of this new distribution agreement with Wuhan HXGH are generally the same to those of the agreements previously entered into with other distributors.

In 2013, we added 14 new distributors to help expand our retail network. By taking into account our distributors' historical performance as well as our strategic focus on the self-operated business model, we made a strategic decision to optimize our management resources over the various forms of distributorship model by streamlining and consolidating our distributors during the Track Record Period to Wuhan HXGH. As a result, we have terminated the distributor relationship with some of our distributors and the number of our distributors decreased from 24 as of December 31, 2013 to six as of December 31, 2015. As of December 31, 2013, 2014 and 2015, the numbers of authorized retail stores operated by our distributors were 32, 28 and 26, respectively. As of June 30, 2016 and the Latest Practicable Date, we had eight and nine distributors, respectively, which in aggregate operated 18 and 20 authorized retail stores. As certain of the terminated distributors have become sub-distributors (upon our written consent after considering a number of factors, including the level of competition in their regions) of Wuhan HXGH, and Wuhan HXGH further optimized its management resources, Wuhan HXGH operated a total of 15 authorized retail stores as of the Latest Practicable Date and revenue derived from Wuhan HXGH was approximately RMB25.4 million and RMB48.0 million in

2015 and the six months ended June 30, 2016, respectively. Our revenue generated by distributors with whom we terminated distribution relationships during the Track Record Period was insignificant. This consolidation has streamlined the retail store network operated by our distributors and enabled us to improve our management of distributors.

Consignment Arrangements

During the Trade Record Period, we entered into consignment agreements with third-party partners to establish stores under the consignment arrangement with the aim to leverage their attractive store locations. We believed that under these arrangements we can take advantage of the local knowledge, network and resources of third-party partners to expand our retail network in areas where there is growth potential. As of December 31, 2013, 2014 and 2015, we had a total of six, six and nil third-party partners under consignment arrangements, respectively, operating five, eight and nil authorized retail stores, respectively, and selling our products through supermarkets. Revenue derived from these third-party partners under consignment arrangements amounted to approximately RMB42.0 million, RMB53.1 million and RMB36.9 million in 2013, 2014 and 2015, respectively.

To optimize our management resources, we had terminated all consignment arrangements in 2015. The following table sets forth the changes in our third-party partners under consignment arrangements for the periods indicated:

	Year Ended December 31,		
	2013	**2014**	**2015**
At beginning of the period	3	6	6
Add: new consignment arrangements	3	2	0
Less: termination of arrangements	(0)	(2)	(6)
At the end of the period	6	6	0

We grant a credit term of up to 69 days to some of our third-party partners and the payments are calculated and settled based on the actual sales volume. We generally share with our third-party partners an agreed percentage (with our share ranging from 70% to 88%) of the store revenue generated from our product sales or a fixed amount of payment. Pursuant to terms and conditions of some of the consignment agreements, we are required to make deposits to our partners to secure the attractive store locations, which deposits are to be fully refunded to us upon termination of agreements. We are also generally required to bear the set-up costs of newly established stores under consignment arrangements and all operational expenses associated with store operations. In addition, some of the consignment agreements prohibit us from opening other new stores within a certain radius from the store under consignment agreements.

Other Sales Channel

As of the Latest Practicable Date, to supplement our self-operated retail store network, we had two vending machines in Hangzhou, which generally incur relatively low setup and maintenance costs and are supported by our self-operated retail stores located nearby. Our vending machines are strategically located in places where we believe have high levels of pedestrian traffic but are not covered by our existing retail store network, such as in railway station. Customers can conveniently select and purchase our products from our vending machines, which accept cash. We believe that our vending machines help increase our brand awareness and availability of our products.

Customer Services

We operate a customer service hotline that is available 15.5 hours a day and 7 days a week to respond to customer inquiries and complaints and to collect their feedback. We typically require our customer service staffs to respond and report internally to the relevant departments within 24 hours. In addition, we also actively communicate with existing and potential customers through various social media platforms, such as Weibo and WeChat. In addition, our customer service staff proactively conduct on-site visits and telephone surveys on selected members to better understand our customers' feedback.

In 2013 and 2014, we launched internal contests for outstanding quality and services among our self-operated retail store network. Our headquarters reviewed the performance of each store in terms of its service quality through phone call interviews as well as feedbacks provided by our customers. We also arrange "secret customers" to visit our stores to collect first-hand information. Through these measures, we are able to further enhance our quality and service standards across our self-operated retail store network and reward outstanding stores and individual employees.

Membership Program

We have established a membership program to further enhance our customer loyalty. As of June 30, 2016, we had issued approximately 3.0 million valid membership cards. During the Track Record Period, our members on average deposited approximately RMB227 every time and the total prepaid amount deposited in each period by our customers increased from RMB85.0 million in the year ended December 31, 2013 to RMB153.6 million in the year ended December 31, 2014 and further to RMB246.9 million as of December 31, 2015. Our customers also deposited RMB195.6 million in the six months ended June 30, 2016, indicating customers' high-level of confidence in us and their strong willingness to purchase our products in the future. Please also refer to "Financial Information — Net Current Assets/Liabilities — Other Payables and Accruals" for more details about the prepaid deposits of our membership cards.

Our customers can apply for our membership cards at our retail stores. The use of our membership cards is subject to the terms and conditions published by us, which are subject to our amendment from time to time in accordance with the relevant laws and regulations. There is no minimum deposit requirement for our membership cards. The deposited amounts are generally not allowed to be cashed out. If a member intends to terminate the membership and cancel the membership cards, the unused deposits will be returned to such customer upon the request. Our membership cards do not have an expiry date. Our members are eligible for our promotional activities and redeem products or gifts by using cumulative membership points. We offer birth month gifts to members and arrange on-site visits to our processing facilities to facilitate their understanding of our corporate culture and lifestyle and further enhance the customer loyalty.

On the other hand, this membership program facilitates our collection of certain valuable customer data, such as their product preference, purchasing pattern, payment options and other geographic or demographic information, which are captured by our ERP system. Through data mining and analysis, we are further able to implement precise marketing initiatives that better address a customer group's preferences and demands, which in turn, effectively improve our customer stickiness. We are in the process of developing a consolidated member database by combining customer data collected from both online and offline channels. Upon the launch of this consolidated database, members are able to use one membership account to make purchases at our physical retail stores and online stores. Privileged services currently available offline, such as membership point accumulation and redemption, discounted purchases and gifts, will also be available for online purchases, which in turn, may further improve customers shopping experiences and increase customer loyalty.

Membership cards can only be used in our self-operated retail stores and authorized retail stores operated by our distributors; therefore, it is an effective measure to identify counterfeit stores. See "— Internal Control Measures — Protection against Counterfeit Stores" below for more details.

As advised by our PRC legal advisor, based on the discussion with government authorities, including the Office of Market Order of Department of Commerce of Hubei Province, Office of Currency Order of Beijing Municipal Commission of Commerce and Office of Market Order of Tianjin Commission of Commerce, or the compliance certificates issued by competent government authorities, mainly the local level Bureaus of Commerce of regions where we conduct business operations, our membership program and prepaid arrangements comply with all relevant PRC laws and regulations in all material aspects.

Product Warranty and Recall Policies

Substantially all of our MAP products have a shelf life of five to seven days and our vacuum packaged products typically have a shelf life ranging from 90 to 180 days, each from the production date. Our retail stores examine our products again before they are checked out to minimize the possibility of defective products. We have established a stringent product recall policy. We also conduct periodic recall drill to test and improve our emergency response system.

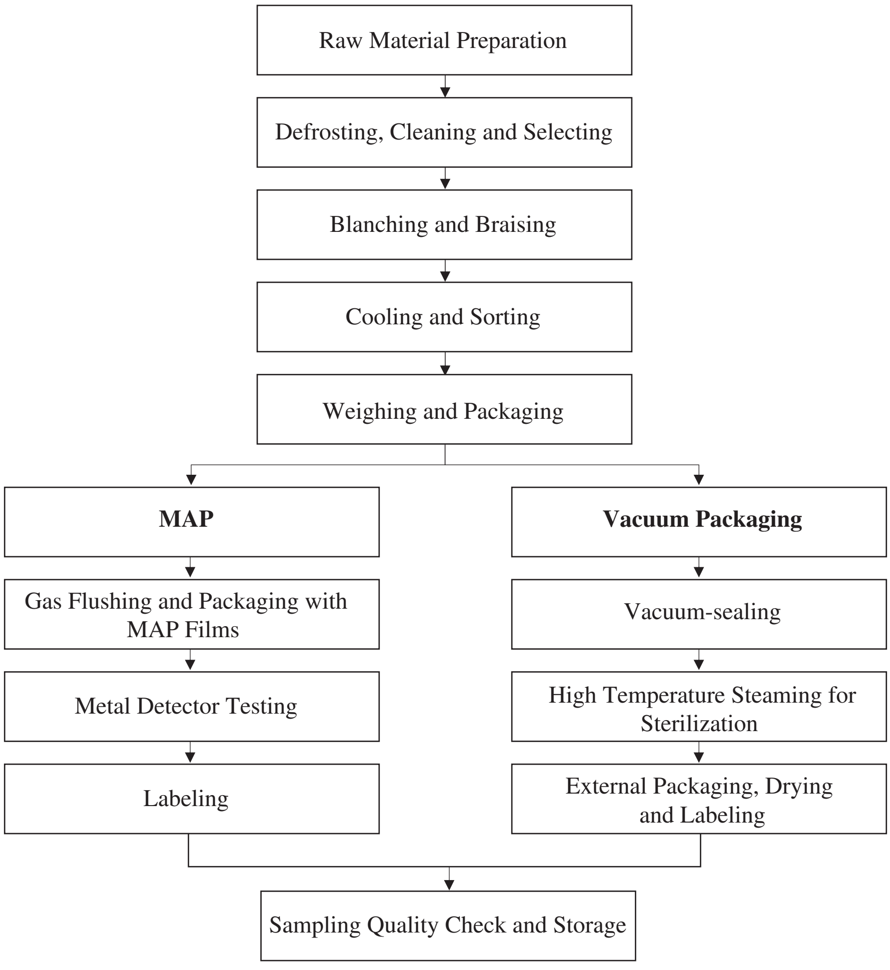
Our ERP system enables us to track all material information of our final products, allowing us to efficiently identify and locate defective batches of products in cases of emergent recalls. As our sales personnel scans the barcode at the point of sales, any defective and expired product will be identified and prohibited from being sold to customers.

During the Track Record Period, we have not encountered any material product recall. During the Track Record Period, we had also not experienced any material customer complaints with respect to our product quality.

OUR PRODUCTION

Production Process

We do not engage in the raising or slaughtering of poultry. Instead, we engage in the deep-processing of braised food, in particular, ducks and duck parts. We purchase raw materials from third parties, mainly primary-processed frozen processed ducks and duck parts. We then process and package the products at our own processing facilities and sell through our sales channels, mainly our self-operated retail stores. The chart below illustrates the key stages of our processing processes that are generally applicable to most of our braised products:



Raw Material Preparation

We procure ducks and duck parts from reputable qualified poultry companies in China. In addition, we source spices from their regions of origin to ensure consistent quality and competitive pricing. For more details regarding our suppliers and procurement policies, see "— Raw Materials and Suppliers" below.

Defrosting, Cleaning and Selecting

Before we commence the braising process, we defrost frozen ducks and duck parts and clean all the raw materials properly and thoroughly. Certain duck parts are also pickled before they enter into the braising process. Ducks are mainly roasted by adopting our unique and traditional techniques. Processed raw materials that cannot meet our quality specifications, such as weight, size, shape and color, will be identified and excluded from the next processing step.

Blanching and Braising

Blanching removes the unpleasant odor of meat, which also makes our final products more fragrant and tasty.

After blanching, the processed ducks and duck parts are braised by immersing them completely in our specially developed master stock. Our technicians produce the braising sauce by mixing various spices, such as dried chili, black pepper, etc., with sauce based on a preset standardized formula. Subject to the different raw materials, the braising process generally takes 10 to 70 minutes.

Cooling and Sorting

After braising, the products are sorted and separated based on the weight and shape and the residual spices will be removed. Separated braised products are then placed on conveying carriers for cooling.

We are currently developing machinery to accomplish the cooling and sorting processes automatically, which will further enhance our operational efficiency, and lower the temperature of final products in a shorter period of time, helping to better preserve the flavor and ensure the quality of our products.

Weighing and Packaging

MAP

To ensure product quality and hygiene, we trial launched our MAP products in 2012, which had been fully launched in mid 2014. We mainly import the production lines as well as some of packaging materials for our MAP products from Germany. These packaging materials are specially produced by low density polyethylene and polyester materials, each of which has a specific range of oxygen permeability, water vapor transmission rate and transparency. These features are critical to the sealing reliability of our MAP products and ensure our MAP products are easy to open by our customers.

For our major products, small-sized MAP packages generally range from 80 g to 200 g and large-sized MAP packages generally range from 150 g to 320 g, depending on the types of products. The final products are weighted and then packed in accordance with the relevant standardized specifications.

Vacuum Packaging

Alternatively, final products are weighted and packaged and are then processed by vacuum sealing machines. The sealed packages are sterilized by high temperature and pressure steaming for 10 to 15 minutes, depending on the type of the products, in order to meet the standards of commercial sterility. High temperature restrains growth of bacteria and microbes and may significantly extend the shelf life of our final products. We conduct sampling tests on every batch of the final products to ensure they are properly sealed and sterilized.

In 2015, we commenced to offer individually-packed vacuum packages which are small vacuum packages with individual products. Such individually-packed vacuum packages are packed in accordance with the relevant standardized specifications.

Barcoding, Sampling Quality Check and Storage

Every package is labeled with a designated traceable barcode, a unique electronic identification that archives its product name and net weight. Barcodes of our MAP products also contain batch numbers that archive additional information, such as manufacturing time and date and production line. Our ERP system keeps track of all such barcodes, allowing us to trace the status of each product in storage or in transit until it is sold to our customers.

We conduct sampling checks on each batch of products to ensure that our final products have fully met our quality requirements.

With the support of stringent temperature control, our final MAP products will then be packed and stored in our storehouses before delivering to our self-operated retail stores or distributors. Our final vacuum packaged products are stored at our warehouses for five or seven days depending on the air temperature, for sealing and complete sterilization. Only the batch of vacuum packaged products which passes our sample checks can be released and dispatched.

Processing Facilities

As of the Latest Practicable Date, we had two processing facilities with an aggregate site area of 53,438 square meters, located in two major cities in China, namely Wuhan of Hubei Province and Shanghai. We also plan to construct additional processing facilities to increase our production capacity.

MAP products are produced at each of our two processing facilities while vacuum packaged products are currently only produced at our Wuhan facility. We expect to add production lines for vacuum packaged products at our planned new processing facilities.

The table below sets forth a summary of production capacity in terms of the number of products and utilization rates for our MAP products in our current facilities for the periods indicated.

	Year Ended December 31, 2013					Year Ended December 31, 2014				
	Designed Production Capacity [1]		Production Volume		Utilization Rate [2]	Designed Production Capacity [1]		Production Volume		Utilization Rate [2]
	(boxes)	(tons)	(boxes)	(tons)		(boxes)	(tons)	(boxes)	(tons)	
Wuhan Facility										
MAP products[3]........	26,418,000	7,236	19,820,000	5,429	75.0%	75,248,000	19,390	60,440,000	15,575	80.3%
Shanghai Facility										
MAP products[4]........	3,960,000	1,077	1,390,000	378	35.1%	8,660,000	2,048	7,440,000	1,760	85.9%

	Year Ended December 31, 2015					Six Months Ended June 30, 2016				
	Designed Production Capacity (1)		Production Volume		Utilization Rate (2)	Designed Production Capacity(1)		Production Volume		Utilization Rate(2)
	(boxes)	(tons)	(boxes)	(tons)		(boxes)	(tons)	(boxes)	(tons)	
Wuhan Facility										
MAP products(3)........	102,359,000	26,355	85,130,000	21,919	83.2%	55,603,000	13,863	51,510,000	12,843	92.6%
Shanghai Facility										
MAP products(4)........	19,620,000	4,587	13,540,000	3,166	69.0%	11,121,000	2,607	8,219,000	1,927	73.9%

Notes:

(1) The designed production capacity is the number of boxes of MAP products that each product line can produce in the relevant year/period, which is calculated based on the production of standardized products and the actual amount of working hours of the machinery, assuming 16 hours per day in the Wuhan facility and 8 hours per day in the Shanghai facility. The number of days for the year ended December 31 and the six months ended June 30 is 365 days and 181 days, respectively. The designed capacity of MAP products in terms of tons is calculated based on the design capacity in terms of number of boxes and the actual average weight per box based on the actual product mix produced in the relevant year/period.

(2) The utilization rate is calculated based on the production volume divided by the designed production capacity in the relevant year/period.

(3) We operated four, seven, eight and eight production lines in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively, for MAP products in Wuhan facility.

(4) We operated two, two, three and three production lines in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively, for MAP products in Shanghai facility.

In addition to MAP, we also produced unpackaged products in 2013 and 2014 and vacuum packaged products during the Track Record Period. The designed and actual output volume of these production lines may be varied dependent on a number of factors, including the type of products to be produced, their respective specifications, working hours of the machinery, etc. In addition, subject to the type and specifications of vacuum packaged products to be produced, the vacuum sealing machines for the final packaging stage of vacuum packaged products is subject to constant manual adjustments by our employees, the output volume of which may be varied depending on the proficiency of these employees. As such, the production capacity and utilization rate of our production lines for unpackaged and vacuum packaged products cannot be ascertained objectively.

From January 2012, we leased a processing facility in Shenzhen to meet the anticipated demand in the southern China region. This leased facility had an aggregate floor area of approximately 3,800 square meters and had three MAP production lines with a total designed annual production capacity of 11,642,560 boxes. As the production capacity of the Shenzhen facility was not scalable due to its size which was not sufficient to meet the surge in demand in the southern China region since 2014, and taking into account the upcoming expiry of the lease, the benefits of consolidating production in larger facilities and the landlord's inability to rectify certain title defects as well as the lack of certain environmental related permits, we relocated the majority of production lines and personnel in this Shenzhen facility to our Wuhan facility in July 2015. As a result, the production capacity as well as the utilization rate of MAP production lines of our Wuhan facility increased after the relocation further to our business expansion. We also have not experienced any significant increases in our overall production costs or significant delays in our operation schedule due to such relocation. Given that the lessee entity is not owned by our Group (but by Wuhan ZHY Holdco) and has since been de-registered, our Directors, as advised by our PRC legal advisor, are of the view that any past defects relating to the Shenzhen facility would have no legal consequence to us.

During the Track Record Period, the utilization rate at our Wuhan facility gradually increased, primarily due to our continuous business growth. During the Track Record Period, the utilization rate of our Shanghai facility was relatively low, which was primarily because we had been in an early stage of our regional expansion into eastern China area and the customer demands for our products had not been fully stimulated. Our Shanghai facility commenced the production of MAP products since April 2013 which resulted in a lower annualized utilization rate in 2013 compared with 2014. Its utilization rate decreased from 2014 to 2015 which was mainly attributable to the addition of one production line, resulting in an increase in the total production capacity. Moreover, due to the nature of our products which typically have a short shelf life, we prudently manage our production schedules and strategically set aside a small portion of our available production capacity to respond to relatively higher market demands during long public holidays and summer vacations. Despite our current available production capacity, we intend to continue to establish more processing facilities as we expect that there remain huge growth potentials of casual braised food in China. According to Frost & Sullivan, the market size of casual braised food in China is expected to continue to grow from RMB52.1 billion in 2015 to RMB123.5 billion in 2020, with a CAGR of 18.8%. Due to the short shelf life of our products, additional processing facilities are able to better support our different regional markets by ensuring the quality and freshness of our products. Furthermore, additional processing facilities in various regions are also expected to reduce our logistics costs.

We are constructing the Phase II Wuhan processing facility, which is expected to be completed by the end of 2016. The Phase II Wuhan processing facility will contribute additional production capacity once it commences commercial operation. We also plan to construct another processing facility in Dongguan, Guangdong Province, for which we have obtained a parcel of land. The detailed construction plan and estimated timeline for this planned processing facility are still being formulated by the management subject to the market conditions and our business requirements. In the future, we expect the new Dongguan facility to be the principal production base for the southern China region. We expect to produce MAP and vacuum packaged products at both the Phase II Wuhan facility and the Dongguan facility. In addition, we plan to establish additional processing facilities in eastern, southwestern and northern China. We expect to substantially enhance our ability to offer efficient delivery services after an online order is made upon the completion of these processing facilities. The table below sets forth certain information relating our expansion plans for processing facilities in Wuhan, Hubei Province and Dongguan, Guangdong Province subject to our current estimates and business plans.

Processing Facilities	Actual/Expected Date of Commencement of Construction/ Expansion	Expected Completion Date of Construction/ Expansion(1)	Planned Annual Product Capacity	Estimated Capital Expenditures(2)	Estimated Annual Depreciation	Planned New Staff Recruitment	Estimated Staff Costs relating to the Additional Staffs
Phase II Wuhan...	December 2014	December 2016	88,300,800 boxes, or 22,000 tons	RMB215.7 million	RMB14.1 million	30(3)	RMB2.5 million
Dongguan............	in the fourth quarter of 2016(4)	by 2018(4)	94,187,520 boxes, or 23,500 tons	RMB300 million	RMB15.9 million	370	RMB35.2 million

Notes:

(1) We expect to commence the production in the new facility as soon as its construction is completed and the inspection by the relevant government authorities is finished.

(2) In addition to the proceeds will we receive from this Global Offering, we currently expect to fund the remaining portion from the working capital generated from our operation for these expansion plans.
(3) We also plan to relocate certain existing staff at our current Wuhan facility to this new Phase II Wuhan facility.
(4) We are currently in the preparation of going through the requisite administrative procedures for the construction of our Dongguan facility. We will commence the construction as soon as the relevant administrative procedures are completed and we have obtained the relevant approvals or certificates.

In addition to the Phase II Wuhan facility and the new Dongguan facility, we also plan to utilize a small portion of the proceeds from this Global Offering to upgrade the production equipment in our current Shanghai facility. We currently do not expect to recruit additional staff and incur additional staff costs in connection with these upgrades.

During the Track Record Period, duck and duck part products accounted for approximately over 70% of our total output volume. Most of the product processing sessions for duck and duck part products are almost identical except for certain upstream processing sessions relating to braising and stewing, which provides us with significant flexibility to adjust our production capacity for different products as required based on changing demand while maintaining high utilization rate of our production lines.

Major machinery and equipment in our processing facilities include steam-jacketed kettles, cooling tunnels and separating machines as well as automated MAP production lines. We own all of our production machinery and equipment. The average expected useful life and replacement cycle of MAP packaging machines is approximately 10 years and the depreciation rate we adopted is 9.5%. As of the Latest Practicable Date, the average age of our MAP packaging machines was approximately 2.7 years. The average expected useful life and replacement cycle of boilers for food braising ranges from 5 to 8 years and the depreciation rate we adopted ranges from 11.9% to 19.0%. As of the Latest Practicable Date, the average age of our boilers was approximately 5.2 years. The average expected useful life and replacement cycle of labeling machines is approximately 8 years and the depreciation rate we adopted is 11.9%. As of the Latest Practicable Date, the average age of our labeling machines was approximately 2.7 years. Please refer to the Accountants' Report set out in Appendix I to this prospectus for more details about our accounting policies adopted for depreciation. We implement a comprehensive maintenance system for our facilities and equipment, including scheduled downtimes for maintenance and repairs and regular inspections on the status of the machinery and equipment while ensuring the overall utilization rate of our production lines to support our purchase orders. We did not experience any material or prolonged interruptions to our production process due to equipment or machinery failure during the Track Record Period.

RAW MATERIALS AND SUPPLIERS

Raw Materials

We do not engage in upstream poultry processing and do not raise or slaughter any poultry. Instead, we purchase raw materials from third parties, mainly processed frozen ducks and duck parts from reputable domestic poultry companies. We primarily procure two breeds of ducks, namely diving ducks (麻鴨) for our duck products, and white-Pekin-ducks (櫻桃穀鴨) for our duck part products. We specially select diving ducks weighing approximately 1.4 kg to 1.7 kg and white-Pekin-ducks weighing approximately 5.8 kg to 6.3 kg.

During the Track Record Period, we purchased approximately 30,000 tons, 39,100 tons, 52,450 tons and 24,100 tons of ducks and duck parts, respectively, in 2013, 2014 and 2015 and the six months ended June 30, 2016, which accounted for the largest portion of our total raw material cost. During the Track Record Period, procurements of ducks and duck parts amounted to approximately RMB341.7 million, RMB538.9 million, RMB748.1 million and RMB325.2 million, respectively, in 2013, 2014 and 2015 and the six months ended June 30, 2016, accounting for approximately 70.4%, 72.5%, 75.1% and 72.2% of our total procurement costs in such periods.

We also procure various spices mainly for the production of our braising sauces, such as dried chili, black pepper, etc. We source spices from their regions of origin to ensure consistent quality and competitive pricing. We generally conduct collective procurement for spices once a year at then prevailing market prices.

Similar to duck parts, we purchase other poultry, red meat and vegetables from reputable domestic suppliers.

In addition, we procure various packaging materials for our MAP and vacuum packaged products from domestic and overseas suppliers. In particular, we purchase MAP containers, which are wrapped by high-barrier thin plastic packaging films. These containers and films are specially produced by low density polyethylene and polyester materials, each of which has a specific range of oxygen permeability, water vapor transmission rate and transparency. These features are critical to the sealing reliability of our MAP products and ensure our MAP products are easy to open by our customers.

Raw material costs generally increased during the Track Record Period, which was consistent with the overall local economy. For example, due to the outbreak of H7N9 avian flu in 2013 which constrained the potential price increase of ducks and duck parts during that year, we experienced a significant increase in costs of ducks and duck parts in 2014 resulting from the recovery from the avian flu. In addition, certain major duck and duck part suppliers in China raised their selling prices in early 2015. Raw material costs continued to increase in 2015, which increase was partially offset by the impact of favorable VAT tax exemption policies for agriculture products effective from April 1, 2015 that are applicable to our Wuhan processing facilities and effectively increased the relevant deduction rate with respect to our raw material procurement. In anticipation of a potential price increase, we increased our inventory of certain major raw materials, such as duck necks and duck collarbones, in late 2015 to better control our costs. See "Financial Information—Significant Factors Affecting Our Results of Operations—Raw material costs" for more details on our raw material costs and 'Financial Information—Description of Major Components of our Results of Operations—Cost of Sales" for more details on the sensitivity analysis on the fluctuation in raw material costs during the Track Record Period. See "—Inventory Management" below and "Financial Information—Net Current Assets/Liabilities—Inventories" for more details on our inventory control measures.

Suppliers and Procurement Policies

Currently all of our key raw materials are sourced from domestic suppliers. All of our suppliers are required to comply with the relevant laws and regulations as well as the quality standards provided by us under the supply agreements with respect to their ducks, duck parts and other supplies. See "—Product Safety and Quality Control" below. We typically retain multiple suppliers for each of our major raw materials and all of them are independent third parties. Due to the frequent price fluctuations of raw materials, we usually do not enter into long-term agreements with our suppliers. Our typical supply agreements have a term of one year subject to annual review and renewal. We monitor the market price and trends of raw materials. Our supply agreements also set forth detailed quality standards and specifications for the raw materials. For ducks and duck parts, the suppliers are required to present to us relevant quality inspection certificates in connection with the products to be delivered to us. In addition, the suppliers are required to deliver the products to our designated facilities pursuant to the agreements and the products are subject to our inspection upon arrival. We generally are responsible for transportation fees. In case of any quality defects that are not due to our negligence in storage, the suppliers are responsible for a replacement promptly, or we may deduct the payment of such defected products directly. We generally settle payments with our key raw material suppliers twice a month subject to the actual delivered amount and the purchase price as mutually agreed. We may from time to time enter into strategic cooperative agreements with key suppliers, in order to strengthen the business relationships and further secure sufficient supplies of our raw materials. In addition, our long-term stable business relationships with such suppliers also enable us to minimize the risks of unexpected fluctuation in raw material prices.

Depending on the actual production plan, we generally place purchase orders under the supply agreements, which sets forth the amount or quantity, quality specifications, payment terms and delivery schedules. We currently review and adjust the purchase prices under purchase orders for our major raw materials on a monthly basis. The lead-time for our individual purchases generally ranges from three to five days, subject to the location and the means of transportation. During the Track Record Period, we had not encountered any material delay in the delivery of our raw materials that interrupts our operations. We have also not encountered any material disruption of our business resulting from a shortage of raw materials in the past and we do not expect any material difficulties in procuring such raw materials in the future.

Our major duck suppliers are qualified industrialized poultry companies in China which typically engage in integrated upstream operations including hatching, slaughter, frozen and distribution. Since our inception, we have established long and stable business relationships with a large number of poultry companies. In the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016, we transacted with 65, 67, 53 and 41 third-party duck suppliers, respectively, most of which had cooperated with us for over four years. During the Track Record Period, aggregate purchases from our top five suppliers in terms of dollar amount in aggregate accounted for approximately 27.3%, 26.1%, 32.5% and 27.6%, respectively, of our total purchase cost in 2013, 2014 and 2015 and the six months ended June 30, 2016. Purchase from our largest supplier in terms of dollar amount accounted for approximately 7.2%, 7.8%, 13.9% and 7.1%, respectively, of our total purchase cost in such periods. During the Track Record Period, we terminated business relationships with 15, 27, 15 and four duck and duck part suppliers, respectively, in 2013, 2014 and 2015 and the six months ended June 30, 2016. The reduction in the number of duck and duck part suppliers was primarily a result of our stringent quality controls, as we prefer to have continual business relationships with the higher quality suppliers. The terminations did not include any major supplier of ours and included certain newly identified suppliers providing ducks and duck parts to us on a product trial basis.

Although we transact with our suppliers and constantly review their quality on an individual basis, some of our suppliers are controlled by two groups in China's poultry industry, namely Liuhe and Yike. Historically, we purchased ducks and duck parts through poultry wholesalers. As our business continued to grow, we identified that most of our scalable suppliers of ducks and duck parts were subsidiaries of Liuhe and Yike. Seeing an opportunity to achieve operational efficiencies and leveraging our economies of scale, we approached Liuhe and Yike directly in 2012 with a view to having them to act as facilitators of our supply chain. During the Track Record Period, the group companies designated by Liuhe and Yike coordinated for us where the capacity for the required volumes and quality are available among their respective group companies. The aggregate purchases from subsidiaries of Liuhe and Yike accounted for approximately 59%, 64%, 65% and 66% of our total purchase cost in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively. We have endeavored to balance our procurement schedules from Liuhe, Yike and other suppliers. In addition to the subsidiaries of Liuhe and Yike, we transacted with 12, 14, 13 and five other duck and duck parts suppliers in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively. We believe duck and duck part suppliers are readily available in China and we are able to secure sufficient supplies in a timely manner at comparable cost if Liuhe and Yike fail to provide us with raw materials in the quantity and quality meeting our requirements. Poultry industry in China is generally competitive and fragmented and has a large number of multinational, national and regional poultry companies. Therefore, we believe there are numerous alternative duck and duck parts suppliers that we can transact with.

We place a significant focus on the quality of processed ducks and duck parts which have a material and direct impact on the quality of our final products, and in turn, our reputation. Therefore, we select our duck suppliers with extra care based on our own stringent evaluation and assessment criteria. To initiate the supplier selection procedure, our procurement department collects information of candidates and their products for the sample production testing. Our quality control department subsequently conducts comprehensive reviews on candidates that have passed the initial sample testing. We consider a wide range of factors in selecting and retaining a duck supplier, including overall track record, expertise and experience, product quality and quality control measures, production capacity and efficiency to meet our delivery timelines, financial condition and reputation. We also conduct an annual evaluation on all of our duck suppliers at each year end in order to review their performance and replace unqualified ones.

None of our Directors, their respective associates or any of our shareholders holding more than 5% of our issued share capital after the Global Offering, to the knowledge of our Directors, held any interests in any of our five largest suppliers during the Track Record Period.

PRODUCT SAFETY AND QUALITY CONTROL

Product safety and quality control are of paramount importance to our reputation and business. As such, we implement stringent product safety and quality control standards and measures throughout our entire product processing processes, covering raw material supply chains, logistics, product processing, inventory and sales channels, to ensure the full safety and high quality of our products.

As of the Latest Practicable Date, we had established a quality assurance center with 67 employees, among which four hold a master's degree and 45 hold a bachelor's degree. The quality assurance center is currently led by Mr. Guo Chengxiang, our quality assurance director who has over five years of technology and quality assurance related experience in pharmaceutical and biotech companies and had worked with Nanjing Christine Foodstuff Co., Ltd., a well-known food company in China for three years prior to joining us. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any material product safety incidents.

Our quality assurance center directly reports to the supervising senior management and is responsible for, among other things:

- establishing and enforcing quality standards and building teams responsible for quality assurance;
- establishing product safety and quality assurance policies and management systems at headquarters and store levels and ensuring the effective implementation of such systems;
- collecting laws, regulations and policies relating to product quality and food safety and enhancing internal compliance controls;
- analyzing, evaluating, preventing and managing potential product safety risks; and
- monitoring the implementation of local store-level quality control measures.

The quality control personnel at our local levels are required to strictly comply with our product safety and quality control policies and procedures, such as conducting daily quality monitoring, maintaining quality management records and timely reporting to the headquarters.

Supplier Quality Control

All of our suppliers are required to comply with the relevant laws and regulations during their production and processing progresses. Since currently there is no well-established national industry standard relating to quality control in the casual braised food industry in China, market players have been adopting their respective internal quality standards formulated by themselves by referring to the requirements stipulated by the relevant laws and regulations. Our suppliers are required to comply with the stringent quality standards provided by us under the supply agreements with us. According to Frost & Sullivan, partially attributable to our stringent quality standards on procurement, our products are in better quality as other market players have more or less been exposed by public media regarding major consumer complaints and quality issues. With respect to supplies of ducks and duck parts, before we determine to contract with a duck supplier, we conduct on-site visits and evaluate samples provided by the potential candidate in accordance with our comprehensive set of technical criteria. To ensure and maintain the ongoing compliance with high product safety and quality control standards, we also actively conduct quality inspection and review on our duck suppliers, including periodical spot checks and annual inspection on their facilities. During such inspections, we not only visit the slaughterhouses of the suppliers, including their multiple processing and storage facilities, but also examine their egg hatching and feed supply chains. We also require our suppliers to provide detailed medication administration records in order to review the safety of these raw materials.

The relevant suppliers shall keep a comprehensive record of production history of the raw materials they are supplying to us, as well as the status regarding their compliance with our stringent standards. We evaluate the performance with respect to quality control of each supplier at each year end and will terminate relationship with unqualified ones.

Ducks, duck parts and other raw materials delivered to our designated facilities are subject to the quality inspection jointly conducted by our staffs from quality control, supply chain as well as product processing departments upon arrival, such as visual inspection on different aspects of the ducks and duck parts, including color, shape, size and packaging upon delivery. In addition to business licenses, our suppliers of ducks, duck parts and chicken related products are also required to provide us with third-party certificates on product quality for inspection, such as animal quarantine certificates and product inspection reports. Some are also requested to provide a food grading report certified by a qualified authority if the materials are related to edible foods. We reject and return the delivery immediately if our quality control inspectors decide that the batch fails to meet the specifications and standards as provided in our supply agreements. We typically conduct a sampling inspection on each batch of ducks and duck parts upon delivery.

Processing Facilities Quality Control

Our processing facilities include production working stations, production machinery and equipment, water and air purification systems, air conditioning systems and water supply and drainage systems. We establish stringent safety and quality standards at each stage of our product processing processes in accordance with relevant regulatory requirements, such as GB14881 General Hygiene Regulation for Food Enterprises and GB/T 27301 Food Safety Management System - Requirements for Meat and Meat Product Producers, which also cover procedures relating to facility site selection, working spacing and station design, construction and maintenance, as well as logistics of employees and products inside the facilities. We separate our processing facilities into several clean zones and high clean zones based on different processing technologies involved for each product categories. High clean zones are subject to daily ozone disinfection and spray disinfection. Our production machinery and production lines are subject to periodic repair and maintenance by using food-grade materials. In addition, during the production, surfaces of the production machinery are subject to periodic washing and sterilization.

We require our personnel involved in production activities to follow strict hygiene standards. Our production personal are required to thoroughly clean themselves and change clothes before entering into the processing facilities. Depending on their functions and usages, equipment and appliances directly contacting food products during processing are subject to different detailed sterilization schedules to ensure sanitation and product safety. We strive to ensure that the production environment, machinery and equipment at our processing facilities are in compliance with food grade requirements. In addition, we use different plastic storage containers and labels to identify raw, processed as well as packed products. Such visualized management system enables our employees to efficiently avoid cross-contamination. We staff quality controllers to conduct on-site patrol and examination.

Furthermore, we require that all the raw materials used in the production processes to be strictly in compliance with applicable laws and regulations with regard to safety and quality. We also conduct sampling test on semi-finished products to ensure compliance with our stringent quality standards before proceeding to the next stage of processing.

Material factors to the product quality at each processing session are listed out and monitored closely according to requirements of the Hazard Analysis and Critical Control Point, or HACCP, in order to prevent and rectify any potential occurrence of production errors.

As advised by our PRC legal advisor, as of the Latest Practicable Date, we had obtained all requisite licenses and certificates that are material for food production in China and our Directors confirm we have never been subject to any material sanctions, fines or other administrative penalties imposed by the relevant authorities for failing to comply with these requirements.

Inventory and Storage Quality Control

We have established standardized inventory and storage protocols to monitor and improve our inventory turnover, purchase order achieve rate and inventory and storage accuracy as well as the traceability of our final products.

Our ERP system tracks inventories by recording each batch of raw materials used and final products. We are able to efficiently identify and call out the status of our storage level against real-time store sales, which allows us to plan and adjust production and inventory preparation schedules. We believe we are one of the few casual braised food companies in China that are able to monitor and trace the final products back to the key raw material sources.

Logistics Quality Control

Temperature, hygiene and physical containment of products are among the key aspects of our logistics quality control. To protect and prolong our products' integrity, we have implemented cold chain logistics for delivery and require that the temperature control over products in transit be maintained below 10°C.

As of the Latest Practicable Date, we had an in-house logistics team with 33 vehicles responsible for delivery in Hubei Province, 23 of which are equipped with thermal control equipment and GPS devices. As such, we are able to easily locate our vehicles and constantly control and monitor the temperature, humidity and sanitization of each batch of our products in transit. The drivers of our logistics fleet are also required to obtain a health certificate issued by qualified health offices.

We primarily engage local reliable logistics companies to transport products for us. Pursuant to the agreements we entered into with these logistics service providers, we require these vehicles to provide cold chain logistics with same standards of our own logistics team. In addition, we require that such vehicles used for us be thoroughly cleaned, sanitized and shall be inspected by our designated personnel after each round of delivery, following our quality control standards. We also require the logistics companies to deliver our products on time, following the delivery counts confirmed by us in advance and they shall bear the risks of loss in transit. The payments are settled on a monthly basis.

The agreements with our logistics service providers generally have a term of one year and may be renewed subject to mutual agreement. During the Track Record Period, we had not encountered any material delay in delivery of our products to our self-operated retail stores or stores operated by our distributors that interrupts our operations.

In-store Quality Control

To ensure the product quality and safety, MAP products are subject to stringent requirements in terms of cold chain logistics, such as standard unloading time and temperature, visual inspection before collecting and storing products in stores, and periodical examining and recording of temperatures of refrigerators and room temperature. Expiring products may be disposed at a discount or as free gifts. We also implement “first-in-first-out” policy at store level when selling products. Expired products are required to be removed from shelves on the expiration date and we collect and destroy expired products from retail stores. Our quality control staff may also involve in these procedures to collect relevant data in order to improve our operations on a regular basis.

We believe that the consistent quality of infrastructures of our stores is a key basis to ensure our product quality. We have implemented quality standards in terms of store location selection, store decoration, refrigerator inspection, sanitation, sterilization and maintenance standards, to ensure the best functionality of our stores. Our stores are also required to comply with our protocols in relation to hygiene in and outside of the premise, insects, pets and mice control and prevention as well as temperature controls.

Our quality control staff conduct comprehensive on-site inspections at our retail stores on a regular basis. They review the status of certificates, licenses, overall hygiene, refrigerator temperature and insect control as well as record keeping status. Store managers are responsible for timely following up with the quality control staff to ratify and correct any non-compliance.

As of the Latest Practicable Date, all of our retail stores that are in operation had obtained the necessary approval and license in connection with self-operated food distribution.

Track Record of Quality Control

We have obtained ISO 9001 quality management system certification, ISO 22000 food safety management system certification and ISO 14001 environmental management system certification for our Wuhan facility in 2012, which were renewed in 2015 and will expire in 2018. We expect to apply for ISO certifications for other facilities in the near future.

The table below sets forth the material certifications or licenses we have obtained for our products or processing facilities and the relevant information as indicated.

Certificate/License	Date of Issue	Expiry Date	Main Content
ISO 9001:2008 Quality Management System Certification (Wuhan facility)	June 23, 2015	June 22, 2018	Quality management system for the design, production, sales and services for braised products and semi-solid spices

Certificate/License	Date of Issue	Expiry Date	Main Content
ISO 22000:2005 Food Safety Management System Certification (Wuhan facility)	June 23, 2015	June 22, 2018	Food safety management system for meat and meat related product producers and food safety management system for spices and fermented products producers
ISO 14001:2004 Environmental Management System Certification (Wuhan facility)	June 23, 2015	June 22, 2018	Environmental management system for the design, production, sales and services for braised products and semi-solid spices

In 2013 and 2014, certain of our self-operated retail stores located in Nanchang, Shenzhen and Guangzhou had been imposed administrative penalties by the local food and drug administration bureaus or the local market administration of the Industry and Commerce Bureaus, primarily because the bacterial level of the braised products sold at these stores failed to pass the sampling checks conducted by these food authorities. We believe that the failure to pass such sampling checks was mainly because the sampled products, which were mainly unpackaged products with a relatively shorter shelf life, were not preserved properly under the required storage temperature. In 2013 and 2014, our subsidiaries in Nanchang, Shenzhen and Guangzhou paid an aggregate of approximately RMB22,856 administrative penalties in connection with these incidents.

We have reviewed and enhanced our quality assurance system after these incidents. In particular, leveraging our advanced processing technologies, we had ceased to offer unpackaged products since mid 2014, which in turn reduced our exposure to these unpackaged food safety risks. We reviewed and reaffirmed the responsibilities and execution procedures of our quality assurance center. In late 2013, our quality assurance center issued a notice to the relevant production departments and reaffirmed that the transportation of our products shall comply with our stringent logistics requirements and all the vehicles of our logistics team had been equipped with thermal control equipment and GPS devices, in order to constantly control and monitor the temperature, humidity and sanitization of each batch of our products in transit. In 2015, we distributed our store management protocols to our retail stores and specifically requested the local quality assurance teams to enhance the on-site inspection in order to identify and resolve any potential quality issue in a timely manner. In 2015 and up to the Latest Practicable Date, we had not incurred any administrative penalties in relation to food safety.

INVENTORY MANAGEMENT

Our inventory primarily comprises of raw materials we procure and processed products. We implement inventory control management in order to avoid under- or over-stocking.

We produce an annual master budgeting plan based on our production and sales forecast, which is subject to periodical adjustment according to actual sales we achieve. Based on on-going actual production as well as sales activities available from our POS system, we then establish more detailed monthly budgeting plans. We adjust our raw material procurement according to our product processing processes, taking into account lead time required for each type of raw materials, so as to minimize and maintain our inventory of raw materials at an appropriate level. For example, we typically maintain ducks and duck parts that will be able to support up to about two weeks of production needs. For spices that do not occupy significant storage, we conduct annual procurement which generally supports 12 to 14 months of production needs.

Our stores play a significant role in our inventory management. Each store is required to conduct inventory counts at the end of each day and submit two-day forecast on the following day.

Moreover, our ERP system monitors the inventory level and provides us with real-time information about purchases, production schedules and supplies of our raw materials, further strengthening our ability to manage our inventory, raw materials and inventory purchases.

In late 2015, in anticipation of future raw material price increases, we strategically increased the procurement of certain key raw materials, such as duck necks and duck collarbones. This increase in procurement was a one-off arrangement made in consideration of the material price fluctuations at that time. We temporarily leased additional warehouses to store these raw materials. These strategic purchases did not materially affect our inventory management since such inventory was substantially consumed within three months following the purchases.

SETTLEMENT AND CASH MANAGEMENT

To ensure the authenticity and accuracy of record keeping of customers' invoices, our front-end store-level POS system is linked to and monitored by our ERP system on a real-time basis. Our settlement and cash management manual illustrates in details our POS system front-end operations and the logistics with respect to collection, safekeeping and depositing of cash. We deposit cash to designated banks and record the cash receipts and deposits to POS system on a daily basis at each of our retail stores. To avoid misappropriation and illegal uses of cash, on the second day, our back-end financial personnel conduct reconciliations among cash deposits as reported by the stores, bank statements and in-store sale records, and prepare a cash long-and-short daily report to follow up in case of any discrepancies during the reconciliation.

Store managers are responsible for ensuring the safety of cash received and timely delivery of cash in full to the designated banks. The cashier machine is accessible only by a limited number of responsible staff on duty. Cash received are deposited to our designated bank accounts on a daily basis, including weekend and holidays. We require at least two staff members to deliver the cash together and we also require such delivery to be done at variable time and routes. We allow each retail stores to keep a limited amount of cash and changes to be used in its daily operations. In addition, we keep the key and passcode of the safe at our stores separately.

RESEARCH, DEVELOPMENT AND UPGRADES

We believe that continuous research and development is the foundation of our brand recognition and is critical in maintaining our leading position in our industry. In order to keep pace with the changing customer taste and evolving technological developments and to further enhance our competitive advantages, we devote resources to research, development and upgrade relating to products as well as processing technologies. We have established a dedicated research center based in Wuhan, which had 10 employees as of the Latest Practicable Date, among which four held a master's degree in the major of food science and food safety and quality and three held a bachelor's degree. The research center is primarily responsible for (i) the research and development of products and processing technologies, including the development of new products and packaging materials, as well as processing technology improvements, and (ii) the research and development of equipment, including processing technology studies, market demand studies, operating efficiency studies and the development and improvement of production machinery and equipment.

Our research and development efforts are primarily focused on studying and keeping track of changing customer preferences in order to improve our products' flavor, given that competition in the casual braised food industry has become more intensive. We have been continuously improving the taste of our products, such as making moderation to the braising sauces and product packaging, based on the feedback collected through our customer surveys. Such feedback provides us with first-hand information with respect to the satisfaction level and expectations the customers may have for our products. We also test and adjust the time required for braising and high temperature steaming on a product-by-product basis, in order to optimize the taste of each product.

Subject to in-depth feasibility studies and the review and approval from the research center, a small-scale pilot production will be launched for each potential new product and it will be subject to several rounds of taste testing by the designated experts of the research center and a special tasting team. The tasting team members also participate in various trainings and contests to ensure the reliability of the tasting test results. The tasting team is comprised of a broad range of experts from various departments, such as quality control personnel who possess food related industry experience and marketing personnel who are familiar with recent market trends and our customers' preference.

In addition, we also devote efforts to the development and upgrade of processing technologies. Leveraging our experience with MAP technology, we have influenced provincial standards in relation to the MAP technology applicable to casual braised food in Hubei Province. We imported our MAP production lines as well as some of our plastic packaging films from Germany which are not generally available domestically with the same standards. The films are specially produced by low density polyethylene and polyester materials, each of which has a specific range of oxygen permeability, water vapor transmission rate and transparency. Such MAP machinery and packaging films ensure that our MAP products are not only properly sealed but also easy to unpack by the customers. We are currently in the process of developing product packaging technologies that may prolong shelf life without compromising the taste of our products.

Furthermore, we continuously endeavor to enhance the automation level during our production processes, aiming at enhancing our production efficiency as well as increasing the product quality. For example, we installed metal detectors on all MAP production lines, which are able to inspect the metal foreign objects contained in the packages. In addition, due to the irregular shape of most of our products, finished products used to be manually packed which had negatively impacted the production capacity and efficiency. Our research and development modified the shape of trays used for duck tongue packaging which has significantly increased the efficiency.

In 2014, we entered into a three-way cooperative framework agreement with Nanjing Agricultural University and an international packaging material manufacturer in China. Subject to this agreement, we and Nanjing Agricultural University are jointly conducting a research project in connection with certain advanced MAP technologies. We expect to continue to leverage the cooperation with third parties, such as universities and colleges or leading companies in our related industries, to accelerate and further our research and development efforts.

During the Track Record Period, we recorded research and development expenditures of RMB1.2 million, RMB2.5 million, RMB2.6 million and RMB1.6 million, respectively, in 2013, 2014 and 2015 and the six months ended June 30, 2016.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had obtained four patents for invention, 26 patents for design and four patents for utility models in the PRC. Our patents are principally related to technologies and improvement associated with our product processing. In addition, as of the Latest Practicable Date, we had 206 registered trademarks, 22 pending applications for trademarks and one pending patent application in the PRC. As of the same date, we also had 11 registered trademarks overseas. As of the same date, we had 18 copyrights. Details of our registered intellectual property rights which we consider to be or may be material to our business are set out in "Appendix V — Statutory and General Information — B. Further Information about our Business — 2. Intellectual Property Rights of the Group".

As our brand name is becoming more and more recognized among customers in China, we believe that protecting and enforcing our intellectual property rights are of significant importance for our business operation, branding and reputation. We seek to maintain registration of intellectual property rights that are material to our business under appropriate categories and in appropriate jurisdictions. On the other hand, a number of proprietary know-how that is not patentable and processes for which patents are difficult to enforce are also important for us. We expect to rely on trade secret protection and confidentiality agreements to safeguard our interests in this respect. We believe that certain elements in our operations are not covered by patents or trademarks. We have taken security measures to protect such elements.

We have entered into confidential agreements with all of our senior management team as well as research and development team members, which require these personnel to strictly comply with our confidentiality requirements.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our intellectual property. It is difficult to monitor unauthorized use of technology and know-how. In addition, our competitors may independently develop technology and/or know-how similar to ours. Our precautions may not prevent misappropriation or infringement of our intellectual property. During the Track Record Period and as of the Latest Practicable Date, to the best of our knowledge, we had not been subject to any material intellectual property claims which could have a material adverse effect on our business or operations.

AWARDS AND RECOGNITIONS

The table below sets forth some of our major awards and recognitions as of the Latest Practicable Date:

Awards/Recognitions	Issuing Entity	Year of Receipt and Expiry Date
National Key Leading Enterprise in Agriculture Industrialization (農業產業化國家重點龍頭企業)	Agriculture Ministry	September 2014 to December 2016
Agriculture sci-tech enterprise (農業科技型企業)	Wuhan Bureau of Agriculture and Wuhan Science and Technology Bureau	May 2013 to May 2015
A Famous Brand in Hubei (湖北名牌產品)	Quality Association in Hubei Province	December 2013 to December 2016
National Good Credit Enterprise (國家守合同重信用企業)	SAIC	July 2014
Class A Taxpayer in Hubei Province of the year 2014 (2014湖北省A級納稅人)	Wuhan Tax Bureau	May 2015
Top 100 Private Enterprise in the city of Wuhan of the year 2015 (2015武漢民營企業100強)	Wuhan Industrial and Commerce Association, Wuhan Enterprises Association and Wuhan Entrepreneurs Association	October 2015
Best Innovative Enterprise (創新優秀企業)	Wuhan Light Industry Association	January 2016
Wuhan Key Leading Enterprise in Agriculture Industrialization (武漢市農業產業化市級重點龍頭企業)	Wuhan Agriculture Industrialization Leadership Team	March 2016 to March 2018

EMPLOYEES

As of December 31, 2013, 2014 and 2015, June 30, 2016 and the Latest Practicable Date, we had a total of 2,329, 2,877, 3,563, 3,769 and 3,905 full-time employees, respectively. The table below sets forth our full-time employees by functions as of the Latest Practicable Date:

	Number of Employees	%
Store operations and sales	2,319	59.4
Manufacturing	764	19.6
Procurement and logistics	248	6.4
Finance	137	3.5
Administration	80	2.1
Research and development and quality control	77	2.0
Human resources	32	0.8
Others	248	6.4
Total	3,905	100.0

We currently recruit our employees primarily through on-campus recurring programs and posting advertisements on recruitment websites. We do not use any employment agencies. Our success, to a considerable extent, depends upon our ability to attract, motivate and retain a sufficient number of qualified employees, including research and development personal, sales personal and management. Therefore, we place strong emphasis on providing trainings to our employees in order to enhance their professional skills, understanding of our industry and work place safety standards. We design and offer different training programs for employees at various positions.

We enter into labor contracts with all of our employees. We have developed a performance evaluation system to assess the performance of our employees annually, which forms the basis for determining the salary levels, bonuses and promotions an employee may receive. Our sales and marketing personnel may also receive bonuses based on the sales targets they accomplish, by taking into account the overall sales performance of the stores in the same regional market in the relevant period. Under the applicable PRC laws and regulations, we are subject to social insurance contribution plans. Save as disclosed in "— Licenses, Regulatory Approvals and Compliance" below, we believe that we have complied with the relevant national and local labor and social welfare laws and regulations in China in all material respects.

In addition, each of Shanghai ZHY Foods and Hubei Industrial Park established a labor union in 2013 and 2014, respectively, that represents employees with respect to labor disputes and other employee matters. Such labor union is not covered by any collective bargaining agreement. We have not experienced any significant labor disputes which have adversely affected or are likely to have adverse effects on our business operations.

In 2015, a former general manager was involved in allegations that he had exceeded the authority given to him for his personal gain in the exercise of his duties for our Company in an advertising campaign and the purchase of a retail shop in Wuhan. We initiated an internal investigation into the allegations as well as conducted a review of past transactions in which he was involved, and in accordance with our internal policies referred the matter to relevant authorities. We also agreed with the general manager concerned that he would resign from our Company with effect from November 2015. While the investigation by the relevant authorities is ongoing, our Directors are of the view that the allegations, even if found to be substantiated by the relevant authorities, are isolated incidents and would not have any material adverse impact on our Company. We have also reviewed and enhanced our internal policies to ensure that appropriate checks and balances were in place with respect to authorities given to our senior management.

Save as disclosed above, we believe we have maintained a good relationship with our employees and we did not have any material labor dispute during the Track Record Period.

INSURANCE

As of the Latest Practicable Date, we had not received any material insurance claims against us. Except for the statutory social insurances as required by the relevant PRC laws and regulations, such as pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance, we do not retain any other insurance policies, such as product liability insurance and business interruption insurance, to cover our operations. See "Risk Factors—Risks Relating to Our Industry and Business—We have limited insurance to cover our potential losses and claims" for more details. We believe that our existing insurance coverage of our business is consistent with what we believe to be customary for business of our size and type and in line with the standard commercial practice in our industry.

PROPERTIES

Owned Properties

We occupy certain properties in China in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. Except for the properties set forth in the property valuation report in Appendix III to this prospectus, none of our properties has a carrying amount of 15% or more of our consolidated total assets. Therefore, according to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all our Group's interests in land or buildings.

As of the Latest Practicable Date, we owned five parcels of land with a total area of approximately 153,972 square meters and properties with a floor area of approximately 57,798 square meters, primarily used for processing facilities, warehouses and administrative offices to support our business activities and operation in the PRC. These parcels of land and properties are located in Wuhan, Shanghai and Dongguan. The land use rights for these parcels of land will expire in November 2053, August 2060, March 2062, November 2063 and April 2065, respectively.

Title Certificates of Owned Properties

As confirmed by our PRC legal advisor, we have obtained required certificates and permits for, and legally own, all of our owned parcels of land and properties, other than two stores which we are in the process of acquiring. Our PRC legal advisor has advised us that there are no legal impediments to obtaining the appropriate certificates and permits for such stores, after following and completing the procedures in accordance with the relevant laws and regulations. As of the Latest Practicable Date, the ownership of our properties had not been challenged by any third party and we had not been fined by any regulatory authorities for failure to obtain property ownership certificates.

Properties currently under construction

As of the Latest Practicable Date, we had commenced construction of the Phase II Wuhan processing facility. Total estimated capital expenditure for the project is approximately RMB215.7 million. As of June 30, 2016, relevant capital expenditure incurred, including land premiums, construction cost and expenses for purchase of equipment, amounted to approximately RMB189.6 million. We have financed the construction primarily though cash flow from our operations. Construction of the Wuhan facility is expected to be completed by the end of 2016, and the outstanding construction costs will be paid by that time. Our PRC legal advisor has confirmed that, as of the Latest Practicable Date, we had obtained the relevant construction approvals and permits for the facility under construction.

Leased Properties

As of the Latest Practicable Date, we leased 828 properties in 40 cities with a total floor area of approximately 29,260 square meters for our self-operated retail stores and office space. As of the Latest Practicable Date, we maintained a total of 809 leased self-operated retail stores, occupying a floor area of approximately 25,140 square meters, of which 55 stores were not in operation mainly because they were obtaining the requisite licenses and certificates for operation, or certain leased properties were under decoration or had not been handed over to us or under preparation for operation, or we were terminating the relevant leases due to commercial considerations. Our leases generally have a term ranging from one year to five years. Due to the nature of our business, we typically lease premises with a floor area of 10 to 50 square meters for our self-operated retail stores. We expect to renew the leases upon their expiry. Except for the properties we leased from the Controlling Shareholder as set out in "Connected Transactions — Fully Exempt Continuing Connected Transaction — Master Property Lease Agreement", all of the lessors are independent third parties.

Transport Hub Stores

Transport hubs refer to public transport infrastructure facilities, such as airports, railway stations and subway stations, and ancillary facilities surrounding the transport infrastructure. Public transport infrastructure facilities in China typically have commercial (including food and beverage and other retail outlets) and recreational facilities to enhance the vitality and convenience of these facilities. We define our transport hub stores as our self-operated retail stores located in the transport infrastructure or the ancillary facilities surrounding the transport infrastructure.

As of the Latest Practicable Date, we leased 203 transport hub stores out of the total number of 809 leased self-operated retail stores, of which 28 stores were not in operation. These transport hub stores had a total floor area of approximately 6,430 square meters, located in eight airports, 28 railway stations and 128 subway stations (including the ancillary facilities surrounding the transport infrastructure facilities) across 21 cities.

As advised by our PRC legal advisor, in accordance with the List of Allocated Land (劃撥用地目錄) as stipulated by the Ministry of Land and Resources of the PRC, for transport infrastructure and other infrastructure projects that involve the use of land and receive key support from the PRC government, the relevant land use right may be awarded to the project through the land allocation process. Upon the approval by the relevant land and real estate administrative authorities and/or the completion of certain procedures by the land users, such as the execution of a land use right contract and the payment of certain land transfer fees as provided by the relevant laws and regulations, or turning over the proceeds from the transfer or lease, the state-owned allocated lands may be transferred or leased (the "**Allocated Land Requirements**").

Based on the List of Allocated Land and enquiries made by our PRC legal advisor, our PRC legal advisor has advised us that, as of the Latest Practicable Date, most of our transport hub stores are located on allocated land. Substantially all of the lessors of our transport hub stores have failed to provide us with sufficient confirmation with respect to the fulfilment of the Allocated Land Requirements above ("**Defective Transport Hub Stores**"). As of the Latest Practicable Date, we had 197 Defective Transport Hub Stores, accounting for 24.4% of our total leased self-operated retail stores. These Defective Transport Hub Stores occupied an aggregate floor area of approximately 6,270 square meters, accounting for approximately 24.9% of the total floor area of our leased self-operated stores. We estimate that the revenue derived from the Defective Transport Hub Stores for the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016 was approximately RMB340.5 million, RMB583.5 million, RMB834.2 million and RMB475.4 million, respectively, and based on these estimates would have represented approximately 28.0%, 32.3%, 34.3% and 34.2% of our total revenue for the periods.

As advised by our PRC legal advisor, the lessors are legally responsible for compliance with the Allocated Land Requirements. Any failure to fulfill these requirements may subject the lessors to penalties imposed by the land administrative authorities and the lease agreements may be deemed invalid and unenforceable under the relevant laws and regulations.

We had communicated with the competent provincial and local land and building authorities in some of different regions where we conduct business operations and requested confirmations from them that we will not be penalized or required to vacate the Defective Transport Hub Stores. However, on each occasion such authorities explained orally that they do not have any legal obligation to issue such confirmation and, accordingly, our requests were denied. As a tenant, although we had not obtained confirmations from the competent government authorities confirming that we will not be penalized in connection with the Defective Transport Hub Stores, we will not be subject to any administrative punishment or penalties under the Allocated Land Requirements. We may be required to vacate the affected store locations, as the land parcels may be ordered to be transferred back to the administrative authorities.

Our Directors are of the view that the Defective Transport Hub Stores are collectively important to our business, but that no individual Defective Transport Hub Store is material. Furthermore, our Directors believe that although we had not obtained confirmations from the competent government authorities confirming that we will not be requested to vacate the Defective Transport Hub Stores, it is unlikely that we will be required to vacate Defective Transport Hub Stores to an extent that would have a material adverse impact on our financial results. This belief is based on the following reasons:

(a) Based on the enquiries and review conducted by our PRC legal advisor, most of the lessors of the Defective Transport Hub Stores who entered into the lease agreements with us are either (i) companies appointed by the relevant government transportation bureaus to operate the transport hubs or (ii) authorized parties of these operating companies. Therefore, our Directors believe that because the operating companies are authorized by the government to operate the relevant public transport infrastructure facilities, the public transport infrastructure facilities are themselves located on allocated land, and it is in their interest to maintain the commercial and recreational facilities, it is unlikely and counterintuitive that we would be required by them to vacate the Defective Transport Hub Stores;

(b) Our Directors understand that certain local governments have implemented measures to address the Allocated Land Requirements and the need for commercial and recreational facilities at public transport infrastructure facilities. For example, as advised by our PRC legal advisor, the local Shenzhen government has formally implemented measures to allow properties located at local airports to be used for commercial purposes;

(c) To our Directors' knowledge, the failure of lessors to satisfy the Allocated Land Requirements prior to the leasing of properties or commercial facilities located at or surrounding transport infrastructure facilities in the PRC is common and there have not been large scale evictions of tenants from similar commercial and recreational facilities in the past;

(d) Because our Transport Hub Stores are (i) located in eight airports, 28 railway stations and 128 subway stations (including the ancillary facilities surrounding the transport infrastructure facilities) across 21 cities, and (ii) operated by various different companies appointed by the relevant government transportation bureaus or the authorized parties of such operating companies, our Directors consider that the risk for a large scale eviction of tenants from the Transport Hub Stores at the same time is very unlikely; and

(e) Our Directors confirm that, as of the Latest Practicable date, no government authority or third party had requested that we vacate the transport hubs in which our stores were located.

Our PRC legal advisor concurs with the opinion of our Directors that the possibility that we will be required to vacate such Defective Transport Hub Stores by reason of the Allocated Land Requirements to an extent that would have a material adverse impact on our business and financial results is remote.

Although we have received no assurances that the rents we pay will be reduced as a result of the lessors' failure to comply with the Allocated Land Requirements for our Defective Transport Hub Stores, we intend to continue to use and lease these Defective Transport Hub Stores. We plan to continue to maintain regular communication with the lessors of our Defective Transport Hub Stores regarding their compliance with the Allocated Land Requirements and we have revised our internal procedures for selecting locations for our retail stores.

During the Track Record Period and up to the Latest Practicable Date, we had not been requested by government authority or third party to vacate the Defective Transport Hub Stores due to the title defects with respect to the leased properties as discussed above. In the unlikely event that we are required to vacate the Defective Transport Hub Stores, we believe we will be able to find suitable alternative locations without material delay in close proximity to the relevant transport hubs. Please refer to section headed "— Relocation Plan" below for the estimated costs and timing associated with relocation if there is forced eviction from the Defective Transport Hub Stores. In addition, our Controlling Shareholders have agreed to indemnity us for any losses and damages as a result of forced eviction due to such defect.

Leased Properties Other Than Transport Hub Stores

Apart from our transport hub stores, we also leased 606 other self-operated retail stores with an aggregate floor area of approximately 18,710 square meters of which 27 stores were not in operation. Certain of these leased properties were subject to potential title defects as described below (the "**Other Defective Leased Properties**"). As of the Latest Practicable Date, there were 298 Other Defective Lease Properties with an aggregate floor area of approximately 9,320 square meters, accounting for 36.8% of our total leased self-operated retail stores, or approximately 37.1% of the total floor area of our leased self-operated retail stores. We estimate that the revenue derived from these stores for the years ended December 31, 2013, 2014 and 2015 and the six months ended June

30, 2016 was RMB445.1 million, RMB532.2 million, RMB659.9 million and RMB376.6 million, respectively, and based on these estimates would have represented 36.6%, 29.4%, 27.1% and 27.1% of our total revenue for the respective periods.

Causes of Defects	Legal Consequences and Potential Liabilities	Rectification Actions Taken and Current Status	Internal Control Measures
The relevant lessors failed to provide us with sufficient or valid ownership certificates or other ownership documents, due to one or more of the following causes: (1) the Other Defective Leased Properties were located on collectively owned land, allocated land, military facilities or land parcels with other title defects; (2) the use of the Other Defective Leased Properties is not consistent with the designated use of land or properties as provided by the relevant ownership certificates; or (3) the lessors cannot obtain or provide to us with sufficient and valid ownership certificates or proper authorization from the owners of the Other Defective Leased Properties.	Without ownership certificates or proper authorization from the owners, our use of the Other Defective Leased Properties may be affected by third parties' claims or challenges against the lease or our land use rights. Also, if the lessors do not have the requisite rights to lease the Other Defective Leased Properties, the relevant lease agreements may be deemed invalid, and as a result we may be required to vacate the Other Defective Leased Properties and relocate our retail stores. We had communicated with the competent provincial and local land and building authorities in some of different regions where we conduct business operations and requested confirmations from them that we will not be penalized or required to vacate the Other Defective Leased Properties. However, on each occasion such authorities explained orally that they do not have any legal obligation to issue such confirmation. Accordingly, our requests to obtain such confirmations were denied. As advised by our PRC legal advisor, it is the lessors' responsibility to obtain the relevant approvals and consents, if any, from the government authorities to enter into the leases. As a tenant, we are not liable for the title defects and are not in breach of the applicable laws and regulations. In addition, we will not be subject to any administrative punishment or penalties in this regard.	We plan to continue to maintain regular communication with the lessors of the Other Defective Leased Properties regarding the remedies of such defects and we have revised our internal procedures for selecting locations for our retail stores. Our leases for the Other Defective Leased Properties were not challenged by third parties that had resulted or involved us as defendant in dispute, lawsuit or claim in connection with the rights to lease and use the Other Defective Leased Properties occupied by us during the Track Record Period and up to the Latest Practicable Date. Upon expiry of these lease agreements, we will assess the legal risk and will not renew a lease agreement if the risk is too high. In addition, our Controlling Shareholders have agreed to indemnify us if we incur any damages or losses as a result of forced eviction due to any such defect.	• We have assigned designated personnel to follow up with the relevant parties to retrieve the ownership certificates or other ownership documents of the existing Other Defective Leased Properties as soon as possible; • We will conduct our due diligence and reviews more prudently when we lease additional premises, particularly on the nature, designated use and title certificates for such properties; • We have revised our internal control procedures as recommended by our internal control consultant to prevent the leasing of properties with title defects; and • We will submit material leases to our Board for approval.

Although the rents for the Other Defective Leased Properties are not subject to reduction as a result of the title defects, we intend to continue to use and lease the Other Defective Leased Properties in order to secure the current optimal locations of the stores.

Our Directors are of the view that although we had not obtained confirmations from the competent government authorities confirming that we will not be requested to vacate the Other Defective Leased Properties, the risk of enforcement action by the relevant government authorities resulting in our large-scale eviction from the Other Defective Leased Properties that would have a material adverse impact on our business and operating results is remote. This is based on the following reasons:

(a) Given that our Other Defective Properties are widely distributed across 33 cities covering 12 provinces and municipalities in China, the risk that the relevant competent government authorities of all or several of such provinces and municipalities would simultaneously require the Company to evict from such properties is extremely remote;

(b) As a percentage of our total revenue, average revenue contributed by each individual self-operated retail store is not material and only accounted for an average of approximately 0.2% of our total revenue during the Track Record Period, thus the risk that the forced eviction from any Other Defective Leased Properties might result in a material adverse impact on our business and operating results is remote; and

(c) During the Track Record Period and as of the Latest Practicable Date, we are not aware of any request for or any enforcement action to vacate any of the Other Defective Leased Properties.

Our PRC legal advisor concurs with the opinion of our Directors that the risk of enforcement action by the relevant government authorities resulting in our large-scale eviction from the Other Defective Leased Properties that would have a material adverse impact on our business and operating results is remote.

During the Track Record Period and up to the Latest Practicable Date, we had not been requested by government authority or third party to vacate the Other Defective Leased Properties due to the title defects with respect to the leased properties as discussed above.

We believe even if we are required to vacate the Other Defective Leased Properties, based on our market research and past experiences, alternative premises are available. Please refer to section headed "— Relocation Plan" below for estimated costs and timing of relocation if there is forced eviction from the Other Defective Leased Properties.

Lease Registration

As of the Latest Practicable Date, 680 of our lease agreements with respect to 709 out of 828 of our leased properties had not been registered and filed with the relevant land and real estate administration bureaus in the PRC because parties to the leases failed to make the registrations under applicable PRC laws and regulations. These properties have an aggregate floor area of approximately 25,520 square meters, accounting for approximately 87.2% of the total floor area of our leased properties. As of the Latest Practicable Date, 690 of these properties were used for our self-operated retail stores. Revenue contributed by these self-operated retail stores for which lease agreements were not registered amounted to approximately RMB837.4 million, RMB1,205.3 million, RMB1,619.4 million and RMB926.7 million for the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016, corresponding to approximately 68.8%, 66.6%, 66.6% and 66.7% of total revenue in the respective periods.

Causes of historical non-compliance	Legal Consequences and Potential Liabilities	Rectification Actions Taken and Current Status	Internal Control Measures
During the Track Record Period, the relevant lessors failed to provide us with sufficient documents for the lease registrations, such as property ownership certificates or other proof of authorizations to lease the properties to us, also see "— Transport Hub Stores" and "— Leased Properties other than Transport Hub Stores" above for more details.	According to the provisions of the Administrative Measures for Commodity House Leasing (商品房屋租賃管理辦法), parties to the lease must register the lease with the relevant housing authorities within 30 days from the execution of the lease. A fine ranging from RMB1,000 to RMB10,000 may be imposed on us for each non-registration. The aggregate amount of maximum fine will be approximately RMB6,800,000 for all our non-registrations.	We have submitted the application documents for lease registration where those documents are complete. Our Directors are of the view that the lease registrations we are currently processing can be completed with the cooperation of the lessors within a reasonable time from the date of application. As no penalty had been imposed on us for our failure to register and file the relevant lease agreements during the Track Record Period and up to the Latest Practicable Date, we were advised by our PRC legal advisor that, if the lease registration can be completed in accordance with relevant laws and regulations within a reasonable time from the date of application or the prescribed time limit ordered by the competent government authorities, the risk of government authorities imposing a penalty on us with respect to these leased properties is remote. As advised by our PRC legal advisor, the non-registration does not affect the validity of the lease agreements under PRC law. In addition, our Controlling Shareholders have agreed to indemnify us for all fines and penalties we incur as a result of any such non-compliance.	• We have established a dedicated team to work on lease registrations by proactively communicating with the lessors to obtain their cooperation and collect the application documents for the relevant lease registrations. • We revised our internal control procedures as recommended by our internal control consultant to prevent recurrence of non-compliance incidents; and • We will submit material leases to our Board for approval.

Our Directors believe that the non-registrations of leases described above will not, individually or in the aggregate, materially affect our business and financial results.

Our lessors' failure to provide the necessary documents for us to register the leases does not result in any reduction in rent. Similarly, in our experience, the proper registration of leases does not result in any material increase in the rent charged by the relevant lessor.

Relocation Plan

Due to the inherent nature of the state-owned allocated land, collectively owned land, military facilities and other land parcels with other title defects under the PRC laws and the restrictive administrative requirements imposed on such land parcels in most regions in China, we believe the above discussed land parcels with title defects are commonly seen in China and we may continue to be subject to the similar defects of our self-operated retail stores. In the event that we are evicted from the Defective Transport Hub Stores and the Other Defective Leased Properties, we believe we will be able to find suitable replacements without material delay in close proximity to the original premises on similar terms.

Because we have adopted standardized store opening and operational procedures, we believe we can quickly relocate the Defective Transport Hub Stores and Defective Leased Properties to the alternative premises without incurring significant expenses. We currently estimate that the cost of relocating a Defective Transport Hub Store or an Other Defective Leased Property will be approximately RMB65,000, comprising the decoration cost for the new store and the removal cost in connection with the movable equipments and other assets from the original premise. We expect the potential loss of revenue will be equivalent to the revenue to be generated during the period of completing the relocation of each Defective Transport Hub Store or Defective Lease Property, which is estimated to be approximately 45 days, including a typical notice period of 30 days. Based on the estimated cost and time required for the relocation, we do not expect that our operations will be disrupted due to a forced relocation. Based on the average revenue per self-operated retail store in the twelve months ended June 30, 2016 of RMB3.6 million and assuming a 15-day gap period after the typical notice period and before the new store opens, the average potential loss of revenue of each Defective Transport Hub Store or Other Defective Lease Property is estimated at RMB147,900. As such, based on the total number of the 197 Defective Transport Hub Stores and 298 Other Defective Leased Properties as of the Latest Practicable Date, under the worst case scenario, the aggregated amount of relocation cost and potential loss of revenue we may incur are estimated to be approximately RMB32.2 million and RMB73.2 million, respectively, although we believe the likelihood of being requested to relocate all the stores with title defects is highly remote, given our nationwide retail store network and the fact that the relevant leases were entered into with different landlords.

When identifying and determining a replacement premise for a store subject to title defects in case of a forced relocation or a premise for a new store, we will consider various factors, including but not limited to the level of pedestrian traffic, distance to the original premises, existing or potential property title defects, as well as the rental and lease terms. We will use our best endeavor to relocate a store subject to title defects in case of a forced relocation to a new premise that are in close proximity to the original location, or to locate a premise for a new store, which is not subject to title defects. If we are unable to identify suitable premises that are not subject to any title defect in a timely manner, we may consider premises with title defects in the close proximity of the original store or new premises with title defects, if we deem the opportunity to be appropriate and the estimated associated risks are remote. In addition, we have strategically developed plans to expand our self-operated retail store network to cover more cities and locations in China, in order to minimize the reliance on our Defective Transport Hub Stores. We also closely monitor the commercial areas in the close proximity of existing stores, and identify and regularly update the information of premises nearby that we deem suitable for new stores or the replacement in case of a forced relocation. In addition, we regularly discuss with our regional market development personnel and collect prevailing rental prices and related information in those areas where our major stores are located for comparison, which can facilitate us to assess the relocation cost in case of a forced relocation.

We have implemented enhanced new store opening policies, pursuant to which our management shall review the lease agreements together with all property title documents in connection with the new premises on a case-by-case basis. We will organize training programs for the relevant business development personnel, which enable them to identify and collect sufficient and valid title certificates and other relevant documents for each type of properties during the store opening process. Our local business development managers are responsible for reviewing and verifying the completeness and authenticity of such documents collected and submitted and our local public relationship personnel are responsible for performing the initial assessment on the compliance status of a potential new premise. Our financial departments of the relevant subsidiaries are responsible for the budgeting plans and the assessment of financial returns. The corresponding departments at our headquarters shall monitor and review the procedures conducted by the relevant local departments and re-ensure the completeness and authenticity of all the licenses, title certificates and other relevant documents. We will use our best endeavor to locate our stores at premises that are not subject to any title defects. For a potential new store, in principal, we will require the relevant landlord to provide valid ownership certificate and all other property title certificates relating to the new premise and, in case of a potential transport hub store, as well as sufficient confirmation from the landlords with respect to the fulfilment of the Allocated Land Requirements as discussed above. We will consult with our external legal counsel to review the title certificates and other documents to ensure the compliance with all relevant laws and regulations. If we fail to obtain the valid ownership certificate or the sufficient confirmation from the relevant landlords, we will also consult with our external legal counsel to assess the risk exposure and will only open the new store after the external legal counsel confirms that the risk for us to be forced to vacate from such premise is remote. We will also endeavor to obtain a confirmation of indemnification from the new landlords for any potential losses. Each of our regional operational managers and our senior management may report and has veto right during their review process of the store opening proposals and the relevant certificates, if they identify any potential material issue or risk with respect to such proposal.

ENVIRONMENTAL, HEALTH AND SAFETY MATTERS

Our business is subject to relevant PRC national and local environmental laws and regulations which, among other things, require the payment of fees in connection with activities that discharge waste materials and which impose fines and other penalties on facilities that threaten the environment. Our production process produces a small amount of waste water, solid wastes and, to a lesser extent, gases. We believe the waste we produced is not hazardous and has minimal impact on the environment.

In order to comply with the relevant environmental laws and regulations, we have undertaken sewage and solid waste disposal and processing measures, such as (i) installing proper sewage treatment devices to process our sewage at each of our processing facilities; (ii) daily collection of solid wastes for which we contract qualified waste management entities, such as the urban administrative committee of Wuhan Dongxihu District to dispose of; and (iii) timely payment of sewage processing fees to the relevant authorities. Our Directors are of the view that the annual cost of compliance with applicable PRC environmental laws, regulations and policies was not material during the Track Record Period. In 2013, 2014 and 2015 and the six months ended June 30, 2016, our expense in respect of environmental protection and work-safety compliance amounted to approximately RMB0.8 million, RMB1.1 million, RMB1.2 million and RMB1.6 million, respectively. We currently do not have any specific expenditure plan with respect to environmental and safety matters. However, we expect to devote operating and financial resources to such compliance whenever we are required by PRC laws and regulations in the future.

We have implemented various work safety policies and procedures to ensure that our operations are in compliance with applicable laws and regulations. The material equipment and machinery at our processing facilities are subject to periodical maintenance from time to time and our employees are required to complete training programs that increase their awareness of safety in the workplace. During the Track Record Period, we had not encountered any material safety incidents.

We have obtained the ISO 9001 quality management system certification, the ISO 22000 food safety management system certification and the ISO 14001 environmental management system certification for our Wuhan facility in 2012, which were renewed in 2015 and will expire in 2018. We expect to apply for ISO certifications for other facilities in the near future.

Our Shanghai facility was on two instances during the Track Record Period found to have discharged sewage with excessive pollutants. In respect of these two incidents, we received a warning from the relevant authorities but no fine was imposed on us. Save for the foregoing, our PRC legal advisor is of the opinion that we are in compliance of applicable environmental laws and regulations in all material respects as of the Latest Practicable Date.

COMPETITION

The casual food industry in which we operate in China is highly competitive with respect to product safety, flavor, quality and consistency, price-value relationships, service, store location, sales channels and availability of trained employees. According to Frost & Sullivan, from 2010 to 2015, total retail sales value of casual braised food in China had increased steadily from RMB23.2 billion to RMB52.1 billion with a CAGR of 17.6%, which is expected to undergo a consistent growth trend, up to RMB123.5 billion in 2020, representing a CAGR of 18.8% from 2015 to 2020. We compete with a broad range of casual braised food companies. We believe we are well positioned in the market by establishing our reputation, brand awareness, food flavor, advanced processing and packaging techniques as well as distribution network among all casual food producers in China. According to Frost & Sullivan, we were the second largest casual braised food company in China by revenue and our revenue accounted for approximately 6.8% of total revenue generated by China's casual braised food companies in the twelve months ended June 30, 2016. During the same period, we were also the second largest casual braised food company in China by retail sales value and our retail sales value accounted for approximately 5.5% of total retail sales value of China's casual braised food companies. We also had the highest market share in terms of revenue generated from online channels among all major braised casual food producers in China in the twelve months ended June 30, 2016. In addition, according to the same source, we recorded an industry-leading average revenue per self-operated retail store among all casual braised food producers in China in the same period. We were the number one brand in terms of top-of-mind awareness and customer satisfaction among all casual braised food brands, according to a customer survey conducted by Frost & Sullivan in 20 cities in China in 2015.

Moreover, the industry is becoming increasingly competitive as new foreign entrants are currently seeking to enter the PRC market. Such multinational companies and their local joint ventures in China intensify the competition by offering more alternative casual food options or opening more sale stores.

LEGAL PROCEEDINGS

We may be involved, from time to time, in legal proceedings arising from the ordinary course of our operations. As of Latest Practicable Date, there was no litigation, arbitration, administrative proceedings or claim of material importance pending or threatened by or against our Group or any of our Directors, that would have a material adverse effect on our results of operations or financial conditions.

LICENSES, REGULATORY APPROVALS AND COMPLIANCE

Our Directors, as advised by our PRC legal advisor, confirm that as of the Latest Practicable Date, we have complied with the relevant PRC laws and regulation in all material respects and have obtained all requisite licenses, approvals and permits from relevant authorities that are material to our operations in China, except as disclosed in "— Properties — Leased Properties — Lease Registration" and "— Licenses, Regulatory Approvals and Compliance" herein.

The following table sets forth the non-compliance incidents our Group was involved in during the Track Record Period and up to the Latest Practicable Date.

Non-compliance	Reasons for the Non-compliance	Legal Consequences	Potential Impacts/ Rectification Actions Taken/ To be Taken
Failure to make full contribution to social insurance premiums and housing provident funds for employees in a timely manner			
We failed to make full contribution to the social insurance premiums and housing provident funds for our employees in a timely manner during the Track Record Period.	A certain number of our employees are migrant workers who are typically not willing to participate in the social welfare schemes of the city where they temporarily reside in as such contributions are not transferrable among cities. In addition, since the implementation or interpretation of the relevant PRC laws and regulations vary from city to city, our staff who were formerly in charge of this matter did not fully understand such laws and regulations in every city where we operated.	As advised by our PRC legal advisor, the relevant PRC authorities may notify us that we are required to pay the outstanding social insurance contributions within a stipulated deadline and pay an overdue charge equal to 0.05% of the outstanding amount for each day of delay. If we fail to repay the outstanding social insurance contributions within such prescribed period, we may be liable to a fine of one to three times the outstanding contribution. In addition, in the case we fail to complete housing provident fund registration and open a housing provident fund account before the expiry of such deadline, we may be subject to a fine of between RMB10,000 and RMB50,000. In the case we fail to make payments of outstanding housing fund contributions before the expiry of such deadline, we may be subject to an order from the relevant people's courts to make such payment.	As of December 31, 2013, 2014 and 2015 and June 30, 2016, the carrying amount of our provisions for social insurance premiums and housing provident funds amounted to RMB30.6 million, RMB46.9 million, RMB65.4 million and RMB66.8 million, respectively. As of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities alleging that we had not fully contributed to the social insurance premiums and housing provident funds and demanding payment of the same before a stipulated deadline. We were also not aware of any employee's complaints or demands for payment of social insurance premium or housing provident fund contributions, nor had we received any legal documentation from the labor arbitration tribunals or the PRC courts regarding disputes in this regard. Written confirmations from competent local authorities have been obtained. These confirmations state, in respect of the relevant periods stated therein, no administrative penalties had been imposed and/or the relevant subsidiary was in compliance with relevant laws and regulations and/or the number of employees who participated in the social insurance contributions and housing provident funds or the types specified therein.

Non-compliance	Reasons for the Non-compliance	Legal Consequences	Potential Impacts/ Rectification Actions Taken/ To be Taken
			Also, we have been actively communicating with the relevant local government authorities and have commenced to make full contribution to social insurance premiums and housing provident funds. As of the Latest Practicable Date, we had not made such contributions for approximately 650 formal employees who had passed their probation period. We will be making full contributions for all of our employees as soon as practicable once we receive the notification of approval from the relevant PRC authorities, which we expect to obtain before or around first half of 2017. We will continue to contribute to such employee social welfare schemes pursuant to the relevant PRC laws and regulations. Our Directors are of the opinion that this non-compliance incident will not have a material adverse impact on us for the following reasons: (i) the written confirmations obtained from the relevant competent local authorities described above, (ii) the advice from our PRC legal advisor that the chance of a fine being imposed is remote if outstanding social insurance contributions or housing provident funds are repaid on time when required by the relevant authorities, and (iii) we have made provisions in connection with this non-compliance for the relevant periods.

Non-compliance	Reasons for the Non-compliance	Legal Consequences	Potential Impacts/ Rectification Actions Taken/ To be Taken
			In order to enhance our corporate governance and to prevent future potential non-compliance incidents, we have assigned designated personnel to monitor the status of payments of social insurance premiums and provident fund on a monthly basis in order to ensure that we have made these payments in full for our employees on time in accordance with the applicable laws and regulations. Written records with respect to the payment status for the social insurance premiums and housing provident fund are properly prepared, maintained and reviewed by the designated personnel on a monthly basis. The designated personnel include the managers of finance department and administrative department. We also engaged a third party consultancy company to provide training programs to the responsible personnel on the updates of the relevant laws and regulations in the past and plan to continue such training programs. In addition, our Controlling Shareholders have agreed to indemnify us monetary fines, settlements payments and any associated costs and expenses which would be incurred or suffered by us in connection with the aforesaid non-compliance occurred on or before the Listing Date.

INTERNAL CONTROL MEASURES

In preparation for the Listing, we engaged an independent internal control consultant on December 29, 2014 to perform an assessment on the effectiveness of our internal controls associated with our historical non-compliance incidents, to identify deficiencies in our internal control system and to furnish recommendations on enhanced internal control measures to be established by us to prevent future violations and ensure on-going compliance with applicable laws and regulations. The work scope of our internal control consultant covers reviewing and assessing various aspects of our operations, including sales and accounts receivables, procurement and accounts payables, inventory management, production and cost management, human resources and remunerations, asset management, cash management, financial reporting and disclosure controls, taxation and general control on information technology system.

In addition to the historical non-compliances and internal control measures we had adopted as discussed above, during the reviews of our independent internal control consultant, certain other matters were identified and we have adopted corresponding internal control measures to improve on these matters.

We had adopted substantially all of the recommendations made by the independent internal control consultant and had improved our internal control system to comply with the Listing Rules and the applicable laws and regulations. Our independent internal control consultant has performed a follow-up review and confirmed that all matters previously identified had been rectified.

Having considered the nature and reasons for the non-compliance incidents above, the advice from our PRC legal advisor, the corrective actions taken and the internal control measures adopted by us, and the view of our internal control consultant, our Directors are of the view, and the Joint Sponsors concur, that (i) our enhanced internal control measures are adequate and effective having regard to the obligations of our Company and our Directors under the Listing Rules and other relevant legal and regulatory requirements; and (ii) the past non-compliance incidents would 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 for listing of our Company under Rule 8.04 of the Listing Rules on the following basis:

(i) the occurrence of the non-compliance incidents was not due to the dishonesty, gross negligence or recklessness of our Directors nor for illegitimate purposes;

(ii) none of the non-compliances has any material impact on our business operations and financial position;

(iii) our Directors responded in a timely manner once they were aware of any non-compliance incidents and immediately acted upon the advices and control measures recommended by our internal control consultant;

(iv) since the implementation of the enhanced internal control measures and up to the Latest Practicable Date, our Directors confirmed that our Group had not had any material breach of rules and regulations other than the non-compliance incidents as disclosed above; and

(v) our Directors are aware of the requirements and obligations as directors of a listed issuer pursuant to the Listing Rules and have undertaken to observe and comply with all the relevant rules and regulations.

Anti-Bribery and Corruption Policy

In order to maintain our reputation and integrity of our corporate governance, we have implemented anti-bribery and corruption policy which requires our employees to conduct business legally and ethically.

We request our employees to undertake in writing not to violate our anti-bribery and corruption policy. Our anti-bribery and corruption policy prohibits our employees to offer unauthorized payment, such as bribes, kickbacks, or benefit to any third party, including government officers, customers, or suppliers, in order to secure or reward an improper benefit. They are also not allowed to accept or solicit any such unauthorized payment. Our anti-bribery and corruption policy also prohibits other misconducts, such as misappropriation and embezzlement, fraud or other illegal activities.

The giving and receiving of gifts is common business practice but employees are not allowed to accept gifts with value above RMB5,000. Any gifts received shall be submitted to our administration department for record. Any entertainment and treat arranged on behalf of the Company must be properly accounted for on expense reports. Gift and entertainment expenses within RMB5,000 made on behalf of us must be approved by the head of the relevant department, accounting and finance managers and the relevant vice president. Gift and entertainment expenses exceeding RMB5,000 but within RMB10,000 made on behalf of us must be approved by the head of the relevant department, accounting and finance managers, the relevant vice president and the general manager. Gift and entertainment expenses exceeding RMB10,000 made on behalf of us must be approved by the head of the relevant department, accounting and finance managers, the relevant vice president, the general manager, as well as our internal disciplinary inspection committee.

Protection against Counterfeit Stores

Our established leading position and well-known brand recognition in China have attracted numerous imitators to operate counterfeit stores that utilize imitation of our trademarks and products without our authorization. Based on our online research conducted in January 2016 using keyword searches of our brand name by locations via a major search engine, we discovered over 900 counterfeit stores in China. Counterfeit stores may divert our potential customers from our retail stores. More importantly, counterfeiting or substandard products sold in counterfeit stores could significantly harm our reputation and brand image.

For example, in January 2016, multiple media reports alleged that the China Food and Drug Administration had publicly announced that food offered by 35 catering services providers, including two stores in Anhui Province associated with the name of "Zhou Hei Ya," was found to contain illegal additives. These two stores are counterfeit stores as neither we nor our distributors have opened any self-operated retail store in Anhui Province. As advised by our PRC legal advisor, we will not be liable for misconduct committed by the counterfeit stores.

We endeavor to crack down on counterfeit stores in order to protect our brand integrity. We adopt a uniform store identity to strengthen our brand recognition. We periodically upgrade our store identity and trademarks, which increases the costs of counterfeit stores. From time to time, we may launch in-store promotional events which our customer may only participate in our authentic stores. We also expect to enhance customer education by promoting our authentic stores through various publicity efforts. We issue membership cards which can only be used in our authentic stores. In addition, our WeChat store is embedded with our store information and locations which allows customers to locate our authentic stores immediately. We have established a dedicated team of approximately 15 employees to handle the counterfeit store issue who conduct on-site visits and inspections periodically.

We encourage customers to report unauthorized uses of our brand or counterfeit stores to us through our Weibo and WeChat official accounts or our customer service hotline.

Furthermore, in the event we identify any counterfeit store, we may engage intellectual property consultants and attorneys to provide legal advices and initiate legal actions. We also from time to time closely coordinate with local media and administrative authorities, including local public security authorities, to report and crack down on counterfeit stores. In July 2016, subject to a submission of Hubei Administration Bureau for Industry and Commerce, the Trademark Office of the SAIC issued an enquiry letter to the local administration bureaus for industry and commerce of 23 provinces and municipalities, requesting each of these government entities to conduct an investigation in its jurisdiction on the existing or potential infringements against our "Zhou Hei Ya (周黑鴨)" trademark. We expect these investigations by the relevant government entities will better facilitate to detect and reduce the number of existing counterfeit stores in those regions and will also be able to preempt the potential infringing activities.

See "Risk Factors — Risks Relating to Our Industry and Business — Our business depends significantly on the market recognition of our "Zhou Hei Ya (周黑鴨)" brand, and any damage to our brand, trademarks or reputation, or failure to effectively promote our brand, could materially and adversely impact our business and results of operations" for more details.

OUR CONTROLLING SHAREHOLDERS

We were founded by Zhou Family. Immediately following the completion of the Capitalization Issue and the Global Offering (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), Mrs. Zhou (through her interests in BVI Holdco I, BVI Holdco II and BVI Holdco IV), will control approximately 63.47% of the enlarged issued share capital of our Company, and will continue to be our Controlling Shareholder.

Zhou Family owns 60.658% of BVI Holdco IV, whose other shareholders are family members and relatives of Zhou Family as well as our current and ex-employees. Our Investors, through Tiantu Investments and Rosy Result, will hold approximately 7.89% and 4.46%, respectively, in the total issued share capital of our Company immediately upon the completion of the Global Offering (and before the exercise of any Over-allotment Option).

COMPETING INTERESTS

Each of our Controlling Shareholders and the Directors confirms that he/she does not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders and their respective associates after the Global Offering.

Management Independence

Our Board comprises nine Directors, including five executive Directors, one non-executive Directors and three independent non-executive Directors. Mr. Zhou is an executive Director, Chief Executive Director and the Chairman of the Board. He is the only member of Zhou Family who is represented on our Board. All the other Directors are independent from Mr. Zhou.

Each of our Directors is aware of his/her fiduciary duties as a director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests. Further, we believe our independent non-executive Directors can bring independent judgment to the decision-making process of our Board. In addition, our Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest and shall not be counted in the quorum present at the particular Board meeting.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team is able to perform the managerial role in our Group independently.

Operational Independence

Our Company has full rights to make all decisions on, and to carry out, our own business operations independently, despite of the controlling interest held by the Controlling Shareholders in our Company. We have sufficient independent premises, equipment, access to customers and suppliers and employees to operate our business independently from our Controlling Shareholders and their respective close associates. Our organizational structure is made up of individual departments, each with specific areas of responsibilities. We have also established a set of internal controls to facilitate the effective operation of our business.

Except for the lease arrangements between the Group and Zhou Family, we do not share premises with the companies controlled by our Controlling Shareholders. See "Connected Transactions" for details of the lease arrangements. As the premises under the lease arrangements account for an insignificant portion of our total premises and it would not be difficult for us to obtain alternative premises in the same area on comparable terms, our operational independence would not be impacted.

Based on the above, our Directors are satisfied that we are able to operate independently from our Controlling Shareholders and their respective close associates.

Financial Independence

Our Group has its own financial management system and the ability to operate independently of our Controlling Shareholders and their respective close associates from a financial perspective. Our Directors confirm that all amounts due to or from, and loans or guarantees provided by our Controlling Shareholders and their respective close associates, will be fully repaid or released before the Listing.

Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders.

NON-COMPETITION UNDERTAKING

Our Controlling Shareholders have entered into a Deed of Non-Competition in favor of our Company on October 24, 2016, pursuant to which each of our Controlling Shareholders has jointly and severally, unconditionally and irrevocably undertaken with our Company (for itself and as trustee for the benefit of each of its subsidiaries from time to time) that he/she/it shall not (except through the Group and any investment or interests held through the Group), and shall procure that his/her/its respective close associates (except any members of our Group) not to, directly or indirectly (including through nominees), either on his/her/its own account or in conjunction with or on behalf of any person, firm or company, among other things, invest in, participate in, engage in and/or operate or be interested in (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may be in competition with the business of any member of our Group (the "**Restricted Business**") during the period commencing on the Listing Date and ending on the earliest of the date that:

(a) the Shares cease to be listed on the Stock Exchange; or

(b) the aggregate beneficial shareholding (whether direct or indirect) of the Controlling Shareholders and/or their close associates (except for any members of the Group) in our Company falls below 30% of the issued Shares; or

(c) in relation to a particular Controlling Shareholder individually, the date when such Controlling Shareholder and all of his/her/its close associates (except for any members of the Group) cease to hold, or otherwise be interested in beneficially, whether directly or indirectly, any of the Shares (the "**Restricted Period**").

The above Non-competition Undertaking does not apply where the Controlling Shareholders and their close associates (except for any members of the Group):

- hold, directly or indirectly, no more than 5% of the equity interests in any company listed on a recognized stock exchange; and

- have interests in the shares of a company, other than our Group and any investment or interests held through our Group, provided that:

  (a) any Restricted Business conducted or engaged in by such company (and assets relating thereto) account for less than 10% of that company's consolidated sales or consolidated assets, whichever is less, as shown in that company's latest audited accounts; and

  (b) the total number of the shares held by the Controlling Shareholders and their close associates (except for any members of the Group) in aggregate does not exceed 10% of the issued shares of that class of the company in question and the Controlling Shareholders and their close associates (except for any members of the Group) are not entitled to appoint a majority of the directors of that company.

We will continue to carry out certain transactions with certain connected persons (as defined under Chapter 14A of the Listing Rules) upon Listing. Such transactions will therefore constitute continuing connected transaction of our Group under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

Zhou Family, our Controlling Shareholder, is the only connected person with whom we have entered into transactions. These transactions will continue after the Listing and will constitute continuing connected transactions for our Group under Chapter 14A of the Listing Rules.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

We set out below details of the continuing connected transactions between our Group and Zhou Family (our Controlling Shareholder) which are fully exempt from reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules.

Master Property Lease Agreement

Parties: Zhou Family (as the lessor); and

the Company (as the lessee)

Principal terms: Zhou Family owns a number of commercial premises for their own investment, and the Company (for itself and on behalf of its subsidiaries), has entered into a master property lease agreement dated October 24, 2016 with Zhou Family, pursuant to which the Company (for itself and on behalf of its subsidiaries) agreed to rent commercial premises from Zhou Family upon the terms and conditions stated therein.

The location and other key information of the rental properties are as follows:

Address	Size (sq. m.)	Usage	Approximate Annual Rent (RMB)
Business Street of Space Shuangcheng, Jiangan District, Wuhan, Hubei Province	46.03	Retail store	120,000
No. 1023, Block D1, Walking Street of Optical Valley World City, East Lake High-tech Development Zone, Wuhan, Hubei Province	46.94	Retail store	545,300
No. 006, Unit B1, Block 1, Optical Valley World City, Business Street, East Lake High-tech Development Zone, Wuhan, Hubei Province	110.70	Retail store	1,046,100
No. 107, Block 6, HSBC Corporate Headquarters, Qiaokou District, Wuhan, Hubei Province	104.90	Office	158,760
No. 187, 1/F, Retail of Block B-1, C, 2 and 3, Phase 2, Hankou City Plaza, Jiangan District, Wuhan, Hubei Province	86.09	Retail store	185,950
TOTAL:	394.66		2,056,110

The term of the master property lease agreement is three years commencing on the Listing Date.

Pricing policy: The rents under the master property lease agreement payable to Zhou Family represents the prevailing market conditions and the rental level of properties with similar size within the same building or, if not available, properties with similar sizes in the vicinity of the rental properties, and in any event, such rent payable shall not be exceeding the market rent.

Reasons for the transaction: Zhou Family owns a number of commercial premises for their own investment, and these premises were considered by us to be suitable for rental as our retail stores and office. Our Directors are of the view that the master property lease agreement enables the Group to secure locations for some of its retail stores and office at a fair market price and to prevent unnecessary costs and efforts as well as the interruption of business caused by relocation in the case of short term leases.

Historical figures: The historical figures of the rents paid to Zhou Family are set out below:

	Historical Transaction Amount			
	for the Year Ended December 31			for the six months Ended June 30
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Total payable amount	1,699	1,777	1,963	982

Annual Caps: The maximum aggregate annual amount of rents payable to Zhou Family for the years ending December 31, 2016, 2017 and 2018 shall not exceed the caps set out below:

	Proposed Annual Cap for the Year Ending December 31		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Total payable amount	2,061	2,164	2,272

Basis of Caps: In determining the above annual caps, our Directors have considered the rents payable under the existing leases, taking into consideration a possible increase of rent of similar properties in the vicinity.

Listing Rules implications: As the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the master property lease agreement are below 5% and the total annual rental payable by Hubei Shiji Yuanjing under the master property lease agreement is less than HK$3,000,000, the transaction contemplated under the master property lease agreement constitutes *de minimis* continuing connected transactions under Rule 14A.76(1) of the Listing Rules, and is exempt from reporting, announcement and independent shareholders' approval requirements.

DIRECTORS' VIEW

The Company has engaged DTZ Cushman & Wakefield Limited, an independent professional property valuer, to review the master property lease agreement and also inspect the relevant properties. After studying the available market information and the terms of the master property lease agreement, DTZ Cushman & Wakefield Limited is of the opinion that the rental charged by Zhou Family under the master property lease agreement is within reasonable range of the market rental and that the terms of the master property lease agreement are considered fair and reasonable and on normal commercial terms.

In the view of our Directors (including our independent non-executive Directors), it is in the interests of our Group to continue with the continuing connected transactions described in this section after the Listing, and that all these transactions are conducted on normal commercial terms, were entered into in the ordinary and usual course of business of our Group, the terms are fair and reasonable and are in the interests of our Company and our Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

The Board currently consists of nine Directors, comprising five executive Directors, one non-executive Director and three 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 annual financial budget and final accounts, and formulating our proposals for profit distributions as well as exercising other powers, functions and duties as conferred by our Articles of Association. We have entered into service contracts with each of our executive Directors and letters of appointment with each of our non-executive Directors and independent non-executive Directors.

Our senior management is responsible for the day-to-day management and operation of our business.

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

Name	Age	Position	Date of appointment	Date of joining our Group	Roles and Responsibilities in our Group	Relationship with other Directors or senior management
Directors						
ZHOU Fuyu (周富裕)......	41	Chairman of the Board, Executive Director and Chief Executive Officer	June 8, 2016	June 13, 2006	Responsible for formulating the overall development strategies and business plans of our Group and overseeing the Group's operation	None
ZHU Yulong (朱于龍)......	45	Executive Director	June 8, 2016	December 1, 2006	Responsible for advising on and overseeing the implementation of the strategic development plans of our Group	None

Name	Age	Position	Date of appointment	Date of joining our Group	Roles and Responsibilities in our Group	Relationship with other Directors or senior management
WEN Yong (文勇)	34	Executive Director	June 8, 2016	June 13, 2006	Responsible for the supply chain management of the Group	None
HU Jiaqing (胡佳慶)......	45	Executive Director	June 8, 2016	January 1, 2007	Responsible for production management, quality control and research and development of our Group	None
HAO Lixiao (郝立曉)......	41	Executive Director	June 8, 2016	October 8, 2007	Responsible for finance and investment related matters as well as the overall public relations, legal and compliance matters of the Group	None

Name	Age	Position	Date of appointment	Date of joining our Group	Roles and Responsibilities in our Group	Relationship with other Directors or senior management
PAN Pan (潘攀)	37	Non-executive Director	June 8, 2016	March 25, 2014	Responsible for giving strategic advice and making recommendations on the operations of the Group	None
WU Chi Keung (胡志強)......	59	Independent non-executive Director	October 24, 2016	October 24, 2016	Responsible for supervising and providing independent judgement to our Board	None
CHAN Kam Ching, Paul (陳錦程)	62	Independent non-executive Director	October 24, 2016	October 24, 2016	Responsible for supervising and providing independent judgement to our Board	None
LU Weidong (盧衛東)......	53	Independent non-executive Director	October 24, 2016	October 24, 2016	Responsible for supervising and providing independent judgement to our Board	None

Name	Age	Position	Date of appointment	Date of joining our Group	Roles and Responsibilities in our Group	Relationship with other Directors or senior management
Senior Management						
TONG Yingxiang (童迎香)......	39	Chief Financial Officer	April 11, 2016	February 21, 2012	Responsible for the overall financial management of our Group	None
LI Ying (李瑩)	38	Chief Human Resources Officer and Assistant to the Chairman of the Board	April 11, 2016	September 22, 2008	Responsible for the human resources and training programs of our Group	None
BAI Dongsheng (白東升)......	38	Head of the Market Development Center of ZHY Development	April 11, 2016	November 15, 2012	Responsible for managing market development related affairs	None

Executive Directors

Mr. ZHOU Fuyu (周富裕), aged 41, is the Chairman, an executive Director and Chief Executive Officer. Mr. Zhou founded our business with Mrs. Zhou in 2002 and established Wuhan ZHY Holdco on June 13, 2006. He was appointed as our Director on June 8, 2016 and is primarily responsible for formulating the overall development strategies and business plans of our Group and overseeing the Group's operations. With approximately 15 years of experience in casual braised food industry, he is the key driver of our business strategies and achievements to date and continues to oversee the management of our operations, business, and the Group's sales network. For further information regarding the relationship between Mr. Zhou and the Group, see "Our History and Development".

Mr. ZHU Yulong (朱于龍), aged 45, is an executive Director and the head of our strategic development committee. Mr. Zhu was appointed as our Director on June 8, 2016 and is primarily responsible for advising on and overseeing the implementation of the strategic development plans of our Group. He was the director of Wuhan ZHY Holdco from December 2006 to July 2015 and has been a director and general manager of ZHY Development since July 2015. He has approximately ten years of experience in corporate management. Prior to joining our Group, Mr. Zhu was the general manager of Wuhan Green Farm Co., Ltd. (武漢綠色農莊農產品配送有限責任公司), an agricultural products distributor, from October 2006 to December 2006, where he was primarily in charge of the daily management and operations of the company. From September 2005 to April 2006, he served as the director of business department of Wuhan Shanlv Group (山綠農產品集團股份有限公司), a company engaged in agricultural products purchasing business, where he was primarily responsible for the overall management of chain store business department. From December 2004 to February 2005, he worked as the buyer of procurement department of Wushang Group Hypermarket Co., Ltd. (武漢武商量販連鎖有限公司), a retail company, where he was primarily responsible for the procurement.

Mr. Zhu obtained a bachelor's degree in Chinese language from Nankai University (南開大學) in September 1992. He was employed as a visiting professor by School of Management and Economics of Huazhong University of Technology, Wuchang Branch (華中科技大學武昌分校經濟管理學院) in April 2014.

Mr. WEN Yong (文勇), aged 34, was appointed as an executive Director on June 8, 2016 and is primarily responsible for the supply chain management of the Group. He was the deputy general manager of Wuhan ZHY Holdco from March 2015 to July 2015 and is a deputy general manager of ZHY Development. Mr. Wen was the manager of procurement and supply department and the manager of supply chain center of Wuhan ZHY Holdco from June 2006 to April 2011 and from April 2011 to August 2011, respectively, where he was primarily responsible for the overall operation of the respective departments. Mr. Wen was also the general manager of Shenzhen ZHY from August 2011 to March 2015.

Mr. HU Jiaqing (胡佳慶), aged 45, was appointed as an executive Director on June 8, 2016 and is primarily responsible for production management, quality control and research and development of our Group. He was the deputy general manager of Wuhan ZHY Holdco from January 2007 to July 2015 and is a deputy general manager of ZHY Development. Prior to joining our Group, he was the manager of Wuhan Xinguangdian Property Management Co., Ltd. (武漢鑫廣電物業管理有限公司) from March 2003 to October 2006, a real estate company, where he was primarily responsible for the overall management of the company.

Mr. Hu graduated from Wuhan University (武漢大學) majoring in economic and trade law in June 2000.

Mr. HAO Lixiao (郝立曉), aged 41, was appointed as an executive Director on June 8, 2016 and is primarily responsible for finance and investment related matters as well as the overall public relations, legal and compliance matters of our Group. He was the deputy general manager of Wuhan ZHY Holdco from October 2007 to July 2015 and is a deputy general manager of ZHY Development. He is also the executive director of Shanghai ZHY and Jiangsu Dashike. Prior to joining our Group, he worked at Wushang Sanjiaolu Shopping Centre (武盛三角路購物中心) as a salesman from September 1994 to September 1997, Wushang Baisheng Hypermarket (武商百盛量販店) as a manager from September 1997 to March 2000 and Wushang Hypermarket Company (武商量販公司), from April 2000 to September 2007 as a buyer of its procurement department.

Mr. Hao graduated from Hubei Economics School (湖北經濟學院) majoring in business administration on June 30, 2005. He obtained the certificate of secretary to the board of directors awarded by Shenzhen Stock Exchange on July 30, 2012.

Mr. PAN Pan (潘攀), aged 37, was appointed as a non-executive Director on June 8, 2016. He has been the non-executive director of Wuhan ZHY Holdco since March 25, 2014 as a director representative of Tiantu Investors. He is primarily responsible for giving strategic advice and making recommendation on the operation of the Group. He was the managing director of Tiantu Capital Management Center LLP (深圳天圖資本管理中心(有限合夥)) from February 2014 to January 2016 and has been the partner since February 2016. Mr. Pan also worked at Guosen Hongchuang Venture Investment Co., Ltd. (國信弘盛創業投資有限公司), an investment company.

Mr. Pan obtained a bachelor's degree in currency banking from Hunan University (湖南大學) in July 2003 and a master's degree in finance from Hunan University in December 2004.

Independent Non-executive Directors

Mr. WU Chi Keung (胡志強), aged 59, was appointed as an independent non-executive Director on October 24, 2016 and is the chairman of the audit committee. Mr. Wu has more than 30 years of experience in financial audit and specializes in providing auditing and assurance services, financial due diligence reviews, support services for merger and acquisitions, corporate restructuring and fund raising engagements. Mr. Wu was a partner of Deloitte Touche Tohmatsu until he retired in December 2008. Mr. Wu is currently a director of a family-owned private company, Born Best Company Limited, engaging in trading and investment business, and an independent non-executive director of COFCO Meat Holdings Limited, a pork company in China. He is also an independent non-executive director of China Medical System Holdings Limited (stock code: 867), Jinchuan Group International Resources Co. Ltd. (stock code: 2362), Zhong Fa Zhan Holdings Limited (stock code: 475), Huabao International Holdings Limited (stock code: 336), YuanShengTai Dairy Farm Limited (stock code: 1431) and Huajin International Holding Limited (stock code: 2738), all of which are companies listed on the Stock Exchange. Mr. Wu was also an independent non-executive director of the following companies listed on the Stock Exchange: JF Household Furnishings Limited (stock code: 776) from August 16, 2011 to October 5, 2012, GreaterChina Professional Services Limited (stock code: 8193) from May 18, 2011 to July 2, 2014, China Wah Yan Healthcare Limited (stock code: 648) (formerly known as China Renji Medical Group Limited) from January 3, 2012 to July 15, 2014 and Link Holdings Limited (stock code: 8237) from June 20, 2014 to October 3, 2014.

Mr. Wu graduated from Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) on November 20, 1980 with a high diploma in accountancy. Mr. Wu has been an associate of Hong Kong Institute of Certified Public Accountants since March 20, 1984 and a fellow of Association of Chartered Certified Accountants in the United Kingdom since September 15, 1988.

Mr. Chan Kam Ching, Paul (陳錦程), aged 62, was appointed as an independent non-executive Director on October 24, 2016. He is the proprietor of Paul K. C. Chan & Partners, Solicitors, and is now practicing laws in Hong Kong. Mr. Chan was an independent non-executive director of PetroAsian Energy Holdings Limited (stock code: 850), a company listed on the Stock Exchange, from October 21, 2002 to September 11, 2015.

He obtained his Juris Doctor Degree from University of Toronto in June 1979. He was admitted to practice as a barrister and solicitor in Ontario, Canada in April 1981, and as a solicitor in Hong Kong in January 1984 and in England and Wales in July 1988, and as a barrister and solicitor of the Australian Capital Territory in October 1991, and an advocate and solicitor of Singapore in February 1995. He is currently a China Appointed Attesting Officer, a Fellow of the Chartered Institute of Arbitrators, a Member of Hong Kong Society of Notaries, HKIAC Accredited Mediator, a Civil Celebrant of Marriages and Certified Tax Adviser.

Mr. LU Weidong (盧衛東), aged 53, was appointed as an independent non-executive Director on October 24, 2016. He has been the managing director of Shenzhen Junfu Investment Co., Ltd. (深圳市均富投資有限公司) ("**Shenzhen Junfu**"), an investment company, since January 2015. Prior to joining Shenzhen Junfu, Mr. Lu worked at Shenzhen Longri Gardening Landscape Co., Ltd. (深圳市龍日園藝景觀有限公司), a gardening company, as the deputy general manager in charge of financial management from September 2011 to December 2014. From January 2010 to August 2011, he was the non-auditing business partner of Grant Thornton Accounting Firm (致同會計師事務所) (formerly known as Jingdu Tianhua Accountant Firm (京都天華會計師事務所)). From January 2008 to January 2010, he worked at Shanghai Junfu Panchenzhangjiahua Accounting Firm (上海均富潘陳張佳華會計師事務所) and successively held positions as Junfu PRC partner, managing partner of Shenzhen Branch and secretary-general of the partners' meeting. Mr. Lu worked as the managing partner from March 1997 to January 2008 and the legal representative from May 1994 to March 1997 of Shenzhen Licheng Accounting Firm (深圳市力誠會計師事務所) (formerly known as Shenzhen Licheng Accounting Firm (深圳市立誠會計師事務所)). From June 1991 to March 1994, he served as the assistant to the head of Shenzhen Guangming Accounting Firm (深圳市光明會計師事務所). From December 1987 to July 1991, he successively held the positions as auditor assistant, assistant to the manager and manager of Shekou Zhonghua Accounting Firm (蛇口中華會計師事務所). From September 1985 to December 1987, he held positions as accounting assistant and accounting manager of China Electronic System Project Co., Ltd. (中國電子系統工程總公司), an electronic construction company.

Mr. Lu obtained a bachelor's degree in economics from Hangzhou Dianzi University (杭州電子科技大學) (formerly known as Hangzhou Institute of Electronic Engineering (杭州電子工業學院)) in July 1985. He is a Chinese Certified Public Accountant (中國註冊會計師) certified by The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in October 1990.

Save as disclosed above, none of our Directors holds any other directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the date of this prospectus. See "Statutory and General Information" in Appendix V to this prospectus for further information about the Directors, including the particulars of their service contracts and remuneration, and details of the interests of the Directors in the Shares (within the meaning of Part XV of the SFO). Save as disclosed in this prospectus, there are no other matters in respect of each of our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other material matters relating to our Directors that need to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

The senior management team of our Group, in addition to the executive Directors listed above, is as follows:

Ms. TONG Yingxiang (童迎香), aged 39, is the chief financial officer of our Group. She was appointed to the current position on April 11, 2016 and is primarily responsible for overseeing the overall financial management of our Group. Ms. Tong joined our Group in February 2012 and was the chief financial officer of Wuhan ZHY Holdco from May 2014 to July 2015. From February 2012 to April 2014, Ms. Tong held the position as the assistant to the chairman of the board of directors of Wuhan ZHY Holdco, where she was primarily responsible for assisting the chairman with the financial management of the Group. She has been the financial controller of ZHY Development since July 2015. Prior to joining our Group, she was the financial manager of Wuhan Huarun Gas Co., Ltd. (武漢華潤燃氣有限公司) from December 2009 to October 2011, an infrastructure supplier, where she was primarily responsible for financial management. Ms. Tong worked as an audit manager of Zhongqin Wanxin Accounting Firm (中勤萬信會計師事務所有限公司湖北分公司) from December 2006 to October 2009.

Ms. Tong passed the self-study examination of higher education in accounting from Zhongnan University of Economics and Law (中南財經政法大學) in June 2003. She also passed the unified national exam of certified public accountants in December 2006. She has been a non-practising member of Hubei Institute of Certified Public Accountants since January 10, 2011.

Ms. LI Ying (李瑩), aged 38, is the chief human resources officer and assistant to the chairman of the Board. Ms. Li was appointed to the current position on April 11, 2016 and is primarily responsible for managing human resources matters and training programs of our Group. She held various positions at Wuhan ZHY Holdco from September 2008 to July 2015 in relation to human resources management, and was the chief human resources officer of Wuhan ZHY Holdco from May 2014 to July 2015. She has been the chief human resources officer of ZHY Development since July 2015. Prior to joining our Group, she worked as human resources manager of Shanlv Agricultural Products Group Joint Stock Company (山綠農產品集團股份有限公司) ("**Shanlv**") from June 2005 to January 2007, where she was primarily responsible for managing human resources of Shanlv.

Ms. Li graduated from the Department of International Trade and Commence, University of International Business and Economics (對外經濟貿易大學) in Beijing in July 2005. She was awarded the PRC bar by the Ministry of Justice of the PRC in Hubei Province in August 2010 and the Human Resources Administrator (Class II) (人力資源師(二級)) by Occupational Skill Testing Authority of the Ministry of Human Resources and Social Security of the PRC in March 2005.

Mr. BAI Dongsheng (白東升), aged 38, is the head of the market development center of ZHY Development. Mr. Bai was appointed to the current position on April 11, 2016 and is primarily responsible for managing market development related affairs. From November 2012 to July 2015, he worked as a deputy general manager in Wuhan ZHY Holdco, where he was responsible for the development of retail stores and overseeing the construction of the retail stores. Prior to joining our Group, he served as a general manager in Wuhan Shiji Jiansheng Foods Co., Ltd. (武漢世紀健生食品有限公司), a casual braised food company, from October 2007 to November 2012, where he was responsible for the overall operation of the company.

Mr. Bai obtained a certificate in ideological and political education from Hubei University of Nationalities (湖北民族學院) in June 2001, and an EMBA from Wuhan University in June 2015.

COMPANY SECRETARY

Ms. LI Oi Lai (李愛麗), aged 43, was appointed as the company secretary of our Company on June 8, 2016. Ms. Li is a manager of SW Corporate Services Group Limited. Ms. Li is the company secretary of China Titans Energy Technology Group Co., Limited (stock code: 2188) and China Leon Inspection Holding Limited (stock code: 1586), both are companies listed on the main board of the Stock Exchange. She has over fifteen years of experience in auditing, accounting and company secretarial matters. She obtained a bachelor's degree in commerce (with honor) in accounting from Hong Kong Shue Yan University in October 2010 and a master's degree in professional accounting from the Hong Kong Polytechnic University in November 2003. She has been an associate of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom since October 2006, a fellow member of the Association of International Accountants since November 2014 and a fellow member of the Hong Kong Institute of Certified Public Accountants since March 2015.

BOARD COMMITTEES

Audit Committee

The Company established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The audit committee consists of three members, namely Mr. WU Chi Keung, Mr. CHAN Kam Ching, Paul and Mr. LU Weidong, our independent non-executive Directors. Mr. WU Chi Keung has been appointed as the chairman of the audit committee, and is our independent non-executive Director processing the appropriate professional qualifications. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group, oversee the audit process and perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

The Company established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The remuneration committee has three members, being two independent non-executive Directors, namely Mr. CHAN Kam Ching, Paul and Mr. LU Weidong, and one executive Director, namely Mr. ZHU Yulong. Mr. CHAN Kam Ching, Paul, our independent non-executive Director, has been appointed as the chairman of the remuneration committee. The primary duties of the remuneration committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations on employee benefit arrangement.

Nomination Committee

The Company established a nomination committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The nomination committee consists of two independent non-executive Directors, being Mr. WU Chi Keung and Mr. LU

Weidong, and one executive Director, being Mr. ZHOU Fuyu, who is the chairman of the nomination committee. The primary duties of the nomination committee are to make recommendations to our Board on the appointment and removal of Directors of our Company.

Strategic Development Committee

The Company also established a strategic development committee and the Board has adopted the terms of reference for the strategic development committee. The strategic development committee has three members, namely Mr. ZHU Yulong, Mr. HU Jiaqing and Mr. HAO Lixiao, our executive Directors. Mr. ZHU Yulong has appointed as the chairman of the strategic development committee. The primary duties of the strategic development committee are to review and advise the mid to long term strategic positioning, development plans and investment decisions of the Company and make recommendations to the Board, to monitor and review the implementations of strategic plans, to advise on major investment projects, merger and acquisitions, brand strategies or any other material matters which will affect the Company's long term development.

CODE PROVISION A.2.1 OF THE CORPORATE GOVERNANCE CODE

Mr. Zhou is our chairman and chief executive officer. With extensive experience in casual braised food industry, Mr. Zhou is responsible for the overall development strategies and business plans of the Group and overseeing the Group's operation. We believe he is instrumental to our growth and business expansion since our establishment in 2006. Our Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. We believe that the balance of power and authority is ensured by the operation of the senior management and our Board, which comprises experienced and high-caliber individuals. Our Board currently comprises five executive Directors (including Mr. Zhou), one non-executive Director and three independent non-executive Directors and therefore we believe it has a fairly strong independence element in its composition.

Save as disclosed above, we are in compliance with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

WAIVER GRANTED BY THE STOCK EXCHANGE

Management presence

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, see "Waiver from Compliance with the Listing Rules — Waiver in relation to Management Presence in Hong Kong" in this prospectus.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of remuneration our Directors have received (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) for the three years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016, was approximately RMB3.9 million, RMB3.7 million, RMB5.9 million and RMB2.3 million, respectively.

The aggregate amount of emoluments, including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind paid to our five highest paid individuals of our Company, including Directors, during each of the three years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016, was approximately RMB4.8 million, RMB4.1 million, RMB6.6 million and RMB2.8 million, respectively.

Under the arrangements currently in force, the aggregate amount of remuneration, excluding discretionary bonuses, payable to our Directors for the year ending December 31, 2016 is estimated to be approximately RMB3.8 million.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the three years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016. Further, none of our Directors had waived any remuneration during the same period.

Save as disclosed above, no other payments have been made or are payable in respect of each of the three years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016 by our Group to the Directors.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management which, following the Listing, will receive recommendation from our Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of our Group.

COMPLIANCE ADVISOR

We have appointed Guotai Junan Capital Limited as our compliance advisor (the "**Compliance Advisor**") upon listing of our Shares on the Stock Exchange in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will provide advice to us when consulted by us in the following circumstances:

(i) the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(iii) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where its business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and

(iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares of our Company.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date and this appointment may be subject to extension by mutual agreement.

So far as our Directors are aware, after the completion of the Share Subdivision and immediately following the completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, each of the following persons will have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 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 the Company:

Name	Nature of interest[1]	Shares/Underlying Shares held immediately prior to completion of the Global Offering (but after completion of the Capitalization Issue)		Shares held immediately following the completion of the Capitalization Issue and the Global Offering	
		Number	Percentage	Number	Percentage
Mrs. Zhou[2]	Interest in a controlled corporation	1,472,225,500	77.69%	1,472,225,500	63.47%
BVI Holdco I	Beneficial owner	1,190,818,000	62.84%	1,190,818,000	51.34%
BVI Holdco II	Beneficial owner	32,480,300	1.71%	32,480,300	1.40%
BVI Holdco IV	Beneficial owner	248,927,200	13.14%	248,927,200	10.73%
Mr. Zhou[3]	Interest of spouse	1,472,225,500	77.69%	1,472,225,500	63.47%
Tiantu Investments[4]	Beneficial owner	182,886,450	9.65%	182,886,450	7.89%
Tiantu Advisory Company Limited[4]	Interest in a controlled corporation	182,886,450	9.65%	182,886,450	7.89%
Shenzhen Tiantu [4]	Interest in a controlled corporation	182,886,450	9.65%	182,886,450	7.89%
Wang Yonghua[4]	Interest in a controlled corporation	182,886,450	9.65%	182,886,450	7.89%

Notes:

(1) All interests stated are long positions.

(2) The entire issued share capital of BVI Holdco I and BVI Holdco II are held by Mrs. Zhou, therefore Mrs. Zhou is deemed to be interested in 1,190,818,000 Shares and 32,480,300 Shares held by BVI Holdco I and BVI Holdco II, respectively. Since Mrs. Zhou owns 60.658% of BVI Holdco IV, Mrs. Zhou is also deemed to be interested in 248,927,200 Shares held by BVI Holdco IV.

(3) Mr. Zhou is the spouse of Mrs. Zhou and is deemed to be interested in the Shares which are interested by Mrs. Zhou under the SFO.

(4) Tiantu Investments, a company incorporated in the BVI, holds 182,886,450 Shares, representing 7.89% of the total issued share capital of the Company. Tiantu Advisory Company Limited holds 91.70% of Tiantu Investments and is wholly owned by Shenzhen Tiantu, a company listed on the National Equities Exchange and Quotations (NEEQ: 833979) in the PRC. Mr. Wang Yonghua holds 59.80% shareholding interest in Shenzhen Tiantu. Therefore, under Part XV of the SFO, each of Tiantu Investments, Tiantu Advisory Company Limited, Shenzhen Tiantu and Mr. Wang Yonghua is deemed to be interested in 182,886,450 Shares held by Tiantu Investments, representing 7.89% of the total issued share capital of the Company.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised), have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 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 the Company.

Our Directors are not aware of any arrangement which may result in any change of control in the Company at any subsequent date.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized share capital of our Company as of the Latest Practicable Date and immediately following the completion of the Global Offering:

Authorized share capital

Shares	Description	Nominal value	Total nominal value
5,000,000	As of the Latest Practicable Date	US$0.01	US$50,000.00
50,000,000,000	After the completion of the Share Subdivision and immediately following the Capitalization Issue and the Global Offering	US$0.000001	US$50,000.00

The following is a description of the issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid prior to and immediately following the completion of the Global Offering:

Issued share capital

As of the Latest Practicable Date

Shares	Nominal value	Total nominal value
100,000..	US$0.01	US$1,000.00

Immediately after the completion of the Global Offering and before any exercise of the Over-allotment Option

Shares	Description of Shares	Nominal value	Total nominal value
1,000,000,000	Shares in issue after the Share Subdivision	US$0.000001	US$1,000.00
895,000,000	Shares issued pursuant to the Capitalization Issue	US$0.000001	US$895.00
424,470,000	Shares to be issued pursuant to the Global Offering	US$0.000001	US$424.47
2,319,470,000	Total	—	US$2,319.47

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Capitalization Issue and the Global Offering. The above does not take into account any shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKINGS

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES

Subject to the conditions stated in "Structure of the Global Offering — Conditions of the Global Offering", our Directors have been granted general unconditional mandate to issue and repurchase our Shares.

For further details of these general mandate, please see "Statutory and General Information — A. Further Information about Our Group — 3. Resolutions in Writing of the Shareholders of Our Company" in Appendix V.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS AND CLASS MEETINGS ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks pari passu with the other Shares.

Pursuant to the Cayman Companies Law and the Articles of Association, the Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel 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; (f) make provision for the issue and allotment of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized, and subject to any conditions prescribed by law.

Subject to the Cayman Companies Law and to confirmation by the court, the Company may, if so authorized by its Articles of Association, by special resolution, reduce its share capital in any way. For details, see "Summary of the Constitution of Our Company and Cayman Companies Law — 2. Articles of Association — (iii) Alteration of Capital" in Appendix IV.

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified 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 general meeting of the holders of the shares of that class. For details, please refer to "Summary of the Constitution of Our Company and Cayman Companies Law — 2. Articles of Association — (ii) Variation of Rights of Existing Shares or Classes of Shares" in Appendix IV.

Pursuant to the Articles of Association, extraordinary general meetings may be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionlist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

You should read the following discussion and analysis with our consolidated financial information, including the notes thereto as of and for each of the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016 as well as our unaudited consolidated financial information as of and for the six months ended June 30, 2015 included in the Accountants' Report set out in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with HKFRS, which may differ in material aspects from generally accepted accounting policies in other jurisdictions.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluation our business, you should carefully consider the information provided in the section headed "Risk Factors" in this prospectus. Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

OVERVIEW

We are a leading brand and retailer of casual braised food in China. According to Frost & Sullivan, in the twelve months ended June 30, 2016, we were the second largest casual braised food company in China by revenue and our revenue accounted for approximately 6.8% of total revenue generated by China's casual braised food companies. We were also the second largest casual braised food company in China by retail sales value and our retail sales value accounted for approximately 5.5% of total retail sales value of China's casual braised food companies during the same period. We operated the second largest self-operated retail store network in China among casual braised food companies as of June 30, 2016. According to Frost & Sullivan, we recorded an industry leading average revenue per self-operated retail store among all major casual braised food producers in China in the twelve months ended June 30, 2016. In addition, according to the same source, we had the largest market share in terms of revenue generated from online channels among all casual braised food producers in China in the twelve months ended June 30, 2016. We were the number one brand in terms of top-of-mind awareness and customer satisfaction and frequency of customer patronage among all casual braised food brands, according to a customer survey conducted by Frost & Sullivan in 20 cities in China in 2015.

Our products possess a popular and rich flavor, which appeals to consumers in different regions of China. We believe that our high quality and popular products together with the convenient and hygienic consumption experience we promote have successfully made our brand "Zhou Hei Ya (周黑鴨)" synonymous with the rapidly growing casual braised food market in China. According to a consumer survey conducted by Frost & Sullivan in 20 cities in China in 2015, we ranked first in terms of top-of-mind awareness and customer satisfaction among all casual braised food brands.

We contributed to transforming the casual braised food industry by upgrading its retail model from traditional roadside stalls into branded chain stores with a distinguishable brand image and hygienic shopping spaces that provide products and services of consistent quality. According to Frost & Sullivan, we are the first braised food company that has achieved a complete shift from selling unpackaged products to MAP products.

As a result of our highly standardized and scalable business model premised upon our commitment to food safety and high quality products, our strong brand recognition, well-established self-operated retail store network, tailored and creative branding and marketing strategies adopting entertaining and interactive media formats efficient and effective supply chain management supported by our strong quality assurance system and experienced and visionary management team, we have achieved remarkable growth during the Track Record Period. Our total revenue increased from RMB1,217.6 million in 2013 to RMB1,809.1 million in 2014, and further to RMB2,432.0 million in 2015, representing a CAGR of 41.3% from 2013 to 2015. Our net profit increased from RMB259.9 million in 2013 to RMB410.9 million in 2014, and further to RMB552.7 million in 2015, representing a CAGR of 45.8% from 2013 to 2015. Our total revenue increased by 18.3% from RMB1,174.7 million for the six months ended June 30, 2015 to RMB1,389.1 million for the corresponding period in 2016 and our net profit increased by 40.8% from RMB270.4 million for the six months ended June 30, 2015 to RMB380.7 million for the corresponding period in 2016.

BASIS OF PRESENTATION

Pursuant to "Our History and Development", Wuhan ZHY Holdco, ZHY Development and their subsidiaries now comprising the Group were under the common control of the Controlling Shareholders before and after the Reorganization. The financial information presents the consolidated results, cashflows and financial position of the companies comprising the Group, by applying the principles of merger accounting as if the group structure had been in existence throughout 2013, 2014 and 2015 and the six months ended June 30, 2016 as of the earliest period presented. The accounts of Wuhan ZHY Holdco have been included in the financial information throughout 2013, 2014 and 2015 and the six months ended June 30, 2016 as they formed an integral part of the proposed Listing and were not managed separately. Accordingly, they were reflected in the financial information up to July 26, 2015, the effective date when Wuhan ZHY Holdco disposed of its operating assets to the Group. The assets and liabilities retained by Wuhan ZHY Holdco as of July 26, 2015, totaling approximately RMB821.8 million are reflected in the financial information as a distribution made to the equity holders of the Group on July 26, 2015.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for 2013, 2014 and 2015 and the six months ended June 30, 2016 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when they first came under the common control of the Controlling Shareholders, whichever is earlier. The consolidated statements of financial position of the Group as of December 31, 2013, 2014 and 2015 and June 30, 2016 have been prepared to present the assets and liabilities of the subsidiaries using the existing book value from the Controlling Shareholders' perspective. No adjustments are made to reflect the fair value, or recognize any new assets or liabilities as a result of the Reorganization.

All intra-group transactions and balances have been eliminated on consolidation.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe that a number of factors directly or indirectly affect our business, financial condition and results of operations, including the factors discussed below:

- Customer demand for casual braised food and changes in customer preferences;
- Number of our stores in operation and expansion of our self-operated retail store network;
- Average selling price of our products;
- Customer traffic and average spending per purchase order;
- Same store comparable sales;
- Production capacity, expansion and utilization rates;
- Raw material costs;
- Labor costs; and
- Lease expenses.

Customer demand for casual braised food and changes in customer preferences

Our results of operations have been and will continue to be influenced by consumer spending on casual braised food in China, which is largely affected by improvements in living standards in China. As a result of the strong economic growth, China has experienced a significant increase in per capita disposable income which drives the significant growth in China's casual braised food industry. We have in the past benefitted from the robust growth of our industry. According to Frost & Sullivan, the casual braised food has been the fastest-growing market segment in the overall casual food industry in China by retail sales value with a CAGR of 17.6% from 2010 to 2015. This market is expected to generate retail sales of RMB123.5 billion in 2020 with a CAGR of 18.8% from 2015 to 2020. Going forward, we expect that the macro-economy in China and its growth will continue to significantly affect the growth of the casual braised food industry as well as our business.

Customers' demand is also affected by a number of other factors, including their perceptions of safety and quality of casual braised food products, dietary habits, taste preferences, etc. As a leading brand and retailer of casual braised food in China, we believe that our popular and rich-flavored products, proven track record, and ability to innovate and adapt to changing customer preferences well-position us to capture the growth opportunities in China's fast growing casual braised food industry. We have strived to capture the growth opportunity of our market by broadening the reach of our products.

Number of our stores in operation and expansion of our self-operated retail store network

We place a strategic focus on the development of our self-operated retail store network. Our revenue is largely affected by the number and performance of stores in our network as well as our ability to open new stores. The number of our self-operated retail stores in our network increased from 389 as of December 31, 2013, to 468 as of December 31, 2014, and further to 641 as of December 31, 2015 and 716 as of June 30, 2016. The table below sets forth the growth in the number of our self-operated retail stores during the Track Record Period.

	Year Ended December 31,			Six Months Ended June 30,	
	2013	2014	2015	2015	2016
Beginning of period	349	389	468	468	641
Additions	97	117	222	115	96
Closures	(57)	(38)	(49)	(20)	(21)
Net increase	40	79	173	95	75
End of period	389	468	641	563	716

In order to further broaden our customer base and expand our market share, we plan to continue to expand our geographic coverage and deepen our market penetration by increasing the number of our self-operated retail stores. We plan to open a total of approximately 187 new stores in 2016 based on our current operation and expansion plans. A substantial portion of our capital expenditures include furnishings and displays prior to the official store opening. In the first six months of 2016, we opened 96 new stores and closed 21 stores. We estimate the total capital expenditures for the opening of the remaining 91 stores for the year ending December 31, 2016 to be approximately RMB10.9 million.

We strategically locate our stores in areas with high pedestrian traffic and high concentrations of our customers, such as transport hubs, commercial complexes and shopping malls, business districts, schools and colleges and large scale residential districts, with the aim to increase the convenience of consumers to make purchases and enhance the visibility of our brand and products. During the Track Record Period, revenue derived from the transport hub stores was approximately RMB340.5 million, RMB589.0 million, RMB843.0 million, RMB405.4 million and RMB480.6 million in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, respectively, representing approximately 28.0%, 32.6%, 34.7%, 34.5% and 34.6% of total revenue over the same periods. The continuous increase was mainly due to the expanding coverage of our transport hub stores. On the other hand, revenue derived from the remaining non-transport hub stores was approximately RMB747.2 million, RMB1,000.1 million, RMB1,288.4 million, RMB627.1 million and RMB736.8 million in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, respectively, representing approximately 61.4%, 55.3%, 53.0%, 53.4% and 53.0% of total revenue over the same periods.

The table below sets forth (i) a breakdown of the number of our self-operated retail store network and (ii) a breakdown of revenue contribution as a percentage of total revenue generated from self-operated retail stores, each presented by geographic location during the periods indicated.

	As of December 31,						CAGR (2013-2015)	As of June 30,			
	2013		2014		2015			2015		2016	
		%		%		%	%		%		%
Number of stores											
Central China[(1)]	283	72.8	314	67.1	341	53.2	9.6	326	57.9	361	50.4
Southern China[(2)]	69	17.7	81	17.3	140	21.8	42.4	127	22.6	157	21.9
Eastern China[(3)]	18	4.6	32	6.8	63	9.8	87.1	47	8.3	79	11.0
Northern China[(4)]	19	4.9	41	8.8	80	12.5	105.2	58	10.3	90	12.6
Southwestern China[(5)]	—	—	—	—	17	2.7	N.A.	5	0.9	29	4.1
Total number of stores	**389**	**100.0**	**468**	**100.0**	**641**	**100.0**	**28.4**	**563**	**100.0**	**716**	**100.0**

	Years Ended December 31,						CAGR (2013-2015)	Six Months Ended June 30,			
	2013		2014		2015			2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	%	RMB'000 (Unaudited)	%	RMB'000	%
Revenue											
Central China[(1)]	902,074	82.9	1,237,539	77.8	1,493,759	70.1	28.7	753,410	73.0	844,134	69.3
Southern China[(2)]	120,390	11.1	190,238	12.0	325,755	15.3	64.5	142,621	13.8	167,801	13.8
Eastern China[(3)]	29,246	2.7	72,894	4.6	143,320	6.7	121.4	63,385	6.1	101,042	8.3
Northern China[(4)]	35,956	3.3	88,463	5.6	154,751	7.3	107.5	69,152	6.7	93,052	7.6
Southwestern China[(5)]	—	—	—	—	13,843	0.6	N.A.	3,962	0.4	11,370	1.0
Total	**1,087,666**	**100.0**	**1,589,134**	**100.0**	**2,131,428**	**100.0**	**40.0**	**1,032,530**	**100.0**	**1,217,399**	**100.0**

Notes:

(1) Comprises Hubei Province, Hunan Province, Henan Province and Jiangxi Province.

(2) Comprises Guangdong Province (including Shenzhen).

(3) Comprises Shanghai, Jiangsu Province and Zhejiang Province.

(4) Comprises Beijing and Tianjin.

(5) Comprises Chongqing and Sichuan Province.

During the Track Record Period, self-operated retail stores located in the central China market had contributed a significant portion of our revenue and profits. This is due primarily to the stronger brand recognition and broad and loyal customer base we have established there. Sales in other regional markets also grew significantly, partially because of our successful store network expansion. We believe we will continue to be the market leader in central China, while the other regional markets represent significant market potential for us in the future when our brand and products gradually gain market awareness and recognition.

- During the Track Record Period, the Breakeven Period of our newly opened self-operated retail stores generally ranged from one to two months, and the Investment Payback Period of our newly opened self-operated retail stores generally ranged from two to six months.

- We incurred relatively lower capital expenditures in relation to our new store openings during the Track Record Period as compared to the new store opening costs of other retailers that might have bigger average retail store size and wider product offerings in China. Our average capital expenditure to open a self-operated retail store was approximately RMB133.8 thousand, RMB108.8 thousand, RMB98.4 thousand and RMB107.3 thousand, respectively, in 2013, 2014 and 2015 and the six months ended June 30, 2016. Our average capital expenditure to open a self-operated retail store decreased in 2014 and 2015 as we standardized our store establishment procedures, as well as centralized procurement of in-store furnishings and display which significantly reduced the upfront investment for new self-operated retail store openings.

As a result, the proportion of new stores we have in operation during any period may affect our overall results of operations. To a lesser extent, the closure of underperforming stores may also affect our overall revenue and profit levels.

Average selling price of our products

Our ability to price our products at desired levels has been, and will continue to be, important to our business and results of operations. We generally take into account a number of factors to set the price of our products, including production costs, market demand, local purchasing power, rental expenses and level of competition. Although the casual braised food industry is fragmented with increased competition among existing market players in China, we believe our leading position in our industry in China as well as our brand recognition and product quality have provided us with strong pricing power.

During the Track Record Period, the increase in our revenue was partly attributable to increases in the average selling price of our products as a result of the launch of fixed-weighted packages for our MAP products and individually-packed vacuum packages for our vacuum packaged products, each of which had a higher retail price compared to our conventional family size packaged products. These increases were also attributable to increased revenue contribution from self-operated retail stores in affluent regions in China, in which the overall selling prices of our products are generally higher than those in self-operated retail stores in other regions in China. The following table sets forth the revenue contribution, the sales volume and the average selling prices of our product categories for the periods indicated:

	Year Ended December 31,									Six Months Ended June 30,					
	2013			2014			2015			2015			2016		
	Revenue (RMB'000)	Sales Volume (tons)	Average Selling Price (RMB/kg)	Revenue (RMB'000)	Sales Volume (tons)	Average Selling Price (RMB/kg)	Revenue (RMB'000)	Sales Volume (tons)	Average Selling Price (RMB/kg)	Revenue (RMB'000)	Sales Volume (tons)	Average Selling Price (RMB/kg)	Revenue (RMB'000)	Sales Volume (tons)	Average Selling Price (RMB/kg)
											(Unaudited)				
Ducks and duck part products[(1)]	1,090,000	17,045	63.9	1,662,589	23,548	70.6	2,206,208	27,293	80.8	1,064,644	13,731	77.5	1,231,851	13,932	88.4
Other products[(1)(2)]	127,577	2,543	50.2	146,493	2,727	53.7	225,801	3,327	67.9	110,048	1,625	67.7	157,284	2,146	73.3
Total	**1,217,577**	**19,588**		**1,809,082**	**26,275**		**2,432,009**	**30,620**		**1,174,692**	**15,356**		**1,389,135**	**16,078**	

Notes:

(1) The average selling prices are for indicative purpose only. Our various products are sold in different specifications with a wide price range, see "Business — Our Products" for more details.

(2) Other products mainly include braised red meat, braised vegetable products and other braised poultry.

The following table sets forth the revenue contribution, the sales volume and the average selling prices of our main products by packaging we sold for the periods indicated:

	Year Ended December 31,									Six Months Ended June 30,					
	2013			2014			2015			2015			2016		
	Revenue (RMB'000)	Sales Volume (tons)	Average Selling Price (RMB/kg)	Revenue (RMB'000)	Sales Volume (tons)	Average Selling Price (RMB/kg)	Revenue (RMB'000)	Sales Volume (tons)	Average Selling Price (RMB/kg)	Revenue (RMB'000)	Sales Volume (tons)	Average Selling Price (RMB/kg)	Revenue (RMB'000)	Sales Volume (tons)	Average Selling Price (RMB/kg)
											(Unaudited)				
MAP(1)(2)	459,972	7,753	59.3	1,264,589	19,322	65.5	2,082,982	26,961	77.3	985,695	13,532	72.8	1,232,220	14,686	83.9
Vacuum packaged(1)(3) ...	280,161	3,842	72.9	367,484	4,431	82.9	314,880	3,515	89.6	170,572	1,693	100.8	138,535	1,276	108.6
Unpackaged(1)	461,851	7,904	58.4	155,352	2,419	64.2	—	—	—	—	—	—	—	—	—

Notes:

(1) The average selling prices are for indicative purpose only. Our various products are sold in different specifications with a wide price range, see "Business — Our Products" for more details. We also offer sauce and other products, specifications and price ranges of which vary significantly. Therefore, the presentation of average selling price for other products is not meaningful.

(2) For indicative purpose only, the following table sets forth the average selling prices of our MAP products expressed in RMB per box.

	Year Ended December 31,						Six Months Ended June 30,			
	2013		2014		2015		2015		2016	
	Sales Volume (boxes)	RMB/box	Sales Volume (boxes)	RMB/box	Sales Volume (boxes)	RMB/box	Sales Volume (boxes)	RMB/box	Sales Volume (boxes)	RMB/box
							(Unaudited)			
MAP	27,354,000	16.8	74,283,000	17.0	107,192,000	19.4	51,806,000	19.0	59,397,000	20.7

(3) The average selling price of our vacuum packaged products in the first half of a calendar year is generally higher than that of the full year, primarily due to the sales of gift boxes during the Chinese New Year holiday which typically have higher selling prices.

Customer traffic and average spending per purchase order

Our results of operations have been and will continue to be influenced by changes in customer traffic and average spending per purchase order. Average customer traffic and average spending per purchase order at our stores are affected by various factors, including macroeconomic factors, location of stores, product type and pricing, changes in discretionary spending patterns, consumer tastes and the competitive landscape in our regional markets. Customer traffic is also impacted by the opening of new stores in the existing markets as some of our customers may be diverted from our existing stores to our new stores.

Average spending per purchase order is a measure of VAT-inclusive sales generated by our self-operated retail stores over a specified period divided by the number of purchase orders in the relevant stores during the same period. It is mainly determined by the number of items our customers purchase and the selling prices of these products. We strategically locate our stores in areas such as transport hubs, commercial complexes and shopping malls, business districts, schools and colleges and large scale residential districts, which we believe have high pedestrian traffic and high concentrations of our customers. Average spending per purchase order of our self-operated retail stores increased from approximately RMB42.00 in 2013 to RMB51.71 in 2014, and further to RMB56.27 in 2015. Average spending per purchase order of our self-operated retail stores amounted to RMB58.95 in the six months ended June 30, 2016. The following table sets forth a sensitivity analysis on the fluctuation in average spending per purchase order of our self-operated retail stores during the Track Record Period, which illustrates the hypothetical effects on our net profit with 5%, 10%, 15% and 23% (being the maximum fluctuation of average spending per purchase order during the Track Record Period) increase or decrease in our average spending per purchase order of our self-operated retail stores. Because a number of assumptions have been applied, this sensitivity analysis is for illustration only, and actual results may differ from those illustrated below.

	Change in Net Profit for the Year/Period due to Change in Average Spending per Purchase Order			
	+/-5%	**+/-10%**	**+/-15%**	**+/-23%**[(1)]
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
2013	+/-23,314	+/-46,628	+/-69,942	+/-107,799
2014	+/-32,597	+/-65,194	+/-97,791	+/-150,722
2015	+/-45,120	+/-90,240	+/-135,360	+/-208,626
Six months ended June 30, 2015	+/-21,218	+/-42,436	+/-63,654	+/-98,108
Six months ended June 30, 2016	+/-28,624	+/-57,248	+/-85,872	+/-132,352

Note:

(1) Maximum fluctuation of average spending per purchase order is based on the largest annualized fluctuation of spending per purchase order during any calendar year within the Track Record Period. This is calculated as the largest annualized period-over-period increase during any calendar year within the relevant period.

We have also strategically prioritized expansion in affluent cities in China with high population density, as we believe such areas can provide us with a more sizeable and stable customer base. We also expect to continue to leverage online marketing activities to drive more traffic to our online stores and promote online sales, which in turn will have a positive impact on our results of operations.

Same store comparable sales

Our profitability is affected in part by our ability to successfully grow revenue from our existing stores. The same store sales growth rate provides a period-to-period comparison of store performance because it excludes the increases due to the opening of new stores by comparing the operational and financial performance of those stores that have been in operation. We define our same store base to be those self-operated retail stores that were in operation throughout the relevant periods.

Same store comparable sales largely depend on average customer traffic and average spending per purchase order, see "— Customer traffic and average spending per purchase order" above. We are committed to further improving our financial performance by achieving higher same store sales growth through initiatives such as launching MAP products, enhancing customers' shopping experience to attract repeat customers, and extending our operating hours.

The following table sets forth our same store comparable sales and relevant information for the periods indicated.

	2013 versus 2014		2014 versus 2015		Six Months Ended June 30, 2015 versus 2016	
Number of comparable self-operated retail stores	248		328		426	
Total comparable store sales (in RMB million)	886	1,112	1,386	1,549	944	990
Same store sales growth rate	25.5%		11.8%		4.9%	

The significantly high same store sales growth rate from 2013 to 2014 was primarily because a large number of transport hub stores which we opened prior to 2013 became mature and recorded increased revenue during this period. We maintained positive same store sales growth rates from 2014 and 2015 and from the six months ended June 30, 2015 to the corresponding period in 2016, primarily due to an overall increase in average selling prices of our products as a result of the introduction of fixed-weighted packages for our MAP products. In addition, these positive same store sales growth rates also reflected the overall upward price adjustments of our products across various regions in China.

Production capacity, expansion and utilization rates

Our ability to expand production capacity has had and will continue to have a significant impact on our ability to capture the growing demand for casual braised food, which in turn will affect our revenue and results of operations. We have two processing facilities located in Wuhan and Shanghai, respectively. We are in the process of establishing additional facilities to expand our production capacity. See "Business — Our Production — Production Facilities" for more details.

To ensure and constantly improve the flavor, quality and safety of our products and adapt to changing customer preferences, we have been investing in research and development of advanced processing technologies, equipment and facilities to ensure the constantly high quality and safety of our products. Our capacity expansion, specifically, the opening of new processing facilities, will increase our capital expenditures in connection with land use rights, plant, machinery and equipment in the short term. We believe additional processing facilities will enable us to expand our market reach, increase our market share and reduce our logistics costs.

In addition, the utilization rates of our processing facilities, which reflect the actual production output as compared to the designed production capacity in a specific period, may impact our results of operations. A higher utilization rate typically results in relatively lower marginal cost of each unit produced, resulting in a higher overall profit margin. During the Track Record Period, the average annual utilization rate of our processing facilities for MAP products was 69.8%, 80.9%, 80.9% and 89.5%, respectively, in 2013, 2014 and 2015 and the six months ended June 30, 2016.

Raw material costs

Our results of operations have been and will continue to be affected by raw material costs. During the Track Record Period, our raw material costs amounted to RMB409.2 million, RMB656.5 million, RMB845.5 million, RMB425.9 million and RMB408.2 million, respectively, in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, accounting for approximately 33.6%, 36.3%, 34.8%, 36.3% and 29.4%, respectively, of total revenue over the same periods. The principal raw materials for our products include ducks, duck parts and spices purchased for our production. We typically enter into annual supply agreements for ducks and duck parts to ensure sufficient supplies and best quality and prices. We generally do not enter into long-term supply agreements with fixed price arrangements. The prices of raw materials are determined principally by market forces and changes in governmental policies, as well as our bargaining power with our suppliers, which are typically set forth in the purchase orders we place under the supply agreements. As is customary in our industry, we typically are not able to immediately pass price fluctuations to our customers as they occur. We do not purchase any hedging contracts in relation to commodity prices and mainly leverage our procurement control system to maintain our profitability.

Despite our increasing need for raw materials to support our expanding business operations and the upward trend in their prices throughout the Track Record Period, our raw material costs as a percentage of total cost of sales remained relatively stable. We have implemented a number of cost control measures with respect to our raw material procurement in order to mitigate the impact of rising raw material prices. We constantly monitor the market price and trends of raw materials. We typically retain multiple suppliers for each of our major raw materials to ensure best price, quantity and quality. Due to the frequent price fluctuations of key raw materials, such as ducks and duck parts, we usually do not enter into long-term agreements with our suppliers and our typical supply agreements have a term of one year subject to annual review and renewal. We source spices from their regions of origin to ensure consistent quality and competitive pricing. We also generally conduct collective procurement for spices once a year at then prevailing market prices.

We expect the prices of our key raw materials to continue to rise at a moderate rate in the near future. We plan to continue our procurement cost control effort so as to maintain our profitability.

Labor costs

We believe high-quality customer service is a key attribute of our success in our retail stores. As employee attrition levels tend to be higher in the casual food industry, in particular store staff, we offer competitive wages, career development opportunities and other benefits to our workers and store staff to manage employee attrition.

During the Track Record Period, we had 2,329, 2,877, 3,563 and 3,769, respectively, full time employees in 2013, 2014 and 2015 and the six months ended June 30, 2016. Our labor costs amounted to RMB163.7 million, RMB212.1 million, RMB306.9 million, RMB131.9 million and RMB165.6 million, respectively, in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, representing 13.4%, 11.7%, 12.6%, 11.2% and 11.9%, respectively, of our total revenue in the same periods. Such increases were primarily due to the increased headcount for our production as well as our expanding retail store network. The increase was also due to a salary and compensation increase per employee resulting from the general increase in labor cost in the PRC during the Track Record Period.

Average wages in China are expected to continue growing, which we anticipate will put upward pressure on our labor costs and negatively affect our profit margins. In light of these challenges, we aim to enhance our cost efficiency and profit margins by improving the automation level during the processing processes.

The following table sets forth a sensitivity analysis on the fluctuation in our labor costs during the Track Record Period, which illustrates the hypothetical effects on our net profit with 5%, 10%, 15% and 2.2% (being the maximum fluctuation of labor costs during the Track Record Period) increase or decrease in our labor costs. Because a number of assumptions have been applied, this sensitivity analysis is for illustration only, and actual results may differ from those illustrated below.

	Change in Net Profit for the Year/Period for Change in Labor Costs			
	+/-5%	**+/-10%**	**+/-15%**	**+/-2.2%(1)**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
2013	-/+6,138	-/+12,275	-/+18,413	-/+20,207
2014	-/+7,953	-/+15,906	-/+23,859	-/+30,022
2015	-/+11,508	-/+23,016	-/+34,523	-/+40,360
Six months ended June 30, 2015	-/+4,947	-/+9,894	-/+14,841	-/+19,495
Six months ended June 30, 2016	-/+6,210	-/+12,420	-/+18,630	-/+23,052

Note:

(1) Maximum fluctuation of labor costs is based on the largest annualized fluctuation of labor costs during any calendar year within the Track Record Period. This is calculated as the difference between the period with the lowest labor costs as a percentage of revenue and the period with the highest labor costs as a percentage of revenue during any calender year within the Track Record Period. We expressed this maximun fluctuation as a percentage of sales.

Lease expenses

We lease properties for substantially all of our self-operated retail stores, which generally have a floor area of 10 to 50 square meters. We typically enter into lease agreements for our self-operated retail stores with a term of one to five years. As of the Latest Practicable Date, our valid leases had an average lease term of approximately 2.7 years with an aggregate of approximately 25,140 square meters for our self-operated retail stores.

Our lease expenses totaled RMB106.6 million, RMB130.1 million, RMB186.5 million, RMB84.1 million and RMB114.5 million, respectively, in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, representing 8.8%, 7.2%, 7.7%, 7.2% and 8.2%, respectively, of our total revenue in the same periods. The average lease expenses per square meter was approximately RMB7.6 thousand, RMB8.2 thousand, RMB9.6 thousand, RMB4.6 thousand and RMB5.0 thousand, respectively, in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016.

The following table sets forth a sensitivity analysis on the fluctuation in our lease expenses during the Track Record Period, which illustrates the hypothetical effects on our net profit with 5%, 10%, 15% and 1.5% (being the maximum fluctuation of lease expenses during the Track Record Period) increase or decrease in our lease expenses. Because a number of assumptions have been applied, this sensitivity analysis is for illustration only, and actual results may differ from those illustrated below.

	Change in Net Profit for the Year/Period for Change in Lease Expenses			
	+/-5%	**+/-10%**	**+/-15%**	**+/-1.5%[1]**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
2013	-/+3,935	-/+7,870	-/+11,805	-/+13,293
2014	-/+4,875	-/+9,750	-/+14,625	-/+19,751
2015	-/+6,995	-/+13,990	-/+20,985	-/+26,553
Six months ended June 30, 2015	-/+3,155	-/+6,310	-/+9,465	-/+12,824
Six months ended June 30, 2016	-/+4,295	-/+8,590	-/+12,885	-/+15,168

Note:

(1) Maximum fluctuation of lease expenses is based on the largest annualized fluctuation of lease expenses during any calendar year within the Track Record Period. This is calculated as the difference between the period with the lowest lease expenses as a percentage of revenue and the period with the highest lease expenses as a percentage of revenue during any calender year within the Track Record Period. We expressed this maximun fluctuation as a percentage of sales.

In the future, as we expand our self-operated retail store network, we expect the lease expenses for commercial real estate to further rise in China, particularly in the larger and more developed cities. As a result, we plan to take initiatives, including optimizing our location selection approach, and leveraging our strong brand recognition to negotiate with landlords, to control our rental expenses and maintain our profitability.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our financial statements. Our significant accounting policies, which are important for an understanding of our financial condition and results of operations are set forth in detail in Note 3.2 to the Accountants' Report included in Appendix I to this prospectus. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe involve the most significant estimates and judgments used in the preparation of our financial statements. Please refer to Note 3.2 to the Accountants' Report included in Appendix I to this prospectus for a detailed discussion of our significant accounting policies.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth the consolidated statements of profit or loss and other comprehensive income of our Group with line items in absolute amounts and as percentages of total revenue for the periods indicated:

	Year Ended December 31,						CAGR (2013-2015)	Six Months ended June 30,			
	2013		2014		2015			2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	%	RMB'000 (Unaudited)	%	RMB'000	%
Revenue	1,217,577	100.0	1,809,082	100.0	2,432,009	100.0	41.3	1,174,692	100.0	1,389,135	100.0
Cost of sales	(521,581)	(42.8)	(819,532)	(45.3)	(1,059,190)	(43.6)	42.5	(531,071)	(45.2)	(518,104)	(37.3)
Gross profit	695,996	57.2	989,550	54.7	1,372,819	56.4	40.4	643,621	54.8	871,031	62.7
Other income and gains, net	13,881	1.1	27,127	1.5	28,062	1.2	42.2	9,066	0.8	13,008	0.9
Selling and distribution expenses	(283,188)	(23.3)	(374,895)	(20.7)	(527,969)	(21.7)	36.5	(231,731)	(19.8)	(311,937)	(22.4)
Administrative expenses	(79,600)	(6.5)	(91,380)	(5.1)	(124,724)	(5.1)	25.2	(50,833)	(4.3)	(61,933)	(4.5)
Profit before tax	347,089	28.5	550,402	30.4	748,188	30.8	46.8	370,123	31.5	510,169	36.7
Income tax expense	(87,161)	(7.2)	(139,495)	(7.7)	(195,450)	(8.1)	49.7	(99,677)	(8.5)	(129,430)	(9.3)
Profit for the year/period	**259,928**	**21.3**	**410,907**	**22.7**	**552,738**	**22.7**	**45.8**	**270,446**	**23.0**	**380,739**	**27.4**
Other Comprehensive income											
Other comprehensive income to be reclassified to profit or loss in subsequent periods:											
Available-for-sale investments:											
Changes in fair value, net of tax	3,083	0.3	3,341	0.2	1,405	0.1	(32.5)	1,280	0.1	1,537	0.1
Reclassification adjustments for gains and losses included in the profit or loss - gains on disposal, net of tax	(3,083)	(0.3)	(3,341)	(0.2)	(1,405)	(0.1)	32.5	(1,280)	(0.1)	(1,537)	(0.1)
	—	—	—	—	—	—	—	—	—	—	—
Exchange differences on translation of foreign operations	—	—	—	—	7,690	0.3	N/A	—	—	1,360	0.1
Other comprehensive income for the year/period, net of tax	—	—	—	—	7,690	0.3	N/A	—	—	1,360	0.1
Total comprehensive income for the year/period	**259,928**	**21.3**	**410,907**	**22.7**	**560,428**	**23.0**	**46.8**	**270,446**	**23.0**	**382,099**	**27.5**

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we derived our revenue from sales of our products, primarily through our self-operated retail stores. Our total revenue increased by 48.6% from RMB1,217.6 million in 2013 to RMB1,809.1 million in 2014 and further increased by 34.4% to RMB2,432.0 million in 2015. Our total revenue increased by 18.3% from RMB1,174.7 million for the six months ended June 30, 2015 to RMB1,389.1 million for the corresponding period in 2016. The continuous increase in our revenue was primarily due to the increased sales volume which mainly increased as a result of (i) the expansion of our self-operated retail store network with a total of 97, 117, 222, 115 and 96 newly opened stores in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, respectively, and (ii) to a lesser extent, the significant development of our online channels. See "— Revenue by Sales Channels" below. The increase was also attributable to the upward selling price adjustment, partially as a result of the gradual replacement of unpackaged products with MAP products from 2012 to 2014 and the introduction of fixed-weighted packages for our MAP products and individually-packed vacuum packages for our vacuum packaged products in the second half of 2015, which are sold at a relatively higher price.

Revenue by Product Categories and Product Types

During the Track Record Period, we generated revenue from two major product categories: (i) duck and duck part products and (ii) other products.

During the Track Record Period, braised duck and duck part products represented the major portion of our total sales, accounting for approximately 89.5%, 91.9%, 90.7%, 90.6% and 88.7%, respectively, of our total revenue in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016. Revenue derived from ducks and duck parts increased by 52.5% from RMB1,090.0 million in 2013 to RMB1,662.6 million in 2014 and further increased by 32.7% to RMB2,206.2 million in 2015. Revenue derived from ducks and duck parts increased by 15.7% from RMB1,064.6 million for the six months ended June 30, 2015 to RMB1,231.9 million for the corresponding period in 2016. We continuously develop and offer new products to strategically optimize our product mix. We also offer other products, mainly including braised red meat, braised vegetable products and other braised poultry. The increase in the revenue from such other products was primarily due to the overall increase in selling prices and the increased number of new products launched. During the Track Record Period, revenue derived from such other products increased by 14.8% from RMB127.6 million in 2013 to RMB146.5 million in 2014 and further increased by 54.1% to RMB225.8 million in 2015. Revenue derived from other products increased by 43.0% from RMB110.0 million for the six months ended June 30, 2015 to RMB157.3 million for the corresponding period in 2016.

The following table sets forth the breakdown of our total revenue by product categories for the periods indicated:

	Year Ended December 31,						CAGR	Six Months Ended June 30,			
	2013		2014		2015		(2013-2015)	2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	%	RMB'000	%	RMB'000	%
								(Unaudited)			
Ducks and duck part products(1)	1,090,000	89.5	1,662,589	91.9	2,206,208	90.7	42.3	1,064,644	90.6	1,231,851	88.7
Other products(1)(2)	127,577	10.5	146,493	8.1	225,801	9.3	33.0	110,048	9.4	157,284	11.3
Total	**1,217,577**	**100.0**	**1,809,082**	**100.0**	**2,432,009**	**100.0**	**41.3**	**1,174,692**	**100.0**	**1,389,135**	**100.0**

Notes:

(1) The average selling prices are for indicative purpose only. Our various products are sold in different specifications with a wide price range, see "Business — Our Products" for more details.

(2) Other products mainly include braised red meat, braised vegetable products and other braised poultry.

During the Track Record Period, the selling prices of our products generally increased primarily due to the upward price adjustments resulting from the gradual replacement of unpackaged products with MAP products from 2012 to 2014 and the launch of fixed-weighted packages for our MAP products and individually-packed vacuum packages for our vacuum packaged products in the second half of 2015. For example, during the Track Record Period, we adjusted the selling prices of our major products once a year in Wuhan Province. Among others, the selling prices of duck neck products per kilogram increased by approximately 11% from 2013 to 2014 and further increased by approximately 3% in 2015. The selling prices of duck collarbone products per kilogram increased by approximately 18% from 2013 to 2014 and further increased by approximately 19% in 2015. The selling prices of duck tongue products per kilogram increased by approximately 8% from 2013 to 2014 and further increased by approximately 45% in 2015. Moreover, during the Track Record Period, the average selling price of our unpackaged products was approximately RMB58.4 per kilogram and RMB64.2 per kilogram in 2013 and 2014, respectively, compared to RMB64.7 per kilogram, RMB69.3 per kilogram and RMB79.4 per kilogram for packaged products (including MAP products, vacuum packaged products and other packaged products) in 2013, 2014 and 2015, respectively. To further improve product quality and hygiene, we discontinued the sale of unpackaged products in mid 2014 and our products currently are sold either in MAP or vacuum packaging. In addition, the increases in the selling prices during the Track Record Period were attributable to our geographic expansion into affluent cities as well as the optimization of our product mix by increasing the proportion of products with higher selling prices.

The following table sets forth the breakdown of our total revenue by product type in terms of packaging we sold for the periods indicated:

	Year Ended December 31,						CAGR	Six Months Ended June 30,			
	2013		2014		2015		(2013-2015)	2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	%	RMB'000 (Unaudited)	%	RMB'000	%
MAP	459,972	37.8	1,264,589	69.9	2,082,982	85.7	112.8	985,695	83.9	1,232,220	88.7
Vacuum packaged(1)	280,161	23.0	367,484	20.3	314,880	12.9	6.0	170,572	14.5	138,535	10.0
Unpackaged	461,851	37.9	155,352	8.6	—	—	N.A.	—	—	—	—
Others(2)	15,593	1.3	21,657	1.2	34,147	1.4	48.0	18,425	1.6	18,380	1.3
Revenue	**1,217,577**	**100.0**	**1,809,082**	**100.0**	**2,432,009**	**100.0**	**41.3**	**1,174,692**	**100.0**	**1,389,135**	**100.0**

Notes:

(1) Vacuum packaged products also include gift boxes.

(2) Primarily include various products, such as sauce and other products.

Although MAP products have a relatively shorter shelf life as compared to vacuum packaged products, MAP packaging better maintains the fresh taste, texture and nutrient content of our products, partially because it does not require high-temperature steaming process, making them more tasteful and popular than vacuum packaged products. As such, we have continued to promote and enhance the manufacturing and sales of our MAP products. Revenue derived from our MAP products significantly increased from RMB460.0 million in 2013 to RMB1,264.6 million in 2014 and further to RMB2,083.0 million in 2015. Revenue from MAP products as a percentage of total revenue increased from 37.8% in 2013 to 69.9% in 2014 and further to 85.7% in 2015. Revenue derived from MAP products increased by 25.0% from RMB985.7 million for the six months ended June 30, 2015 to RMB1,232.2 million for the corresponding period in 2016. Revenue from MAP products as a percentage of total revenue continued to increase from 83.9% for the six months ended June 30, 2015 to 88.7% for the corresponding period in 2016. These increases reflected an increasing acceptance of such products among our customers. We ceased to offer unpackaged products in mid 2014 and we are the first braised food company that has achieved a complete shift from selling unpackaged products to MAP products. In addition, we launched the fixed-weighted packages for our MAP products in the second half of 2015. Furthermore, the gradual increase in revenue from MAP products also resulted in a decrease in the percentage of revenue from vacuum packaged products, which accounted for approximately 23.0%, 20.3%, 12.9%, 14.5% and 10.0% in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, respectively.

Revenue by Sales Channels

During the Track Record Period, we sold our products primarily through self-operated retail stores. The following table sets forth the revenue contribution by each of our sales channels for the periods indicated:

	Year Ended December 31,						CAGR	Six Months Ended June 30,			
	2013		2014		2015		(2013-2015)	2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	%	RMB'000 (Unaudited)	%	RMB'000	%
Self-operated retail stores	1,087,666	89.4	1,589,134	87.9	2,131,428	87.6	40.0	1,032,530	87.9	1,217,399	87.6
Online channels	58,735	4.8	110,492	6.1	172,435	7.1	71.3	69,831	5.9	113,679	8.2
Distributors	64,693	5.3	103,682	5.7	111,812	4.6	31.5	61,493	5.2	53,075	3.8
Others[1]	6,483	0.5	5,774	0.3	16,334	0.7	58.7	10,838	1.0	4,982	0.4
Revenue	**1,217,577**	**100.0**	**1,809,082**	**100.0**	**2,432,009**	**100.0**	**41.3**	**1,174,692**	**100.0**	**1,389,135**	**100.0**

Note:

(1) Primarily include revenue generated from vending machines and other direct sales through subsidiaries.

We strategically focus on the establishment and maintenance of our self-operated retail stores. We operated 389, 468 and 641 self-operated retail stores, respectively, as of December 31, 2013, 2014 and 2015. During the Track Record Period, our self-operated retail stores generated revenue of RMB1,087.7 million, RMB1,589.1 million and RMB2,131.4 million, respectively, in 2013, 2014 and 2015, accounting for 89.4%, 87.9% and 87.6%, respectively, of total revenue in the same periods. We operated 563 and 716 self-operated retail stores as of June 30, 2015 and 2016, respectively, and revenue derived from our self-operated retail stores was RMB1,032.5 million and RMB1,217.4 million, respectively, in the six months ended June 30, 2015 and 2016, accounting for 87.9% and 87.6% of total revenue in the same periods.

The majority of our products are sold through our self-operated retail stores, our revenue is largely dependent on the number of our own retail stores, average spending per purchase order and customer traffic of these retail stores.

During the Track Record Period, our top five self-operated retail stores in terms of sales in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, in aggregate generated revenue of RMB157.5 million, RMB213.1 million, RMB230.9 million, RMB118.8 million and RMB124.4 million, respectively, accounting for approximately 12.9%, 11.8%, 9.5%, 10.1% and 9.0%, respectively, of total revenue in the same periods.

Revenue from online channels increased by 88.2% from RMB58.7 million in 2013 to RMB110.5 million in 2014 and further by 56.0% to RMB172.4 million in 2015. Revenue from online channels increased by 62.9% from RMB69.8 million for the six months ended June 30, 2015 to RMB113.7 million for the corresponding period in 2016. These increases were primarily a result of our continuous efforts to capture opportunities presented by rapidly growing e-commerce in China. We have established our online sales channels by opening our online shops on well-known third-party online marketplaces, including Tmall, Taobao, JD.com, Yihaodian (1號店) and Suning, and maintaining our website to introduce our products and direct customer traffic to our online shops. Moreover, in the first half of 2015, we launched our WeChat store which quickly attracted a large number of followers. As of June 30, 2016, our WeChat store had over approximately 871,700 followers. The increase in revenue derived from online channels was partially because we offered more product categories online, including the fix-weighted packages for our MAP products since the second half of 2015.

As of December 31, 2013, 2014 and 2015 and June 30, 2016, we had a total of 24, 19, six and eight distributors and a total of six, six, nil and nil third-party partners under consignment arrangements, respectively, in aggregate operating a total of 37, 36, 26 and 18 authorized retail stores, respectively. Our revenue derived from the distributorship model (including distributors and third-party partners under consignment arrangements) amounted to RMB64.7 million, RMB103.7 million, RMB111.8 million, RMB61.5 million and RMB53.1 million, respectively, in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016, accounting for approximately 5.3%, 5.7%, 4.6%, 5.2% and 3.8%, respectively, of our total revenue over the same periods.

Other revenue during the Track Record Period represented the sales from our vending machines and other direct sales through subsidiaries.

Cost of Sales

The following table sets forth the major components of our cost of sales in absolute amounts and as percentages of total cost of sales for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2013		2014		2015		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Raw material costs	409,201	78.5	656,543	80.1	845,488	79.8	425,929	80.2	408,168	78.8
Packaging material costs	33,076	6.3	64,648	7.9	80,148	7.6	40,117	7.6	36,612	7.1
Labor costs	33,613	6.4	48,771	6.0	70,640	6.7	31,375	5.9	33,447	6.5
Logistics related costs	11,305	2.2	11,791	1.4	14,983	1.4	8,484	1.6	9,348	1.8
Others	34,386	6.6	37,779	4.6	47,931	4.5	25,166	4.7	30,529	5.8
Total cost of sales	**521,581**	**100.0**	**819,532**	**100.0**	**1,059,190**	**100.0**	**531,071**	**100.0**	**518,104**	**100.0**

Our cost of sales primarily includes (i) raw material costs; (ii) packaging materials; (iii) direct and indirect labor costs associated with our production; (iv) logistics related costs; and (v) other costs, including lease expenses, office expenses, depreciation of production equipment and facilities, utilities and other costs associated with our production.

Cost of sales amounted to approximately RMB521.6 million, RMB819.5 million and RMB1,059.2 million, respectively, in 2013, 2014 and 2015, accounting for approximately 42.8%, 45.3% and 43.6%, respectively, of total revenue in these periods. Cost of sales amounted to approximately RMB531.1 million and RMB518.1 million, respectively, in the six months ended June 30, 2015 and 2016, accounting for approximately 45.2% and 37.3% of total revenue in the same periods.

Raw material costs primarily include cost of our ingredients, including ducks, duck parts and spices purchased for our production. Our raw material costs increased from 2013 to 2015 primarily due to the increase in purchased volumes, which were in line with the growth of our business operations. The increase was also attributable to an overall price increase of our raw materials. This price increase in 2015 was partially offset by the impact of favorable VAT tax exemption policies for agriculture products effective from April 1, 2015 that are applicable to our Wuhan processing facility and effectively increased the relevant deduction rate with respect to our raw material procurements. Our raw material costs decreased from the six month ended June 30, 2015 to the corresponding period in 2016 primarily due to a decrease in the prevailing market prices of our major raw materials, such as duck necks and duck collarbones, which was partially offset by an increase in purchased volumes. Raw material costs constituted the largest component of our total cost of sales. Despite our increasing need for raw materials to support our expanding business operations and the upward trend in prices of certain raw materials throughout the Track Record Period, our raw material costs as a percentage of total cost of sales remained relatively stable. We have implemented a number of cost-cutting measures with respect to our raw material procurement in order to mitigate the impact of rising raw material prices. See "Business — Raw Materials and Suppliers" for more details.

Packaging material costs primarily represent the cost of packaging materials for the MAP, vacuum and other related packaging materials.

Labor costs include wages, salaries and benefits for personnel directly involved in our production activities. Labor costs increased during the Track Record Period primarily because we hired more staff for our production in response to our growing business.

Logistics related costs represent the expenses relating to raw material procurement.

A sensitivity analysis on the fluctuation in raw material costs during the Track Record Period is set forth below, which illustrates the hypothetical effects on our net profit with 5%, 10%, 15% and 24% (being the maximum fluctuation of raw material costs during the Track Record Period) increase or decrease in our raw material costs. Because a number of assumptions have been applied, this sensitivity analysis is for illustration only, and actual results may differ from those illustrated below.

	Change in Net Profit for the Year/Period for Change in Raw Material Costs			
	+/-5%	+/-10%	+/-15%	+/-24%[1]
	RMB'000	RMB'000	RMB'000	RMB'000
2013	-/+15,345	-/+30,690	-/+46,035	-/+72,644
2014	-/+24,620	-/+49,241	-/+73,861	-/+116,553
2015	-/+31,706	-/+63,412	-/+95,117	-/+150,096
Six months ended June 30, 2015	-/+15,972	-/+31,944	-/+47,916	-/+76,667
Six months ended June 30, 2016	-/+15,306	-/+30,612	-/+45,918	-/+73,470

Note:

(1) Maximum fluctuation of raw material costs is based on the largest annual fluctuation of raw material costs during any calendar year within the Track Record Period. Annual fluctuation of raw material costs is calculated as the cost-weighted annual cost fluctuation of all raw materials. Annual cost fluctuation is calculated as the greater of the absolute difference between the 12-month high or the 12-month low compared with the annual average raw material costs.

As is customary in our industry, we typically are not able to immediately pass the price fluctuations in our raw material costs to our customers. As a result, we generally leverage our procurement control system to maintain our profitability.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased from RMB696.0 million in 2013 to RMB989.6 million in 2014 and further to RMB1,372.8 million in 2015. Our gross profit increased by 35.3% from RMB643.6 million for the six months ended June 30, 2015 to RMB871.0 million for the corresponding period in 2016. Our gross profit margin decreased from 57.2% in 2013 to 54.7% in 2014, primarily due to an increase in our raw material costs and packaging material costs. Our gross profit margin increased from 54.7% in 2014 to 56.4% in 2015, primarily due to an overall increase in average selling prices of our products, in particular the fixed-weighted packages for our MAP products and individually-packed vacuum packages for our vacuum packaged products, partially offset by the increase in raw material costs. Our gross profit margin increased from 54.8% for the six months ended June 30, 2015 to 62.7% for the corresponding period in 2016, primarily due to an overall increase in average selling prices of our products as a result of (i) upward pricing adjustment of our products, in particular our MAP products, the revenue contribution of which further increased from the first half of 2015 to the corresponding period in 2016, and (ii) an increased proportion of sales in affluent regions where the overall selling prices of our products are higher than those in other regions in China during the periods. The increase is also attributable to an overall decrease in raw material and packaging material costs in the first half of 2016.

Other Income and Gains, Net

The following table sets forth the components of other income and expenses, net in absolute amounts and as percentages of revenue for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2013		2014		2015		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Government grants	7,678	0.6	8,980	0.5	18,374	0.8	1,222	0.1	9,909	0.7
Interest income from structured deposits	1,132	0.1	13,076	0.7	13,596	0.5	10,860	0.9	552	0.0
(Loss)/gain on disposal of property, plant and equipment	55	0.0	(319)	(0.0)	(7,245)	(0.3)	(5,780)	(0.5)	(59)	(0.0)
Interest income from available-for-sale investments	4,110	0.3	4,454	0.2	1,873	0.1	1,707	0.2	2,049	0.2
Interest income from bank deposits	211	0.0	1,138	0.1	1,159	0.1	887	0.1	81	0.0
Loss on disposal of other intangible assets	—	—	(1,202)	(0.1)	—	—	—	—	—	—
Others	695	0.1	1,000	0.1	305	—	170	0.0	476	0.0
Other income and gains, net	**13,881**	**1.1**	**27,127**	**1.5**	**28,062**	**1.2**	**9,066**	**0.8**	**13,008**	**0.9**

Government grants mainly represent subsidies obtained from local governments, such as subsidies for poultry processing projects. Entitlement to subsidies we received is typically not subject to the fulfillment of further conditions. There were no unfilled conditions and other contingencies relating to these government grants that had been recognized.

During the Track Record Period, we invested in structured deposits which mainly consisted of money market funds issued by commercial banks with a fixed term of three months to six months and not redeemable before their respective expiry dates. Return on most of such structured deposits typically depended on the performance of the underlying investments, primarily including short-term sovereign bonds, financial bonds and central bank bills, and other investment products issued by commercial banks in the inter-bank market in the PRC. The contracts we entered into in connection with the structured deposits did not provide the specific duration and credit rating about the underlying financial instrument. However, based on the relevant contracts, the structured deposits we invested in were principal-protected products.

Loss or gain on disposal of property, plant and equipment primarily represents the loss or gain on the disposal of production equipment used in our facilities during the Track Record Period.

During the Track Record Period, we also invested in available-for-sale investments which were mainly money market funds. Return on such available-for-sale investments depends on the performance of the underlying investments, primarily including time deposits with a term of one year or less, short-term sovereign bonds, financial bonds with a term of one year or less, central bank bills with a term of one year or less and other investment products issued by commercial banks in the inter-bank market in the PRC. By virtue of these underlying investments, we believe the available-for-sale investments we purchased were low-risk in nature. These investments generally do not have a fixed term or coupon rate and may be redeemed any time at our discretion. However, the contracts we entered into in connection with the available-for-sale investments did not provide the specifc duration and credit rating about the underlying financial instrument.

We have established capital and investment policies to monitor and control the risks relating to our investment activities. Among other things, our capital and investment policies provide that:

- in order to optimize our cash management, we may only make investments in asset management products in situations where we have surplus cash;

- in principle, only investments in low-risk product are allowed and investments should be non-speculative in nature;

- criteria for selecting investments to be considered shall include, among others, risk exposure, expected yield and liquidity; investments shall be considered low risk with reasonable returns and liquidity and we typically maintain a certain portion of asset management products that do not have a fixed term for redemption, in order to ensure our liquidity; and

- we shall only purchase asset management products issued by qualified commercial banks and other financial institutions and in any given period, shall reasonably make investments in products provided by multiple issuers to mitigate concentration risks.

Our capital and investment policies also stipulate the maximum balance that may be kept in each subsidiary's corporate account, and our capital management staff at finance department shall closely monitor such corporate accounts. Moreover, pursuant to these policies, our subsidiaries may purchase assets management products only when their respective unused time deposits exceed a certain amount.

Any proposed investment in asset management products is subject to a feasibility study which shall be reviewed by our internal accounting managers. The proposal with the feasibility study will then be submitted to our chief financial officer, general manager and the office of the chief executive officer, respectively, for review and approval. In addition, our legal personnel will be responsible for reviewing the contract terms of each new type of the investments. During the transactions, our internal accounting managers are responsible to monitor the performance of the invested asset management products and ensure the relevant contract is not breached. Any significant or adverse fluctuation in the invested asset management products shall be reported to our chief financial officer and general manager in a timely manner. Upon the expiration dates of each investment, designated personnel at our finance department shall be responsible for the redemption and disposition of the investments according to the relevant contracts. During the entire transaction periods, any material issues shall be submitted by our general manager to the office of the chief executive officer and board of Directors for final decision and approval.

Interest income from structured deposit increased from RMB1.1 million in 2013 to RMB13.1 million in 2014, primarily due to the increase in the amounts of structured deposit over the period. Structured deposit amounted to RMB190.0 million as of December 31, 2013 which increased to RMB470.0 million as of December 31, 2014. Interest income from structured deposit decreased from RMB10.9 million for the six months ended June 30, 2015 to RMB0.6 million for the corresponding period in 2016, primarily due to the RMB470.0 million structured deposit included as part of the distribution to the Controlling Shareholders in July 2015 in connection with our Reorganization. The average daily balance of structured deposit during the six months ended June 30, 2016 decreased significantly, resulting in a decrease in interest income from structured deposit as a result.

Interest income from available-for-sale investments decreased from RMB4.5 million in 2014 to RMB1.9 million in 2015, which was primarily due to the decrease of average daily balance of available-for-sale investments from RMB100.7 million to RMB49.8 million over the period.

Loss on disposal of other intangible assets in 2014 primarily represents a loss arising from the replacement of our previous company-wide office operating systems and software with a new ERP system.

Selling and Distribution Expenses

The following table sets forth the key components of our selling and distribution expenses in absolute amounts and as percentages of revenue for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2013		2014		2015		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Lease expenses	103,060	8.5	125,930	6.9	179,438	7.4	80,674	6.9	110,646	8.0
Salary and welfare	85,358	7.0	113,994	6.3	166,051	6.9	74,764	6.4	99,311	7.1
E-commerce expenses	10,996	0.9	28,407	1.6	49,332	2.0	18,390	1.6	29,704	2.1
Logistics related expenses	13,100	1.1	17,250	1.0	26,455	1.1	11,772	1.0	15,247	1.1
Advertising and promotion expenses	21,606	1.8	28,381	1.6	22,286	0.9	10,609	0.9	12,774	0.9
Depreciation and amortization	15,702	1.3	18,986	1.0	19,739	0.8	9,184	0.8	10,235	0.7
Others	33,366	2.7	41,947	2.3	64,668	2.6	26,338	2.2	34,020	2.5
Total selling and distribution expenses	**283,188**	**23.3**	**374,895**	**20.7**	**527,969**	**21.7**	**231,731**	**19.8**	**311,937**	**22.4**

Selling and distribution expenses primarily consist of (i) lease expenses; (ii) salary and welfare for our selling and marketing staff; (iii) e-commerce expenses; (iv) logistics related expenses; (v) advertising and promotion expenses; (vi) depreciation and amortization attributable to our marketing function; and (vii) other selling and distribution expenses, such as overheads for our self-operated retail stores.

We incurred selling and distribution expenses of approximately RMB283.2 million, RMB374.9 million and RMB528.0 million, respectively, in 2013, 2014 and 2015, accounting for approximately 23.3%, 20.7% and 21.7%, respectively, of total revenue in these periods. Selling and distribution expenses amounted to approximately RMB231.7 million and RMB311.9 million in the six months ended June 30, 2015 and 2016, respectively, accounting for approximately 19.8% and 22.4% of total revenue in the same periods.

Lease expenses under selling and distribution expenses primarily represent lease payments for our self-operated retail stores. Our lease expenses increased during the Track Record Period, which was in line with the increase in the number of our self-operated retail stores, in particular in affluent cities. Despite the increase in lease payments, our lease expenses as a percentage of total revenue was 8.5%, 6.9% and 7.4%, respectively, in 2013, 2014 and 2015. Our lease expenses as a percentage of total revenue was 6.9% and 8.0% in the six months ended June 30, 2015 and 2016, respectively, which was primarily due to an increase in the number of new self-operated retail stores, in particular in affluent cities, as a result of our retail store network expansion.

Salary and welfare for our selling and marketing staff increased significantly during the Track Record Period, primarily because we continued to hire selling and marketing staff in order to support our expanding retail store network. The increase was also due to an increase in the average wage rate as a result of an overall pay rise in China during the Track Record Period.

E-commerce expenses primarily represent logistic expenses in connection with the delivery of products sold online to our customers and payments we made to third-party online marketplaces to participate in promotional events held on their platforms.

Logistics related costs represent expenses relating to the operation and maintenance of our logistics team and the engagement of third-party logistics service providers in connection with the delivery of products from our processing facilities to our self-operated retail stores.

Advertising and promotion expenses fluctuated during the Track Record Period primarily as a result of our launch of certain large-scale marketing campaigns. During the Track Record Period, our advertising and promotion expenses as a percentage of total revenue decreased from 1.8% in 2013 to 1.6% in 2014 and further to 0.9% in 2015. Advertising and promotion expenses as a percentage of total revenue remained stable at 0.9% in the six months ended June 30, 2015 and 2016.

Administrative Expenses

The following table sets forth the key components of our administrative expenses in absolute amounts and as percentages of revenue for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2013		2014		2015		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Salary and welfare	44,702	3.7	49,311	2.7	70,183	2.9	25,777	2.2	32,847	2.4
Depreciation and amortization	8,983	0.7	8,848	0.5	11,669	0.5	5,450	0.5	6,275	0.5
Lease expenses	1,327	0.1	1,109	0.1	1,326	0.0	648	0.1	33	0.0
Others	24,588	2.0	32,112	1.8	41,546	1.7	18,958	1.5	22,778	1.6
Total administrative expenses	**79,600**	**6.5**	**91,380**	**5.1**	**124,724**	**5.1**	**50,833**	**4.3**	**61,933**	**4.5**

Administrative expenses primarily consist of (i) salary and welfare for our general and administrative personnel; (ii) depreciation and amortization expenses that are attributable to our administrative functions; (iii) lease expenses; and (iv) others, such as professional fees, travelling expenses and other tax and surcharges.

We incurred administrative expenses of approximately RMB79.6 million, RMB91.4 million and RMB124.7 million, respectively, in 2013, 2014 and 2015, accounting for approximately 6.5%, 5.1% and 5.1%, respectively, of total revenue in these periods. Administrative expenses amounted to RMB50.8 million and RMB61.9 million, respectively, in the six months ended June 30, 2015 and 2016, respectively, accounting for approximately 4.3% and 4.5% of total revenue in the same periods.

Salary and welfare for our administrative staff increased during the Track Record Period, primarily due to an increase in the average wage rate as a result of an overall pay rise in China during the Track Record Period.

Lease expenses under administrative expenses primarily represent lease payments for our office spaces.

Income Tax Expenses

Income tax expenses primarily represent the income tax with respect to the income of our subsidiaries in the PRC.

Entities located in the PRC are subject to a statutory income tax rate of 25.0%. During the Track Record Period, we did not have the benefit of any preferential tax treatments. Our income tax expenses are also affected by adjustments relating to deferred tax expenses or credits arising from the timing differences between accounting and taxable profits and certain qualified tax deductions awarded to us during the Track Record Period.

The effective tax rate for our Group was 25.1%, 25.3%, 26.1%, 26.9% and 25.4%, respectively, in 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016. The effective tax rates in 2015 and the six months ended June 30, 2015 were slightly higher than the statutory income tax rate mainly due to the one-time income tax expense we incurred in connection with the Reorganization in preparation for this Global Offering.

As of the Latest Practicable Date, we had not received any notice of administrative investigation or penalties from the relevant tax authorities.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2016 Compared to Six Months Ended June 30, 2015

Revenue

Our revenue increased by 18.3% from RMB1,174.7 million in the six months ended June 30, 2015 to RMB1,389.1 million in the six months ended June 30, 2016. The increase was primarily due to the continued expansion of our self-operated retail store network as the number of self-operated retail stores increased from 563 as of June 30, 2015 to 716 as of June 30, 2016, as well as rapid expansion of our online sales. The increase was also partially attributable to the increase in average selling prices primarily as a result of the launch of fixed-weighted packages for our MAP products during the second half of 2015. Revenue generated from MAP products increased by 25.0% from RMB985.7 million for the six months ended June 30, 2015 to RMB1,232.2 million for the six months ended June 30, 2016, accounting for approximately 83.9% and 88.7% of total revenue for the six months ended June 30, 2015 and 2016, respectively, Moreover, revenue from online channels increased by 62.9% from RMB69.8 million in the six months ended June 30, 2015 to RMB113.7 million in the six months ended June 30, 2016. Such increase was primarily because we continued to expand our sales on more third-party online marketplaces and our sales of MAP products online continued to gain acceptance from consumers.

Cost of Sales

Our cost of sales slightly decreased by 2.4% from RMB531.1 million in the six month period ended June 30, 2015 to RMB518.1 million in the six months ended June 30, 2016. The decrease was largely due to a decrease in raw material costs from RMB425.9 million in the six months ended June 30, 2015 to RMB408.2 million in the six months ended June 30, 2016 in accordance with lower prevailing market prices of our major raw materials, such as duck necks and duck collarbones. In addition, the decrease in our cost of sales in the six months ended June 30, 2016 was also affected by a decrease in packaging material costs as a result of a similar decrease in relevant market prices and an increase in sales of our MAP products, which has lower consumption of packaging materials on a per unit basis.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 35.3% from RMB643.6 million for the six months ended June 30, 2015 to RMB871.0 million for the six months ended June 30, 2016. Our gross profit margin increased from 54.8% in the six months ended June 30, 2015 to 62.7% in the six months ended June 30, 2016. The increase was mainly due to an overall increase in average selling prices of our products as a result of (i) upward pricing adjustment of our products, in particular our MAP products, the revenue contribution of which further increased from the first half of 2015 to the corresponding period in 2016, and (ii) an increased proportion of sales in affluent regions where the overall selling prices of our products are higher than those in other regions in China during the periods. Such increase was also attributable to an overall decrease in prevailing raw material and packaging material costs during the period.

Other Income and Gains, Net

Other income and gains, net increased by 42.9% from RMB9.1 million in the six months ended June 30, 2015 to RMB13.0 million in the six months ended June 30, 2016, which was mainly due to (i) a RMB8.7 million increase in government grants primarily in connection with subsidies that we received from the local government authorities for enterprise development in the first half of 2016, and (ii) a one-off other expenses recognized on disposal of property, plant and equipment of RMB5.8 million, partially offset by a decrease of RMB10.3 million in interest income from low-risk asset management products we purchased from time to time from commercial banks due to decrease in balances of such products.

Selling and Distribution Expenses

Selling and distribution expenses increased by 34.6% from RMB231.7 million in the six months ended June 30, 2015 to RMB311.9 million in the six months ended June 30, 2016. The increase was primarily due to (i) an increase of RMB29.9 million in lease expenses as we entered into more leases for our self-operated retail stores, in particular in affluent cities, as a result of our retail store network expansion, (ii) an increase of RMB24.5 million in salary and welfare as we hired more selling and marking personnel to support our retail store network expansion and an increase of our average wage rate, which was also in line with the average pay rise in China, (iii) an increase of RMB11.3 million in e-commerce expenses as we increased online sales volumes and the increased logistic expenses in association with such online sales, and (iv) an increase of RMB3.5 million in logistics related expenses which was in line with the increase in our total sales.

Administrative Expenses

Administrative expenses increased by 21.9% from RMB50.8 million in the six months ended June 30, 2015 to RMB61.9 million in the six months ended June 30, 2016. The increase was primarily due to (i) an increase in average wage rate, which was in line with the average pay rise in China, and (ii) professional fees and travelling expenses incurred in connection with the Listing. Our administrative expenses as a percentage of total revenue remained stable at 4.3% and 4.5% in the six months ended June 30, 2015 and 2016, respectively.

Profit Before Tax

As a result of the foregoing, our profit before tax increased by 37.9% from RMB370.1 million in the six months ended June 30, 2015 to RMB510.2 million in the six months ended June 30, 2016, and our profit before tax as a percentage of revenue increased from 31.5% in the six months ended June 30, 2015 to 36.7% in the six months ended June 30, 2016.

Income Tax Expenses

Income tax expenses increased by 29.8% from RMB99.7 million in the six months ended June 30, 2015 to RMB129.4 million in the six months ended June 30, 2016, primarily due to an increase in taxable profits generated in the six months ended June 30, 2016. Our effective tax rate was 26.9% and 25.4% in the six months ended June 30, 2015 and 2016, respectively. Our effective tax rate in the six months ended June 30, 2015 was slightly higher than that of the same period in 2016 mainly due to the one-time income tax expense we incurred in connection with the Reorganization in preparation for this Global Offering.

Exchange Differences on Translation of Foreign Operations

We recorded exchange differences on translation of foreign operations of RMB1.4 million in the six months ended June 30, 2016, which mainly represented the foreign exchange gains on bank deposits denominated in Hong Kong dollars and U.S. dollars of our Company and overseas subsidiaries, ZHY HK Co and ZHY BVI Co.

Profit for the Period

As a result of the foregoing, our net profit for the period increased by 40.8% from RMB270.4 million in the six months ended June 30, 2015 to RMB380.7 million in the six months ended June 30, 2016. Our net profit margin increased from 23.0% in the six months ended June 30, 2015 to 27.4% in the six months ended June 30, 2016.

2015 Compared to 2014

Revenue

Our revenue increased by 34.4% from RMB1,809.1 million in 2014 to RMB2,432.0 million in 2015. The increase was primarily due to the continuous expansion of our self-operated retail store network with a total of 222 newly opened stores in 2015. The increase was also partially attributable to the increase in average selling prices primarily as a result of the launch of fixed-weighted packages for our MAP products in the second half of 2015. Revenue generated from MAP products increased by 64.7% from RMB1,264.6 million in 2014 to RMB2,083.0 million in 2015, accounting for approximately 69.9% and 85.7% of total revenue in 2014 and 2015, respectively,

Moreover, revenue from online channels increased by 56.0% from RMB110.5 million in 2014 to RMB172.4 million in 2015. Such increase was primarily because we established our presence on more third-party online marketplaces and we commenced to offer MAP products online in mid 2015, which were well received by our customers.

Cost of Sales

Our cost of sales increased by 29.2% from RMB819.5 million in 2014 to RMB1,059.2 million in 2015. The increase was largely due to an increase in raw material costs from RMB656.5 million in 2014 to RMB845.5 million in 2015 resulting from the increase in our total sales and the increase in prices of certain major raw materials. The price increase of raw materials was partially offset by the impact of the VAT exemption policies for agriculture products effective from April 1, 2015 that are applicable to our Wuhan processing facility and effectively increased the relevant deduction rate with respect to our raw material procurements. In addition, the increase in our cost of sales in 2015 was also due to an increase in packaging material costs as a result of the increased production and sales of our MAP products as well as the launch of fixed-weighted packages for our MAP products and individually-packed vacuum packages for our vacuum packaged products, which on average consume more packaging materials than our conventional family size packaged products. To a lesser extent, the increase in our cost of sales was attributable to an increase in labor costs.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 38.7% from RMB989.6 million in 2014 to RMB1,372.8 million in 2015. Our gross profit margin slightly increased from 54.7% in 2014 to 56.4% in 2015. The increase was mainly due to the overall increase in our sales, partially offset by the increase in raw material costs.

Other Income and Gains, Net

Other income and gains, net increased by 3.7% from RMB27.1 million in 2014 to RMB28.1 million in 2015, which was mainly due to a RMB9.4 million increase in government grants. In particular, in 2015, we received a subsidy of RMB16.2 million from the local municipal bureau of finance, which was partially offset by a decrease of RMB2.6 million in interest income from low-risk asset management products we purchased from time to time from commercial banks.

Selling and Distribution Expenses

Selling and distribution expenses increased by 40.8% from RMB374.9 million in 2014 to RMB528.0 million in 2015. The increase was primarily due to (i) an increase of RMB52.1 million in salary and welfare as we hired more selling and marking personnel to support our retail store network expansion and an increase of our average wage rate, which was also in line with the average pay rise in China, (ii) an increase of RMB53.5 million in lease expenses as we entered into more leases for our self-operated retail stores as a result of our retail store network expansion, in particular in affluent cities, (iii) an increase of RMB20.9 million in e-commerce expenses as we increased online sales volumes as well as increased online promotional and marketing activities, and (iv) an increase of RMB9.2 million in logistics related expenses which was in line with the increase in our total sales. The increases was partially offset by a decrease of RMB6.1 million in advertising and promotion expenses as we strategically reduced the traditional advertisement placement and leveraged more online marketing activities which generally incur a lower expense.

Administrative Expenses

Administrative expenses increased by 36.5% from RMB91.4 million in 2014 to RMB124.7 million in 2015. The increase was primarily due to an increase of RMB20.9 million in salary and welfare as a result of an increase in the average wage rate due to an overall pay rise in China. Our administrative expenses as a percentage of total revenue, however, remained stable at 5.1%.

Profit Before Tax

As a result of the foregoing, our profit before tax increased by 35.9% from RMB550.4 million in 2014 to RMB748.2 million in 2015, and our profit before tax as a percentage of revenue increased from 30.4% in 2014 to 30.8% in 2015.

Income Tax Expenses

Income tax expenses increased by 40.1% from RMB139.5 million in 2014 to RMB195.5 million in 2015, primarily due to an increase in taxable profits generated in 2015 as well as a one-time income tax expense we incurred in connection with the Reorganization in preparation for this Global Offering. Our effective tax rate was 25.3% and 26.1% in 2014 and 2015, respectively.

Exchange Differences on Translation of Foreign Operations

We recorded exchange differences on translation of foreign operations of RMB7.7 million in 2015. Our Company and overseas intermediary holding companies, namely ZHY HK Co and ZHY BVI Co, do not make overseas investments nor have foreign operations other than directly or indirectly holding interests in our Group's onshore business operations. The exchange differences on translation of foreign operations recorded in 2015 of RMB7.7 million was primarily due to the fluctuation of exchange rates between the U.S. dollars and Renminbi from the date when our Company received the proceeds from the issue of its shares of USD24.0 million to December 31, 2015. Such proceeds were used to fund our Group's onshore business through intercompany loans shortly after they were received.

Profit for the Year

As a result of the foregoing, our net profit for the year increased by 34.5% from RMB410.9 million in 2014 to RMB552.7 million in 2015. Our net profit margin remained at 22.7% in 2014 and 2015.

2014 Compared to 2013

Revenue

Our revenue increased by 48.6% from RMB1,217.6 million in 2013 to RMB1,809.1 million in 2014. The increase was primarily due to the increased sales primarily as a result of the expansion of our retail store network with a total of 117 newly opened stores in 2014. The increase was also partially attributable to the increase in average selling prices as a result of the gradual replacement of unpackaged products with MAP products. Revenue generated from MAP products increased by 174.9% from RMB460.0 million in 2013 to RMB1,264.6 million in 2014, accounting for approximately 37.8% and 69.9%, respectively, of total revenue in 2013 and 2014.

In addition, as a result of our strategic focus on the development of our online operations and enhanced efforts to promote our sales through online channels, revenue from online channels increased by 88.2% from RMB58.7 million in 2013 to RMB110.5 million in 2014.

Cost of Sales

Cost of sales increased by 57.1% from RMB521.6 million in 2013 to RMB819.5 million in 2014. This was primarily due to a significant increase in raw material costs from RMB409.2 million in 2013 to RMB656.5 million in 2014, primarily resulting from the increase in total sales volume. In addition, due to the outbreak of H7N9 avian flu in 2013, which constrained the potential price increase of ducks and duck parts in that year, raw material costs relating to ducks and duck parts experienced a significant increase from 2013 to 2014 as a result of the tight supplies. To a lesser extent, the increase in cost of sales was also attributable to an increase in packaging materials costs from RMB33.1 million in 2013 to RMB64.6 million in 2014, which was primarily because of our continuous introduction of MAP products. The increase in the cost of sales from 2013 to 2014 was also due to an increase in labor costs and an increase in logistics related costs, each of which a result of our business expansion.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 42.2% from RMB696.0 million in 2013 to RMB989.6 million in 2014. Our gross profit margin decreased from 57.2% in 2013 to 54.7% in 2014. The decrease was primarily due to an increase in costs of sales, mainly attributable to an overall price increase of our major raw materials as well as an increase in packaging materials costs in relation to our MAP products, which outpaced the increase in our total revenue from 2013 to 2014.

Other Income and Gains, Net

Other income and gains, net increased by 95.0% from RMB13.9 million in 2013 to RMB27.1 million in 2014, primarily due to an increase of RMB11.9 million in gain on disposal of structured deposits and an increase of RMB1.3 million in government grants, which was partially offset by a net loss on the disposal of our previous company-wide office operating system and software in the amount of RMB1.2 million in 2014.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 32.4% from RMB283.2 million in 2013 to RMB374.9 million in 2014. The increase was primarily due to (i) an increase of RMB28.6 million in salary and welfare as a result of the increased headcount of selling and marketing personnel as well as an increase of the average wage rate, (ii) an increase of RMB22.9 million in lease expenses as we entered into more leases for our self-operated retail stores, in particular in affluent cities, and (iii) an increase of RMB17.4 million in e-commerce expenses because we increased our use of third-party online marketplaces in connection with our promotional and marketing activities. However, due to the significant growth in our total revenue, our selling and distribution expenses as a percentage of total revenue decreased from 23.3% in 2013 to 20.7% in 2014.

Administrative Expenses

Our administrative expenses increased by 14.8% from RMB79.6 million in 2013 to RMB91.4 million in 2014. The increase was primarily due to an increase of RMB4.6 million in salary and welfare as a result of the increase in the average wage rate of our employees and the increased headcount of our administrative personnel to support our business growth. Administrative expenses as a percentage of total revenue decreased from 6.5% in 2013 to 5.1% in 2014, primarily a benefit from our greater economies of scale.

Profit Before Tax

As a result of the foregoing, our profit before tax increased by 58.6% from RMB347.1 million in 2013 to RMB550.4 million in 2014, and our profit before tax as a percentage of total revenue increased from 28.5% in 2013 to 30.4% in 2014.

Income Tax Expenses

Income tax expenses increased by 60.0% from RMB87.2 million in 2013 to RMB139.5 million in 2014, primarily due to the increase in taxable profits generated in 2014. Our effective tax rate was 25.1% and 25.3%, respectively, in 2013 and 2014.

Profit for the Year

As a result of the foregoing, our net profit for the year increased by 58.1% from RMB259.9 million in 2013 to RMB410.9 million in 2014. Our net profit margin was 21.3% and 22.7%, respectively, in 2013 and 2014.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity and Working Capital

We have financed our operations primarily through cash generated from our operating activities. As of December 31, 2013, 2014 and 2015 and June 30, 2016, we had cash and cash equivalents of RMB36.8 million, RMB63.8 million, RMB82.3 million and RMB85.8 million, respectively, substantially all of which were denominated in Renminbi. Our cash and cash equivalents primarily consist of cash on hand and demand deposits. We also had RMB1.2 million, RMB5.9 million, RMB5.4 million and RMB4.0 million in cash in transit as of December 31, 2013, 2014 and 2015 and June 30, 2016, respectively, which primarily represents payments settled through UnionPay transaction settlement system that had not been credited by banks. In addition, from time to time, we participate in promotional activities organized by third-party online marketplaces and pay deposits to these online marketplaces which are returned to us upon completion of such activities. During the Track Record Period, such deposits which were recorded as restricted cash amounted to RMB0.2 million, RMB0.6 million, RMB0.6 million and RMB0.1 million, respectively, as of December 31, 2013, 2014 and 2015 and June 30, 2016.

Taking into account cash generated from operating activities and the estimated net proceeds we expect to receive from this Global Offering, our Directors are of the view that we will have available sufficient working capital to meet our present requirements and for at least the next 12 months from the date of this prospectus. We currently do not expect any significant changes in the mix and the relative costs of our capital resources.

Our future cash requirements will depend on many factors, including our operating income, capital expenditures on property, plant and equipment, leasehold land and land use rights and intangible assets, market acceptance of our products or other changing business conditions and future developments, including any investments or acquisitions we may decide to pursue. We may require additional cash due to changing business conditions or other future developments. If our existing cash is insufficient to meet our requirements, we may seek to issue debt securities or borrow from lending institutions. See "Risk Factors — Risks Relating to Our Industry and Business — We may require additional funding to finance our operations, which may not be available on terms acceptable to us or at all, and if we are able to raise equity capital, the value of your investment in us may be negatively impacted."

Cash Flows Analysis

The following table sets forth our cash flows for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net cash generated from operating activities	253,669	473,824	624,432	335,681	438,579
Net cash used in investing activities	(248,937)	(382,478)	(283,307)	(34,875)	(232,814)
Net cash used in financing activities	(60,000)	(64,317)	(329,010)	(300,000)	(202,771)
Net (decrease)/increase in cash and cash equivalents	(55,268)	27,029	12,115	806	2,994
Cash and cash equivalents at the beginning of the year/period	92,020	36,752	63,781	63,781	82,338
Effect of foreign exchange rate changes, net	—	—	6,442	—	450
Cash and cash equivalents at the end of the year/period	36,752	63,781	82,338	64,587	85,782

Operating Activities

Net cash generated from operating activities in the six months ended June 30, 2016 was RMB438.6 million, which primarily consisted of profit before tax of RMB510.2 million, adjusted for certain non-cash items such as depreciation and amortization of RMB21.3 million, interest income from available-for-sale investments of RMB2.0 million and a loss on foreign exchange of RMB0.9 million in connection with deposits in U.S. dollars for the purchase of processing machinery and equipment from overseas suppliers. Additional factors that affected our cash generated from operating activities included (i) income tax paid of RMB101.3 million, (ii) a decrease in inventories of RMB18.9 million due to our consumption of raw materials purchased in late 2015, particularly the consumption for the Chinese New Year holiday of 2016, (iii) an increase in trade payables of RMB17.7 million due to increased payables from raw materials suppliers, as well as packaging and other material suppliers, (iv) a decrease in other payables and accruals of RMB7.7 million due to the payments of year-end bonuses awarded in 2015 to our employees in the first half of 2016, (v) an increase in prepayments, deposits and other receivables of RMB8.5 million due to an increase in prepaid rents, and (vi) a decrease in amount due to the Controlling Shareholders of RMB7.6 million due to the payment of such amount.

Net cash generated from operating activities in 2015 was RMB624.4 million, which primarily consisted of profit before tax of RMB748.2 million, adjusted for certain non-cash items such as depreciation and amortization of RMB40.1 million, interest income from structured deposits of RMB13.6 million, a one-off other expenses recognized on disposal of items of property, plant and equipment of RMB7.2 million and a loss on foreign exchange of RMB1.2 million in connection with deposits in U.S. dollars for the purchase of processing machinery and equipment from overseas suppliers. Additional factors that affected our cash generated from operating activities included (i) income tax paid of RMB181.2 million, (ii) an increase in other payables and accruals of RMB81.8 million primarily due to an increase in advances from customers and an increase in payroll and welfare payables, each a result of our growing business operations, (iii) an increase in inventories of RMB67.8 million as we increased the procurement of certain raw materials in late 2015 in anticipation of future price increases of such raw materials, (iv) an increase in rental deposits of RMB11.7 million resulting from our retail store network expansion, and (v) an increase in trade payables of RMB16.6 million as a result of our overall business growth.

Net cash generated from operating activities in 2014 was RMB473.8 million, which primarily consisted of profit before tax of RMB550.4 million, adjusted for certain non-cash items, which mainly included depreciation and amortization of RMB35.6 million and interest income from structured deposits of RMB13.1 million. Additional factors that affected our cash generated from operating activities included (i) tax paid of RMB87.4 million, (ii) an increase in other payables and accruals of RMB27.7 million primarily relating to unpaid salary and welfare as well as prepayment made by our customers in connection with our membership cards, (iii) an increase of RMB24.4 million in prepayments, deposits and other receivables mainly relating to the increasing rental deposits and repayments for our self-operated retail stores, (iv) an increase in rental deposits of RMB9.4 million, (v) an increase in trade payables of RMB9.1 million, and (vi) an increase in inventories of RMB8.9 million, each a result of our business growth.

Net cash generated from operating activities in 2013 was RMB253.7 million, which primarily consisted of profit before tax of RMB347.1 million, adjusted for certain non-cash items, which mainly included depreciation and amortization of RMB30.4 million and an interest income from available-for-sale investments of RMB4.1 million. Additional factors that affected our cash generated from operating activities included (i) tax paid of RMB84.0 million, (ii) an increase in inventories of RMB26.5 million, (iii) an increase in other prepayments, deposits and other receivables of RMB13.1 million primarily relating to the increased deposits under the lease agreements which was in line with our retail store network expansion, and (iv) an increase in other payables and accruals of RMB12.8 million primarily relating to unpaid salary and welfare.

Investing Activities

Net cash used in investing activities in the six months ended June 30, 2016 was RMB232.8 million, which primarily consisted of (i) the purchase of available-for-sale investments and structured deposits of RMB475.0 million, and (ii) the purchases of items of property, plant and equipment of RMB46.8 million mainly in connection with our Phase II Wuhan processing facility, partially offset by (i) proceeds from disposal of items of available-for-sale investments and structured deposits of RMB285.0 million, (ii) government grants of RMB1.0 million, and (iii) interest income from available-for-sale investments of RMB2.0 million.

Net cash used in investing activities in 2015 was RMB283.3 million, which primarily consisted of (i) the purchase of available-for-sale investment and structured deposits of RMB1,410.1 million and related interests of RMB15.5 million; (ii) the purchase of property, plant and equipment of RMB163.2

million in connection with our Phase II Wuhan processing facility; (iii) the additions to prepaid land lease payments of RMB27.6 million in connection with the newly acquired land parcel located in Dongguan; and (iv) additions to other intangible assets of RMB4.5 million in connection with the acquisition of the "Zhou Hei Ya" trademark from Wuhan ZHY Holdco, partially offset by proceeds from disposal of available-for-sale investments and structured deposits of RMB1,305.1 million.

In 2014, net cash used in investing activities was RMB382.5 million, which primarily consisted of (i) the purchase of available-for-sale investment and structured deposits in the amount of RMB1,634.0 million and related interests of RMB17.5 million (ii) the purchase of property, plant and equipment of RMB92.2 million in connection with our Phase II Wuhan processing facility; (iii) the increase of deposits for potential purchase of property, plant and equipment of RMB18.0 million in connection with the land parcel located in Dongguan; and (iv) the additions to other intangible assets of RMB1.7 million in connection with the improvements of our new ERP system, partially offset by (i) proceeds from disposal of available-for-sale investments and structured deposits of RMB1,339.0 million; (ii) proceeds from disposal of property, plant and equipment of RMB3.8 million mainly in relation to the disposal of our equipment; and (iii) government grants in the amount of RMB2.0 million.

In 2013, net cash used in investing activities was RMB248.9 million, which primarily consisted of (i) the purchase of available-for-sale investment and structured deposits of RMB1,095.0 million and related interests of RMB5.2 million (ii) the purchase of property, plant and equipment of RMB48.7 million in connection with our Phase II Wuhan processing facility; (iii) the additions to prepaid land lease payments of RMB18.3 million in connection with the parcel of land located in Wuhan which is close to our existing processing facility; (iv) additions to other intangible assets of RMB2.1 million in connection with the establishment and improvements of our new ERP system; and (v) the payment in connection with the purchase of Shanghai Suolei of RMB1.6 million, partially offset by (i) proceeds from disposal of available-for-sale investments of RMB910.0 million; and (ii) proceeds from disposal of property, plant and equipment of RMB1.3 million.

Financing Activities

Net cash used in financing activities in the six months ended June 30, 2016 was RMB202.8 million, representing repayment of amounts due to Wuhan ZHY Holdco in connection with our Reorganization.

Net cash used in financing activities in 2015 was RMB329.0 million, primarily consisted of dividends paid of RMB300.0 million, repayment of amounts due to Wuhan ZHY Holdco in the amount of RMB135.4 million and RMB40.4 million of distribution to Controlling Shareholders relating to our Reorganization, partially offset by the issue of shares of RMB146.8 million.

In 2014, net cash used in financing activities was RMB64.3 million, representing dividends paid.

In 2013, net cash used in financing activities was RMB60.0 million, representing dividends paid.

CAPITAL EXPENDITURES

Our capital expenditures amounted to RMB110.4 million, RMB95.7 million, RMB192.7 million and RMB78.0 million in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively. Our capital expenditures were used primarily for purchases of production lines for our existing facilities and the establishment of our two processing facilities in Wuhan, Hubei Province and Dongguan, Guangdong Province, respectively. The following table sets forth our capital expenditures for the periods indicated.

	Year Ended December 31,			Six Months Ended June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Additions to:				
Property, plant and equipment	91,967	95,642	160,661	77,564
Land use right	18,346	—	27,601	—
Intangible assets	82	70	4,463	446
Total	110,395	95,712	192,725	78,010

During the Track Record Period, we financed our capital expenditures primarily with cash generated from operations. Our capital expenditures in 2015 were relatively low as compared to our planned capital expenditures in the years ending December 31, 2016 and 2017, which are expected to be RMB213.9 million and RMB809.0 million, respectively, subject to adjustment based on our business operations and market conditions. We plan to increase our capital expenditures significantly in 2016 and 2017 mainly for the establishment of our additional processing facilities, which includes the construction work, purchases or additional production equipment and the acquisition of land use rights. Among all the planned capital expenditures in 2016 and 2017, approximately 1.4% was contracted as of June 30, 2016.

The following table further sets forth our capital expenditure breakdown as of June 30, 2016.

	As of June 30, 2016
	RMB'000
Contracted but not provided for	12,826
Authorized but not contracted for	932,011
Total planned capital expenditures	944,837

In 2016, approximately 65% of planned capital expenditures are expected to be used for the purchase of production equipment and the construction work for our Phase II Wuhan processing facility and to establish additional processing facilities in Dongguan and southwestern China with the remaining 35% to be used for the development and upgrade of our self-operated retail stores. In 2017, approximately 55% of planned capital expenditures are expected to be used for the purchase of production equipment and the construction work for our Phase II Wuhan processing facility and to establish additional processing facilities in Dongguan and southwestern China. Approximately 30% of planned capital expenditures are expected to acquire additional land use rights and production equipment for planned processing facilities in northern China. The remaining approximately 15% is expected to be used for the development and upgrade of our self-operated retail stores. We plan to fund our near term planned capital expenditures by using the cash on our balance sheet, the cash flow generated from our operations, the cash from bank borrowings as well as a portion of the net proceeds received from the Global Offering for the development of self-operated retail stores. See "Business — Our Strategies — Further improve operational efficiency and expand production capacity" for details of our expansion plan and "Future Plans and Use of Proceeds — Use of Proceeds" for the portion of capital expenditures to be funded by the proceeds from the Global Offering.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

Capital commitments

The table below sets forth the total amount of our capital expenditures contracted for but not yet incurred as of the dates indicated.

	As of December 31,			As of September 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Land and buildings	1,667	25,924	13,669	9,780
Plant and machinery	4,840	6,989	16,976	112,093
Total	6,507	32,913	30,645	121,873

Operating lease commitments

We lease a number of properties under non-cancellable lease agreements. The following table sets forth the total future minimum lease payments under our non-cancellable lease agreements as of the dates indicated.

	As of December 31,			As of September 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Within one year	58,019	72,287	93,167	160,087
In the second to fifth years, inclusive	112,980	122,607	146,511	172,230
After five years	7,527	4,939	3,384	1,708
Total	178,526	199,833	243,062	334,025

NET CURRENT ASSETS/LIABILITIES

The following table sets forth the breakdown of our current assets and liabilities as of the dates indicated.

	As of December 31,			As of June 30,	As of September 30,
	2013	2014	2015	2016	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Current Assets					
Inventories	57,332	66,233	134,073	115,207	152,607
Trade receivables	5,755	4,577	6,356	5,182	8,627
Prepayments, deposits and other receivables	234,768	540,690	78,075	251,533	424,890
Due from the Controlling Shareholders	127	—	149	975	507
Available-for-sale investments	70,000	85,000	100,000	125,000	135,000
Restricted cash	246	1,677	560	60	340
Cash in transit	1,167	5,877	5,417	4,030	9,513
Cash and cash equivalents	36,752	63,781	82,338	85,782	68,912
Total current assets	**406,147**	**767,835**	**406,968**	**587,769**	**800,396**
Current Liabilities					
Trade payables	24,216	33,268	49,866	67,604	81,855
Other payables and accruals	115,740	143,056	218,984	236,243	229,114
Government grants, current	530	730	597	697	902
Due to a related party	—	—	202,771	—	—
Due to the Controlling Shareholders	982	4,616	7,575	—	—
Income tax payables	24,253	67,897	68,125	99,334	126,121
Dividends payables	—	4,006	—	—	—
Total current liabilities	**165,721**	**253,573**	**547,918**	**403,878**	**437,992**
Net Current Assets/Liabilities	**240,426**	**514,262**	**(140,950)**	**183,891**	**362,404**

Since June 30, 2016 to September 30, 2016, prepayments, deposits and other receivables increased by RMB173.4 million, primarily due to an increase in prepayments for structured deposits, and our inventories increased by RMB37.4 million primarily because we increased procurement of raw materials to support our production. Other than these, there was no material change in our current assets and liabilities over the period from June 30, 2016 to September 30, 2016.

As of December 31, 2013 and 2014 and June 30 and September 30, 2016, we had net current assets of RMB240.4 million, RMB514.3 million, RMB183.9 million and RMB362.4 million, respectively, and as of December 31, 2015, we recorded net current liabilities of RMB141.0 million. During the Track Record Period, major components of our current assets primarily included inventories, available-for-sale investments (representing low-risk asset management products we purchased), cash and cash equivalents, and prepayments, deposits and other receivables (mainly including structured deposits and prepaid rents). Major components of our current liabilities primarily included trade payables, other payables and accruals (primarily representing payables for the purchases of property, plant and equipment in connection with the construction of our Phase II Wuhan processing facility), and income tax payable.

We invested in structured deposits and available-for-sale investments to facilitate our cash management. We have implemented capital and investment policies to monitor and control the risks relating to our investment activities, see "— Description of Major Components of Our Results of Operations — Other Income and Gains, Net" above for more details. During the Track Record Period, the average daily balance of our investments in structured deposits was approximately RMB52.2 million, RMB318.7 million, RMB265.8 million and RMB42.7 million in 2013, 2014 and 2015 and the six months ended June 30, 2016, respectively. Over the same periods, the average daily balance of our investments in available-for-sale investments was approximately RMB86.0 million, RMB100.7 million, RMB49.8 million and RMB74.5 million, respectively. The increases in the average daily balance of these investments from 2013 to 2014 were primarily due to the adequate cash flows generated from our growing business operations, while the decreases in the average daily balance from 2014 to 2015 were mainly due to our Reorganization, see "— Prepayments, Deposits and Other Receivables" below for more details. The following table below sets forth the movements of our total available-for-sale investments and structured deposits for the periods indicated.

	Year Ended/As of December 31,			Six Months Ended/As of
	2013	2014	2015	June 30, 2016
	RMB millions	RMB millions	RMB millions	RMB millions
Available-for-sale Investments				
Opening balance of the year/period	75	70	85	100
Purchases in the year/period	500	236	455	280
Disposal in the year/period	(505)	(221)	(360)	(255)
Distribution to the Controlling Shareholders in connection with the Reorganization	—	—	(80)	—
Year/period-end Balance	70	85	100	125
Structured Deposits				
Opening balance of the year/period	—	190	470	10
Purchases in the year/period	595	1,398	955	195
Disposal in the year/period	(405)	(1,118)	(945)	(30)
Distribution to the Controlling Shareholders in connection with the Reorganization	—	—	(470)	—
Year/period-end Balance	190	470	10	175

During the Track Record Period, we recorded significant cash inflows and outflows in connection with the disposal and purchases of the asset management products, which was mainly because substantially all of these low-risk investments were short-term and high-turnover in nature. These significant cash inflows and outflows were in line with our frequent redemptions upon maturity and reinvestments of the proceeds as part of our day-to-day cash management activities. Subject to our investment policies, we only invest in low-risk asset management products, which typically are principal-protected asset management products bearing relative low level of risk rating provided by the commercial banks. In addition, return of the majority portion of our structured deposits and available-for-sale investments typically depended on the underlying investments in money market funds and were subject to relatively low volatility. Historically, we did not incur any loss in connection with our investments in structured deposits and available-for-sale investments.

Our net current assets increased by RMB324.9 million from net current liabilities of RMB141.0 million as of December 31, 2015 to net current assets of RMB183.9 million as of June 30, 2016, primarily due to strong working capital generated from our operations in the six months ended June 30, 2016, resulting in the repayments of amounts due to a related party and due to the Controlling Shareholders of RMB202.8 million and RMB7.6 million, respectively, as well as an increase in prepayments, deposits and other receivables of RMB173.5 million mainly in connection with structured deposits.

We had net current assets of RMB514.3 million as of December 31, 2014 but had net current liabilities of RMB141.0 million as of December 31, 2015, primarily due to the Reorganization, details of which are set out in "Our History and Development — Reorganization". In connection with our Reorganization, Wuhan ZHY Holdco transferred the operating assets relating to our business as well as the equity interest of the subsidiaries engaged in our business to our Group. The assets and liabilities not related to our business, which amounted to RMB821.8 million, were retained by Wuhan ZHY Holdco and treated as a distribution to the Controlling Shareholders. The distribution primarily consisted of (i) prepayments, deposits and other receivables of RMB473.0 million, (ii) amount due from the Group of RMB215.6 million, (iii) available-for-sale investment of RMB80.0 million, which represented the available-for-sale investments invested and owned by Wuhan ZHY Holdco as at the completion of the Reorganization. and (iv) cash and bank balances of RMB40.4 million. See Notes 11 and 31 of the Accountants' Report set out in Appendix I to this prospectus for more details.

Our net current assets increased by RMB273.9 million from RMB240.4 million as of December 31, 2013 to RMB514.3 million as of December 31, 2014, primarily due to an increase in structured deposits of RMB280.0 million booked under prepayments, deposits and other receivables.

Inventories

Our inventories primarily consist of raw materials, work in progress, finished goods and packaging materials.

We believe maintaining appropriate levels of inventories can help us produce and deliver our products on a timely basis without adversely affecting our liquidity. We adjust our raw material procurement according to our product processing processes, taking into account lead time required for each type of raw materials. We typically maintain ducks and duck parts for approximately two weeks of our production requirements. We source spices from their regions of origin to ensure consistent quality and competitive pricing. We generally conduct collective procurement for spices once a year at then prevailing market prices. In addition, in anticipation of the increasing demands for our products during long public holidays, we moderately increase the inventory level of work in progress prior to such holidays based on estimated customer demands.

During the Track Record Period, we did not record any write-offs against inventories.

The following table sets forth a summary of our inventory balances as of the dates indicated:

	As of December 31,			As of June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	31,401	32,582	104,890	88,002
Work in progress	9,923	5,664	3,396	2,019
Finished goods	11,999	21,874	19,069	16,552
Packaging materials and other consumables	4,009	6,113	6,718	8,634
Total	**57,332**	**66,233**	**134,073**	**115,207**

Our inventory increased from RMB57.3 million as of December 31, 2013 to RMB66.2 million as of December 31, 2014, which was primarily due to an increase in finished goods as we increased the stock of our products to meet the increasing purchase orders from online marketplaces. Our inventory significantly increased to RMB134.1 million as of December 31, 2015. This was primarily due to an increase of RMB72.3 million in raw materials as we significantly increased the procurement of certain key raw materials, such as duck necks and duck collarbones, in late 2015 in anticipation of future price increases of such raw materials. This increase in procurement was a one-off arrangement, made in consideration of the material price fluctuations in those raw materials in 2015. Accordingly, our inventory decreased from RMB134.1 million as of December 31, 2015 to RMB115.2 million as of June 30, 2016, primarily due to our consumption of raw materials purchased in late 2015, particularly the consumption for the Chinese New Year holiday of 2016, partially offset by an increase in overall procurement of raw materials due to the availability of lower prevailing market prices in the first half of 2016.

The following table sets forth average inventory turnover days for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,
	2013	2014	2015	2016
Average inventory turnover days(1)	30.8	27.5	34.5	43.3

Note:

(1) Average inventory turnover days are based on the average balance of inventory divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the year ended December 31 and the six months ended June 30 is 365 days and 180 days, respectively.

Average inventory turnover days decreased from 30.8 days in 2013 to 27.5 days in 2014. The decrease was primarily because we prepared inventory reserves throughout 2013 in anticipation of the increasing demands for our products. Average inventory turnover days increased to 34.5 days in 2015 primarily because we significantly increased the procurement of certain key raw materials in late 2015 in anticipation of future price increases of such raw materials. Average inventory turnover days increased to 43.3 days in the six months ended June 30, 2016, primarily due to our preparation of inventory reserves of major raw materials at lower prevailing market prices throughout the first half of 2016.

As of September 30, 2016, approximately RMB91.2 million, or 79.1%, of our inventories as of June 30, 2016 had been consumed or sold, comprising approximately RMB72.6 million of raw materials and packaging materials and other consumable, or 63.0% of our inventories as of June 30, 2016, which had been consumed and approximately RMB18.6 million of working in progress and finished goods, or 16.1%, of our inventories as of June 30, 2016, which had been sold, respectively.

Due to the nature of our business and production and sales schedules, the significant portion of our inventory is raw materials. The inventory turnover of our MAP products is typically short, given its relatively short shelf life. The following table sets forth average inventory turnover days of our finished goods, without considering the impact of raw materials, for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,
	2013	2014	2015	2016
MAP products	1.3	1.4	1.9	2.4
Vacuum packaged products	30.4	32.3	39.9	36.7

Note:

(1) Average inventory turnover days are based on the average balance of inventory divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the year ended December 31 and the six months ended June 30 is 365 and 180 days, respectively.

Inventory turnover days of MAP products increased from 1.9 days for the year ended December 31, 2015 to 2.4 days in the six months ended June 30, 2016, primarily due to more self-operated retail stores located in cities that were distant from our production facilities.

Trade Receivables

The following table sets forth our trade receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	5,755	4,577	6,356	5,182
Less: impairment	—	—	—	—
Total	**5,755**	**4,577**	**6,356**	**5,182**

Our trade receivables primarily consist of receivables due from our third-party partners under the consignment arrangements and our landlords for certain of our self-operated retail stores and third-party online marketplaces. We grant a credit term of up to 69 days to some of our third-party partners under the consignment arrangements and the payments are calculated and settled based on the actual sales volume. During the Track Record Period, a small number of landlords of our self-operated retail stores located in commercial complexes collected payments from customers on our behalf and settled with us on a monthly basis, pursuant to the lease agreements we enter into with these landlords. These landlords typically maintain and lease commercial areas to various merchants. Therefore, these landlords expect to process payments by themselves in order to better monitor their merchants and manage all transactions conducted in their premises. We believe this is an industry norm in China's retail industry and such practice is not subject to any material risk. In addition, pursuant to the agreements we enter into with certain third-party online marketplaces, the third-party online marketplaces settle payments that online customers pay for our products on such platforms with us on a monthly basis. We do not have any collateral or other credit enhancements over our trade receivable balances.

Trade receivables decreased from RMB5.8 million as of December 31, 2013 to RMB4.6 million as of December 31, 2014, primarily because we improved our payment settlement practice. Our trade receivables increased to RMB6.4 million as of December 31, 2015, primarily due to an increase in payments collected by landlords on our behalf, which is in turn due to increase in revenue and our online sales whose payments are typically settled on a monthly basis as discussed above. Trade receivables then decreased to RMB5.2 million as of June 30, 2016, primarily because the payment settlement cycle with one of our online platforms decreased from one month to two business days. The decrease was also partially attributable to our strengthened efforts to improve the payment settlement practices of our distributors.

The following table sets forth an aging analysis of our trade receivables net of impairment as of the dates indicated, based on the invoice date and net of provisions:

	As of December 31,			As of June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	5,755	4,574	6,281	5,057
Over 3 months	—	3	75	125
Total	**5,755**	**4,577**	**6,356**	**5,182**

Due to the nature of our business and our strict trade receivables collection policies, a substantial majority of our trade receivables during the Track Record Period had ages of less than three months. We further enhanced our control over payment collection procedures with respect to our third-party partners under the consignment arrangements and third-party online marketplaces since 2013, which has enabled us to substantially eliminate outstanding trade receivables over three months.

Based on our past experience, we believe that no provision for impairment is necessary in respect of the balance of our trade receivables as there had not been any significant change in credit quality of our stores, distributors or online channels. We believe all such balances are recoverable. We did not record any provision for impairment during the Track Record Period.

The following table sets forth our trade receivables turnover days for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,
	2013	2014	2015	2016
Average trade receivables turnover days[(1)]	1.3	1.0	0.8	0.7

Note:

(1) Average trade receivables turnover days are based on the average balance of trade receivables divided by total revenue for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the year ended December 31 and the six months ended June 30 is 365 and 180 days, respectively.

Due to the nature of our business, our average trade receivables turnover days remained short during the Track Record Period as the majority of our revenue was derived from self-operated retail stores. In addition, the slightly decreased average trade receivables turnover days throughout the Track Record Period was also due to our improved payment settlement practice with our third-party partners under the consignment arrangements and third-party online marketplaces.

As of September 30, 2016, approximately RMB5.2 million, or 99.4%, of our trade receivables as of June 30, 2016 had been collected.

Prepayments, Deposits and Other Receivables

Prepayments, deposits and other receivables mainly include structured deposits, prepaid rents, as well as advances to our suppliers. The following table sets forth our prepayments, deposits and other receivables for the periods indicated:

	As of 31 December,			As of June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Prepaid rents	30,284	43,296	45,065	50,590
Advances to employees	1,539	2,883	3,299	2,779
Advances to suppliers	2,882	13,263	6,324	1,937
Deductible input VAT	3,807	1,414	4,358	8,393
Current portion of prepaid land lease payments	867	867	867	867
Structured deposits	190,000	470,000	10,000	175,000
Others	5,389	8,967	8,162	11,967
Total	**234,768**	**540,690**	**78,075**	**251,533**

Structured deposits significantly increased by RMB280.0 million from RMB190.0 million as of December 31, 2013 to RMB470.0 million as of December 31, 2014 primarily because we invested in structured deposits for cash management purposes. Structured deposits significantly decreased by RMB460.0 million from RMB470.0 million as of December 31, 2014 to RMB10.0 million as of December 31, 2015 primarily due to the distribution of certain assets attributed to Wuhan ZHY Holdco as a result of the Reorganization, which included structured deposits of RMB470.0 million initially invested by Wuhan ZHY Holdco in its own capacity and with its own funds. Since we continued to invest in structured deposits in the six months ended June 30, 2016 using funds generated from our operations, structured deposits increased to RMB175.0 million as of June 30, 2016. We have implemented capital and investment policies to monitor and control the risks relating to our investment activities, see "— Description of Major Components of Our Results of Operations — Other Income and Gains, Net" above for more details.

Prepaid rents increased by RMB13.0 million from RMB30.3 million as of December 31, 2013 to RMB43.3 million as of December 31, 2014 and further increased by RMB1.8 million to RMB45.1 million as of December 31, 2015. Prepaid rents further increased to RMB50.6 million as of June 30, 2016. The continued increases were primarily due to the increase in the number of our self-operated retail stores.

Advances to employees mainly represented discretionary cash allowances to employees for travel expenses and other daily operating expenditures made for or on behalf of us. We expect to continue to set aside a small amount of such discretionary cash allowances going forward as we believe it is a common practice in our industry. As advised by our PRC legal advisor, such cash allowances to employees for travel expenses and other daily operating expenditures comply with the relevant laws and regulations in the PRC in all material aspects.

Advances to suppliers significantly increased by RMB10.4 million from RMB2.9 million as of December 31, 2013 to RMB13.3 million as of December 31, 2014 primarily due to our procurements of machinery and equipment for the construction of our Phase II Wuhan processing facility.

Restricted Cash, Cash in Transit and Cash and Cash Equivalents

Our restricted cash primarily includes (i) pledged bank deposits, which represent the restricted amounts we deposit with commercial banks in connection with our procurement of certain machinery and equipment; and (ii) deposits that we make to third-party online marketplaces for promotional activities that are returned to us upon completion of these activities.

The following table sets forth our restricted cash as of the dates indicated:

	As of December 31,			As of June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Pledged bank deposits	—	1,090	—	—
Deposits to online marketplaces for online promotions	246	587	560	60
Total restricted cash	**246**	**1,677**	**560**	**60**

Our cash in transit primarily represents payments settled by credit cards or debit cards through UnionPay transaction settlement system which have not been credited by banks. Cash in transit increased from RMB1.2 million as of December 31, 2013 to RMB5.9 million as of December 31, 2014, primarily due to the increased number of our retail stores equipped with our POS system as well as the increased sales volume at these stores. The increase was also attributable to the increase in the payments settled through our POS system. Cash in transit slightly decreased to RMB5.4 million as of December 31, 2015, our cash in transit decreased from RMB5.4 million to RMB4.0 million as of June 30, 2016, primarily due to a higher level of sales in December 2015 in anticipation of the New Year's Day holiday in 2016.

Our cash and cash equivalents primarily consist of cash on hand and demand deposits. As of December 31, 2013, all of our cash and cash equivalents were denominated in Renminbi. As of December 31, 2014, RMB1.6 million of the total RMB63.8 million of cash and cash equivalents were denominated in currencies other than Renminbi. The U.S. dollar denominated deposits were primarily for purchases of processing machinery and equipment from overseas suppliers. As of December 31, 2015 and June 30, 2016, RMB20.4 million and RMB16.6 million of cash and cash equivalents, respectively, were denominated in currencies other than Renminbi. The U.S. dollar denominated deposits were primarily relating to the capital contribution by our Investors.

Trade Payables

Our trade payables totaled RMB24.2 million, RMB33.3 million, RMB49.9 million and RMB67.6 million, respectively, as of December 31, 2013, 2014 and 2015 and June 30, 2016. Our trade payables primarily consist of trade payables to our raw material suppliers. Our suppliers generally grant us a credit period ranging from 15 days to one month. Our trade payables increased during the Track Record Period, primarily due to our increased procurement of various raw materials to support our expanded operations.

The following table sets forth an aging analysis of our trade payables as of the dates indicated, based on the invoice date:

	As of December 31,			As of June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	23,783	32,879	40,038	58,292
3 to 6 months	376	34	7,407	8,999
Over 6 to 12 months	24	306	—	178
Over 12 months	33	49	2,421	135
Total trade payables	**24,216**	**33,268**	**49,866**	**67,604**

The following table sets forth our trade payables turnover days for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,
	2013	2014	2015	2016
Average trade payables turnover days[(1)]	16.7	12.8	14.3	20.4

Note:

(1) Average trade payables turnover days are based on the average balance of trade payables divided by total cost for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the year ended December 31 and the six months ended June 30 are 365 and 180 days, respectively.

Average trade payables turnover days decreased from 16.7 days in 2013 to 12.8 days in 2014. The decrease was primarily due to our enhanced working capital management so as to achieve improved balance between our receivable collections and our payments. Average trade payables turnover days increased to 14.3 days in 2015, primarily due to our increased procurement of raw materials to support our expanding production plans and the fact that we strategically increased inventories of certain key raw materials to avoid perceived future price increase in late 2015. Average trade payables turnover days increased to 20.4 days in the six months ended June 30, 2016, primarily due to an increase in accounts payable, while the cost of sales decreased. This is consistent with common market practice in China, as average trade payables turnover days tend to be longer during the year as opposed to year end, a period when our suppliers tend to strengthen collection efforts.

Other Payables and Accruals

We also record other payables and accruals in connection with various aspects of our operations, including staff payroll payables, other tax payables, payables relating to the purchase of property, plant and equipment and the decoration of our retail stores. Total other payables and accruals amounted to RMB115.7 million, RMB143.1 million, RMB219.0 million and RMB236.2 million, respectively, as of December 31, 2013, 2014 and 2015 and June 30, 2016. The increase was in line with our business growth and expansion.

The following table sets forth our other payables and accruals as of the dates indicated:

	As of December 31,			As of June 30,
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Advances from customers	7,219	18,022	35,245	43,341
Payables for purchase of property, plant and equipment	11,940	11,522	16,218	41,207
Payables for operating leases	5,981	1,524	1,921	3,895
Payroll and welfare payables	69,044	83,881	120,111	100,064
Other tax payables	8,588	15,888	25,066	23,754
Deposits received from suppliers	1,575	1,629	4,755	3,735
Other payables	11,393	10,590	15,668	20,247
Total	**115,740**	**143,056**	**218,984**	**236,243**

Advances from customers primarily represent the unused prepaid deposits made by customers who have joined our membership program. Advances from customers increased from RMB7.2 million as of December 31, 2013 to RMB18.0 million as of December 31, 2014 and to RMB35.2 million as of December 31, 2015, which further increased to RMB43.3 million as of June 30, 2016. These increases were primarily due to the continuous increase in the prepayments resulting from the increases in the balances of prepaid amounts of our existing members and the number of new members under our membership program.

Balances of prepaid amounts of our membership cards that were included in advances from customers as presented on our consolidated statements of financial position amounted to approximately RMB6.6 million, RMB16.3 million, RM29.7 million and RMB36.7 million, respectively, as of December 31, 2013, 2014 and 2015 and June 30, 2016. During the Track Record Period, the amount deposited by customers who joined our membership program amounted toapproximately RMB85.0 million, RMB153.6 million, RMB246.9 million and RMB195.6 million, respectively. The following table sets forth the movements of the amounts deposited and utilized by our customers for the periods indicated.

	Year Ended/As of December 31,			Six Months Ended/As of June 30,
	2013	2014	2015	2016
	RMB millions	RMB millions	RMB millions	RMB millions
Opening balance of the period	3.9[1]	6.6	16.3	29.7
Deposited in the period	85.0	153.6	246.9	195.6
Utilized in the period	(82.3)	(143.9)	(233.5)	(188.6)
Period-end Balance	6.6	16.3	29.7	36.7

Note:

(1) Derived from our unaudited management account.

Payables for the purchase of property, plant and equipment during the Track Record Period primarily represented payments in connection the construction of our Phase II Wuhan processing facility and the addition of production equipment.

Payables for operating leases primarily represent the unpaid portion of rental payments under the lease agreements we entered into in connection with our self-operated retail stores. Payables for operating lease decreased from RMB6.0 million as of December 31, 2013 to RMB1.5 million as of December 31, 2014, primarily due to a postponed lease payment in late 2013 for certain of our self-operated retail stores which was settled in early 2014. Payables for operating leases increased to RMB1.9 million as of December 31, 2015, which further increased to RMB3.9 million as of June 30, 2016, primarily because we leased more floor area for our self-operated retail stores.

Payroll and welfare payables recorded at each year end were primarily in connection with our year-end additional salaries and bonuses. Payroll and welfare payables increased from 2013 to 2015, primarily because we hired more personnel to support our business growth and the carrying amount of our provisions for social insurance premium contributions and housing provident funds increased from RMB30.6 million as of December 31, 2013 to RMB46.9 million as of December 31, 2014, and further to RMB65.4 million as of December 31, 2015 and RMB66.8 million as of June 30, 2016.

Other tax payables include value-added-tax, business tax and additional business tax, property tax and land use tax. Other tax payables increased from RMB8.6 million as of December 31, 2013 to RMB15.9 million as of December 31, 2014 and further to RMB25.1 million as of December 31, 2015, which was in line with our increased sales volume and overall business growth. Other tax payables slightly decreased to RMB23.8 million as of June 30, 2016.

INDEBTEDNESS

We did not have any bank borrowings as of December 31, 2013, 2014 and 2015 and June 30 and September 30, 2016. In the preparation of our Reorganisation, in June 2015, our subsidiary, Hubei Shiji Yuanjing obtained a one-year credit facility of up to RMB200.0 million from a commercial bank. We had not drawn down any portion of this credit facility before its expiry on June 18, 2016. Taking into account our net current asset position as of September 30, 2016, as wells as the sufficient cash generated from our operating activities, we decided not to renew this credit facility.

Save as disclosed in this prospectus, 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 as of September 30, 2016, being the latest practicable date for our indebtedness statement. Since September 30, 2016 and up to the date of this prospectus, there has not been any material adverse change in our indebtedness and contingent liabilities. Our Directors do not foresee any potential difficulty in obtaining bank facilities should the need arise. Our Directors confirm that the Company does not have any external financing plans as of the Latest Practicable Date.

There are no material restrictive covenants relating to any of our outstanding debts. During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we had not breached any of the restrictive covenants.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. Moreover, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties or any derivative contracts that are indexed to our equity interests and classified as owners' equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any significant contingent liabilities.

KEY FINANCIAL RATIOS

The following table sets forth certain of the key financial ratios of our Group for the periods or as of the dates indicated:

	For the Years Ended/As of December 31,			For the Six Months Ended/As of June 30,	
	2013	2014	2015	2015	2016
				(Unaudited)	
Profitability ratios:					
Gross margin	57.2%	54.7%	56.4%	54.8%	62.7%
Net profit margin	21.3%	22.7%	22.7%	23.0%	27.4%
Rates of return:					
ROA(1)	34.2%	34.5%	57.8%	22.0%	31.9%
ROE(2)	44.8%	44.6%	143.6%	30.3%	49.6%
Liquidity:					
Current ratio(3)	2.5x	3.0x	0.7x	2.3x	1.5x
Quick ratio(4)	2.1x	2.8x	0.5x	2.1x	1.2x
Capital adequacy:					
Net debt to equity ratio(5)	net cash	net cash	net cash	net cash	net cash

Notes:

(1) Calculated using profit for the year/period divided by total assets at the end of the year/period, multiplied by 100%.

(2) Calculated using profit for the year/period divided by total equity at the end of the year/period, multiplied by 100%.

(3) Calculated using current assets/current liabilities at the end of year/period.

(4) Calculated using current assets less inventory/current liabilities at the end of year/period.

(5) Calculated using total debt less cash and cash equivalents/total equity at the end of year/period. We did not have any bank borrowings during the Track Record Period.

Return on assets ratio. Our return on assets ratio increased from 34.2% as of December 31, 2013 to 34.5% as of December 31, 2014, primarily due to an increase in net profit. Our return on assets ratio increased from 34.5% as of December 31, 2014 to 57.8% as of December 31, 2015, primarily due to an increase in net profit and a decrease in total assets primarily due to the Reorganization in 2015. Our return on assets ratio increased from 22.0% as of June 30, 2015 to 31.9% as of June 30, 2016, primarily due to the increase in net profit. See "— Net Current Assets/Liabilities" and Notes 11 and 31 of the Accountants' Report set out in Appendix I to this prospectus for more details.

Return on equity ratio. Our return on equity ratio decreased from 44.8% as of December 31, 2013 to 44.6% as of December 31, 2014, primarily due to a larger percentage increase in retained earnings due to net profit as of December 31, 2014 than percentage increase in net profit for the year ended December 31, 2014. Return on equity ratio increased to 143.6% as of December 31, 2015, primarily due to a RMB537.2 million decrease in total equity due to the Reorganization in 2015, and to a lesser extent, increase in net profit. Our return on equity ratio increased from 30.3% as of June 30, 2015 to 49.6% as of June 30, 2016, primarily due to the increase in net profit.

Current ratio. Our current ratio improved from 2.5 as of December 31, 2013 to 3.0 as of December 31, 2014, primarily reflected increases in available-for-sale investments, cash and cash equivalents, and prepayments, deposits and other receivables, partially offset by an increase in current liabilities resulting from increases in income tax payable, trade payables and other payables and accruals. Our current ratio decreased from 3.0 as of December 31, 2014 to 0.7 as of December 31, 2015 primarily because of the Reorganization, which was completed in July 2015. Our current ratio decreased from 2.3 as of June 30, 2015 to 1.5 as of June 30, 2016 due to the same reason. See "—Net Current Assets/Liabilities" and Notes 11 and 31 of the Accountants' Report set out in Appendix I to this prospectus for more details.

Quick ratio. Quick ratio improved from 2.1 as of December 31, 2013 to 2.8 as of December 31, 2014, primarily due to the increases in available-for-sale investments, cash and cash equivalents, and prepayments, deposits and other receivables. The increase was partially offset by an increase in current liabilities resulting from the increases in income tax payable and other payables and accruals. Our quick ratio decreased from 2.8 as of December 31, 2014 to 0.5 as of December 31, 2015 primarily because of the Reorganization, which was completed in July 2015. Our quick ratio decreased from 2.1 as of June 30, 2015 to 1.2 as of June 30, 2016 due to the same reason. See "—Net Current Assets/Liabilities" and Notes 11 and 31 of the Accountants' Report set out in Appendix I to this prospectus for more details.

Net debt to equity ratio. We did not have any bank borrowings and were in a net cash position during the Track Record Period.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the ordinary course of our business, we are exposed to various market risks, including credit risk and liquidity risk. Our risk management strategy aims to minimize the potential adverse effects of such risks on our financial performances. We have control policies in place and the exposure to these risks are monitored on an on-going basis by the Board.

Foreign Currency Risk

As of December 31, 2013, 2014 and 2015 and June 30, 2016, our cash and bank balances dominated in a currency other than Renminbi amounted to nil, RMB1.6 million, RMB20.4 million and RMB16.6 million, respectively. We are not subject to significant foreign currency risk.

Credit Risk

We trade only with recognized and creditworthy third parties and related parties. It is our policy that all customers who wish to trade on credit terms are subject to individual credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant.

All our cash and cash equivalents are held in major financial institutions located in the PRC and all of our cash at banks are deposited in state-owned or state-controlled PRC banks, which do not have a recent history of default.

The carrying amounts of cash and cash equivalents, trade receivables and financial assets included in prepayments, deposits and other receivables included in the consolidated statements of financial position represent our maximum exposure to credit risk in relation to our financial assets. We have no other financial assets which carry significant exposure to credit risk.

Liquidity Risk

Our policy is to monitor regularly the current and expected liquidity requirements to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and long term.

The following table details the remaining contractual maturities at the end of the reporting period of our trade payables, financial liabilities included in other payables and accruals and amounts due to related parties.

	As of June 30, 2016				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	18,843	48,761	—	—	67,604
Financial liabilities included in other payables and accruals	87,838	—	5,000	7,000	99,838
	106,681	48,761	5,000	7,000	167,442

	As of December 31, 2015				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	9,828	40,038	—	—	49,866
Due to the Controlling Shareholders	7,575	—	—	—	7,575
Financial liabilities included in other payables and accruals	63,629	—	—	7,000	70,629
Due to a related party	202,771	—	—	—	202,771
	283,803	40,038	—	7,000	330,841

	As of December 31, 2014			
	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	389	32,879	—	33,268
Due to the Controlling Shareholders	4,616	—	—	4,616
Financial liabilities included in other payables and accruals	41,153	—	—	41,153
Dividends payable	4,006	—	—	4,006
	50,164	32,879	—	83,043

	As of December 31, 2013			
	On demand	Less than 3 months	3 to 12 months	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	433	23,783	—	24,216
Due to the Controlling Shareholders	982	—	—	982
Financial liabilities included in other payables and accruals	39,477	—	—	39,477
	40,892	23,783	—	64,675

Capital Management

The preliminary objective of our capital management is to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support our business and maximize Shareholders' value.

We manage our capital structure and make adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust our capital structure, we may adjust dividend payments to Shareholders, return capital to Shareholders or issue new shares.

We monitor capital using a gearing ratio, which is interest-bearing bank borrowings less cash and cash equivalent divided by the total equity. As of December 31, 2013, 2014 and 2015 and June 30, 2016, we had no interest-bearing bank borrowings and thus no gearing ratio was calculated.

DIVIDEND POLICY

We may distribute dividends by way of cash or by other means that we consider appropriate, based on various factors such as our results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, our capital requirements, future business plans and prospects and other factors that we may consider relevant.

A decision to declare and pay any dividend would require the approval of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval.

We did not declare any dividends in 2013 and in the six months ended June 30, 2016. We declared dividends of RMB68.3 million in 2014 and RMB300.0 million in 2015 to the then shareholders, which had been fully paid as of the Latest Practicable Date. Past dividend distribution records may not be used as a reference or basis in determining the level of dividends that may be declared or paid by us in the future.

We currently intend to adopt, after our Listing, a general annual dividend policy of declaring and paying dividends on an annual basis of no less than 30% of our distributable net profit attributable to our Shareholders in the future, subject to, among other things, our operational needs, earnings, financial condition, working capital requirements and future business plans as our Board may deem relevant at such time. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all.

LISTING EXPENSES

During the Track Record Period, we incurred listing expenses of approximately RMB17.5 million, of which RMB14.0 million was recognized as general and administrative expenses in our consolidated statements of profit or loss and other comprehensive income for the year ended December 31, 2015 and the six months ended June 30, 2016, and RMB3.5 million was capitalized as deferred expenses in our consolidated statements of financial position as of June 30, 2016 to be recognized as a deduction in equity. We expect to incur additional listing expenses of approximately RMB100 million, of which RMB28.9 million is expected to be recognized as general and administrative expenses for the year ending December 31, 2016 and RMB71.1 million is expected to be recognized as a deduction in equity directly. Our Directors do not expect such expenses to have a material and adverse impact on our financial results for the year ending December 31, 2016.

DISTRIBUTABLE RESERVES

As of June 30, 2016, our reserves available for distribution to our Shareholders were RMB145.7 million under the HKFRS.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma data relating to our net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering on our net tangible assets as of June 30, 2016 as if the Global Offering had taken place on that date.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group attributable to the owners of the Company as of June 30, 2016 or any subsequent dates, including following the Global Offering.

	Audited consolidated net tangible assets of our Group attributable to the owners of the Company as at June 30, 2016	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of the Company	Unaudited pro forma adjusted net tangible assets per Share	
	RMB'000[(1)]	RMB'000[(2)]	RMB'000	RMB[(3)]	HK$ equivalent[(4)]
Based on an offer price of HK$5.80 per Share	759,961	2,012,089	2,772,050	1.20	1.39
Based on an offer price of HK$7.80 per Share	759,961	2,723,232	3,483,193	1.50	1.74

Notes:

(1) The consolidated net tangible assets of our Group attributable to owners of the Company as of June 30, 2016 is extracted from "Appendix I — Accountants' Report" to this prospectus, which is based on the audited consolidated equity attributable to owners of the parent as of June 30, 2016 of RMB767,081,000 less intangible assets as of June 30, 2016 of RMB7,120,000.

(2) The estimated net proceeds from the Global Offering are based on estimated offer prices of HK$5.80 or HK$7.80 per Share after deduction of the underwriting fees and other related expenses payable by our Company and 424,470,000 Shares expected to be issued under the Global Offering, taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 2,319,470,000 Shares are in issue assuming the Global Offering has been completed on June 30, 2016 and an Offer Price of HK$5.80 per Share, being the low end of the Offer Price range, and 2,319,470,000 Shares are in issue assuming that the Global Offering has been completed on June 30, 2016 and an Offer Price of HK$7.80 per Share, being the high end of the Offer Price range, excluding Shares which may be issued upon the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.00 to RMB0.8610.

(5) No adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to June 30, 2016.

No adjustment has been made to reflect any trading result, dividends declared or other transactions of we entered into subsequent to June 30, 2016.

PROPERTY VALUATION

The Property Valuer has valued our properties at RMB208.5 million as of September 30, 2016. The text of its letter, summary of valuation and the valuation certificates are set forth in Appendix III to this prospectus.

The statement below shows the reconciliation of aggregate amounts of certain properties as reflected in our audited consolidated financial statements as of June 30, 2016 as set forth in "Appendix I — Accountants' Report" to this prospectus with the valuation of these properties as of September 30, 2016 as set forth in "Appendix III — Property Valuation" to this prospectus.

	RMB'000
Net Book Value as of June 30, 2016	200,796
Depreciation for the three months ended September 30, 2016	(916)
Additions	12,388
Fair value deficit	(3,768)
Valuation as of September 30, 2016	208,500

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since June 30, 2016, being the date on which our latest audited consolidated financial statements were prepared, and there is no event since June 30, 2016 which would materially affect the information as set out in the Accountants' Report in Appendix I to this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

See "Business — Our Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK$6.80 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK$2,749.9 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming the Over-allotment Option is not exercised.

In the event the Over-allotment Option is exercised in full and assuming an Offer Price of HK$6.80 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), we will receive additional net proceeds of approximately HK$421.2 million.

If the Offer Price is fixed at HK$7.80 per Offer Share (being the high end of the Offer Price range stated in this prospectus), we will receive additional net proceeds of (i) approximately HK$413.0 million, assuming the Over-allotment Option is not exercised; and (ii) approximately HK$474.9 million, assuming the Over-allotment Option is exercised in full.

If the Offer Price is fixed at HK$5.80 per Offer Share (being the low end of the Offer Price range stated in this prospectus), the net proceeds we receive will be reduced by (i) approximately HK$413.0 million, assuming the Over-allotment Option is not exercised; and (ii) approximately HK$474.9 million, assuming the Over-allotment Option is exercised in full.

We intend to use the net proceeds of HK$2,749.9 million of the Global Offering for the following purposes assuming the Offer Price is fixed at HK$6.80 per Offer Share (being the mid-point of the indicative Offer Price Range), and assuming the Over-allotment Option is not exercised:

(i) approximately 35.0%, or HK$962.4 million, will be used for development of processing facilities, logistics and storage centers, including;

- approximately 5.0%, or HK$137.4 million, for the expansion and upgrade of our existing processing facilities, logistics and storage centers in Wuhan, Hubei Province and Shanghai;

- approximately 10.0%, or HK$275.0 million, for the establishment of an additional processing facility, logistics and storage center in Dongguan, Guangdong Province and the procurement of machinery and equipment for this planned processing facility, logistics and storage center. For details, see "Business — Our Strategies — Further improve operational efficiency and expand production capacity" and "Business — Our Production — Processing Facilities"; and

— approximately 20.0%, or HK$550.0 million, for the establishment of additional processing facilities, logistics and storage centers in eastern, southwestern and northern China, for which we have not identified any particular parcel of land and no definitive agreement has been entered into in this regard;

(ii) approximately 15.0%, or HK$412.5 million, will be used for investments in our self-operated retail store network by upgrading existing stores and opening new stores, including;

— approximately 5.0%, or HK$137.5 million, to upgrade our existing self-operated retail stores; and

— approximately 10.0%, or HK$275.0 million, to increase the number of our self-operated retail stores, including the related expenses for decoration, equipment procurement, leases and utility fees. We plan to further increase the number of our self-operated retail stores by approximately 187 and 180 stores in 2016 and 2017, respectively. For details, see "Business — Our Strategies — Further penetrate existing markets and strategically expand into new regions" and "Business — Customers and Sales Channels — Sales Channels — Self-operated Retail Stores — Recent and Planned Expansion";

(iii) approximately 12.0%, or HK$330.0 million, will be used for implementation of our branding and marketing strategies, including;

— approximately 6.0%, or HK$165.0 million, to expand our e-commerce team as well as our online channels; and

— approximately 6.0%, or HK$165.0 million, for our brand image campaigns and sponsorships to enhance our brand recognition;

(iv) approximately 10.0%, or HK$275.0 million, will be used for enhancing our research and development capabilities, details of which, see "Business — Our Strategies — Develop new products and introduce new technologies to continuously enhance consumers' satisfaction", including;

— approximately 6.0%, or HK$165.0 million, to develop new products, including (a) to enhance our product portfolio by upgrading duck products, introducing new vegetable, seafood and other product series and developing more flavor; (b) to invest in research focusing on food processing technologies and studies of the raw material supply chain in order to ensure stable and high quality raw material supplies; (c) to enhance standardization for consistent quality; (d) to adopt new packaging materials and introduce new product packaging designs, and (e) to improve production equipment associated with the above discussed developments; and

— approximately 4.0%, or HK$110.0 million, to develop and upgrade our processing and packaging technologies, including (a) to improve efficiency of certain traditional product processing technologies; (b) to enhance automation level; and (c) to update and optimize information technology systems;

(v) approximately 10.0%, or HK$275.0 million, to pursue prudent acquisitions and further develop strategic alliances. We plan to further enhance our control over the production value chain and deepen our vertical integration by selectively acquiring or partnering with high-quality raw material suppliers to secure supply and ensure quality of key raw materials. For details, see "Business — Our Strategies — Further improve operational efficiency and expand production capacity". As of the Latest Practicable Date, we had not identified or committed to any acquisition targets for our use of net proceeds from the Global Offering;

(vi) approximately 8.0%, or HK$220.0 million, will be used for upgrading our information technology infrastructure, including;

- approximately 4.5%, or HK$123.8 million, to upgrade our ERP system and establish our big data infrastructure and analysis systems; and

- approximately 3.5%, or HK$96.2 million, to integrate our membership programs across online and offline sales channels; and

(vii) approximately 10.0%, or HK$275.0 million, will be used for general replenishment of working capital in order to improve our liquidity.

The above allocation of the net proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated offer price range.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purposes.

HONG KONG UNDERWRITERS

Morgan Stanley Asia Limited
Credit Suisse (Hong Kong) Limited
China Merchants Securities (HK) Co., Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 42,447,000 Hong Kong Offer Shares and the International Offering of initially 382,023,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in "Structure of the Global Offering" as well as to the Over-allotment Option in the case of the International Offering.

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by the public in Hong Kong in accordance with the terms and conditions of this prospectus and the Application Forms relating thereto.

Subject to the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, and certain other conditions set forth in the Hong Kong Underwriting Agreement (including the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company agreeing upon the Offer Price) being satisfied (or, as the case may be, waived), the Hong Kong Underwriters have agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares in aggregate, now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms relating thereto and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares are subject to termination by written or oral notice from the Joint Global Coordinators, if, at any time prior to 8:00 a.m. on the Listing Date:

(1) there develops, occurs, exists or comes into effect:

(a) any event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the Cayman Islands, the United States, the United Kingdom, any member of the European Union, Japan or Singapore (collectively, the "Relevant Jurisdictions"); or

(b) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdiction; or

(c) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(d) any general moratorium on commercial banking activities in Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdications; or

(e) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in, or in the interpretation or application by any court or other competent authorities of, existing laws, in each case, in or affecting any of the Relevant Jurisdiction; or

(f) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdiction; or

(g) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the United States dollar, Euro, Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdiction; or

(h) any proceedings of any third party being threatened or instigated against any member of the Group or the Controlling Shareholders; or

(i) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(j) the chairman or chief executive officer of the Company vacating his office; or

(k) an authority in any of the Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of the Group and any Director; or

(l) a material breach by any member of the Group of the Listing Rules or applicable laws; or

(m) a prohibition on the Company by an authority for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including the option shares) pursuant to the terms of the Global Offering; or

(n) non-compliance of the this prospectus (or any other documents used in connection with the Global Offering) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or

(o) the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the Global Offering) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC, unless such supplement or amendment has been issued with the prior written approval of the Joint Sponsors and/or the Joint Global Coordinators; or

(p) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity, which will result in a material adverse change; or

(q) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group,

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators and the Joint Sponsors:

(A) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or

(B) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

(C) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or

(D) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(2) there has come to the notice of the Joint Global Coordinators and the Joint Sponsors:

(a) that any statement contained in any of the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or in any notices or announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect, inaccurate or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Hong Kong Public Offering Documents and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or

(b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of the Hong Kong Public Offering Documents (including any supplement or amendment thereto); or

(c) any material breach of any of the obligations imposed upon any party to this Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Joint Global Coordinators, the Joint Sponsors or the Hong Kong Underwriters or the International Underwriters); or

(d) any event, act or omission which gives or is likely to give rise to any liability of any of the Company or the Controlling Shareholders pursuant to the indemnities given by the Company or the Controlling Shareholders under the Hong Kong Underwriting Agreement; or

(e) any material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group, taken as a whole; or

(f) any breach of, or any event or circumstance rendering untrue or incorrect or misleading in any material respect, any of the warranties given by Company or the Controlling Shareholders in the Hong Kong Underwriting Agreement; or

(g) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued (including any additional Shares that may be issued pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(h) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(i) the Reporting Accountants or Commerce & Finance Law Offices has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(j) any person (other than the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters) has withdrawn or is subject to withdrawal of its consent to being named in any of the offering documents or to the issue of any of the offering documents.

Undertakings to the Stock Exchange Pursuant to the Listing Rules

(A) *Undertakings by Our Company*

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, no further Shares or securities convertible into equity securities of the Company (whether or not of a class already listed) shall be issued by us or form the subject of any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except in certain circumstances provided under Rule 10.08 of the Listing Rules.

(B) *Undertakings by our Controlling Shareholders*

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange that, except pursuant to the lending of any Shares pursuant to the Stock Borrowing Agreement (if applicable), he/she/it shall not, unless in compliance with the requirements of the Listing Rule, in the period commencing on the date by reference to which disclosure of his/her/its shareholding is made in this prospectus 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/she/it is shown by this prospectus to be the beneficial owner.

Note (2) to Rule 10.07(2) of the Listing Rules provides that Rule 10.07 does not prevent Controlling Shareholders from using the Shares beneficially owned by him/her/it as security (including a charge or pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of his/her/its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it shall:

(i) when he/she/it or the relevant registered holders pledge or charge any Shares beneficially owned by him/her/it in favor of an authorized institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and

(ii) when he/she/it or the relevant registered holders receive indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company in writing of such indications.

We will inform the Stock Exchange as soon as we have been informed of the matters referred to in paragraph (i) and (ii) above (if any) by any of our Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

(A) *Undertakings by Our Company*

Our Company has undertaken to each of the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters, that except pursuant to the Capitalization Issue and the Global Offering (including pursuant to the exercise of the Over-allotment Option), at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months from the Listing Date (the "Six-Month Period"), our Company will not and to procure each other member of the Group not to, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements set out in the Listing Rules:

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other equity securities of the Company or any shares or other equity securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing), or deposit any Shares or other securities of the Company or any shares or other equity securities of such other member of the Group, as applicable, with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other equity securities of the Company or any shares or other equity securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of the Company or any shares or other equity securities of such other member of the Group, as applicable, or any interest in any of the foregoing); or

(iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or

(iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of the Company or shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other share or securities will be completed within the Six-month Period).

In the event that the Company enters into any of the transactions specified in (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company. The Controlling Shareholders undertake to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters to procure the Company to comply with the undertakings above.

(B) *Undertakings by our Controlling Shareholders*

Each of our Controlling Shareholders has undertaken to each of the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, save for using securities of the Company beneficially owned by him/her/it as security (including a charge or a pledge) in favour of an authorized institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan and except as pursuant to the Capitalization Issue, the Global Offering (including pursuant to the exercise of the Over-allotment Option) and the Stock Borrowing Agreement, none of our Controlling Shareholders will, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) save for the lending of Shares by BVI Holdco I pursuant to the Stock Borrowing Agreement, it will not, at any time during the six months period from the Listing Date (the "Six-Month Period"), (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of the Company with a depositary in connection with the issue of depositary receipts, or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing), or (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above, or (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or(c) above is to be settled by delivery of Shares or other securities of the Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the six-Month Period); and

(ii) until the expiry of the six months period starting from the expiry of the Six-Month Period, in the event that it enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

(C) *Undertakings by Tiantu Investments and Rosy Result*

Each of Tiantu Investments and Rosy Result has undertaken to each of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and Underwriters that, during the period commencing on the date of the deed of lock-up undertaking given by Tiantu Investments and Rosy Result, respectively, in favour of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, and Underwriters and ending on, and including, the date that is six months from the Listing Date (the "**Lock-up Period**"), without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and unless in compliance with the requirements of the Listing Rules, they will not:

(i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company, and where applicable, any shares or other securities of Tiantu Investments or Rosy Result, or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or such other securities of the Company, any shares or other securities of Tiantu Investments or Rosy Result, or any interest in any of the foregoing) (the "**Lock-up Securities**"), or deposit any Shares or other securities of the Company or any shares or other securities of Tiantu Investments and Rosy Result with a depositary in connection with the issue of depositary receipts;

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Lock-up Securities;

(iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or

(iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of the Company, any shares or other securities of Tiantu Investments or Rosy Result, or in cash or otherwise (whether or not the issue of such Shares or other securities of the Company or any shares or other securities of Tiantu Investments or Rosy Result will be completed within the Lock-up Period).

Each of Tiantu Investments and Rosy Result has further agreed and undertaken to each of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and Underwriters that, during the period of six months commencing on the date on which the Lock-up Period expires, in the event that it enters into any of the transactions specified in paragraphs (i), (ii) or (iii) above or offers to or agrees to or announce, or publicly disclose, any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

Indemnity

We and our Controlling Shareholders have agreed to indemnify, amongst others, the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters for certain losses which they may suffer, including, amongst others, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach or alleged breach by our Company of the Hong Kong Underwriting Agreement, as the case may be.

Hong Kong Underwriters' Interests in Our Company

Except for their respective obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interest in our Company or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company or any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

The International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we and our Controlling Shareholders will enter into the International Underwriting Agreement with the Joint Global Coordinators and the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters would severally and not jointly agree to purchase, or procure purchasers to purchase, the Offer Shares being offered pursuant to the International Offering (subject to, amongst others, any reallocation between the International

Offering and the Hong Kong Public Offering). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option

We expect to grant to the International Underwriters, exercisable in whole or in part by the Joint Global Coordinators at their sole and absolute discretion (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 63,670,500 Shares, representing no more than 15% of the initial Offer Shares, at the Offer Price under the International Offering, to cover, amongst others, over-allocations in the International Offering, if any.

Commissions and Expenses

The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) will receive a gross underwriting commission equal to 2.7% of the aggregate Offer Price in respect of all the Hong Kong Offer Shares (excluding any International Offer Shares reallocated to and from the Hong Kong Public Offering). Our Company may also in our sole discretion pay any or all of the Joint Global Coordinators an additional incentive fee.

For unsubscribed Hong Kong Offer Shares reallocated to the International Offering (in such proportion as the Joint Global Coordinators in their sole discretions consider appropriate), the underwriting commission regarding such Hong Kong Offer Shares shall be reallocated to the International Underwriters (in such proportion as the Joint Global Coordinators in their sole discretions consider appropriate).

Assuming the Over-allotment Option is not exercised, the aggregate commissions and fees, together with Stock Exchange listing fees, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, legal and other professional fees and printing and all other expenses relating to the Global Offering, which are currently estimated to amount in aggregate to approximately HK$136.5 million (assuming an Offer Price of HK$6.80 per Offer Share, being the mid-point of the indicative Offering Price range stated in this prospectus), are payable and borne by our Company.

INDEPENDENCE OF JOINT SPONSORS

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "Syndicate Members") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises (subject to adjustment and the Over-allotment Option):

(a) the Hong Kong Public Offering of 42,447,000 Shares (subject to adjustment as mentioned below) for subscription by the public in Hong Kong as described in the paragraph headed "—The Hong Kong Public Offering" below; and

(b) the International Offering of an aggregate of 382,023,000 Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the United States only to QIBs in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act as described in "—The International Offering" below.

Investors may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest for Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 18.30% of the enlarged issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 20.48% of the enlarged issued share capital of our Company immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in "—The International Offering—Over-allotment Option" in this section.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, respectively, may be subject to reallocation as described in "—The Hong Kong Public Offering—Reallocation".

THE HONG KONG PUBLIC OFFERING

Number of Hong Kong Offer Shares Initially Offered

We are initially offering 42,447,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Shares initially available under the Global Offering subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering and assuming that the Over-allotment Option is not exercised. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set forth in "—Conditions of the Global Offering" below.

Allocation

The allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offering (after taking into account of any reallocation) is to be divided into two pools for allocation purposes: Pool A and Pool B with any odd board lots being allocated to Pool A. Accordingly, the maximum number of Hong Kong Offer Shares initially in Pool A and Pool B will be 21,223,500 and 21,223,500, respectively. The Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK$5.00 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less. The Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5.00 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable). Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either Pool A or Pool B but not from both pools. Multiple applications or suspected multiple applications and any application for more than 21,223,500 Hong Kong Offer Shares (being 50% of the 42,447,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached as further described below:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then no Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 42,447,000 Offer Shares, representing 10% of the Offer Shares initially available under the Global Offering;

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 127,341,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 169,788,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 212,235,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

Any such clawback and reallocation between the International Offering and the Hong Kong Public Offering will be completed prior to any adjustments of the number of the Offer Shares pursuant to the exercise of the Over-allotment Option, if any.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators in their sole discretions consider appropriate. In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering in such proportions as the Joint Global Coordinators in their sole discretions consider appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him/her that he/she and any person(s) for whose benefit he/she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$7.80 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "—Pricing and Allocation" below, is less than the maximum price of HK$7.80 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For details, please see the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

THE INTERNATIONAL OFFERING

Number of International Offer Shares Offered

Subject to reallocation as described in this section and the exercise of the Over-allotment Option, the International Offering will consist of an initial offering of 382,023,000 Offer Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering and assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "—Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the International Underwriters) may require any investor who has been offered International Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in "—The Hong Kong Public Offering—Reallocation" in this section, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering to the International Offering.

Over-allotment Option

We expect to grant to the International Underwriters, exercisable in whole or in part by the Joint Global Coordinators at their sole and absolute discretion (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 63,670,500 Shares, representing no more than 15% of the Offer Shares initially available under the Global Offering, at the Offer Price, to cover, amongst others, over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the Offer Shares will represent 20.48% of our Company's issued share capital immediately following completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, we will make an announcement in due course.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager or any person acting for it, as stabilizing manager, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager, or any persons acting for it, to conduct any such stabilizing action. Such stabilization action, if commenced, may be discontinued at any time, and is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. Should stabilizing transactions be effected in connection with the Global Offering, this will be at the absolute discretion of the Stabilizing Manager or any person acting for it.

Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong), as amended, includes (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in paragraph (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Shares;

- there is no certainty regarding the extent to which and the time or period for which the Stabilizing Manager, or any person acting for it, will maintain such a long position;

- liquidation of any such long position by the Stabilizing Manager, or any person acting for it, may have an adverse impact on the market price of the Shares;

- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date, and is expected to expire on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilization period.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Joint Global Coordinators, or any person acting for it may cover such over-allocation by, amongst others, using Shares purchased by the Stabilizing Manager or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part, or through the stock borrowing arrangement mentioned below or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong on stabilization. The number of Shares which can be over-allocated will not exceed the number of Shares which may be allotted and issued pursuant to the exercise in full of the Over-allotment Option, being 63,670,500 Shares, representing 15% of the Offer Shares initially available under the Global Offering.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager may choose to borrow up to 63,670,500 Shares from BVI Holdco I pursuant to the Stock Borrowing Agreement.

The stock borrowing arrangements under the Stock Borrowing Agreement comply with the requirements set forth in Rule 10.07(3) of the Listing Rules and thus not subject to the restrictions of Rule 10.07(1) of the Listing Rules.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different price or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) on the Price Determination Date, which is expected to be on or around Saturday, November 5, 2016 and in any event no later than Thursday, November 10, 2016.

The Offer Price will not be more than HK$7.80 per Offer Share and is expected to be not less than HK$5.80 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Joint Global Coordinators (on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause them to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of our Company (**www.zhouheiya.cn**) and the website of the Stock Exchange (**www.hkexnews.hk**) notices of the reduction. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set forth in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), will under no circumstances be set outside the Offer Price range stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings solely in the discretion of the Joint Global Coordinators.

If applications for the Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, such applications can be subsequently withdrawn if the number of Offer Shares and/or the indicative Offer Price range is so reduced.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Offer Shares under the Hong Kong Public Offering are expected to be announced on Thursday, November 10, 2016 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of our Company (**www.zhouheiya.cn**) and the website of the Stock Exchange (**www.hkexnews.hk**).

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptances of all applications for Offer Shares will be conditional on:

(a) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as described in this prospectus (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option;

(b) the Offer Price having been agreed between our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) on the Price Determination Date;

(c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective Underwriting Agreements,

in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) on or before Thursday, November 10, 2016, the Global Offering will not proceed and lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst others, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will as soon as possible publish or cause to be published a notice of the lapse of the Hong Kong Public Offering in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese) and on the website of our Company (**www.zhouheiya.cn**) and the website of the Stock Exchange (**www.hkexnews.hk**). In such eventuality, all application monies will be returned, without interest, on the terms set forth in "— How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies". In the meantime, all application monies will be held in a separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended.

Share certificates issued in respect of the Hong Kong Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms) at any time prior to 8:00 a.m. on the Listing Date.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including pursuant to the exercise of the Over-Allotment Option) and the Capitalization Issue.

No part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made to enable the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply 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 HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) 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. Investors should seek the advice of their stockbroker or other professional advisers for details of the settlement arrangements as such arrangements may affect their rights and interests.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, November 11, 2016, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, November 11, 2016. The Shares will be traded on the Main Board of the Stock Exchange in board lots of 500 Shares each.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a WHITE or YELLOW Application Form;
- apply online via the White Form eIPO service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a WHITE or YELLOW Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the White Form eIPO service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of White Form eIPO service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- a connected person or core connected person (as defined in the Listing Rules) of the Company or will become a connected person or core connected person of the Company immediately upon completion of the Global Offering;
- an associate or close associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a WHITE Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a YELLOW Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a WHITE Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, November 1, 2016 until 12:00 noon on Friday, November 4, 2016:

(i) any of the following offices of the Hong Kong Underwriters:

Morgan Stanley Asia Limited
Level 46
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Credit Suisse (Hong Kong) Limited
Level 88
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
Central
Hong Kong

(ii) any of the following branches of the receiving banks:

Standard Chartered Bank (Hong Kong) Limited

	Branch name	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
	Causeway Bay Branch	G/F to 2/F, Yee Wah Mansion, 38-40A Yee Wo Street, Causeway Bay
Kowloon	Kwun Tong Hoi Yuen Road Branch	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong
	San Po Kong Branch	Shop A, G/F, Perfect Industrial Building, 31 Tai Yau Street, San Po Kong
	68 Nathan Road Branch	Basement, Shop B1, G/F and M/F Golden Crown Court, 66-70 Nathan Road, Tsim Sha Tsui
New Territories	Shatin Plaza Branch	Shop No. 8, Shatin Plaza, 21-27 Shatin Centre Street, Shatin

Bank of Communications Co., Ltd. Hong Kong Branch

	Branch name	Address
Hong Kong Island	Central District Sub-Branch	G/F., Far East Consortium Building, 125A Des Voeux Road C., Central
	Kennedy Town Sub-Branch	G/F., 113-119 Belcher's Street, Kennedy Town
Kowloon	Cheung Sha Wan Plaza Sub-Branch	Unit G04 on G/F., Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road
New Territories	Tiu Keng Leng Sub-Branch	Shops Nos. L2-064 and L2-065, Level 2, Metro Town, Tiu Keng Leng

You can collect a YELLOW Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, November 1, 2016 until 12:00 noon on Friday, November 4, 2016 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed WHITE or YELLOW Application Form, together with a cheque or a banker's cashier order attached and marked payable to "HORSFORD NOMINEES LIMITED — ZHY PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Tuesday, November 1, 2016 — 9:00 a.m. to 5:00 p.m.
- Wednesday, November 2, 2016 - 9:00 a.m. to 5:00 p.m.
- Thursday, November 3, 2016 - 9:00 a.m. to 5:00 p.m.
- Friday, November 4, 2016 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, November 4, 2016, the last application day or such later time as described in "— 10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Forms carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the White Form eIPO service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Memorandum and Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Forms and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, the Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Forms;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in the "Personal Collection" paragraph in this section to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC or to the White Form eIPO Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for the YELLOW Application Form

You may refer to the YELLOW Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "— 2. Who Can Apply" in this section may apply through the White Form eIPO service for the Hong Kong Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the White Form eIPO service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the White Form eIPO Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the White Form eIPO service.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application to the White Form eIPO Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, November 1, 2016 until 11:30 a.m. on Friday, November 4, 2016 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, November 4, 2016 or such later time under "— 10. Effects of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of White Form eIPO service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the White Form eIPO service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under White Form eIPO service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the White Form eIPO service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of White Form eIPO is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK$2 for each "Zhou Hei Ya International Holdings Company Limited" White Form eIPO application submitted via the website **www.eipo.com.hk** to support the funding of "Source of Dong Jiang — Hong Kong Forest" project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and the Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a WHITE Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the WHITE Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, have not indicated or will not indicate an interest for, any Offer Shares under the International Offering nor otherwise participate in the International Offering;

- (if the electronic application instruction are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, the Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the WHITE Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 500 Hong Kong Offer Shares. Instructions for more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Tuesday, November 1, 2016 — 9:00 a.m. to 8:30 p.m.[(1)]
- Wednesday, November 2, 2016 - 8:00 a.m. to 8:30 p.m. [(1)]
- Thursday, November 3, 2016 - 8:00 a.m. to 8:30 p.m. [(1)]
- Friday, November 4, 2016 — 8:00 a.m. [(1)] to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/ Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Tuesday, November 1, 2016 until 12:00 noon on Friday, November 4, 2016 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Friday, November 4, 2016, the last application day or such later time as described in "— 10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving banks, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the White Form eIPO service is also only a facility provided by the White Form eIPO Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the White Form eIPO service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a WHITE or YELLOW Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Friday, November 4, 2016.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC or through White Form eIPO service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The WHITE and YELLOW Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a WHITE or YELLOW Application Form or through the White Form eIPO service in respect of a minimum of 500 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure of the Global Offering — Pricing and Allocation" in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, November 4, 2016. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, November 4, 2016 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, November 10, 2016 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company's website at **www.zhouheiya.cn** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.zhouheiya.cn** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Thursday, November 10, 2016;

- from the designated results of allocations website at **www.iporesults.com.hk** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, November 10, 2016 to 12:00 midnight on Wednesday, November 16, 2016;

- by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Thursday, November 10, 2016 to Sunday, November 13, 2016;

- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, November 10, 2016 to Saturday, 12 November 2016 at all the receiving banks' designated branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to White Form eIPO Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the White Form eIPO service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$7.80 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Global Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, November 10, 2016.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on YELLOW Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by WHITE or YELLOW Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for YELLOW Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Thursday, November 10, 2016. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, November 11, 2016 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, November 10, 2016 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, November 10, 2016, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, November 10, 2016, by ordinary post and at your own risk.

If you apply by using a YELLOW Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, November 10, 2016, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS Participant (other than a CCASS investor participant)**

For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

- **If you are applying as a CCASS Investor Participant**

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "— 11. Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, November 10, 2016 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, November 10, 2016, or such other date as notified by the Company in the newspapers as the date of dispatch/collection of share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, November 10, 2016 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, November 10, 2016, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "— 11. Publication of Results" above on Thursday, November 10, 2016. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, November 10, 2016 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, November 10, 2016. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, November 10, 2016.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply 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 or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) 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.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report on Zhou Hei Ya International Holdings Company Limited, prepared for inclusion in this prospectus, received from the reporting accountants of our Company, Ernst & Young, Certified Public Accountants, Hong Kong

22nd Floor, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

1 November 2016

The Directors
Zhou Hei Ya International Holdings Company Limited
Morgan Stanley Asia Limited
Credit Suisse (Hong Kong) Limited

Dear Sirs,

We set out below our report on the financial information of Zhou Hei Ya International Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity, and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2013, 2014 and 2015, and the six months ended 30 June 2016 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 31 December 2013, 2014 and 2015 and 30 June 2016 and the statements of financial position of the Company as at 31 December 2015 and 30 June 2016, together with the notes thereto (the "Financial Information"), and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the six months ended 30 June 2015 (the "Interim Comparative Information"), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the prospectus of the Company dated 1 November 2016 (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 13 May 2015. Pursuant to a group reorganization (the "Reorganization") as set out in section entitled "Our History and Development" in the Prospectus, which was completed on 26 July 2015, the Company became the holding company of the subsidiaries now comprising the Group. Apart from the Reorganization, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, no statutory financial statements have been prepared for the Company, as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Group have been prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the consolidated financial statements of the Group (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the years ended 31 December 2013, 2014 and 2015, and the six months ended 30 June 2016 were audited by us in accordance with Hong Kong Standards on Auditing issued by HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the financial position of the Group as at 31 December 2013, 2014 and 2015 and 30 June 2016 and of the Company as at 31 December 2015 and 30 June 2016 and of the consolidated financial performance and cash flows of the Group for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Consolidated statements of profit or loss and other comprehensive income

	Notes	Year ended 31 December 2013	Year ended 31 December 2014	Year ended 31 December 2015	Six months ended 30 June 2015	Six months ended 30 June 2016
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
REVENUE	6	1,217,577	1,809,082	2,432,009	1,174,692	1,389,135
Cost of sales		(521,581)	(819,532)	(1,059,190)	(531,071)	(518,104)
Gross profit		695,996	989,550	1,372,819	643,621	871,031
Other income and gains, net	6	13,881	27,127	28,062	9,066	13,008
Selling and distribution expenses		(283,188)	(374,895)	(527,969)	(231,731)	(311,937)
Administrative expenses		(79,600)	(91,380)	(124,724)	(50,833)	(61,933)
PROFIT BEFORE TAX	7	347,089	550,402	748,188	370,123	510,169
Income tax expenses	10	(87,161)	(139,495)	(195,450)	(99,677)	(129,430)
PROFIT FOR THE YEAR/PERIOD		259,928	410,907	552,738	270,446	380,739
Attributable to:						
The owners of the Parent		259,928	410,907	552,738	270,446	380,739
OTHER COMPREHENSIVE INCOME						
Other comprehensive income to be reclassified to profit or loss in subsequent periods:						
Available-for-sale investments:						
Changes in fair value, net of tax		3,083	3,341	1,405	1,280	1,537
Reclassification adjustments for gains and losses included in the profit or loss - gains on disposal, net of tax		(3,083)	(3,341)	(1,405)	(1,280)	(1,537)
		—	—	—	—	—
Exchange differences on translation of foreign operations		—	—	7,690	—	1,360
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX		—	—	7,690	—	1,360
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		259,928	410,907	560,428	270,446	382,099
Attributable to:						
The owners of the Parent		259,928	410,907	560,428	270,446	382,099
Earnings per share attributable to owners of the Parent						
Basic	13	N/A	N/A	N/A	N/A	N/A
Diluted	13	N/A	N/A	N/A	N/A	N/A

Consolidated statements of financial position

	Notes	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015	As at 30 June 2016
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	243,440	296,914	395,373	452,056
Prepaid land lease payments	15	40,901	40,034	66,768	66,334
Prepayments	16	17,676	31,958	16,157	10,315
Rental deposits		17,528	26,923	38,586	43,243
Other intangible assets	17	1,554	3,773	7,374	7,120
Deferred tax assets	27	33,416	24,931	24,842	27,891
Total non-current assets		354,515	424,533	549,100	606,959
CURRENT ASSETS					
Inventories	19	57,332	66,233	134,073	115,207
Trade receivables	20	5,755	4,577	6,356	5,182
Prepayments, deposits and other receivables	21	234,768	540,690	78,075	251,533
Due from the Controlling Shareholders	35(c)(i)	127	—	149	975
Available-for-sale investments	22	70,000	85,000	100,000	125,000
Restricted cash	23	246	1,677	560	60
Cash in transit	23	1,167	5,877	5,417	4,030
Cash and cash equivalents	24	36,752	63,781	82,338	85,782
Total current assets		406,147	767,835	406,968	587,769
CURRENT LIABILITIES					
Trade payables	25	24,216	33,268	49,866	67,604
Other payables and accruals	26	115,740	143,056	218,984	236,243
Government grants, current	28	530	730	597	697
Due to a related party	35(c)(ii)	—	—	202,771	—
Due to the Controlling Shareholders	35(c)(iii)	982	4,616	7,575	—
Income tax payable		24,253	67,897	68,125	99,334
Dividends payable	12	—	4,006	—	—
Total current liabilities		165,721	253,573	547,918	403,878
NET CURRENT ASSETS/ (LIABILITIES)		240,426	514,262	(140,950)	183,891
TOTAL ASSETS LESS CURRENT LIABILITIES		594,941	938,795	408,150	790,850
NON-CURRENT LIABILITIES					
Other payables and accruals	26	—	—	7,000	7,000
Government grants, non-current	28	15,361	16,631	16,168	16,769
Total non-current liabilities		15,361	16,631	23,168	23,769
NET ASSETS		579,580	922,164	384,982	767,081
EQUITY					
Equity attribute to owners of the Parent					
Share capital	29	—	—	6	6
Reserves	30	579,580	922,164	384,976	767,075
TOTAL EQUITY		579,580	922,164	384,982	767,081

Consolidated statements of changes in equity

		Attributable to owners of the parent						
	Notes	Share capital	Share premium*	Merger reserve*	Statutory reserve*	Exchange fluctuation reserve*	Retained profits*	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013		—	—	235,110	9,450	—	75,092	319,652
Profit and total comprehensive income for the year		—	—	—	—	—	259,928	259,928
Transfer from retained profits		—	—	—	24,531	—	(24,531)	—
At 31 December 2013		—	—	235,110	33,981	—	310,489	579,580
Profit and total comprehensive income for the year		—	—	—	—	—	410,907	410,907
Capitalization of statutory reserves of a subsidiary		—	—	19,262	(14,721)	—	(4,541)	—
Dividends declared	12	—	—	—	—	—	(68,323)	(68,323)
Transfer from retained profits		—	—	—	9,554	—	(9,554)	—
At 31 December 2014		—	—	254,372	28,814	—	638,978	922,164
Profit for the year		—	—	—	—	—	552,738	552,738
Exchange differences on translation of foreign operations		—	—	—	—	7,690	—	7,690
Total comprehensive income for the year		—	—	—	—	7,690	552,738	560,428
Dividends declared	12	—	—	—	—	—	(300,000)	(300,000)
Issue of shares	29	6	146,805	—	—	—	—	146,811
Capitalization of statutory reserves of a subsidiary		—	—	12,500	(12,500)	—	—	—
Deemed distribution to the Controlling Shareholders	11	—	—	(131,782)	(30,421)	—	(659,628)	(821,831)
Acquisition of equity interests from the Controlling Shareholders		—	—	(122,590)	—	—	—	(122,590)
Transfer from retained profits		—	—	—	52,954	—	(52,954)	—
At 31 December 2015		6	146,805	12,500	38,847	7,690	179,134	384,982
Profit for the period		—	—	—	—	—	380,739	380,739
Exchange differences on translation of foreign operations		—	—	—	—	1,360	—	1,360
Total comprehensive income for the period		—	—	—	—	1,360	380,739	382,099
At 30 June 2016		6	146,805	12,500	38,847	9,050	559,873	767,081
At 31 December 2014		—	—	254,372	28,814	—	638,978	922,164
Profit and total comprehensive income for the period		—	—	—	—	—	270,446	270,446
Dividends declared	12	—	—	—	—	—	(300,000)	(300,000)
Capitalization of statutory reserves of a subsidiary		—	—	12,500	(12,500)	—	—	—
Transfer from retained profits		—	—	—	22,388	—	(22,388)	—
At 30 June 2015 (Unaudited)		—	—	266,872	38,702	—	587,036	892,610

* These reserve accounts comprise the consolidated reserves of RMB579,580,000, RMB922,164,000, RMB384,976,000 and RMB767,075,000 in the consolidated statements of financial position as at 31 December 2013, 2014 and 2015 and 30 June 2016, respectively.

Consolidated statements of cash flows

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	347,089	550,402	748,188	370,123	510,169
Adjustments for:					
Depreciation of property, plant and equipment	29,568	34,450	38,233	18,373	20,139
Amortization of prepaid land lease payments	562	867	867	434	434
Amortization of other intangible assets	225	259	957	355	700
Interest income from bank deposits	(211)	(1,138)	(1,159)	(887)	(81)
Interest income from available-for-sale investments	(4,110)	(4,454)	(1,873)	(1,707)	(2,049)
Interest income from structured deposits	(1,132)	(13,076)	(13,596)	(10,860)	(552)
(Gain)/loss on disposal of items of property, plant and equipment	(55)	319	7,245	5,780	59
Loss on disposal of other intangible assets	—	1,202	—	—	—
Loss on foreign exchange	—	—	1,248	—	910
Government grants	(530)	(530)	(596)	(365)	(299)
	371,406	568,301	779,514	381,246	529,430
(Increase)/decrease in restricted cash	(246)	(1,431)	1,117	901	500
(Increase)/decrease in cash in transit	(637)	(4,710)	460	1,754	1,387
(Increase)/decrease in trade receivables	(2,683)	1,178	(1,779)	(3,273)	1,174
Increase in prepayments, deposits and other receivables	(13,106)	(24,399)	(405)	(3,981)	(8,458)
Decrease/(increase) in amount due from the Controlling Shareholders	1,060	127	(149)	(900)	(826)
Increase in rental deposits	(4,554)	(9,395)	(11,663)	(4,556)	(4,657)
(Increase)/decrease in inventories	(26,540)	(8,901)	(67,840)	4,239	18,866
Increase in trade payables	734	9,052	16,598	23,952	17,738
Increase/(decrease) in other payables and accruals	12,788	27,734	81,849	20,718	(7,730)
(Decrease)/increase in amount due to the Controlling Shareholders	(571)	3,634	7,959	1,824	(7,575)
Cash generated from operations	337,651	561,190	805,661	421,924	539,849
Income tax paid	(83,982)	(87,366)	(181,229)	(86,243)	(101,270)
NET CASH FLOWS FROM OPERATING ACTIVITIES	253,669	473,824	624,432	335,681	438,579

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS USED IN INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment	(48,686)	(92,247)	(163,223)	(73,078)	(46,775)
Increase of deposits for potential purchase of land lease payments	—	(18,000)	—	(2,601)	—
Proceeds from disposal of items of property, plant and equipment	1,325	3,789	394	394	683
Additions to prepaid land lease payments	(18,346)	—	(27,601)	(27,601)	—
Additions to other intangible assets	(2,074)	(1,688)	(4,505)	(443)	(404)
Interest income from available-for-sale investments	4,110	4,454	1,873	1,707	2,049
Interest income from structured deposits	1,132	13,076	13,596	10,860	552
Acquisition of a subsidiary, net of cash	(1,609)	—	—	—	—
Purchases of available-for-sale investments	(500,000)	(236,000)	(455,100)	(265,000)	(280,000)
Purchases of structured deposits	(595,000)	(1,398,000)	(955,000)	(805,000)	(195,000)
Interest received from bank deposits	211	1,138	1,159	887	81
Receipt of government grants	—	2,000	—	—	1,000
Proceeds from disposal of available-for-sale investments	505,000	221,000	360,100	350,000	255,000
Proceeds from disposal of structured deposits	405,000	1,118,000	945,000	775,000	30,000
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(248,937)	(382,478)	(283,307)	(34,875)	(232,814)
CASH FLOWS USED IN FINANCING ACTIVITIES					
Dividends paid	(60,000)	(64,317)	(300,000)	(300,000)	—
Repayment of amounts due to a related party in connection with the Reorganization	—	—	(135,377)	—	(202,771)
Distribution to the Controlling Shareholders in connection with the Reorganization	—	—	(40,444)	—	—
Issue of shares	—	—	146,811	—	—
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(60,000)	(64,317)	(329,010)	(300,000)	(202,771)
NET (DECREASE)/ INCREASE IN CASH CASH EQUIVALENTS	(55,268)	27,029	12,115	806	2,994
Cash and cash equivalents at beginning of year/period	92,020	36,752	63,781	63,781	82,338
Effect of foreign exchange changes, net	—	—	6,442	—	450
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	36,752	63,781	82,338	64,587	85,782

Statements of Financial Position

	Notes	As at 31 December 2015	As at 30 June 2016
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Investment in a subsidiary	18	146,806	146,806
Total non-current assets		146,806	146,806
CURRENT ASSETS			
Prepayments, deposits and other receivables	21	—	597
Cash and cash equivalents	24	622	972
Total current assets		622	1,569
CURRENT LIABILITIES			
Amount due to a subsidiary		649	2,652
Total current liabilities		649	2,652
NET CURRENT LIABILITIES		(27)	(1,083)
TOTAL ASSETS LESS CURRENT LIABILITIES		146,779	145,723
NET ASSETS		146,779	145,723
EQUITY			
Share capital		6	6
Reserves		146,773	145,717
TOTAL EQUITY		146,779	145,723

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated as an investment holding company under the laws of the Cayman Islands on 13 May 2015. The registered and correspondence office of the Company is located at the offices of Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands. The Group is principally engaged in the business of casual braised duck related food production, marketing and retailing (the "Listing Business"). There were no significant changes in the nature of the Group's principal activities during the Relevant Periods.

The ultimate controlling shareholders of the Company are Mr. Zhou Fuyu and Ms. Tang Jianfang (together known as the "Controlling Shareholders").

Before the Reorganization and formation of the Group, this Listing Business was carried out by Zhou Hei Ya Foods Joint Stock Limited Company ("Wuhan ZHY Holdco") and its subsidiaries, which were controlled by the Controlling Shareholders. The Group underwent the Reorganization as set out in the Section headed "Our History and Development" in the Prospectus. The Company established Hubei Zhou Hei Ya Enterprise Development Co., Ltd. ("ZHY Development") on 2 July 2015 through a wholly owned subsidiary. Pursuant to the Reorganization, on 26 July 2015, ZHY Development acquired the equity interest of the subsidiaries engaged in the Listing Business, and the operating assets related to the Listing Business from Wuhan ZHY Holdco.

Upon the completion of the Reorganization on 26 July 2015, Wuhan ZHY Holdco ceased its operation of casual braised duck related food production, marketing and retailing, and the Company became the holding company of the subsidiaries now comprising the Group as set out below.

As at the date of this report, the Company had direct or indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Company name	Notes	Place and date of incorporation/ registration and operations	Nominal value of issued shares/ paid-in capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
湖北世紀願景商貿有限公司 Hubei Shiji Yuanjing Commerce & Trade Co., Ltd. ("Hubei Shiji Yuanjing")	(1)	PRC 2 February 2008	RMB0.5 million	—	100	Food retailing
湖北周黑鴨食品工業園有限公司 Hubei Zhou Hei Ya Foods Industrial Park Co., Ltd. ("Hubei Zhouheiya")	(1)	PRC 4 September 2009	RMB62.5 million	—	100	Food manufacturing

Company name	Notes	Place and date of incorporation/ registration and operations	Nominal value of issued shares/ paid-in capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
深圳市世紀發展商貿有限公司 Shenzhen Shiji Development Commerce & Trade Co., Ltd. ("Shenzhen Shiji Development")	(1)	PRC 28 October 2010	RMB0.5 million	—	100	Food retailing
上海周黑鴨食品有限公司 Shanghai Zhou Hei Ya Foods Co., Ltd. ("Shanghai Zhou Hei Ya Foods")	(1)	PRC 25 February 2011	RMB10 million	—	100	Food manufacturing
廣州市富馨祥核商貿有限公司 Guangzhou Fuxin Xianghe Commerce & Trade Co., Ltd. ("Guangzhou Fuxinxianghe")	(1)	PRC 30 March 2011	RMB0.5 million	—	100	Food retailing
上海周黑鴨商貿有限公司 Shanghai Zhouheiya Commerce & Trade Co., Ltd. ("Shanghai Zhouheiya")	(1)	PRC 19 April 2011	RMB0.5 million	—	100	Food retailing
湖南全富裕商貿有限公司 Hunan Quanfuyu Commerce & Trade Co., Ltd. ("Hunan Quanfuyu")	(1)	PRC 12 August 2011	RMB2.01 million	—	100	Food retailing
江西願景商貿有限公司 Jiangxi Yuanjing Commerce & Trade Co., Ltd. ("Jiangxi Yuanjing")	(1)	PRC 16 September 2011	RMB2 million	—	100	Food retailing
北京周黑鴨商貿有限公司 Beijing Zhou Hei Ya Commerce & Trade Co., Ltd. ("Beijing Zhou Hei Ya")	(1)	PRC 11 October 2011	RMB5 million	—	100	Food retailing
湖北歡樂時刻電子商務有限公司 Hubei Huanle Shike E-commerce Co., Ltd. ("Hubei Huanle Shike")	(1)	PRC 17 April 2012	RMB1 million	—	100	Online business
河南周黑鴨商貿有限公司 Henan Zhou Hei Ya Commerce & Trade Co., Ltd. ("Henan Zhou Hei Ya")	(1)	PRC 31 October 2012	RMB1 million	—	100	Food retailing

Company name	Notes	Place and date of incorporation/ registration and operations	Nominal value of issued shares/ paid-in capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
上海索壘實業有限公司 (原"上海德威實業有限公司") Shanghai Suo Lei Industrial Co., Ltd. (Formerly known as Shanghai Dewei Industrial Co., Ltd.) ("Shanghai Suolei")	(1)	PRC 23 February 1995 (acquired by the Group on 24 January 2013)	RMB20 million	—	100	Property holdings
東莞市鵬裕食品商貿有限公司 Dongguan Pengyu Foods Commerce & Trade Co., Ltd. ("Dongguan Pengyu")	(1)	PRC 3 June 2013	RMB0.5 million	—	100	Food retailing
湖北周黑鴨電子商務有限公司 Hubei Zhou Hei Ya E-commerce Co., Ltd. ("Zhouheiya E-commerce")	(2)	PRC 23 January 2014	RMB Nil	—	100	Online business
天津周黑鴨商貿有限公司 Tianjin Zhou Hei Ya Commerce & Trade Co., Ltd. ("Tianjin Zhou Hei Ya")	(2)	PRC 23 May 2014	RMB5 million	—	100	Food retailing
浙江周黑鴨商貿有限公司 Zhejiang Zhou Hei Ya Commerce & Trade Co., Ltd. ("Zhejiang Zhou Hei Ya")	(2)	PRC 19 June 2014	RMB10 million	—	100	Food retailing
江蘇達仕客貿易有限公司 Jiangsu Dashike Commerce & Trade Co., Ltd. ("Jiangsu Dashike")	(2)	PRC 27 November 2014	RMB Nil	—	100	Food retailing
重慶周黑鴨食品有限公司 Chongqing Zhouheiya Foodstuff Co., Ltd.	(3)	PRC 8 April 2015	RMB0.5 million	—	100	Food retailing
周黑鴨控股(香港)有限公司 Zhou Hei Ya Holdings (Hong Kong) Limited	(6)	Hong Kong 12 May 2015	HKD1	—	100	Investment holdings
周黑鴨控股有限公司 Zhou Hei Ya Holdings Company Limited	(4)	British Virgin Islands 13 May 2015	USD5,000	100	—	Investment holdings

Company name	Notes	Place and date of incorporation/ registration and operations	Nominal value of issued shares/ paid-in capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
湖北周黑鴨管理有限公司 Hubei Zhou Hei Ya Management Co., Ltd.	(3)	PRC 12 June 2015	RMB10 million	—	100	Investment holdings
湖北周黑鴨企業發展有限公司 ZHY Development	(3)	PRC 2 July 2015	RMB80 million	—	100	Investment holdings
廣東周黑鴨食品工業園有限公司 Guangdong Zhou Hei Ya Foods Industrial Park Co., Ltd. ("Guangdong Industrial Park")	(2)	PRC 6 November 2014	RMB1 million	—	100	Food manufacturing
寧波世紀願景商貿有限公司 Ningbo Shiji Yuanjing Commerce & Trade Co., Ltd.	(3)	PRC 3 December 2015	RMB Nil	—	100	Food retailing
四川周黑鴨商貿有限公司 Sichuan Zhou Hei Ya Commerce & Trade Co., Ltd.	(5)	PRC 9 December 2015	RMB Nil	—	100	Food retailing
四川周黑鴨食品有限公司 Sichuan Zhouheiya Foods Co., Ltd.	(5)	PRC 19 December 2015	RMB Nil	—	100	Food manufacturing
湖北周黑鴨網商有限公司 Hubei Zhou Hei Ya E-Commerce Co., Ltd.	(5)	PRC 18 January 2016	RMB Nil	—	100	Online business

Notes:

English translations of names for identification purpose only, except for ZHY Development, which has been registered.

(1) The statutory financial statements of these subsidiaries for the years ended December 31, 2013, 2014 and 2015 were prepared under PRC GAAP were audited by 中勤萬信會計師事務所(特殊普通合夥) (PEKING Certified Public Accountants LLP).

(2) The statutory financial statements of these subsidiaries for the year ended December 31, 2014 and 2015 were prepared under PRC GAAP were audited by 中勤萬信會計師事務所(特殊普通合夥) (PEKING Certified Public Accountants LLP).

(3) The statutory financial statements of these subsidiaries for the year ended 31 December 2015 prepared under PRC GAAP were audited by中勤萬信會計師事務所(特殊普通合夥) (PEKING Certified Public Accountants LLP).

(4) No statutory accounts have been prepared for this entity as it is not required by the local government to prepare statutory accounts.

(5) No statutory accounts have been prepared for these subsidiaries for the year ended 31 December 2015 as they were incorporated close to year end or have not been established by 31 December 2015.

(6) The statutory financial statements of this entity for the year ended 31 December 2015 were audited by Ernst & Young.

2.1 BASIS OF PRESENTATION

Pursuant to the Section headed "our History and Development" in this Prospectus, Wuhan ZHY Holdco, and ZHY Development and their subsidiaries now comprising the Group were under the common control of the Controlling Shareholders before and after the Reorganization. The Financial Information presents the consolidated results, cashflows and financial position of the companies comprising the Group, by applying the principles of merger accounting as if the group structure had been in existence throughout the Relevant Periods as of the earliest period presented. The accounts of Wuhan ZHY Holdco, have been included in the Financial Information throughout the Relevant Periods as they formed an integral part of the Listing Business and were not managed separately. Accordingly, they were reflected in the Financial Information up to 26 July 2015, the effective date when Wuhan ZHY Holdco disposed of its operating assets to the Group. The assets and liabilities retained by Wuhan ZHY Holdco, as at 26 July 2015, totalling approximately RMB821,831,000 are reflected in the Financial Information as a distribution made to the equity holders of the Group on 26 July 2015.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the Controlling Shareholders, whichever is earlier. The consolidated statements of financial position of the Group as at 31 December 2013, 2014 and 2015 and 30 June 2016 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the Controlling Shareholders' perspective. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Reorganization.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Financial Information have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. All HKFRSs effective for the accounting period commencing from 1 January 2016, together with the relevant transitional provisions have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Information.

The Financial Information has been prepared under the historical cost convention, except for available-for-sale investments which have been measured at fair value. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

This Financial Information incorporates the financial statements of the Company and its subsidiaries for the Relevant Periods. As explained in Note 2.1 above, the acquisition of subsidiaries under common control has been accounted for using merger accounting principles.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries during the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3.1 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	*Financial Instruments*[2]
HKFRS 15	*Revenue from Contract with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKFRS 2 *Share-based Payment*	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 15 *Revenue from Contract with Customers*	*Revenue from Contract with Customers (Clarification to HKFRS 15)*[2]
Amendments to HKAS 7 *Statement of Cash Flows*	*Disclosure Initiative*[1]
Amendments to HKAS 12 *Income Taxes*	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 January 2017

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for annual periods beginning on or after 1 January 2019

Other than explained below regarding the impact of HKFRS 9, HKFRS 15 and HKFRS 16, the Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs may results in changes in accounting policies and are unlikely to have a significant impact on the Group's results of operations and financial position.

HKFRS 9 — *Financial Instruments*

HKFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The completed version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments.

HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. Investments in equity investments are required to be measured at fair value through profit or loss with the irrevocable option at the inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

Measurement of impairment losses on trade receivables based on an expected credit losses model requires the use of historical data as well as forward looking information. The management is in the process of assessing the impact of HKFRS 9 and a reasonable estimate of that effect will be available once a detailed review has been completed. Other than the adoption of an expected credit losses impairment model and disclosure changes, adoption of HKFRS 9 is currently not expected to have a material impact on the Financial Information of the Group. The Group does not plan to early adopt HKFRS 9.

HKFRS 15 — *Revenue from Contracts with Customers*

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 is effective for an entity's first annual financial statements under HKFRS for a period beginning on or after 1 January , 2018, with earlier application permitted.

The Group does not plan to early adopt HKFRS 15. Based on the Group's Listing Business and related revenue recognition accounting policy as set out in note 3.2, the management does not expect significant impact on the financial performance and position of the Group resulted from the effectiveness of HKFRS 15 for periods beginning on or after 1 January 2018.

HKFRS 16 — *Leases*

The Group is a lessee of various store premises which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in note 3.2 with the Group's future operating lease commitments, which are not reflected in the consolidated statements of financial position and set out in note 33(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 statements of financial position. 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 statements of financial position. 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 statements of financial position. As for the financial performance impact in the statement of profit or loss and other comprehensive income, the operating lease expense will decrease, while depreciation and amortization and the interest expense will increase.

Total operating lease commitments of the Group at 31 December 2013, 2014 and 2015, and 30 June 2016 amounted to RMB178,526,000, RMB199,833,000, RMB243,062,000, and RMB303,715,000, respectively. Directors expect that certain portion of these lease commitments will be required to be recognized in the consolidated statements of financial position as right-of-use assets and financial liabilities. Directors do not foresee any material impact on the net profit of the Group since the Group typically enter into lease agreements with a term of one to five years as disclosed in note 33(b) and the valid leases have an average lease term of approximately 2.7 years. The new standard is not expected to apply until 1 January 2019.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations other than business combination under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost (or valuation) less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3.2% to 33.3%
Plant and machinery	9.5% to 31.7%
Operating tools	9.5% to 40.7%
Motor Vehicles	19.0%
Office equipment	9.5% to 31.7%
Leasehold improvements	17.9% to 33.3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Software

Purchased software is stated at cost less any impairment losses and amortized on the straight-line basis over its estimated useful life of 3 to 10 years.

Trademark

Purchased trademark is stated at cost less any impairment losses with indefinite useful lives.

Patents

Purchased patents are stated at cost less any impairment losses and amortized on the straight-line basis over its estimated useful life of 10 years.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognized on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale financial investments. When financial assets are recognized initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in other income and gains in profit or loss. The loss arising from impairment is recognized in profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealized gains or losses recognized as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognized in profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor 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 observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is removed from other comprehensive income and recognized in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss — is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgment. In making this judgment, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognized initially at fair value and, in case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amount due to related parties and amount due to the Controlling Shareholders.

Subsequent measurement

The subsequent measurement of loans and borrowings are as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Inventories

Inventories comprising raw materials, work-in-progress, finished goods and packaging materials, are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis and, in the case of work-in-progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on the estimated selling price less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) ***Sale of goods***

Revenue from the sales of goods is recognized when the significant risks 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.

(b) ***Interest income***

Interest income is recognized on a time proportion basis using the effective interest method.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the payroll costs to the central pension scheme. The Contributions are charged to profit or loss as they become payable in accordance with rules of the central pension scheme.

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

The functional currency of the Company and certain subsidiaries is the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period, and their statements of profit or loss and other comprehensive income are translated at the weighted average exchange rates for the year.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates prevailing at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and the related depreciation charge for the Group's 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. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation charge in the future periods.

Net realizable value of inventories

Net realizable value of inventories is the estimated selling price less any estimated costs to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at each reporting date.

Impairment of other receivables and amounts due from related parties

The Group's management estimates the provision for impairment of other receivables and amounts due from related parties by assessing their recoverability based on credit history and the prevailing market conditions. This requires the use of estimates and judgments. Management reassesses the provision at each reporting date.

Provisions are applied to other receivables and amounts due from related parties where events or changes in circumstances indicate that the amount may not be collectible. Where the expectation is different from the original estimates, the difference will affect the carrying values of other receivables and amounts due from related parties and thus the impairment charge in the period in which the estimates are changed.

Deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets was RMB33,416,000, RMB24,931,000, RMB24,842,000 and RMB27,891,000 as at 31 December 2013, 2014 and 2015 and 30 June 2016, respectively.

Impairment non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

5. OPERATING SEGMENT INFORMATION

The Group's principal business is the production, marketing and retailing of casual braised duck-related casual food. For management purposes, the Group operates in one business unit based on its products, and has one reportable segment which is the production, marketing and retailing of casual braised duck-related food.

Information about geographical area

Since all of the Group's revenue was generated from the production, marketing and retailing of casual braised duck-related food in Mainland China and over 95% 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 major customers

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the Relevant Periods, no major customers segment information is presented in accordance with HKFRS 8 — *Operating Segments*.

6. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the net invoiced value of goods sold after allowances of returns and trade discounts.

An analysis of revenue, other income and gains, net is as follows:

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue					
Unpackaged products	461,851	155,352	—	—	—
Vacuum packaged products	280,161	367,484	314,880	170,572	138,535
Modified-Atmosphere-Packaged products	459,972	1,264,589	2,082,982	985,695	1,232,220
Other products	15,593	21,657	34,147	18,425	18,380
Total	1,217,577	1,809,082	2,432,009	1,174,692	1,389,135
Other income and gains, net					
Government grants*	7,678	8,980	18,374	1,222	9,909
Interest income from bank deposits	211	1,138	1,159	887	81
Interest income from available-for-sale investments	4,110	4,454	1,873	1,707	2,049
Interest income from structured deposit	1,132	13,076	13,596	10,860	552
Gain/(loss) on disposal of property, plant and equipment	55	(319)	(7,245)	(5,780)	(59)
Loss on disposal of other intangible assets	—	(1,202)	—	—	—
Others	695	1,000	305	170	476
Total	13,881	27,127	28,062	9,066	13,008

* There were no unfulfilled conditions and other contingencies attaching to government grants that had been recognized.

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of inventories sold	448,359	721,767	931,550	467,428	415,668
Depreciation of property, plant and equipment	29,568	34,450	38,233	18,373	20,139
Amortization of prepaid land lease payments	562	867	867	434	434
Amortization of other intangible assets	225	259	957	355	700
Auditor's remuneration	—	—	1,590	1,442	1,586
Minimum lease payments under operating leases in respect of stores and plant premises	106,630	130,113	186,538	84,141	114,529
Employee benefit expense (including directors' and chief executive's remuneration) (note 8):					
Wages and salaries	127,168	161,175	238,866	98,410	135,159
Pension scheme contribution	25,894	38,780	49,561	25,923	20,387
Other welfare	10,610	12,121	18,447	7,583	10,059
Advertising and promotion expenses	21,606	28,381	22,286	10,609	12,796
Fuel cost	8,942	12,807	13,908	7,982	7,247
Utility expenses	14,080	16,922	20,832	8,791	9,156
(Gain)/loss on disposal of property, plant and equipment	(55)	319	7,245	5,780	59
Loss on disposal of other intangible assets	—	1,202	—	—	—
Loss on foreign exchange	—	—	1,248	—	910
Interest income from bank deposits	(211)	(1,138)	(1,159)	(887)	(81)
Interest income from available-for-sale investments	(4,110)	(4,454)	(1,873)	(1,707)	(2,049)
Interest income from structured deposits	(1,132)	(13,076)	(13,596)	(10,860)	(552)
Transportation expenses	26,259	31,359	42,912	20,886	24,681

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Company did not have any independent non-executive directors at any time during the Relevant Periods and the six months ended 30 June 2015. The Company has identified Mr. Wu Chi Keung, Mr. Chan Kam Ching and Mr. Lu Weidong as independent non-executive directors of the Company as at the date of this report.

Mr. Zhou Fuyu was appointed as the Company's executive director and chief executive officer on 8 June 2016. Mr. Zhu Yulong, Mr. Wen Yong, Mr. Hu Jiaqing and Mr. Hao Lixiao, were appointed as executive directors of the Company on 8 June 2016. Mr. Pan Pan was appointed as non-executive director of the Company on 8 June 2016.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Fees	—	—	—	—	—
Other emoluments:					
- Salaries, allowances, and benefits in kind	2,264	2,264	2,525	1,262	2,101
- Performance related bonuses	1,491	1,296	3,017	21	—
- Pension scheme contributions	110	110	350	167	170
	3,865	3,670	5,892	1,450	2,271

The names of the Directors and their remuneration for the Relevant Periods and the six months ended 30 June 2015 are as follows:

(a) Independent non-executive directors and non-executive directors

There were no emoluments payable to the independent non-executive directors and non-executive directors during the Relevant Periods and the six months ended 30 June 2015.

(b) **Executive directors and the chief executive**

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Executive directors					
- Mr. Zhou Fuyu	674	720	1,227	209	534
- Mr. Zhu Yulong	910	997	1,494	362	533
- Mr. Wen Yong	433	413	990	305	400
- Mr. Hu Jiaqing	699	819	1,089	287	402
- Mr. Hao Lixiao	1,149	721	1,092	287	402
	3,865	3,670	5,892	1,450	2,271

There were no arrangements under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods and the six months ended 30 June 2015.

9. FIVE HIGHEST PAID INDIVIDUALS

An analysis of the five highest paid employees within the Group during the Relevant Periods and the six months ended 30 June 2015 is as follows:

	No. of employees				
	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
				(Unaudited)	
Directors	3	3	3	4	4
Non-directors	2	2	2	1	1
	5	5	5	5	5

Details of the remuneration of the above non-directors and non-chief executive, highest paid employees are as follows:

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, allowances and benefits in kind	1,109	1,109	1,741	309	920
Performance related bonus	915	422	953	—	—
Pension scheme contributions	44	44	109	11	34
	2,068	1,575	2,803	320	954

The number of non-director and non-chief executive, highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
				(Unaudited)	
Nil to HK$1,000,000	—	1	—	1	—
HK$1,000,001 to HK$1,500,000	1	1	1	—	1
HK$1,500,001 to HK$2,000,000	1	—	—	—	—
HK$2,000,001 to HK$2,500,000	—	—	1	—	—
	2	2	2	1	1

10. INCOME TAX

The major components of income tax expenses of the Group during the Relevant Periods and the six months ended 30 June 2015 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current income tax in PRC	80,863	131,010	195,363	100,484	132,479
Deferred tax (note 27)	6,298	8,485	87	(807)	(3,049)
Total tax charge for the year/period	87,161	139,495	195,450	99,677	129,430

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

The provision for current income tax in PRC is based on a statutory rate of 25% of the assessable profits of subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law.

The statutory tax rate for subsidiaries in Hong Kong is 16.5%. No Hong Kong profits tax on the Group's subsidiary has been provided as there is no assessable profit arising in Hong Kong during the Relevant Periods.

A reconciliation of the tax expense applicable to profit before tax using the statutory rate in Mainland China to the tax expense at the effective tax rates is as follows:

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before tax	347,089	550,402	748,188	370,123	510,169
Tax at PRC statutory tax rate of 25%	86,772	137,601	187,047	92,531	127,542
Tax effect of non-deductible expenses	593	1,900	657	198	466
Tax effect in connection with Reorganization	—	—	7,020	6,897	—
Tax effect of tax rate difference between PRC and overseas loss-making entities	—	—	730	—	1,315
Tax losses utilized from previous periods	(171)	—	(155)	(64)	—
Adjustments to current tax of previous periods	(33)	(168)	105	105	93
Tax losses not recognized	—	162	46	10	14
Total tax charge for the year/period	87,161	139,495	195,450	99,677	129,430

The effective tax rate of the Group were 25.11%, 25.34%, 26.12% and 25.37% for the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, respectively.

11. DISTRIBUTIONS

Pursuant to the Reorganization as set out in the section headed "Our History and Development" in this Prospectus and note 1 and note 2.1 to the Financial Information, as part of the Reorganization, Wuhan ZHY Holdco disposed of its entire equity interest in its subsidiaries, and its operating assets related to the Listing Business to the Group. Certain assets and liabilities set out as below were retained by Wuhan ZHY Holdco and were treated as a distribution to the Controlling Shareholders, upon the completion of the Reorganization, on 26 July 2015.

	Year ended 31 December 2015
	RMB'000
Cash and bank balances	40,444
Non-cash net assets (note 31)	781,387
	821,831

12. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation.

The dividends declared by the Company's subsidiaries to the then shareholders during the Relevant Periods and the six months ended 30 June 2015 before the Reorganization are as follows:

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Dividends declared	—	68,323	300,000	300,000	—

13. EARNINGS PER SHARE ATTRIBUTED TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganization and the basis of the presentation and consolidation as disclosed in note 2.1 and 2.2 to the Financial Information.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Operating tools	Motor vehicles	Office equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013:								
Cost	116,334	23,279	17,595	6,437	5,307	32,109	5,213	206,274
Accumulated Depreciation	(4,490)	(2,059)	(4,364)	(2,670)	(1,267)	(9,113)	—	(23,963)
Net carrying amount	111,844	21,220	13,231	3,767	4,040	22,996	5,213	182,311
At 1 January 2013, net of accumulated depreciation	111,844	21,220	13,231	3,767	4,040	22,996	5,213	182,311
Additions	53,184	2,882	8,338	3,370	1,075	9,149	13,969	91,967
Depreciation provided during the year	(8,843)	(2,678)	(3,489)	(1,465)	(1,119)	(11,974)	—	(29,568)
Disposals	—	(72)	(994)	(119)	(85)	—	—	(1,270)
Reclassification	4,060	—	—	—	—	(4,060)	—	—
Transfer	2,084	7,967	400	—	—	350	(10,801)	—
At 31 December 2013, net of accumulated depreciation	162,329	29,319	17,486	5,553	3,911	16,461	8,381	243,440
At 31 December 2013 and 1 January 2014:								
Cost	184,343	34,009	23,567	9,397	6,091	36,234	8,381	302,022
Accumulated depreciation	(22,014)	(4,690)	(6,081)	(3,844)	(2,180)	(19,773)	—	(58,582)
Net carrying amount	162,329	29,319	17,486	5,553	3,911	16,461	8,381	243,440
At 1 January 2014, net of accumulated depreciation	162,329	29,319	17,486	5,553	3,911	16,461	8,381	243,440
Additions	13,799	14,195	11,846	5,539	2,215	13,256	34,792	95,642
Depreciation provided during the year	(8,377)	(4,269)	(5,129)	(2,165)	(1,268)	(13,242)	—	(34,450)
Disposals	(2,347)	(378)	(937)	(426)	(11)	(9)	—	(4,108)
Transfer	1,928	7,433	—	—	—	—	(9,361)	—
Transfer to other intangible assets	—	—	—	—	—	—	(3,610)	(3,610)
At 31 December 2014, net of accumulated depreciation	167,332	46,300	23,266	8,501	4,847	16,466	30,202	296,914
At 31 December 2014 and 1 January 2015:								
Cost	197,038	55,168	34,127	13,969	8,288	49,481	30,202	388,273
Accumulated depreciation	(29,706)	(8,868)	(10,861)	(5,468)	(3,441)	(33,015)	—	(91,359)
Net carrying amount	167,332	46,300	23,266	8,501	4,847	16,466	30,202	296,914

	Buildings	Plant and machinery	Operating tools	Motor vehicles	Office equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015, net of accumulated depreciation	167,332	46,300	23,266	8,501	4,847	16,466	30,202	296,914
Additions	9,265	3,568	11,075	2,955	1,717	14,419	117,662	160,661
Depreciation provided during the year	(9,115)	(5,122)	(6,534)	(2,687)	(1,223)	(13,552)	—	(38,233)
Disposals	(386)	(1,052)	(3,579)	(85)	(1,912)	(625)	—	(7,639)
Distribution to Controlling Shareholders	(14,966)	—	(74)	(137)	(979)	(61)	—	(16,217)
Reclassification	325	(6,636)	700	105	234	—	5,272	—
Transfer to other intangible assets	—	—	—	—	—	—	(113)	(113)
Transfer	995	5,390	789	1,229	881	—	(9,284)	—
At 31 December 2015, net of accumulated depreciation	153,450	42,448	25,643	9,881	3,565	16,647	143,739	395,373
At 31 December 2015 and 1 January 2016:								
Cost	190,707	54,114	40,450	13,992	6,276	47,209	143,739	496,487
Accumulated depreciation	(37,257)	(11,666)	(14,807)	(4,111)	(2,711)	(30,562)	—	(101,114)
Net carrying amount	153,450	42,448	25,643	9,881	3,565	16,647	143,739	395,373
At 1 January 2016, net of accumulated depreciation	153,450	42,448	25,643	9,881	3,565	16,647	143,739	395,373
Additions	1,732	3,312	3,095	1,614	1,157	5,472	61,182	77,564
Depreciation provided during the period	(5,240)	(3,031)	(3,863)	(1,578)	(619)	(5,808)	—	(20,139)
Disposals	—	—	(599)	—	—	(143)	—	(742)
Transfer	—	2,495	659	—	—	—	(3,154)	—
At 30 June 2016, net of accumulated depreciation	149,942	45,224	24,935	9,917	4,103	16,168	201,767	452,056
At 30 June 2016:								
Cost	192,391	59,921	43,304	15,606	7,433	48,770	201,767	569,192
Accumulated depreciation	(42,449)	(14,697)	(18,369)	(5,689)	(3,330)	(32,602)	—	(117,136)
Net carrying amount	149,942	45,224	24,935	9,917	4,103	16,168	201,767	452,056

As at 30 June 2016, the Group has yet to obtain property ownership certificates for certain buildings with an aggregate net book value of RMB2,185,000. The Group is still in the process of application for the property certificates.

The Group pledged certain of its buildings in 2015 to secure the Group's bank facilities granted for the period from 18 June 2015 to 18 June 2016. The net carrying amounts of these pledged buildings as at 31 December 2015 amounted to RMB70,324,000. The pledge was released on 23 June 2016.

The Group pledged certain of its buildings in the year of 2015 and the six months ended 30 June 2016 to secure the Group's government support funds which are stated as other payables — non-current of RMB7,000,000. The net carrying amounts of these pledged buildings as at 31 December 2015 and 30 June 2016 amounted to RMB7,218,000 and RMB7,088,000, respectively.

15. PREPAID LAND LEASE PAYMENTS

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at beginning of the year/period	23,984	41,768	40,901	67,635
Additions during the year/period	18,346	—	27,601	—
Recognized during the year/period	(562)	(867)	(867)	(434)
Carrying amount at end of the year/period	41,768	40,901	67,635	67,201
Current portion included in prepayments, deposits and other receivables	(867)	(867)	(867)	(867)
Non-current portion	40,901	40,034	66,768	66,334

The Group's leasehold land is located in Wuhan City of Hubei Province and Dongguan City of Guangdong Province, the PRC, with lease periods of 50 years.

The Group pledged certain of its prepaid land lease payments in 2015 to secure the Group's banking facilities granted for the period from 18 June 2015 to 18 June 2016. The carrying amounts of these pledged land lease payments as at 31 December 2015 amounted to RMB22,483,000. The pledge was released on 23 June 2016.

16. PREPAYMENTS

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments for properties	11,520	7,567	4,324	4,324
Deposits for purchase of prepaid land lease payments	500	18,500	—	—
Prepayments for purchase of other intangible assets	—	—	42	—
Prepayments for purchase of equipment	5,656	5,891	11,791	5,991
	17,676	31,958	16,157	10,315

17. OTHER INTANGIBLE ASSETS

	Software
	RMB'000
31 December 2013	
At 1 January 2013:	
Cost	2,006
Accumulated amortization	(309)
Net carrying amount	1,697
Cost at 1 January 2013, net of accumulated amortization	1,697
Additions during the year	82
Amortization provided during the year	(225)
At 31 December 2013	1,554
At 31 December 2013 and 1 January 2014:	
Cost	2,088
Accumulated amortization	(534)
Net carrying amount	1,554
31 December 2014	
Cost at 1 January 2014, net of accumulated amortization	1,554
Additions during the year	70
Transfer from construction in progress	3,610
Amortization provided during the year	(259)
Disposals during the year	(1,202)
At 31 December 2014	3,773
At 31 December 2014 and 1 January 2015:	
Cost	3,918
Accumulated amortization	(145)
Net carrying amount	3,773

	Software	Trade mark	Patents	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2015				
Cost at 1 January 2015, net of accumulated amortization	3,773	—	—	3,773
Additions during the year	1,291	2,169	1,003	4,463
Transfer from construction in progress	113	—	—	113
Amortization provided during the year	(949)	—	(8)	(957)
Deemed distribution to the Controlling Shareholders	(18)	—	—	(18)
At 31 December 2015	4,210	2,169	995	7,374
At 31 December 2015:				
Cost	4,987	2,169	1,003	8,159
Accumulated amortization	(777)	—	(8)	(785)
Net carrying amount	4,210	2,169	995	7,374
30 June 2016				
Cost at 1 January 2016, net of accumulated amortization	4,210	2,169	995	7,374
Additions during the period	446	—	—	446
Amortization provided during the period	(650)	—	(50)	(700)
At 30 June 2016	4,006	2,169	945	7,120
At 30 June 2016:				
Cost	5,433	2,169	1,003	8,605
Accumulated amortization	(1,427)	—	(58)	(1,485)
Net carrying amount	4,006	2,169	945	7,120

The Group's trade mark is registered in the PRC and renewable under local legislation. The Group intends to continuously renew the trade mark upon its expiry of registered protection duration and such renewal is expected to be at little cost. The trade mark is expected to continuously contribute to the net cash inflow of the Group.

Impairment testing of other intangible assets - trademark

The Group's trade mark has indefinite useful lives and is allocated to the Group's Listing Business, which is treated as a cash-generating unit for impairment testing:

Listing Business cash-generating unit

The recoverable amount of the Listing Business cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 13% and cash flows beyond the five-year period are extrapolated using a growth rate of 6%, which is the same as the long term average growth rate of the casual braised food industry.

The carrying amounts of trade mark allocated to the cash-generating unit of the operation of Listing Business are RMB2,169,000 as of 31 December 2015 and 30 June 2016.

Assumptions were used in the value in use calculation of the Listing Business cash-generating unit for 31 December 2015. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of trademark:

Budgeted income — The basis used to determine the value assigned to income is the average income achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

Discount rates — The discount rates used are before tax and reflects specific risks relating to the relevant unit.

18. INVESTMENT IN A SUBSIDIARY

Company

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost	—	—	146,806	146,806

Particulars of the directly and indirectly held subsidiaries are disclosed in note 1 to the Financial Information.

19. INVENTORIES

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	31,401	32,582	104,890	88,002
Work in progress	9,923	5,664	3,396	2,019
Finished goods	11,999	21,874	19,069	16,552
Packaging materials	4,009	6,113	6,718	8,634
	57,332	66,233	134,073	115,207

20. TRADE RECEIVABLES

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	5,755	4,577	6,356	5,182
Less: Impairment provision	—	—	—	—
	5,755	4,577	6,356	5,182

The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables related to various diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of provisions, is as follows:

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	5,755	4,574	6,281	5,057
Over 3 months	—	3	75	125
	5,755	4,577	6,356	5,182

Based on past experience, the directors are of the opinion 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 still considered fully recoverable.

All of the receivables were neither past due nor impaired and relate to diversified customers for whom there was no recent history of default.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Prepaid rents	30,284	43,296	45,065	50,590
Advances to employees	1,539	2,883	3,299	2,779
Advances to suppliers	2,882	13,263	6,324	1,937
Deductible input VAT	3,807	1,414	4,358	8,393
Current portion of prepaid land lease payments	867	867	867	867
Structured deposits	190,000	470,000	10,000	175,000
Others	5,389	8,967	8,162	11,967
	234,768	540,690	78,075	251,533

Company

Prepayments	597

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

22. AVAILABLE-FOR-SALE INVESTIMENTS

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted equity investments, at fair value	70,000	85,000	100,000	125,000

The above investments represent money market funds which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

23. RESTRICTED CASH AND CASH IN TRANSIT

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Pledged bank deposits	—	1,090	—	—
Deposits to online marketplaces for online promotions	246	587	560	60
Restricted cash	246	1,677	560	60

Pledged bank deposits earn interest at interest rates stipulated by the respective financial institutions. Pledged bank deposits as at 31 December 2014 are used as deposit for letter of credit. Deposits for online promotions are non-interest bearing cash deposits paid to third party online marketplaces for promotion activities and will be returned upon the completion of such activities.

At the end of each Relevant Period, all of the restricted cash of the Group is denominated in RMB.

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Cash in transit	1,167	5,877	5,417	4,030

The cash in transit represents the sales proceeds settled by debit cards or credit cards, which have yet to be credited by the banks to the Group.

24. CASH AND CASH EQUIVALENTS

Group

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	36,752	63,781	82,338	85,782

Company

	As at 31 December 2015	As at 30 June 2016
	RMB'000	RMB'000
Cash and bank balances	622	972

All of the cash and bank balances of the Group are denominated in RMB at the end of 31 December 2013. At the end of 31 December 2014 and 2015 and 30 June 2016, the cash and bank balances of the Group dominated in a currency other than RMB amounted to RMB1,591,000, RMB20,382,000 and RMB16,565,000, respectively.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The carrying amounts of the cash and cash equivalents approximate to their fair values.

25. TRADE PAYABLES

An aged analysis of outstanding trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	23,783	32,879	40,038	58,292
3 to 6 months	376	34	7,407	8,999
Over 6 months	24	306	—	178
Over 12 months	33	49	2,421	135
	24,216	33,268	49,866	67,604

The trade payables are non-interest-bearing.

26. OTHER PAYABLES AND ACCRUALS

Group

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Current:				
Advances from customers	7,219	18,022	35,245	43,341
Payables for purchase of property, plant and equipment	11,940	11,522	16,218	41,207
Payables for operating leases	5,981	1,524	1,921	3,895
Payroll and welfare payable	69,044	83,881	120,111	100,064
Other tax payables	8,588	15,888	25,066	23,754
Deposits received from suppliers	1,575	1,629	4,755	3,735
Other payables	11,393	10,590	15,668	20,247
	115,740	143,056	218,984	236,243
Non-current:				
Other payables	—	—	7,000	7,000
	115,740	143,056	225,984	243,243

27. DEFERRED TAX

The movements in deferred tax assets during the Relevant Periods are as follows:

Deferred tax assets

	Accumulated losses	Other expenses in relation to cancellation of licensing arrangements	Expenses accrued	Government grants	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	8,256	20,315	6,015	4,105	1,023	39,714
Deferred tax charged/ (credit) to the profit or loss during the year (note 10)	(1,459)	(6,772)	2,282	(132)	(217)	(6,298)
At 31 December 2013 and at 1 January 2014	6,797	13,543	8,297	3,973	806	33,416
Deferred tax charged/ (credit) to the profit or loss during the year (note 10)	(6,413)	(6,772)	4,203	367	130	(8,485)
At 31 December 2014 and at 1 January 2015	384	6,771	12,500	4,340	936	24,931
Deferred tax charged/ (credit) to the profit or loss during the year (note 10)	2,702	(6,771)	4,078	(149)	53	(87)
Distribution to the Controlling Shareholders	—	—	—	—	(2)	(2)
At 31 December 2015 and at 1 January 2016	3,086	—	16,578	4,191	987	24,842
Deferred tax charged/ (credit) to the profit or loss during the period (note 10)	(418)	—	3,234	175	58	3,049
At 30 June 2016	2,668	—	19,812	4,366	1,045	27,891

The Group had unused tax losses available for offsetting against future profits in respect of certain subsidiaries of RMB197,000, RMB1,026,000, RMB517,000 and RMB434,000 as at 31 December 2013, 2014 and 2015 and 30 June 2016, respectively, for which no deferred tax assets have been recognized. No deferred tax assets have been recognized in respect of these losses because it is uncertain that there are future available taxable profits of these subsidiaries to utilize the tax losses. The available period of the unused tax losses will expire in one to five years for offsetting against future taxable profits.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributable by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. Under the current organization and operation structure, the Group's applicable rate is 10%. The aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognized amounted to approximately RMB361,437,000, RMB687,245,000, RMB277,791,000 and RMB672,360,000 as at 31 December 2013, 2014 and 2015 and 30 June 2016.

As of 31 December 2013, 2014 and 2015 and 30 June 2016, no deferred tax liability has been recognized for withholding taxes that would be payable on unremitted earnings of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings to foreign entities in the foreseeable future.

28. GOVERNMENT GRANTS

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Non-current	15,361	16,631	16,168	16,769
Current	530	730	597	697
	15,891	17,361	16,765	17,466

The movements in government grants during the Relevant Periods are as follows:

	Non-current	Current	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2013	15,891	530	16,421
Released to current portion	(530)	530	—
Released to profit or loss	—	(530)	(530)
At 31 December 2013	15,361	530	15,891
At 1 January 2014	15,361	530	15,891
Received during the year	2,000	—	2,000
Released to current portion	(730)	730	—
Released to profit or loss	—	(530)	(530)
At 31 December 2014	16,631	730	17,361
At 1 January 2015	16,631	730	17,361
Released to current portion	(463)	463	—
Released to profit or loss	—	(596)	(596)
At 31 December 2015	16,168	597	16,765
At 1 January 2016	16,168	597	16,765
Received during the period	1,000	—	1,000
Released to current portion	(399)	399	—
Released to profit or loss	—	(299)	(299)
At 30 June 2016	16,769	697	17,466

29. SHARE CAPITAL

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Authorised:				
50,000,000,000 shares of USD0.000001 each	—	—	306	306
Issued and fully paid:				
1,000,000,000 shares of USD0.000001 each	—	—	6	6

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 13 May 2015 with an authorized share capital of USD50,000 divided into shares of 5,000,000 shares of USD0.01 each. On 15 May 2015, the Company issued 1 ordinary shares to Healthy Origin Holdings Limited, which is wholly owned by the Controlling Shareholders, at par value of USD0.01.

On 23 July 2015, the Company issued 99,999 ordinary shares of USD0.01 each to the shareholders of the Company as fully paid at USD240 per share with total consideration of USD24,000,000, equivalent to RMB146,811,000. The excess of consideration of USD24,000,000 over the par value of USD1,000 of the Company's issued ordinary shares was credited to the share premium.

On 24 October 2016, the Company subdivided each of its issued and unissued shares of par value USD0.01 each into 10,000 Shares of par value USD0.000001 each, such that following the sub-division, the authorized share capital of the Company is USD50,000 divided into 50,000,000,000 shares of par value USD0.000001 each. Accordingly the issued and fully paid share capital of the Company is USD1,000 divided into 1,000,000,000 shares of par value USD0.000001 each.

30. RESERVES

(a) Group

The amount of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Group.

Share premium

The share premium of the Group represents the amount paid by shareholders for capital injection in excess of its nominal value. Details of the movements in the share premium are set out in the consolidated statements of changes in equity.

Merger reserve

The merger reserve of the Group represents the reserve arose pursuant to the Reorganization as mentioned in note 2.1 to the Financial Information. Details of the movements in the merger reserve are set out in the consolidated statements of changes in equity.

Statutory reserve

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate a certain portion (not less than 10%) of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to increase share capital, provided that the remaining balance after the capitalization is not less than 25% of the registered capital.

(b) **Company**

	Share premium	Exchange fluctuation reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Total comprehensive loss for the year	—	15	(47)	(32)
Issue of new shares	146,805	—	—	146,805
As at 31 December 2015	146,805	15	(47)	146,773
Total comprehensive loss for the period	—	(13)	(1,043)	(1,056)
As at 30 June 2016	146,805	2	(1,090)	145,717

31. NON-CASH TRANSACTIONS

In connection with the Reorganization completed on 26 July 2015, the assets and liabilities remained by Wuhan ZHY Holdco are reflected as distributed to the Controlling Shareholders, are as follows:

	As of 26 July 2015
	RMB'000
Assets	
Property, plant and equipment (note 14)	16,217
Prepayments	23,101
Other intangible assets (note 17)	18
Prepayments, deposits and other receivables (a)	473,020
Amounts due from the listing Group (b)	215,558
Available-for-sale investment	80,000
Total assets	807,914
Liabilities	
Due to the Controlling Shareholders	5,000
Other payables and accruals	3,617
Income tax payable	13,904
Dividends payable	4,006
Total liabilities	26,527
Net assets	781,387

Notes:

	As of 26 July 2015
	RMB'000
(a) Prepayments, deposits and other receivables comprise the followings:	
Structured deposits	470,000
Others	3,020
	473,020

(b) Amounts due from the listing Group represent the dividends receivables, which were declared by the subsidiaries of the Company before the Reorganization.

32. CONTINGENT LIABILITIES

As at 31 December 2013, 2014 and 2015 and 30 June 2016, the Group had no significant contingent liabilities.

33. COMMITMENTS

a) Capital commitments

The Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:				
Land and Buildings	1,667	25,924	13,669	10,151
Plant and machinery	4,840	6,989	16,976	2,675
	6,507	32,913	30,645	12,826

b) Operating lease arrangements — As lessee

The Group is the lessee in respect of a number of properties and land held under operating leases. The leases typically run for an initial period of one to five years, with an option to renew the leases when all the terms are renegotiated.

At the end of each of the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	58,019	72,287	93,167	117,608
In the second to fifth years, inclusive	112,980	122,607	146,511	183,651
After five years	7,527	4,939	3,384	2,456
	178,526	199,833	243,062	303,715

34. PLEDGE OF ASSETS

Detail of the Group's pledge of assets is included in note 14, note 15 and note 23 to the Financial Information.

35. RELATED PARTY TRANSACTIONS

a) Related parties

Related parties for the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 were as follows:

Name	Relationship
Mr. Zhou Fuyu and Ms. Tang Jianfang	Controlling Shareholders
Wuhan ZHY Holdco	Subsidiary controlled by Controlling Shareholders and became a related party of the Group since 26 July 2015 after the Reorganization

b) **Related party transactions**

In addition to the transactions detailed elsewhere in the Financial Information, the Group had the following transactions with related parties during the Relevant Periods:

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Rental expense:					
Mr. Zhou Fuyu and Ms.Tang Jianfang (i)	1,699	1,777	1,963	889	982
Purchase of other intangible assets Wuhan ZHY Holdco (ii)	—	—	3,172	—	—

Notes:

(i) Pursuant to the agreements between the Group and the Controlling Shareholders, Hubei Shiji Yuanjing leased four stores, five stores, five stores and five stores for the years ended 31 December 2013, 2014, 2015 and the six months ended 30 June 2016, respectively, from the Controlling Shareholders for its operation with periods ranging from 1 to 3 years. The lease terms were mutually agreed between parties.

(ii) On 15 August 2015, ZHY Development entered into an agreement with Wuhan ZHY Holdco to acquire trademark at the consideration of RMB2,169,000. On 10 November 2015, Hubei Zhou Hei Ya Foods Industrial Park Co., Ltd. entered into agreements with Wuhan ZHY Holdco to acquire patents at the consideration of RMB1,003,000.

c) **Balances with related parties**

The Group had the following significant balances with its related parties at the end of each of the Relevant Periods:

(i) ***Due from the Controlling Shareholders:***

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Zhou Fuyu and Ms.Tang Jianfang	127	—	149	975

Amounts due from the Controlling Shareholders were interest-free, unsecured and have no fixed terms of repayment.

(ii) ***Due to a related party:***

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Wuhan ZHY Holdco................................	—	—	202,771	—

The amounts due to a related party represent the dividends declared by the subsidiaries of the Company before the Reorganization, which had been fully settled during the six months ended 30 June 2016. The amounts due to a related party were interest-free, unsecured and have no fixed terms of repayment.

(iii) ***Due to the Controlling Shareholders:***

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Zhou Fuyu and Ms.Tang Jianfang	982	4,616	7,575	—

Included in amounts due to the Controlling Shareholders were rents payable of nil, RMB116,000, RMB226,000 and nil as of 31 December 2013, 2014 and 2015,and 30 June 2016, respectively, for certain stores leased and operated by the Group; and expenses paid by the Controlling Shareholders on behalf of the Group of RMB982,000, RMB4,500,000, RMB7,349,000 and nil, as of 31 December 2013, 2014 and 2015 and as at 30 June 2016, respectively. Amounts due to the Controlling Shareholders were interest-free, unsecured and have no fixed terms of repayment.

d) **Compensation of key management personnel of the Group:**

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Short term employee benefits.................	5,742	5,009	7,521	1,785	3,032
Post-employment benefits	176	176	532	269	272
	5,918	5,185	8,053	2,054	3,304

Further details of directors' and the chief executive's emoluments are included in note 8 to the Financial Information.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each Relevant Period are as follows:

As at 30 June 2016

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	RMB'000	RMB'000
Trade receivables	5,182	—	5,182
Financial assets included in prepayments, deposits and other receivables	186,967	—	186,967
Rental deposits	43,243	—	43,243
Available-for-sale investments	—	125,000	125,000
Due from the Controlling Shareholders	975	—	975
Restricted cash	60	—	60
Cash in transit	4,030	—	4,030
Cash and cash equivalents	85,782	—	85,782
	326,239	125,000	451,239

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	67,604
Financial liabilities included in other payables and accruals	99,838
	167,442

As at 31 December 2015

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	RMB'000	RMB'000
Trade receivables	6,356	—	6,356
Financial assets included in prepayments, deposits and other receivables	18,162	—	18,162
Rental deposits	38,586	—	38,586
Available-for-sale investments	—	100,000	100,000
Due from the Controlling Shareholders	149	—	149
Restricted cash	560	—	560
Cash in transit	5,417	—	5,417
Cash and cash equivalents	82,338	—	82,338
	151,568	100,000	251,568

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	49,866
Financial liabilities included in other payables and accruals	70,629
Due to a related party	202,771
Due to the Controlling Shareholders	7,575
	330,841

As at 31 December 2014

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	RMB'000	RMB'000
Trade receivables	4,577	—	4,577
Financial assets included in prepayments, deposits and other receivables	478,967	—	478,967
Rental deposits	26,923	—	26,923
Available-for-sale investments	—	85,000	85,000
Restricted cash	1,677	—	1,677
Cash in transit	5,877	—	5,877
Cash and cash equivalents	63,781	—	63,781
	581,802	85,000	666,802

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	33,268
Financial liabilities included in other payables and accruals	41,153
Due to the Controlling Shareholders	4,616
Dividends payable	4,006
	83,043

As at 31 December 2013

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	RMB'000	RMB'000
Trade receivables	5,755	—	5,755
Financial assets included in prepayments, deposits and other receivables	195,389	—	195,389
Rental deposits	17,528	—	17,528
Available-for-sale investments	—	70,000	70,000
Due from the Controlling Shareholders	127	—	127
Restricted cash	246	—	246
Cash in transit	1,167	—	1,167
Cash and cash equivalents	36,752	—	36,752
	256,964	70,000	326,964

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	24,216
Financial liabilities included in other payables and accruals	39,477
Due to the Controlling Shareholders	982
	64,675

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, cash in transit, restricted cash, available-for-sale investments, rental deposits, trade receivables, due from the Controlling Shareholders, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables and accruals due to a related party, due to the Controlling Shareholders and dividends payable approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair value hierarchy

The fair value measurement hierarchy of the Group's available-for-sale investments was all of Level 2 — significant observable inputs as at 31 December 2013, 2014 and 2015 and 30 June 2016.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 — quoted price in active markets and Level 2 — significant observable inputs and no transfers into or out of Level 3 — significant unobservable inputs.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalent. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities, such as trade and other receivables and trade and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of Directors reviews and agrees policies for managing each of these risks and they are summarized below.

Interest rate risk

As at 31 December 2013, 2014 and 2015 and 30 June 2016, the Group had no interest-bearing bank borrowings and thus we are not subject to significant interest rate risk.

Foreign currency risk

As of 31 December 2013, 2014 and 2015 and 30 June 2016, our cash and bank balances dominated in a currency other than Renminbi amounted to nil, RMB1.6 millon, RMB20.4 million and RMB16.6 million, respectively. We are not subject to significant foreign currency risk.

Credit risk

The Group trades only with recognized and creditworthy third parties and related parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

All the Group's cash and cash equivalents are held in major financial institutions located in Mainland China, which do not have a recent history of default.

The carrying amounts of cash and cash equivalents, cash in transit, restricted cash, available-for-sale investments, rental deposits, due from the Controlling Shareholders, trade receivables and financial assets included in prepayments, deposits and other receivables included in the consolidated statements of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other financial assets which carry significant exposure to credit risk.

Liquidity risk

The Group's policy is to monitor regularly the current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

Group

	30 June 2016				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	18,843	48,761	—	—	67,604
Financial liabilities included in other payables and accruals	87,838	—	5,000	7,000	99,838
	106,681	48,761	5,000	7,000	167,442

	31 December 2015				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	9,828	40,038	—	—	49,866
Due to the Controlling Shareholders	7,575	—	—	—	7,575
Financial liabilities included in other payables and accruals	63,629	—	—	7,000	70,629
Due to a related party	202,771	—	—	—	202,771
	283,803	40,038	—	7,000	330,841

	31 December 2014				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	389	32,879	—	—	33,268
Due to the Controlling Shareholders	4,616	—	—	—	4,616
Financial liabilities included in other payables and accruals	41,153	—	—	—	41,153
Dividends payable	4,006	—	—	—	4,006
	50,164	32,879	—	—	83,043

	31 December 2013				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	433	23,783	—	—	24,216
Due to the Controlling Shareholders	982	—	—	—	982
Financial liabilities included in other payables and accruals	39,477	—	—	—	39,477
	40,892	23,783	—	—	64,675

Capital management

The preliminary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is interest-bearing bank borrowings less cash equivalent divided by the total equity. As at 31 December 2013, 2014 and 2015 and 30 June 2016, the Group had no interest-bearing bank borrowings and thus no gearing ratio was calculated.

39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 30 June 2016.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma data relating to our net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering on our net tangible assets as at 30 June 2016 as if the Global Offering had taken place on that date.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group attributable to the owners of the Company as at 30 June 2016 or any subsequent dates, including following the Global Offering.

	Audited consolidated net tangible assets of our Group attributable to the owners of the Company as at 30 June 2016	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of the Company	Unaudited pro forma adjusted net tangible assets per Share	
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB (Note 3)	HK$ equivalent (Note 4)
Based on an offer price of HK$5.80 per Share	759,961	2,012,089	2,772,050	1.20	1.39
Based on an offer price of HK$7.80 per Share	759,961	2,723,232	3,483,193	1.50	1.74

Notes:

1. The consolidated net tangible assets of our Group attributable to owners of the Company as of 30 June 2016 is extracted from "Appendix I — Accountants' Report" to this prospectus, which is based on the audited consolidated equity attributable to owners of the parent as of 30 June 2016 of RMB767,081,000 less intangible assets as of 30 June 2016 of RMB7,120,000.

2. The estimated net proceeds from the Global Offering are based on estimated offer prices of HK$5.80 or HK$7.80 per Share after deduction of the underwriting fees and other related expenses payable by our Company and 424,470,000 Shares expected to be issued under the Global Offering, taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option.

3. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 2,319,470,000 Shares are in issue assuming the Global Offering has been completed on 30 June 2016 and an Offer Price of HK$5.80 per Share, being the low end of the Offer Price range, and 2,319,470,000 Shares are in issue assuming that the Global Offering has been completed on 30 June 2016 and an Offer Price of HK$7.80 per Share, being the high end of the Offer Price range, excluding Shares which may be issued upon the exercise of the Over-allotment Option.
4. The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.00 to RMB0.8610.
5. No adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to 30 June 2016.

(B) LETTER FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from our independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus, in respect of the unaudited pro forma financial information of the Group.

22nd Floor, CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

The Directors
Zhou Hei Ya International Holdings Company Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Zhou Hei Ya International Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 30 June 2016, and related notes as set out in Part A of Appendix II to this Prospectus issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in note in Part A of Appendix II to this Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at 30 June 2016 as if the transaction had taken place at 30 June 2016. As part of this process, information about the Group's financial position, has been extracted by the Directors from the Group's financial statements for the year ended 30 June 2016, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the 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" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements 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 behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, 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 Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 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 accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by 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 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 Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if 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 transaction would have been as presented.

A reasonable assurance engagement to report on whether the 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 Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the 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 Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

ERNST & YOUNG
Certified Public Accountants
Hong Kong

1 November 2016

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this prospectus and received from DTZ Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the properties of the Group as at 30 September 2016.

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

1 November 2016

The Directors
Hubei Century Vision Trading Co., Ltd.
No. 72 Shenjiaji Avenue
Shenjiaji
Jiang'an District
Wuhan
Hubei Province
The People's Republic of China

Dear Sirs,

Instructions, Purpose and Date of Valuation

In accordance with the instructions from Hubei Century Vision Trading Co., Ltd. (the "Company") for us to value the property in which the Company and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC") (as more particularly described in the attached valuation certificates), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of such properties as at 30 September 2016.

Basis of Valuation

Our valuation of each property represents its market value which in accordance with The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Basis and Assumptions

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited and The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors.

Our valuations exclude any estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the properties in the PRC, we have assumed that, unless otherwise stated, the transferable land use rights in respect of each property for a specific term at nominal annual land use fee has been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Group and the Company's legal adviser regarding the title to the properties and the interests of the Group in the properties. In valuing the properties, we have assumed that the Group has an enforceable title to each property and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted.

In respect of the properties situated in the PRC, the status of titles and grant of major certificates approvals and licenses, in accordance with the information provided by the Group are set out in the notes of the valuation certificate.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Method of Valuation

Due to the specific nature of the properties and lack of sales transactions of properties of the same characteristics in the vicinity, we have adopted the Depreciated Replacement Costs ("DRC") Approach. The DRC Approach is based on an estimate of the market value of the land in its existing use, plus the current cost of replacement of the improvements, less allowance for physical deterioration and all relevant forms of obsolescence and optimization. For the land portion, we have made reference to comparable land sales evidence as available in the relevant market. The DRC Approach is subject to service potential of the entity from the use of assets as a whole.

The market value arrived using the DRC Approach applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

Source of Information

We have been provided by the Group with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Group and the Company's legal adviser, Commerce & Finance Law Offices regarding the title to the properties and the interests of the Group in the properties. In respect of the properties in the PRC, we have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, number of car parking spaces, particulars of occupancy, site and floor areas, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

Title Investigation

We have been provided with extracts of documents relating to the title of the properties in the PRC, but no searches have been made in respect of the properties. We have not searched the original documents to verify ownership or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the properties in the PRC and we have therefore relied on the advice given by the Group and the Company's legal adviser regarding the Group's interests in the PRC properties.

Site Inspection

Elvis Xia, Assistant Manager of DTZ Wuhan Office, inspected the exterior and, wherever possible, the interior of the properties on 12 April 2016. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out to any of the services. Moreover, we have not carried out any investigations on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period.

Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

Currency

Unless otherwise stated, all monetary sums stated in our valuations are in Renminbi ("RMB"), the official currency of the PRC.

We enclose herewith and our valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Cushman & Wakefield Limited
Andrew K.F. Chan
Registered Professional Surveyor (General Practice)
Registered China Real Estate Appraiser
MSc, MHKIS
Regional Director, Valuation & Advisory Services, Greater China

Note: Mr. Andrew K.F. Chan is a Registered Professional Surveyor who has over 29 years' experience in the valuation of properties in the PRC.

SUMMARY OF VALUATIONS

Property	Market value in existing state as at 30 September 2016	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 September 2016
	(RMB)	(%)	(RMB)
Group I — Completed property held by the Group for owner occupation in the PRC			
1. Phase 1 of Duck Products Deep Processing Project, Zoumaling Street, south of 13th Main Road and west of Huitong Avenue, Dongxihu District, Wuhan, Hubei Province, the PRC	95,400,000	100	95,400,000
Sub-total			**95,400,000**
Group II — Property held by the Group under development in the PRC			
2. Phase 2 of Duck Products Deep Processing Project, Zoumaling Street, south of 13th Main Road and west of Huitong Avenue, Dongxihu District, Wuhan, Hubei Province, the PRC	113,100,000	100	113,100,000
Sub-total			**113,100,000**
Total			**208,500,000**

VALUATION CERTIFICATE

Group I — Completed property held by the Group for owner occupation in the PRC

	Property	**Description and tenure**	**Particulars of occupancy**	**Market value in existing state as at 30 September 2016**
1.	Phase 1 of Duck Products Deep Processing Project, Zoumaling Street, south of 13th Main Road and west of Huitong Avenue, Dongxihu District, Wuhan, Hubei Province, the PRC	The property comprises an industrial development erected on a parcel of land with a total site area of 42,216.15 sq m. The property comprises six blocks of single to four storey industrial buildings having a total gross floor area of 44,987.23 sq m. and various ancillary building structures. The said buildings and structures were all completed in 2011. Pursuant to Building Ownership Certificates, the gross floor areas of the property are as follows:	As at the date of valuation, the property was occupied by the Group for industrial use.	RMB95,400,000 (100% interest attributable to the Company: RMB95,400,000) See note (1)

Use	**Gross Floor Area (sq m)**
Weighing Room	1,255.09
Material Warehouse	6,034.18
Auxiliary Material Warehouse	6,034.18
Boiler	601.26
Fire-pump Room	39.69
Workshop	31,022.83
Total	**44,987.23**

The land use rights of the property have been granted for a term of 50 years due to expire on 21 August 2060 for industrial use.

As advised by the Company, an extended structure of the existing boiler has not obtained the title documents.

Notes:

(1) In the course of our valuation, we have ascribed no commercial value to the aforesaid extended structure of the existing boiler without title documents.

(2) According to State-owned Land Use Rights Certificate No. (2010)070701788 dated 15 September 2010, the land use rights of the property with a site area of 42,216.15 sq m have been vested in Hubei Black Duck Food Industrial Park Co., Ltd. (湖北周黑鴨食品工業園有限公司) for a term due to expire on 21 August 2060 for industrial use.

(3) According to six Building Ownership Certificates, the construction works with a total gross floor area of 44,987.23 sq m have been vested in Black Duck Food Industrial Park of Hubei Co., Ltd. (湖北周黑鴨食品工業園有限公司).

Certificate No.	Issue Date	No. of Storey	Gross Floor Area (sq m)	Use
2015007164	10 June 2015	1	1,255.09	Others
2015007165	10 June 2015	4	6,034.18	Others
2015007166	10 June 2015	4	6,034.18	Others
2015007167	10 June 2015	4	31,022.83	Others
2015007162	10 June 2015	1	39.69	Others
2015007163	10 June 2015	1	601.26	Others
Total:			**44,987.23**	

(4) According to Planning Permit for Construction Use of Land No. 420112201000010 dated 6 July 2010, the construction project on the land with a total site area of 42,216.15 sq m is in compliance with the urban planning requirements and has been approved.

(5) According to two Planning Permits for Construction Works, the construction works with a total gross floor area of 43,038.98 sq m are in compliance with the urban planning requirements and have been approved.

Certificate No.	Issue Date	Gross Floor Area (sq m)	Use
420112201000115	13 October 2010	42,267.63	Workshop Weighing Room Material Warehouse Auxiliary Material Warehouse
420112201000116	13 October 2010	771.35	Boiler Fire-pump Room Two Gate Rooms
Total:		**43,038.98**	

(6) According to two Permits for Commencement of Construction Works, the construction works with a total gross floor area of 43,038.98 sq m are in compliance with the requirements for works commencement and have been permitted.

Certificate No.	Issue Date	Gross Floor Area (sq m)	Use
4201122010041300714BJ4001	14 December 2010	42,267.63	Workshop Weighing Room Material Warehouse Auxiliary Material Warehouse
4201122010092000114BJ4001	13 December 2010	771.35	Boiler Fire-pump Room Two Gate Rooms
Total:		**43,038.98**	

(7) According to six Filing Certificates for Construction Completion, the construction works with a total gross floor area of 42,905.38 sq m passed acceptance inspection.

Certificate No.	Issue Date	No. of Storey	Gross Floor Area (sq m)	Use
09-13-0315	26 November 2013	1	1,300.69	Weighing Room
09-13-0316	26 November 2013	4	6,061.72	Auxiliary Material Warehouse
09-13-0317	26 November 2013	4	6,061.72	Material Warehouse
09-13-0318	26 November 2013	4	28,843.50	Workshop
09-13-0319	26 November 2013	1	38.94	Fire-pump Room
09-13-0320	26 November 2013	1	598.81	Boiler
Total:			**42,905.38**	

(8) According to Business License No. 91420112691891139B, Black Duck Food Industrial Park of Hubei Co., Ltd. (湖北周黑鴨食品工業園有限公司) has been established as a limited company with a registered capital of RMB62,500,000 for a period from 4 September 2009 to 3 September 2019.

(9) We have been provided with a legal opinion on the property prepared by the Company's PRC legal adviser, which contains, inter alia, the following information:

(i) The State-owned Land Use Rights Certificate of the property is valid, legal and enforceable under the PRC law;

(ii) Black Duck Food Industrial Park of Hubei Co., Ltd. (湖北周黑鴨食品工業園有限公司) is the sole legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property; and

(iii) Black Duck Food Industrial Park of Hubei Co., Ltd. (湖北周黑鴨食品工業園有限公司) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.

(10) The status of title and grant of major approvals and licenses in accordance with the information provided by the Company are as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Filing Certificate for Construction Completion	Yes
Business License	Yes

(11) In valuing the property, we have assumed from RMB391 per sq m on site area basis for the land portion of the property.

In undertaking our valuation, we have made reference to sales prices of land within the same district which have characteristics comparable to the property. The prices of similar parcels of land range from about RMB408 to RMB430 per sq m on site area basis.

The unit rate assumed by us are consistent with the relevant comparables after due adjustments.

VALUATION CERTIFICATE

Group II — Property held by the Group under development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2016
2.	Phase 2 of Duck Products Deep Processing Project, Zoumaling Street, south of 13th Main Road and west of Huitong Avenue, Dongxihu District, Wuhan, Hubei Province, the PRC	The property comprises an industrial development under construction erected upon 2 parcels of land with a total site area of 53,556.76 sq m. According to the information provided by the Company, the property will be developed into various industrial buildings and ancillary buildings with a total planned gross floor area of 42,426.90 sq m. Pursuant to Planning Permit for Construction Works, the planned gross floor areas of the property are as follows:	As at the date of valuation, the property was under construction and scheduled to be completed in phases with the earliest portions by the end of 2016.	RMB113,100,000 (100% interest attributable to the Company: RMB113,100,000) See note (1)

Planned Use	Planned Gross Floor Area (sq m)
Workshop	27,059.75
Basement Workshop	699.63
Office	7,369.00
Activity Center	6,192.00
Archway and Ancillary Workshop	1,056.52
Gate House 1	25.00
Gate House 2	25.00
Total	**42,426.90**

The land use rights of the property have been granted for terms of 50 years from 16 March 2062 and 4 November 2063 respectively for industrial use.

As advised by the Company, a sewage treatment station has not obtained the title documents.

Notes:

(1) In the course of our valuation, we have ascribed no commercial value to the aforesaid sewage treatment station without title documents.

(2) According to two State-owned Land Use Rights Certificates, the land use rights of the property have been vested in Hubei Black Duck Food Industrial Park Co., Ltd. (湖北周黑鴨食品工業園有限公司) with details as follows:

Certificate No.	Issue Date	Use	Expiry Date of Land Use Term	Site Area (sq m)
(2012) 070701787	1 August 2012	Industrial	16 March 2062	11,812.60
(2013) 070701787	24 December 2013	Industrial	4 November 2063	41,744.16
Total:				**53,556.76**

(3) According to two Planning Permits for Construction Use of Land, the construction project on the land for industrial use with a total site area of 53,556.76 sq m is in compliance with the urban planning requirements and has been approved.

Certificate No.	Issue Date	Use	Site area (sq m)
420112201200038	13 June 2012	Industrial	11,812.60
420112201300097	6 December 2013	Industrial	41,744.16
Total:			**53,556.76**

(4) According to Planning Permit for Construction Works No. 420112201300167 dated 13 January 2014, the construction works with a total gross floor area of 42,426.90 sq m (including 699.63 sq m of basement workshop) are in compliance with the urban planning requirements and have been approved.

(5) According to Permit for Commencement of Construction Works No. 4201122013110800214BJ4001 dated 10 December 2014, the construction works of the workshops with a total gross floor area of 27,759.38 sq m (including 699.63 sq m of basement workshop) are in compliance with the requirements for works commencement and have been permitted.

(6) As advised by the Group, the expended construction cost of the property as at the date of valuation was approximately RMB72,000,000. We have included such amount in our valuation.

(7) According to Business License No. 91420112691891139B, Black Duck Food Industrial Park of Hubei Co., Ltd. (湖北周黑鴨食品工業園有限公司) has been established as a limited company with a registered capital of RMB62,500,000 for a period from 4 September 2009 to 3 September 2019.

(8) We have been provided with a legal opinion on the property prepared by the Company's PRC legal adviser, which contains, inter alia, the following information:

(i) The State-owned Land Use Rights Certificates of the property are valid, legal and enforceable under the PRC law;

(ii) Black Duck Food Industrial Park of Hubei Co., Ltd. (湖北周黑鴨食品工業園有限公司) is the sole legal land user of the property and has obtained the relevant certificates and approval from the government in respect of the construction of the property; and

(iii) Black Duck Food Industrial Park of Hubei Co., Ltd. (湖北周黑鴨食品工業園有限公司) has the rights to freely lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.

(9) The status of title and grant of major approvals and licenses in accordance with the information provided by the Company are as follows:

State-owned Land Use Rights Certificate	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes (part)
Business License	Yes

(10) In valuing the property, we have assumed from RMB396 per sq m on site area basis for the land portion of the property.

In undertaking our valuation, we have made reference to sales prices of land within the same district which have characteristics comparable to the property. The prices of similar parcels of land range from about RMB408 to RMB430 per sq m on site area basis.

The unit rate assumed by us are consistent with the relevant comparables after due adjustments.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Companies Law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 13 May 2015 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on October 24, 2016. A summary of certain provisions of the Articles is set out below.

(a) *Shares*

(i) Classes of shares

The share capital of the Company consists of one single class of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified 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 general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date 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; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

(iv) Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognize any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, 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 Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) ***Directors***

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after dispatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(aa) resign;

(bb) dies;

(cc) is declared to be of unsound mind and the Board resolves that his office be vacated;

(dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) he is prohibited from being or ceases to be a director by operation of law;

(ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board 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 among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. 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.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present 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 or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(aa) the giving of any security or indemnity to the Director or his close associate(s) 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;

(bb) 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 his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) 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 his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub- underwriting of the offer;

(dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates 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 his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(c) ***Proceedings of the Board***

The Board may meet anywhere in the world for the dispatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. 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.

(d) ***Alterations to the constitutional documents and the Company's name***

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(e) ***Meetings of member***

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorized 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.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is 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 members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorized corporate representative):

(A) at least two members;

(B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorized as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized in accordance with this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that 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.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorized by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 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 must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) 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 holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) 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, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorized officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favor of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(f) ***Accounts and audit***

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorized by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarized financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(g) ***Dividends and other methods of distribution***

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members 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 Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. 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.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(h) ***Inspection of corporate records***

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(i) ***Rights of minorities in relation to fraud or oppression***

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(j) ***Procedures on liquidation***

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution among the members as such are 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 in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(k) ***Subscription rights reserve***

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANIES LAW

The Company was incorporated in the Cayman Islands as an exempted company on 13 May 2015 subject to the Cayman Companies Law. Certain provisions of Cayman Companies Law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) ***Company operations***

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also 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 amount of its authorized share capital.

(b) ***Share capital***

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the 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, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Cayman Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, 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.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) ***Financial assistance to purchase shares of a company or its holding company***

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) ***Purchase of shares and warrants by a company and its subsidiaries***

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized 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 member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorize the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, 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 issued shares of the company other than shares held as treasury shares. In addition, 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.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Sections 37A(1)(a) and 37A(1)(b) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) ***Dividends and distributions***

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) ***Protection of minorities and shareholders' suits***

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court 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 the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, 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.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) ***Disposal of assets***

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) ***Accounting and auditing requirements***

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

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.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) ***Exchange control***

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) ***Taxation***

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

(i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from June 7, 2016.

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 for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) ***Stamp duty on transfers***

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) ***Loans to directors***

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) ***Inspection of corporate records***

The members of a company have no general right 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.

(n) ***Register of members***

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in 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. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) ***Register of Directors and officers***

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) ***Winding up***

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s).The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) ***Reconstructions***

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are 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 member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) ***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 that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the 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 members.

(s) ***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, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

We were incorporated in the Cayman Islands under Cayman Companies Law as an exempted company with limited liability on May 13, 2015. We have established a principal place of business in Hong Kong at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on December 29, 2015. Mr. HAO Lixiao and Ms. LI Oi Lai have been appointed as the authorized representatives of our Company for the acceptance of service of process and notices in Hong Kong.

As we were incorporated in the Cayman Islands, our corporate structure and Memorandum and Articles of Association are subject to the relevant laws and regulations of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and of the Memorandum and Articles of Association is set out in "Summary of the Constitution of Our Company and Cayman Companies Law" in Appendix IV to this prospectus.

2. Changes in the Share Capital of Our Company

As of the date of incorporation of our Company, our Company had an authorized share capital of US$50,000, divided into 5,000,000 shares of US$0.01 each.

The following changes in the share capital of our Company have taken place since the date of incorporation of our Company up to the date of this prospectus:

- On May 13, 2015, we allotted and issued one subscriber's share at par of US$0.01 to Walkers Nominees Limited. On May 15, 2015, the one subscriber's share was transferred to BVI Holdco I at par of US$0.01;

- On June 18, 2015, we allotted and issued 62,839 Shares, 1,714 Shares, 7,200 Shares, 13,136 Shares, 9,651 Shares and 5,459 Shares to BVI Holdco I, BVI Holdco II, BVI Holdco III, BVI Holdco IV, Tiantu Investments and Rosy Result, respectively; and

- On October 24, 2016, we subdivided each of its issued and unissued shares of par value US$0.01 each into 10,000 Shares of par value US$0.000001 each, such that following the sub-division, the authorized share capital of our Company is US$50,000 divided into 50,000,000,000 Shares of par value US$0.000001 each.

Immediately following the Capitalization Issue and completion of the Global Offering but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, the issued share capital of our Company will be US$2,319.47, divided into 2,319,470,000 Shares of US$0.000001 each, all fully paid or credited as fully paid and 47,680,530,000 shares of US$0.000001 each will remain unissued.

Save as disclosed above and as mentioned in "— 3. Resolutions in Writing of the Shareholders of Our Company" below, there has been no alteration in the share capital of our Company since our incorporation.

3. Resolutions in Writing of the Shareholders of Our Company

Pursuant to the written resolutions passed by the Shareholders on October 24, 2016:

(a) our Company subdivided each existing issued and unissued share of par value US$0.01 each into 10,000 Shares of par value US$0.000001 each, such that following the subdivision, the authorized share capital of our Company is US$50,000 divided into 50,000,000,000 Shares of par value US$0.000001 each;

(b) our Company approved and adopted the Memorandum and Articles of Association conditional upon Listing;

(c) conditional on the share premium account of the Company being credited as a result of the issue of the Offer Shares by the Company pursuant to the Global Offering, the Directors were authorized to capitalize US$895 standing to the credit of the share premium account of the Company by applying such sum to pay up in full at par 895,000,000 Shares for allotment and issue to the persons whose names appear on the register of members of the Company at the close of business on the date immediately preceding the date on which the Global Offering becoming unconditional in accordance with their respective shareholdings (as nearly as possible without involving fractions) in the Company or in accordance with the direction of such member;

(d) conditional on (1) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, (2) the Offer Price being fixed on the Price Determination Date and (3) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:

(i) the Global Offering was approved and the Directors were authorized to allot and issue the new Shares pursuant to the Global Offering;

(ii) the granting of the Over-allotment Option was approved;

(iii) the proposed Listing was approved and the Directors were authorized to implement the Listing;

(iv) a general unconditional mandate was granted to the Directors to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by the Directors other than pursuant to (a) a rights issue, (b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or (c) the exercise of any subscription or conversion rights attaching to any warrants or securities which are convertible into Shares or in issue prior to the date of passing the relevant resolution or (d) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of (1) 20% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Capitalization Issue and the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option) and (2) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in paragraph (vi) below, such mandate to remain in effect during the period from the passing of the resolution until the earliest of the conclusion of our next annual general meeting, the end of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting and the date on which the resolution is varied or revoked by an ordinary resolution of the Shareholders in general meeting (the "Applicable Period");

(v) a general unconditional mandate was granted to the Directors to exercise all powers of our Company to repurchase 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 SFC and the Stock Exchange for this purpose Shares with a total nominal value of not more than 10% of the total nominal value of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option), such mandate to remain in effect during the Applicable Period; and

(vi) the general unconditional mandate mentioned in paragraph (iv) above be extended by the addition to the aggregate nominal amount of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (v) above, provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the Company's share capital in issue immediately following completion of the Capitalization Issue and the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

4. Our Corporate Reorganization

The companies comprising the Group underwent the Reorganization in preparation for the Listing. See "Our History and Development — Reorganization" in this prospectus for further details.

5. Changes in the Share Capital of Our Subsidiaries

Our subsidiaries are referred to in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountants' Report, we do not have any other subsidiaries.

The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

- On June 8, 2015, the registered capital of Hubei Industrial Park was increased from RMB50,000,000 to RMB62,500,000, which was capitalized from statutory reserves.

- On January 13, 2016, the registered capital of Hubei Shiji Yuanjing was increased from RMB500,000 to RMB5,000,000, with the payment to be completed by ZHY Management by January 19, 2017.

- On February 16, 2016, the registered capital of Henan ZHY was increased from RMB1,000,000 to RMB5,000,000, with the payment to be completed by ZHY Management by October 1, 2022.

- On February 24, 2016, the registered capital of Hunan Quanfuyu was increased from RMB2,010,000 to RMB5,000,000, with the payment to be completed by ZHY Management by December 31, 2017.

- On February 24, 2016 , the registered capital of Chongqing ZHY Foods was increased from RMB500,000 to RMB5,000,000, with the payment to be completed by ZHY Management by December 22, 2016.

- On February 23, 2016, the registered capital of Shenzhen Shiji Development was increased from RMB500,000 to RMB5,000,000, with the payment to be completed by ZHY Management by April 27, 2040.

- On February 25, 2016, the registered capital of Guangzhou Fuxinxianghe was increased from RMB500,000 to RMB5,000,000, with the payment to be completed by ZHY Management by October 1, 2017.

- On February 25, 2016, the registered capital of Tianjin ZHY was increased from RMB1,000,000 to RMB5,000,000, which was paid up in cash.

- On March 1, 2016, the registered capital of Jiangxi Yuanjing was increased from RMB2,000,000 to RMB5,000,000, with the payment to be completed by ZHY Management by December 31, 2016.

- On March 1, 2016, the registered capital of Sichuan ZHY was increased from RMB2,000,000 to RMB5,000,000, with the payment to be completed by ZHY Management by December 10, 2025.

- On March 2, 2016, the registered capital of Shanghai ZHY was increased from RMB500,000 to RMB5,000,000, with the payment to be completed by ZHY Management by April 18, 2021.

- On March 3, 2016, the registered capital of Beijing ZHY was increased from RMB1,000,000 to RMB5,000,000, which was paid up in cash.

- On March 4, 2016, the registered capital of Dongguan Pengyu was increased from RMB500,000 to RMB5,000,000, with the payment to be completed by ZHY management by June 2, 2043.

Save as disclosed above, there have been no alterations in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

7. Repurchases of Our Own Securities

(a) ***Provisions of the Listing Rules***

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) *Shareholders' Approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange 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 then Shareholders on October 24, 2016, a general unconditional mandate (the "Repurchase Mandate") was given to the Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), such mandate to expire at the conclusion of our next annual general meeting, the expiration of the period within which we are required by any applicable laws or our Articles of Association to hold our next annual general meeting or the date on which the resolution is varied or revoked by an ordinary resolution of Shareholders in general meeting, whichever is the earliest.

(ii) *Source of Funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and the Articles of Association, the Listing Rules and the applicable laws 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 as amended from time to time. Subject to the foregoing, any repurchases by our Company may be made out of the profits of our Company, out of the share premium account of our Company or out of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Companies Law and the Memorandum and the Articles of Association, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Cayman Companies Law and the Memerandum and the Articles of Association, out of capital.

(iii) *Trading Restrictions*

The total number of shares which a listed 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. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 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 a listed company from repurchasing its securities if the repurchase would result in the number of listed securities 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 cancelled and the certificates for those securities must be cancelled and destroyed.

(v) *Suspension of Repurchase*

A listed company may not make any repurchase of securities at any time after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) 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 a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed 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, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) *Reporting Requirements*

Certain information relating to repurchases of securities 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 following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities 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 repurchases, where relevant, and the aggregate prices paid.

(vii) *Connected Persons*

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person (as defined in the Listing Rules) and a core connected person is prohibited from knowingly selling his securities to the listed company.

(b) Reasons for Repurchases

The Directors believe that the ability to repurchase Shares is in the interests of our Company and the Shareholders. Repurchases may, depending on market conditions, funding arrangements and other circumstances, result in an increase in the net assets and/or earnings per Share. Our Directors sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. 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 the Directors at the relevant time having regard to the circumstances then pertaining. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of Repurchases

In repurchasing securities, our Company may only apply funds lawfully available for such purpose in accordance with its Memorandum and Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

There could be a material adverse impact on the working capital and/or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, the Directors do not propose to exercise the general mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the repurchase mandate, on the basis of 2,319,470,000 Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering and assuming the Over-allotment Option is not exercised, could accordingly result in up to approximately 231,947,000 Shares being repurchased by our Company during the period prior to:

(i) the conclusion of our next annual general meeting; or

(ii) the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or

(iii) the date when the repurchase mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company or our subsidiaries.

The 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 in the Cayman Islands.

No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

If, as a result of any repurchase of Shares pursuant to the repurchase mandate, 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. Save as aforesaid, the 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 that results in the number of Shares held by the public falling below 25% of the total number of Shares in issue, being the relevant minimum prescribed percentage as required by the Stock Exchange, could only be implemented if the Stock Exchange agreed to waive the requirement regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the repurchase mandate to such an extent that, under the circumstances, there would be insufficient public float as prescribed under the Listing Rules.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

(a) the Hong Kong Underwriting Agreement;

(b) the Deed of Non-Competition; and

(c) the Deed of Indemnity.

2. Intellectual Property Rights of the Group

As of the Latest Practicable Date, we have registered or have applied for the registration of the following intellectual property rights which are material in relation to our business.

(a) *Trademarks*

As of the Latest Practicable Date, we have registered the following trademarks which are material to our business:

No.	Trademarks	Class	Registered owner	Place of Registration	Registration number	Registration date	Expiry date
1		16	ZHY Development	PRC	7942509	February 21, 2011	February 20, 2021
2		25	ZHY Development	PRC	7942528	August 14, 2012	August 13, 2022
3		29	ZHY Development	PRC	7936086	October 28, 2012	October 27, 2022
4		29	ZHY Development	PRC	13015838	March 28, 2015	March 27, 2025
5		30	ZHY Development	PRC	13017215	December 21, 2014	December 20, 2024
6		35	ZHY Development	PRC	7936081	March 7, 2011	March 6, 2021
7		40	ZHY Development	PRC	14599841	July 21, 2015	July 20, 2025
8		42	ZHY Development	PRC	14599844	July 21, 2015	July 20, 2025
9		43	ZHY Development	PRC	7932835	January 28, 2012	January 27, 2022

No.	Trademarks	Class	Registered owner	Place of Registration	Registration number	Registration date	Expiry date
10		29	ZHY Development	PRC	14599830	September 21, 2015	September 20, 2025
11		35	ZHY Development	PRC	14599836	September 21, 2015	September 20, 2025
12	周黑鸭	29	ZHY Development	PRC	6036810	January 7, 2010	January 6, 2020
13	周黑鸭	43	ZHY Development	PRC	6036809	March 21, 2010	March 20, 2020
14	周黑鸭 ZHOU HEI YA	29	ZHY Development	PRC	6313764	October 7, 2010	October 6, 2020
15		29	ZHY Development	PRC	6313769	October 7, 2009	October 6, 2019
16		29	ZHY Development	PRC	6716522	April 7, 2011	April 6, 2021
17		30	ZHY Development	PRC	6716520	May 7, 2011	May 6, 2021
18		35	ZHY Development	PRC	6716517	September 7, 2010	September 6, 2020
19		40	ZHY Development	PRC	6716515	June 7, 2010	June 6, 2020
20		43	ZHY Development	PRC	6716511	October 14, 2010	October 13, 2020
21		29	ZHY Development	PRC	6716524	March 28, 2010	March 27, 2020

No.	Trademarks	Class	Registered owner	Place of Registration	Registration number	Registration date	Expiry date
22		30	ZHY Development	PRC	6716519	July 7, 2010	July 6, 2020
23		35	ZHY Development	PRC	6716518	September 7, 2010	September 6, 2020
24		40	ZHY Development	PRC	6716514	April 14, 2010	April 13, 2020
25		43	ZHY Development	PRC	6716512	May 14, 2010	May 13, 2020
26	周记黑鸭	29	ZHY Development	PRC	6720418	July 14, 2011	July 13, 2021
27	ZHY	29	ZHY Development	PRC	7221911	April 21, 2011	April 20, 2021
28	ZHY	30	ZHY Development	PRC	7221910	August 21, 2011	August 20, 2021
29	ZHY	31	ZHY Development	PRC	7221909	March 7, 2011	March 6, 2021
30	ZHY	35	ZHY Development	PRC	7221908	September 14, 2010	September 13, 2020
31	ZHY	40	ZHY Development	PRC	7221907	September 28, 2010	September 27, 2020
32	ZHY	43	ZHY Development	PRC	7221906	September 7, 2010	September 6, 2020
33		29	ZHY Development	PRC	7525983	August 28, 2013	August 27, 2023
34		30	ZHY Development	PRC	7526035	October 28, 2010	October 27, 2020

No.	Trademarks	Class	Registered owner	Place of Registration	Registration number	Registration date	Expiry date
35	周黑鸭	29	ZHY Development	PRC	7932855	October 28, 2012	October 27, 2022
36	周黑鸭	30	ZHY Development	PRC	6313767	February 21, 2010	February 20, 2020
37	周黑鸭	31	ZHY Development	PRC	6313768	October 7, 2009	October 6, 2019
38	周黑鸭	35	ZHY Development	PRC	7936074	March 7, 2011	March 6, 2021
39	周黑鸭	40	ZHY Development	PRC	6313765	March 28, 2010	March 27, 2020
40	周黑鸭	43	ZHY Development	PRC	6313766	March 28, 2010	March 27, 2020
41	鸭太郎	29	ZHY Development	PRC	7986032	January 7, 2014	January 6, 2024
42		29	ZHY Development	PRC	9008156	April 21, 2012	April 20, 2022
43		30	ZHY Development	PRC	9013046	January 14, 2012	January 13, 2022
44		35	ZHY Development	PRC	9013160	January 14, 2012	January 13, 2022
45	Jokii	29	ZHY Development	PRC	9331306	April 28, 2012	April 27, 2022
46	Jokii	35	ZHY Development	PRC	9331355	April 21, 2012	April 20, 2022
47	Jokii	43	ZHY Development	PRC	9331399	April 21, 2012	April 20, 2022

No.	Trademarks	Class	Registered owner	Place of Registration	Registration number	Registration date	Expiry date
48	周黑鸭	29	ZHY Development	PRC	9331176	March 7, 2014	March 6, 2024
49	周黑鸭	35	ZHY Development	PRC	9331225	April 21, 2012	April 20, 2022
50	周黑鸭	43	ZHY Development	PRC	9331263	May 28, 2012	May 27, 2022
51	周黑鸭	29	ZHY Development	PRC	9331290	March 7, 2014	March 6, 2024
52	周黑鸭	35	ZHY Development	PRC	9331343	April 21, 2012	April 20, 2022
53	周黑鸭	43	ZHY Development	PRC	9331382	May 28, 2012	May 27, 2022
54	周鸭脖	29	ZHY Development	PRC	9938092	January 7, 2013	January 6, 2023
55	周鸭脖	35	ZHY Development	PRC	9942682	November 14, 2012	November 13, 2022
56	周鸭脖	43	ZHY Development	PRC	9942748	May 14, 2013	May 13, 2023
57	周鸭	29	ZHY Development	PRC	9938108	October 28, 2013	October 27, 2023
58	周鸭	35	ZHY Development	PRC	9942701	November 14, 2012	November 13, 2022
59	周鸭王	29	ZHY Development	PRC	10063414	December 7, 2012	December 6, 2022
60	周鸭王	35	ZHY Development	PRC	10063533	December 7, 2012	December 6, 2022
61	周鸭王	43	ZHY Development	PRC	10063627	December 7, 2012	December 6, 2022

No.	Trademarks	Class	Registered owner	Place of Registration	Registration number	Registration date	Expiry date
62	周黄鸭	29	ZHY Development	PRC	10063448	December 7, 2012	December 6, 2022
63	周黄鸭	35	ZHY Development	PRC	10063552	April 21, 2013	April 20, 2023
64	周红鸭	29	ZHY Development	PRC	10063493	December 7, 2012	December 6, 2022
65	周红鸭	35	ZHY Development	PRC	10063591	December 7, 2012	December 6, 2022
66	周鸭子	35	ZHY Development	PRC	9938144	November 14, 2012	November 13, 2022
67	周鸭子	43	ZHY Development	PRC	9942739	May 14, 2013	May 13, 2023
68	周白鸭	35	ZHY Development	PRC	10063569	December 7, 2012	December 6, 2022
69	黑鸭	29	ZHY Development	PRC	9307251	February 7, 2013	February 6, 2023
70	黑鸭	43	ZHY Development	PRC	9307310	June 14, 2012	June 13, 2022
71	SUOXIAN	29	ZHY Development	PRC	13403628	January 28, 2015	January 27, 2025
72	SUOXIAN	35	ZHY Development	PRC	13403627	February 21, 2015	February 20, 2025
73	第一家周黑鸭	32	ZHY Development	PRC	8592945	January 14, 2012	January 13, 2022
74	第一家周黑鸭	35	ZHY Development	PRC	8592943	December 28, 2011	December 27, 2021
75	周记黑鸭	35	ZHY Development	PRC	4556063	January 7, 2009	January 6, 2019

No.	Trademarks	Class	Registered owner	Place of Registration	Registration number	Registration date	Expiry date
76	周记黑鸭	40	ZHY Development	PRC	5252365	September 21, 2009	September 20, 2019
77	周黑鸭	35	ZHY Development	PRC	4685626	April 7, 2009	April 6, 2019
78	周氏黑鸭	35	ZHY Development	PRC	6323176	September 7, 2010	September 6, 2020
79	好礼周到家 就送周黑鸭	35	ZHY Development	PRC	7927364	March 14, 2011	March 13, 2021
80	好礼周到家 就送周黑鸭	43	ZHY Development	PRC	7927382	March 14, 2011	March 13, 2021
81	zhou hei ya	35	ZHY Development	PRC	7932634	March 7, 2011	March 6, 2021
82	zhou hei ya	43	ZHY Development	PRC	7932652	March 7, 2011	March 6, 2021
83	甲鸟	35	ZHY Development	PRC	9646983	July 28, 2012	July 27, 2022
84	鸭太郎 TARO DUCK	40	ZHY Development	PRC	9646889	August 14, 2012	August 13, 2022
85	鸭太郎 TARO DUCK	41	ZHY Development	PRC	9646942	September 28, 2012	September 27, 2022
86	鸭太郎 TARO DUCK	43	ZHY Development	PRC	9646718	February 28, 2014	February 27, 2024
87	yakoo	30	ZHY Development	PRC	13402950	April 7, 2015	April 6, 2025
88	yakoo	32	ZHY Development	PRC	13403625	April 7, 2015	April 6, 2025

(b) *Domain Names*

As of the Latest Practicable Date, we have registered the following domain names which are material to our business:

No.	Domain name	Registrant	Registration date	Expiry date
1	湖北周黑鸭.中国	Hubei Industrial Park	February 21, 2009	February 21, 2018
2	湖北周黑鸭.com	Hubei Industrial Park	February 21, 2009	February 21, 2018
3	周黑鸭.中国	Hubei Industrial Park	March 13, 2007	March 13, 2018
4	鸭子.中国	Hubei Industrial Park	March 13, 2007	March 13, 2018
5	zhouheiya.中国	Hubei Industrial Park	February 12, 2014	February 12, 2019
6	周黑鸭.net	Hubei Industrial Park	January 8, 2014	January 8, 2019
7	hbzhouheiya.com	Hubei Industrial Park	February 21, 2009	February 21, 2020
8	chinazhouheiya.com	Hubei Industrial Park	February 21, 2009	February 21, 2020
9	hbzhouheiya.com.cn	Hubei Industrial Park	February 21, 2009	February 21, 2020
10	zhouheiya.cn	Hubei Industrial Park	March 17, 2007	March 17, 2024
11	zhouheiya.biz	Hubei Industrial Park	January 8, 2014	January 8, 2019
12	zhouheiya.co	Hubei Industrial Park	January 8, 2014	January 8, 2019
13	zhouheiya.me	Hubei Industrial Park	January 8, 2014	January 8, 2019
14	zhouheiya.name	Hubei Industrial Park	January 8, 2014	January 8, 2019
15	zhouheiya.net.cn	Hubei Industrial Park	January 8, 2014	January 8, 2019
16	zhouheiya.org.cn	Hubei Industrial Park	January 8, 2014	January 8, 2019
17	zhouheiya.so	Hubei Industrial Park	January 8, 2014	January 8, 2019
18	zhouheiya.tel	Hubei Industrial Park	January 8, 2014	January 8, 2019
19	zhouheiya.tv	Hubei Industrial Park	January 8, 2014	January 8, 2019
20	周黑鸭.tv	Hubei Industrial Park	January 8, 2014	January 8, 2019

No.	Domain name	Registrant	Registration date	Expiry date
21	周黑鸭.biz	Hubei Industrial Park	January 8, 2014	January 8, 2019
22	周黑鸭.cc	Hubei Industrial Park	January 8, 2014	January 8, 2019
23	zhouheiya.tm	Hubei Industrial Park	December 27, 2013	December 27, 2023
24	周黑鸭.tm	Hubei Industrial Park	December 27, 2013	December 27, 2023
25	zhy.中国	Hubei Industrial Park	March 13, 2014	March 13, 2019
26	zhy.ac.cn	Hubei Industrial Park	March 13, 2014	March 13, 2019
27	zhy.org.cn	Hubei Industrial Park	March 13, 2014	March 13, 2019
28	zhy.hk	Hubei Industrial Park	March 13, 2014	March 13, 2020
29	zhy.asia	Hubei Industrial Park	March 13, 2014	March 13, 2019
30	zhy.so	Hubei Industrial Park	March 13, 2014	March 13, 2019
31	zhy.la	Hubei Industrial Park	March 13, 2014	March 13, 2019
32	zhy.mobi	Hubei Industrial Park	March 13, 2014	March 13, 2019
33	周黑鸭.la	Hubei Industrial Park	March 13, 2014	March 13, 2019
34	周黑鸭.pw	Hubei Industrial Park	March 13, 2014	March 13, 2019
35	周黑鸭.name	Hubei Industrial Park	March 13, 2014	March 13, 2019
36	zhouheiya.la	Hubei Industrial Park	March 13, 2014	March 13, 2019
37	zhouheiya.pw	Hubei Industrial Park	March 13, 2014	March 13, 2019
38	zhouheiya.ac.cn	Hubei Industrial Park	December 23, 2014	December 23, 2019

(c) *Patents*

As of the Latest Practicable Date, we have registered the following patents which are material to our business:

No.	Title of invention	Registered owner	Registration number	Place of registration	Filing date	Expiry date
1	一種通過 MicroGARD 730 延長熟鹵製品保質期的方法 (translated as "a method that extends the preservative period of the braised food through the use of MicroGARD 730")	Hubei Industrial Park	201310731000.4	PRC	December 26, 2013	December 25, 2033
2	一種延長熟鹵製品保質期的包裝方法 (translated as "a packaging method that extends the preservative period of the braised food")	Hubei Industrial Park	201310730998.6	PRC	December 26, 2013	December 25, 2033
3	一種肉製品用天然防腐劑以及使用方法 (translated as "a method that applies natural preservative to meat products")	Hubei Industrial Park	201110072063.4	PRC	March 24, 2011	March 23, 2031
4	滾筒式食品分選篩 (translated as "a tumbling food sieving method")	Hubei Industrial Park	201420597921.6	PRC	October 15, 2014	October 14, 2024
5	一種膜面打碼機構 (translated as "a machine that prints the code on the cover")	Hubei Industrial Park	201420596147.7	PRC	October 15, 2014	October 14, 2024
6	連續式包裝袋填料裝置 (translated as "continuous packaging and filling machine")	Hubei Industrial Park	201520466274.X	PRC	July 2, 2015	July 1, 2025
7	拉伸膜氣調包裝機 (translated as "stretched air packaging machine")	Hubei Industrial Park	201520369097.3	PRC	June 2, 2015	June 1, 2025
8	透明塑料包裝盒(周黑鴨) (translated as "transparent plastic packaging box (Zhou Hei Ya)")	Hubei Industrial Park	201330231069.1	PRC	June 5, 2013	June 4, 2023
9	包裝盒(周黑鴨經典禮盒) (translated as "packaging box (Zhou Hei Ya Classic gift box)")	Hubei Industrial Park	201430294129.9	PRC	August 19, 2014	August 18, 2024
10	鎖鮮裝包裝盒(周黑鴨) (translated as "keep-fresh packaging box (Zhou Hei Ya)")	Hubei Industrial Park	201430244208.9	PRC	July 18, 2014	July 17, 2024

No.	Title of invention	Registered owner	Registration number	Place of registration	Filing date	Expiry date
11	包裝盒（周黑鴨時尚禮盒）(translated as "packaging box (Zhou Hei Ya fashion gift box)")	Hubei Industrial Park	201430294106.8	PRC	August 19, 2014	August 18, 2024
12	包裝盒（周黑鴨尊享禮盒）(translated as "packaging box (Zhou Hei Ya exclusive gift box)")	Hubei Industrial Park	201430294108.7	PRC	August 19, 2014	August 18, 2024
13	包裝袋（周黑鴨精裝系列）(translated as "packaging bag (Zhou Hei Ya deluxe series)")	Hubei Industrial Park	201430294109.1	PRC	August 19, 2014	August 18, 2024
14	包裝袋（周黑鴨彩包系列）(translated as "packaging bag (Zhou Hei Ya color series)")	Hubei Industrial Park	201430294119.5	PRC	August 19, 2014	August 18, 2024
15	包裝盒（周黑鴨精裝禮盒系列）(translated as "packaging box (Zhou Hei Ya deluxe gift box series)")	Hubei Industrial Park	201430294095.3	PRC	August 19, 2014	August 18, 2024
16	牆紙 (translated as " wallpaper")	Hubei Industrial Park	201330522164.7	PRC	November 1, 2013	October 31, 2023
17	包裝袋（豬蹄）(translated as "packaging bag (pork knuckle)")	Hubei Industrial Park	201430294110.4	PRC	August 19, 2014	August 18, 2024
18	包裝袋（鴨掌）(translated as "packaging bag (duck feet) ")	Hubei Industrial Park	201430294116.1	PRC	August 19, 2014	August 18, 2024
19	一種加工海帶的鹵料及方法 (translated as "a braising ingredient and method to process kelp")	Hubei Industrial Park	201410617505.2	PRC	November 5, 2014	November 4, 2034
20	包裝袋（鴨舌）(translated as "packaging bag (duck tongue)")	Hubei Industrial Park	201430294120.8	PRC	August 19, 2014	August 18, 2024
21	包裝袋（鴨肫）(translated as "packaging bag (duck stomach)")	Hubei Industrial Park	201430294123.1	PRC	August 19, 2014	August 18, 2024
22	包裝袋（鴨腿）(translated as "packaging bag (duck leg)")	Hubei Industrial Park	201430294125.0	PRC	August 19, 2014	August 18, 2024
23	包裝袋（鴨頭）(translated as "packaging bag (duck head)")	Hubei Industrial Park	201430294126.5	PRC	August 19, 2014	August 18, 2024
24	包裝袋（鳳爪）(translated as "packaging bag (chicken feet)")	Hubei Industrial Park	201430294130.1	PRC	August 19, 2014	August 18, 2024
25	包裝袋（鴨肝）(translated as "packaging bag (duck liver)")	Hubei Industrial Park	201430294136.9	PRC	August 19, 2014	August 18, 2024

No.	Title of invention	Registered owner	Registration number	Place of registration	Filing date	Expiry date
26	包裝袋(翅尖) (translated as "packaging bag (duck wing tips)")	Hubei Industrial Park	201430294139.2	PRC	August 19, 2014	August 18, 2024
27	包裝袋(鴨脖) (translated as "packaging bag (duck neck)")	Hubei Industrial Park	201430294143.9	PRC	August 19, 2014	August 18, 2024
28	包裝袋(鴨肉乾) (translated as "packaging bag (duck jerky)")	Hubei Industrial Park	201430294434.8	PRC	August 19, 2014	August 18, 2024
29	包裝袋(鴨鎖骨) (translated as "packaging bag (duck clavicle)")	Hubei Industrial Park	201430294127.X	PRC	August 19, 2014	August 18, 2024
30	包裝袋(鴨翅) (translated as "packaging bag (duck wings)")	Hubei Industrial Park	201430294137.3	PRC	August 19, 2014	August 18, 2024
31	包裝袋(鹵香乾) (translated as "packaging bag (braised bean curd)")	Hubei Industrial Park	201430294144.3	PRC	August 19, 2014	August 18, 2024
32	包裝袋(金牌黑鴨) (translated as "packaging bag (gold label duck)")	Hubei Industrial Park	201430294433.3	PRC	August 19, 2014	August 18, 2024
33	包裝袋(單根鴨脖) (translated as "packaging bag (one piece duck neck)")	Hubei Industrial Park	201430308086.5	PRC	August 26, 2014	August 25, 2024

As of the Latest Practicable Date, we have applied for the registration of the following patents:

No.	Title of invention	Applicant	Application number	Place of application	Application date
1	一種用於鹵製蛋品的鹵料及鹵製蛋品的方法 (translated as "a method and ingredient to braise egg product")	Hubei Industrial Park	201410633426.0	PRC	November 12, 2014

Save as aforesaid, as at the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our Group's business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) *Interests of the Directors and the Chief Executive of Our Company*

After the completion of the Share Subdivision and immediately following the completion of the Capitalization Issue and the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, the interests or short positions of the Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were 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 entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed, will be as follows:

Name of director	Capacity / nature of interest[(1)]	Number of underlying shares	Approximate % shareholding interest immediately following the completion of the Capitalization Issue and the Global Offering
Mr. Zhou	Interest of spouse[(3)]	1,472,225,500[(2)]	63.47

Notes:

(1) The interests stated are long positions.

(2) The calculation is based on the total number of Shares in issue following the completion of the Share Subdivision and immediately following the completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised).

(3) Mr. Zhou is the spouse of Mrs. Zhou and is deemed to be interested in the Shares which are interested by Mrs. Zhou under the SFO.

(b) *Interests of the Substantial Shareholders*

Saved as disclosed in the section headed "Substantial Shareholders" in this prospectus, after the completion of the Share Subdivision and immediately following the completion of the Capitalization Issue and the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, our Directors or chief executive are not aware of any other person not being a Director or chief executive of our Company, who has an interest or short position in the Shares or the underlying Shares which, once the Shares are listed, would fall 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 who 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 the Group.

2. Directors' Service Contracts

Each of our executive Directors has entered into a service contract with our Company on October 24, 2016, and we have issued letters of appointment to our non-executive Director and each of our independent non-executive Directors. The service contracts with each of our executive Directors and the letters of appointment with our non-executive Director are for an initial term of three years commencing from October 24, 2016. The letters of appointment with each of our independent non-executive Directors are for an initial fixed term of three years commencing from October 24, 2016. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of our Directors has entered, or has proposed to enter, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

3. Directors' Remuneration

The aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid to the Directors for the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016 were approximately RMB3,865,000, RMB3,670,000, RMB5,892,000 and RMB2,271,000, respectively.

Save as disclosed above, no other payments have been made or are payable, in respect of the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016, by any of member of the Group to any of the Directors.

Under the existing arrangements that are currently in force as of the date this prospectus, the amount of remuneration (including benefits in kind but excluding discretionary bonus) payable to our Directors by our Company for the year ending December 31, 2016 is estimated to be approximately RMB3.8 million in aggregate.

4. Directors' Competing Interests

None of our Directors are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group.

5. Indemnity Given by the Controlling Shareholders

The Controlling Shareholders have entered into a deed of indemnity dated October 24, 2016 with and in favor of the Company (for itself and as trustee for its subsidiaries) (the "**Deed of Indemnity**") whereby the Controlling Shareholders have given indemnities in connection with, among other matters, (i) taxation resulting from income, profits or gains earned, accrued or received on or before the Listing Date, (ii) all losses, fines or expenditures which our Group may be payable as a result of the eviction of the Defective Transport Hub Stores and the Other Defective Leased Properties due to the defects of the Defective Transport Hub Stores and the Other Defective Leased Properties as set forth in the section headed "Business — Properties" in this prospectus and (iii) any monetary fines, settlements payments and any associated costs and expenses which would be incurred or suffered by the Group in connection with the non-compliance incidents by the Group occurred on or before the Listing Date as set forth in the section headed "Business — Licenses, Regulatory Approvals and Compliance" in this prospectus.

6. Disclaimers

Save as disclosed in this prospectus:

(a) none of the Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or 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 in that section, or which 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, once the Shares are listed on the Stock Exchange;

(b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall 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 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 the Group;

(c) none of the Directors nor any of the persons listed in "— D. Other Information — 5. Qualification of Experts" of this Appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(d) save as disclosed in this prospectus and in connection with Underwriting Agreements, none of the Directors nor any of the persons listed in "— D. Other Information — Qualification of Experts" of this Appendix is materially interested in any contract or arrangement with the Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of the Group as a whole;

(e) save as disclosed in this prospectus and in connection with Underwriting Agreements, none of the parties listed in "— D. Other Information — 5. Qualification of Experts" of this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(f) none of the Directors has entered or has proposed to enter into any service agreements with our Company or any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and

(g) none of our Directors, their respective associates (as defined under the Listing Rules), or any Shareholders (who to the knowledge of our Directors owns more than 5% of the issued share capital of our Company) has any interest in our Company's five largest customer and five largest suppliers.

D. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

During the Track Record Period and up to the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Group, that would have a material adverse effect on its business, financial condition or results of operations.

3. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option). All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. See "Underwriting — Independence of the Joint Sponsors" for details regarding the independence of the Joint Sponsors.

The fees payable to each of the Joint Sponsors are US$500,000 and are payable by our Company.

4. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since June 30, 2016 (being the date to which the latest audited consolidated financial statements of the Group were prepared).

5. Qualification of Experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

Name	Qualification
Morgan Stanley Asia Limited	License to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities under the SFO
Credit Suisse (Hong Kong) Limited	License to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) under the SFO
Ernst &Young	Certified public accountants
Commerce & Finance Law Offices	Legal advisors on PRC law to our Company
Walkers	Cayman Islands legal advisor
DTZ Cushman & Wakefield Limited	Property valuer
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

6. Consents of Experts

Each of the experts as referred to in "D. Other Information — 5. Qualification of Experts" in this Appendix has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or summary of valuations and/or valuation certificates and/or legal opinion (as the case may be) and references to their names included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

7. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, 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 Global Offering and the related transactions described in this prospectus.

8. Preliminary Expenses

The preliminary expenses incurred by our Company were approximately US$10,000 and were payable by us.

9. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Miscellaneous

(a) Save as disclosed in this prospectus:

(i) within the two years immediately preceding the date of this prospectus, neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of the Group;

(iv) within the two years immediately preceding the date of this prospectus, no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;

(v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;

(vi) our Company has no outstanding convertible debt securities or debentures; and

(vii) there is no arrangement under which future dividends are waived or agreed to be waived.

(b) Our Directors confirm that:

(i) since June 30, 2016 (being the date on which the latest audited consolidated financial statements of the Group was made up), there has been no material adverse change in our financial or trading position or prospects;

(ii) there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this prospectus; and

(iii) our Company has no outstanding convertible debt securities or debentures.

(c) None of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) a copy of each of the material contracts referred to in "Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts" in Appendix V to this prospectus; and

(c) the written consents referred to in "Statutory and General Information — D. Other Information — 6. Consents of Experts" in Appendix V to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Simpson Thacher & Bartlett, ICBC Tower, 35/F, 3 Garden Road, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and Articles of Association of our Company;

(b) the audited consolidated financial statements of our Group for the years ended December 31, 2013, 2014, 2015 and the six months ended June 30, 2016;

(c) the Accountants' Report and the report on the unaudited pro forma financial information prepared by Ernst & Young the texts of which are set out in Appendices I and II to this prospectus;

(d) the letter, summary of valuations and valuation certificates relating to the property interests of the Group prepared by DTZ Cushman & Wakefield Limited, the texts of which are set out in Appendix III to this prospectus;

(e) a fair rent opinion letter issued by DTZ Cushman & Wakefield Limited in respect of the review of the master property lease agreement entered into between our Company and Zhou Family, connected persons (as defined under the Listing Rules) of the Company, and an assessment of the reasonableness of the rental charge under the master property lease agreement;

(f) the Frost & Sullivan Report;

(g) the legal opinions issued by Commerce & Finance Law Offices, our PRC legal advisor, dated November 1, 2016 in respect of certain aspects of the Group and the property interests of the Group;

(h) the letter of advice prepared by Walkers, our Cayman Islands legal advisor, summarizing certain aspects of the Cayman Islands Companies Law referred to in Appendix IV to this prospectus;

(i) the material contracts referred to in "Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts" in Appendix V to this prospectus;

(j) the written consents referred to in "Statutory and General Information — D. Other Information — 6. Consents of Experts" in Appendix V to this prospectus;

(k) the service contracts and letters of appointment referred to in "Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 2. Directors' Service Contracts" in Appendix V to this prospectus; and

(l) the Cayman Islands Companies Law.

周黑鴨國際控股有限公司
Zhou Hei Ya International Holdings Company Limited