嘉士利集團有限公司
JIASHILI GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1285

2014 Interim Report

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Corporate Information

DIRECTORS

Executive Directors

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

Non-Executive Directors

Mr. Lin Xiao
Mr. Lee Ping Nam

Independent Non-Executive Directors

Mr. Wu I-ting
Mr. Kam Robert
Ms. Ho Man Kay

COMPANY SECRETARY

Mr. Yau Chung Hang, *FCCA, CPA*

AUDIT COMMITTEE

Mr. Kam Robert
(Chairman of the audit committee)
Mr. Wu I-ting
Ms. Ho Man Kay

REMUNERATION COMMITTEE

Ms. Ho Man Kay
(Chairman of the remuneration committee)
Mr. Huang Xianming
Mr. Wu I-ting
Mr. Kam Robert

NOMINATION COMMITTEE

Mr. Huang Xianming
(Chairman of the nomination committee)
Mr. Wu I-ting
Mr. Kam Robert
Ms. Ho Man Kay

AUTHORISED REPRESENTATIVES

Mr. Huang Xianming
Mr. Yau Chung Hang

COMPLIANCE ADVISER

Optima Capital Limited

AUDITORS

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

Bank of Communications, Hong Kong Branch

LEGAL ADVISERS

Cayman Islands:
Conyers Dill & Pearman

Hong Kong:
Stevenson, Wong & Co.

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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REGISTERED OFFICE

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CORPORATE WEBSITE

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STOCK CODE

1285

LISTING DATE

25 September 2014

Financial Highlights

- The unaudited consolidated revenue of the Group for the six months ended 30 June 2014 amounted to RMB367.9 million (six months ended 30 June 2013: RMB331.6 million), representing an increase of 10.9% as compared with the same period last year.

- Unaudited consolidated profit and total comprehensive income for the period attributable to the owners of the Company for the six months ended 30 June 2014 amounted to RMB34.1 million (six months ended 30 June 2013: RMB29.8 million), representing an increase of 14.7% as compared with the same period last year.

- The Underlying Profit* for the six months ended 30 June 2014 amounted to RMB41.8 million (six months ended 30 June 2013: RMB29.7 million), representing an increase of 40.9% as compared with the same period last year.

  **Note:* Underlying Profit ("Underlying Profit") is calculated as profit for the period from continuing operation excluding the listing expenses and fair value loss on convertible promissory note.

- For the six months ended 30 June 2014, the basic and diluted earnings per share from the continuing operation were RMB13.32 cents and RMB12.82 cents respectively. (six months ended 30 June 2013: RMB12.38 cents and RMB12.38 cents respectively)

- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: nil).

BUSINESS REVIEW

During the period ended 30 June 2014 ("Review Period"), the economy of China developed smoothly as a whole with its achievement in structural economic adjustment and persistently progress in its pace of urbanization. This made the disposable income per capita a year-on-year growth of approximately 10.8%. During the Review Period, the management of the Company have been dedicated themselves to exploring the strategy with focus on improvement of production and marketing, aiming to achieve remarkable increase in sales of new products with support from continuing improvement in the efficiency of our production system. The Company has also taken measures to enhance the execution of our business plans and strategy in different aspects including sales and production, administration, development and budget planning, under which the overall performance of the Group has sustained steady improvement. The Company has achieved the designated operational targets with completion of the operation plan for the first half of 2014. Compared to the corresponding period of last year, the revenue, net profit and Underlying Profit increased by 10.9%, 14.7% and 40.9%, respectively, while the gross profit margin was 30.4%, representing a year-on-year growth of 1.3%. The Company has confidence to maintain the favorable momentum of "healthy, sustained and rapid development".

Sales

The Company continued to put effort into further developing the distribution channel particularly the developed market in six provinces, (i.e. Heilongjiang, Liaoning, Shaanxi, Hunan, Hubei and Jiangsu), with an aim to fully tapping the market potential and raising the product penetration rate, while exploring the distribution network and increasing the market share of our products in the developing markets in other six provinces (i.e. Jilin, Shanxi, Henan, Guangdong, Yunnan and Sichuan). We have committed resources in nurturing the top 150 distributors and have implemented new evaluation standards for distributors so as to concentrate our resources, and grooming the top 150 distributors. The Company's crisp biscuits series was launched in Hong Kong in August this year and the advertisement on fruit jam series was also aired on Hunan TV, making a significant effect on publicity.

Supply-chain

1) During the Review Period, purchase prices of palm oil and sugar have been decreasing steadily, and such purchase cost was lower than our budgeted cost by approximately 10%. On the other hand, the flour price has been increasing slighty during the Review Period, but since the Company has already locked up the purchase price of the flour in advance, purchase cost can still be saved against our budget. At the date of this report, purchase contracts for most of the major raw materials for second half of this year have been entered into with the suppliers;

2) The Company has been upgrading the production equipment regularly and the installation of the 6# line 90-metre stove automated machineries has been completed, which has largely enhanced our production efficiency and reduced our labour cost. Meanwhile, we have also completed the annual repair and maintenance for the equipment during the off-season after spring festival and this would lay a solid foundation for the peak season in the second half of the year;

3) By undertaking stringent internal control management, the Company has successfully reduced the wastage of energy and material consumption and operating costs are controlled at a reasonable level;

4) During the Review Period, we have completed the application for two patents for invention and five patents for utility model;

5) Unremitted raise the awareness for food safety and carrying out more stringent inspection and examination on raw materials and finished goods leveraging on the platform of Guangdong Provincial Enterprise Technology Center（省級企業技術中心）and Guangdong Province Bakery Food (Jiashili) Engineering Research Center（廣東省焙烤食品（嘉士利）工程技術研究中心）to ensure the food safety.

Financial management

We keep monitoring, inspecting and assisting each department to ensure Company's policies are strictly implemented, and all expenditure are able to be controlled with reference to the Company's budget. Besides, we are focusing on the information system development and application, upgrading our accounting system, so as to enhance our risk alerting capacity and our capability on operation management.

Outlook

Following the Group's listing on the main board of Hong Kong Stock Exchange on September 25, 2014, the Group will have sufficient capital, higher reputation and profile, and stronger foundation for mid-long term development. As the Company will utilize the proceeds from initial public offerings ("IPO") as planned to further promote our brand, and expand our sales and distribution network, the Directors believe that market share will further be consolidated and increased. Through investing in infrastructure and upgrading production equipment, we are able to further improve our production efficiency and reduce our production cost. Additionally, research and development and quality control on products will be intensified, new products will be launched regularly, products quality and food safety will be further enhanced, the Directors believe that the mid-long term goal as well as the annual target will be achieved.

FINANCIAL REVIEW

Revenue

For the Review Period, the revenue of the Group was RMB367.9 million, representing an increase of RMB36.3 million or 10.9% when compared with the same period in 2013. Breakdown of the revenue for the review period and the comparative figures are set out as follow:

Revenue/Sales volume	Six months ended Jun 30				% of changes in revenue	% of changes in sales volume
	2014		2013			
	Tonne	RMB (million)	Tonne	RMB (million)	14 vs 13	14 vs 13
Breakfast biscuits series	16,133	163.2	17,226	165.8	-1.6%	-6.3%
Crisp biscuits series	8,444	85.2	8,120	79.6	+7.0%	+4.0%
Sandwich biscuits series	3,333	46.6	1,475	19.4	+140.2%	+126.0%
Wafers series	1,854	27.1	1,240	18.1	+49.7%	+49.5%
Other products	4,071	45.8	4,331	48.7	-6.0%	-6.0%
Total	33,835	367.9	32,392	331.6	+10.9%	+4.5%

Breakfast biscuits series

During the Review Period, revenue of breakfast biscuits series dropped by RMB2.6 million and sales volume dropped by approximately 1,093 tonnes. Such reduction was mainly due to the Company's strategical scaling down portion of the low margin sales to the government.

Crisp biscuits series

During the Review Period, revenue of crisp biscuits series increased by RMB5.6 million and sales volume increased by 324 tonnes. The increase was the result of the successful development of new gift package of this series.

Sandwich biscuits series

During the Review Period, sales of sandwich biscuits series recorded a remarkable growth and revenue increased by RMB27.2 million and sales volume increased by 1,858 tonnes. The increase was mainly attributable to the strong demand of fruit jam series, which has become highly popular in the market since it was launched in late 2012.

Wafers series

During the Review Period, revenue of wafers series grew by RMB9.0 million and sales volume increased by 614 tonnes. The growth was primarily driven by the strong promotion and marketing activities.

Gross profit and gross profit margin

Gross profit for the Review Period was RMB112.0 million, recorded an increase of RMB15.4 million or 16.0% and such increase was mainly due to the increase in revenue. Gross profit margin was slightly improved to 30.4% from 29.1%, which was resulting from the enhancement of the product mix.

Other income

Other income increased by RMB0.5 million from RMB2.4 million to RMB2.9 million for the Review Period. Other income represents mainly the bank interest income, government grants and other non-operating income.

Selling and distribution expenses

Selling and distribution expenses represent mainly the advertising and promotion expenses, transportation expenses and salaries of the sales staffs. Such expenses increased by RMB0.5 million or 1.3%, to RMB38.1 million for the Review Period and were in line with the increase in revenue.

Administrative expenses

Administrative expenses for the Review Period were amounted to RMB13.2 million; represent a decrease of RMB1.6 million or 11.0%. The decrease was primarily driven by the saving of legal and professional fees and entertainment expenses during the Review Period.

Finance costs

Finance costs increased by approximately 78.8% from RMB1.0 million for the six months ended 30 June 2013 to RMB1.7 million for the Review Period. It was due to an increase in bank borrowings over the period as a result of the continuous expansion of business operation and production volume.

Other expenses

Other expenses increased by approximately 79.0% from RMB9.8 million for the six months ended 30 June 2013 to RMB17.6 million for the Review Period. Such significant increase was primarily attributable to the RMB6.0 million listing expenses incurred in connection with the Company's listing. In addition, research and development ("R&D") expenses increased by RMB1.5 million for the Review Period due to more R&D activities were conducted during the Review Period.

Other gain and losses

Other gain and losses represent the exchange gain, fair value loss on convertible promissory note and loss on disposal of property, plant and equipment. During the Review Period, the exchange gain arose was offset by the fair value loss on convertible promissory note and no significant variance was recorded.

Income tax expenses

Income tax increased by RMB3.9 million, or approximately 66.0%, from RMB6.0 million for the six months ended 30 June 2013 to RMB9.9 million for the Review Period. Such increase was primarily the result of the increase in profit before taxation.

Discontinued operation

No significant fluctuation was recorded for the profit from discontinued operation for the Review Period and it was slightly decreased from RMB67,000 to RMB61,000.

Profit and total comprehensive income for the period attributable to the owners of the Company

As a result of the foregoing factors, profit and total comprehensive income for the period attributable to the owners of the Company increased by 14.7% from RMB29.8 million for the six months ended 30 June 2013 to RMB34.1 million (after taking into account the non-recurring listing expenses charged to income statement of approximately RMB6.0 million) for the Review Period, and net profit margin increased from 9.0% for the six months ended 30 June 2013 to 9.3% for the Review Period.

Financial position and liquidity

As at 30 June 2014, the Group had cash and cash equivalent amounted to RMB79.1 million. Net current liabilities of the Group decreased slightly from last year's RMB78.9 million to RMB63.9 million at period end date.

Normal operations of the Group were well supported by credit facilities granted by financial institutions which amounted to approximately RMB255 million at period end date. As at 30 June 2014, the Group had outstanding secured interest bearing bank loans of RMB12.7 million which were repayable within one year, and had outstanding unsecured interest bearing bank loans of RMB47.0 million, and of which RMB5.0 million were repayable within one year. Fixed deposits pledged for securing these credit facilities amounted to about RMB9.5 million.

As at 30 June 2014, the Group had issued a convertible promissory note to Actis 151 with a principal value of US$12.7 million. Details of the convertible promissory note are set out in note 18 to the condensed consolidated financial statements.

As at 30 June 2014, the Group's net gearing ratio was approximately 48.4% which was calculated on the basis of the amount of borrowings less cash and cash equivalents and pledged bank deposits divided by shareholders' equity. The significant increase in the net gearing ratio from net cash as at 31 December 2013 was mainly due to the issuance of the convertible promissory note and a deemed distribution was made during the Review Period. As at 30 June 2014, the Group had capital commitment for purchase of property, plant and equipment of approximately RMB10.4 million. As at 30 June 2014, the Group had no material investment.

Contingent liabilities and guarantees

As at 30 June 2014, the Group did not provide any guarantees for any third party and had no significant contingent liabilities.

Material acquisitions and disposals

Save for the reorganisation of the Company and its subsidiaries for the purpose of listing of the Company's shares on the Main Broad of The Stock Exchange of Hong Kong Limited, there was no acquisitions or disposals of subsidiaries or associated companies by the Group during the Review Period.

Interim dividend

The Directors of the Company does not recommend the payment of an interim dividend for the Review Period.

Capital structure

During the Review Period, the Group's operation was mainly financed by funds generated from its operation and borrowings. As at 30 June 2014, the borrowings were mainly denominated in Renminbi and United States dollars ("US dollars"), while the cash and cash equivalents held by the Group were mainly denominated in Hong Kong dollars and Renminbi. All of the Group's borrowings were fixed rate borrowings and no hedging has been employed by the Group during the Review Period.

The Group's turnover is mainly denominated in Renminbi, while its costs and expenses are mainly denominated Hong Kong dollars and Renminbi. As majority portion of the Group's assets, liabilities, revenues and payments during the Review Period were denominated in either Hong Kong dollars or Renminbi, the Board considers that the risk exposure to foreign exchange rate fluctuations is not significant. The Group does not have a formal hedging policy and has not entered into any material foreign currency exchange contracts or derivative transactions to hedge against its currency risks.

Use of proceed from IPO

On 25 September 2014, the Company's shares were listed on the Main Board of the Stock Exchange. A total of 100,000,000 shares were issued at HK$3.70 per share for a total of approximately HK$370 million. The net proceeds raised from the abovementioned global offering of the Company, which were approximately HK$320 million after the deduction of related listing expenses, are expected to be used in accordance with the purpose disclosed in the prospectus.

Human resources

As at 30 June 2014, the Group had a total of 1,585 full-time staff based in Hong Kong and the PRC. The Group's remuneration packages are generally structured with reference to market terms and individual merits. The Group operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries. The Group also made contributions to provident funds, elderly insurance, medical insurance, unemployment insurance and work-related injury insurance in accordance with appropriate laws and regulations in the PRC. The Group has also adopted a share option scheme to provide incentive or reward to eligible high-calibre employees and attract human resources that are valuable to the Group.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Company was only listed on the Stock Exchange on 25 September 2014, no disclosure of interests or short positions of any Directors and/or chief executives of the Company in any shares of the Company (the "Shares"), underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) were made to the Company under the provisions of Divisions 7 and 8 of Part XV of the SFO as at 30 June 2014.

As extracted from the Prospectus, immediately following completion of the Capitalization Issue and the Global Offering without taking into account the options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, the interests and short positions of our Directors and chief executive of our Company in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), or required, pursuant to section 352 of the SFO, to be entered in the register referred to therein are as follows:

Name of Directors	Company/name of associated corporation	Capacity	Number and class of securities	Approximate percentage of Issued share capital
Mr. Huang Xian Ming ("Mr. Huang")	The Company	Interests of controlled corporation *(Note 2)*	216,168,000 (L) *(Note 1)*	54.04%
Mr. Huang	Kaiyuan Investments Limited ("Kaiyuan")	Interests of controlled corporation *(Note 3)*	100 (L) *(Note 1)*	100%
Mr. Huang	Great Logistics Global Limited ("Great Logistics")	Beneficial owner	1 (L) *(Note 1)*	100%

Note 1: The Letter "L" denotes our Directors' long position in the Shares or the relevant associated corporation.

Note 2: The relevant Shares are held by Kaiyuan, which is in turn held as to 80% by Great Logistics, a company wholly-owned by Mr. Huang, and the remaining 20% of Kaiyuan are held by four entities wholly-owned by Mr. Huang's family comprising, Ms. Huang Cuihong, Ms. Huang Rujun, Ms. Huang Rujiao and Ms. Huang Xianxian.

Note 3: Kaiyuan is held as to 80% by Great Logistics and 20% by four entities, which are all wholly-owned by Mr. Huang's family comprising, Ms. Huang Cuihong, Ms. Huang Rujun, Ms. Huang Rujiao and Ms. Huang Xianxian.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

The Company was listed on the Stock Exchange on 25 September 2014, no disclosure of interests or short positions in any Shares or underlying Shares of the Company were made to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as at 30 June 2014.

As extracted from the Prospectus, immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised and taking no account of the Shares which may be issued pursuant to the exercise of the options may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, the following persons have an interest or a short position in the Shares required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO:

Name of shareholder	Nature of interest	Shares held immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)	
		Number	Percentage
Mr. Huang	Interest in controlled corporation(1); interest in family member(2)	216,168,000	54.04%
Ms. Huang Cuihong	Interest in controlled corporation(1); interest in family member(2)	216,168,000	54.04%
Ms. Huang Xianxian	Interest in controlled corporation(1); interest in family member(2)	216,168,000	54.04%
Ms. Huang Rujiao	Interest in controlled corporation(1); interest in family member(2)	216,168,000	54.04%
Ms. Huang Rujun	Interest in controlled corporation(1); interest in family member(2)	216,168,000	54.04%
Great Logistics	Interest in controlled corporation(1); interest in family member(2)	216,168,000	54.04%
Jade Isle Global Limited (Jade Isle)	Interest in controlled corporation(1); interest in family member(2)	216,168,000	54.04%

Name of shareholder	Nature of interest	Shares held immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised) Number	Percentage
Prestige Choice Investments (Overseas) Limited ("Prestige Choice Overseas")	Interest in controlled corporation[(1)]; interest in family member[(2)]	216,168,000	54.04%
Grand Wing Investments Limited ("Grand Wing")	Interest in controlled corporation[(1)]; interest in family member[(2)]	216,168,000	54.04%
Intelligent Pro Investments Limited ("Intelligent Pro")	Interest in controlled corporation[(1)]; interest in family member[(2)]	216,168,000	54.04%
Kaiyuan	Beneficial interest	216,168,000[(4)]	54.04%[(4)]
Actis Investment Holdings Ship Limited ("Actis Ship")	Beneficial interest[(3)]	83,832,000	20.96%
Actis Investment Holdings No.151 Limited (now known as Rich Tea Investments Limited) ("Actis 151")	Beneficial interest[(3)]	83,832,000[(4)]	20.96%[(4)]

Notes:

(1) Kaiyuan was held as to 80% by Mr. Huang (through his investment holding company Great Logistics) and as to 5% by each of Ms. Huang Cuihong, Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun, through their investment holding companies, namely Jade Isle, Prestige Choice Overseas, Grand Wing and Intelligent Pro respectively.

(2) In addition to Mr. Huang, Huang's Family consist of Ms. Huang Cuihong, Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun. Ms. Huang Cuihong is the spouse of Mr. Huang, while Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun are the sisters of Mr. Huang, and therefore they are deemed to be parties acting in concert with Mr. Huang and are deemed to be interested in the Shares in our Company in which Mr. Huang is interested, and Mr. Huang is deemed to be interested in the Shares in which Huang's Family is interested, and vice versa.

(3) Actis Ship and Actis 151 are the Pre-IPO Investors owned and controlled by a group of limited partnerships and protected cell companies, and are parties acting in concert with each other, and therefore they are deemed to be interested in the Shares held by each other.

(4) Kaiyuan was granted the Call Option on April 16, 2014, in relation to the 993 Shares then held by Actis 151, which will be enlarged to 23,832,000 Shares upon Capitalization Issue, representing approximately 5.96% of our issued share capital immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised). The Call Option shall survive after the Listing but subject to the relevant rules under the Listing Rules or otherwise imposed by the Stock Exchange. For details of the Call Option, please refer to the section headed "History, Reorganization and corporate structure — Pre-IPO Investment — Investment by Actis 151" of the prospectus.

PRE-IPO SHARE OPTION SCHEME

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme conditionally approved by our Shareholders on August 21, 2014:

1. **Summary of terms**

   The purpose of the Pre-IPO Share Option Scheme is a share incentive scheme and is established to provide incentives and rewards to the employees and consultants of our Group for their future contribution and to retain key and senior employees of the Group.

   The principal terms of the Pre-IPO Share Option Scheme, approved by the written resolutions of our Shareholders passed on August 21, 2014, are substantially the same as the terms of the Share Option Scheme except for the following:

   (a) the exercise period shall commence on the first anniversary of the Listing Date and end on the day falling on the fifth anniversary of the Listing Date;

   (b) the total number of Shares subject to the Pre-IPO Share Option Scheme is 14,900,000, representing (i) approximately 3.73% of the total issued Shares immediately upon completion of the Global Offering and Capitalization Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of any options which have been granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme); and (ii) approximately 3.59% of the total issued share capital of the Company immediately upon completion of the Global Offering and assuming that all options granted under the Pre-IPO Share Option Scheme are exercised at the same time (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme);

   (c) the subscription price (the "Subscription Price") for the Shares under the Pre-IPO Share Option Scheme will be fixed at HK$3.45, determined with reference to the costs per Share acquired by the Pre-IPO Investors, subject to any adjustment made in the manner as contemplated under the Pre-IPO Share Option Scheme;

   (d) the maximum number of Shares in respect of which options may be granted under the Pre-IPO Share Option Scheme will not exceed 40,000,000 Shares, representing 10% of the issued share capital upon completion of the Global Offering (taking no account of any Shares which may be issued upon exercise of any share option which may be granted under the Share Option Scheme);

(e) subject to the following vesting periods, any option granted under the Pre-IPO Share Option Scheme may be exercisable at anytime during the period commencing on the day falling on the first anniversary of the Listing Date and ending on the day failing on the fifth anniversary of the Listing Date (the "Option Period"):

Vesting date of the options	Percentage of options vested
After the first anniversary of the Listing Date	25% of the total number of options granted
After the second anniversary of the Listing Date	25% of the total number of options granted
After the third anniversary of the Listing Date	25% of the total number of options granted
After the fourth anniversary of the Listing Date	25% of the total number of options granted

Outstanding and unexercised options at the end of each vesting period may be rolled over to the next vesting period and exercisable during the Option Period;

(f) the Pre-IPO Share Option Scheme was valid and effective for a period which commenced on August 21, 2014, being the date on which the Pre-IPO Share Option Scheme was conditionally adopted by all the Shareholders and ending September 24, 2014, after which period no further options will be granted thereunder but in all other respects the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect to the exercise of any options granted.

2. Outstanding options granted under the Pre-IPO Share Option Scheme

Up to the date of this report, options to subscribe for an aggregate of 14,900,000 Shares (representing (i) approximately 3.73% of the total issued share capital of the Company immediately upon completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme) and (ii) approximately 3.59% of the total issued share capital of the Company immediately upon completion of the Global Offering and assuming that all options granted under the Pre-IPO Share Option Scheme are exercised at the same time (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme) have been conditionally granted by the Company under the Pre-IPO Share Option Scheme for a consideration HK$1.00 per grantee. Particulars of the options granted under the Pre-IPO Share Option Scheme to the employees of the Group are set out in the prospectus.

Upon the Listing on the Stock Exchange on September 25, 2014 with 400,000,000 Shares in issue and assuming all the options granted under the Pre-IPO Share Option Scheme in respect of 14,900,000 Shares were exercised in full on September 25, 2014, this would have a dilution effect of approximately 3.59% on the earnings per Share for the year ended December 31, 2013.

SHARE OPTION SCHEME

Pursuant to a resolution passed by all the shareholders on 21 August 2014, the Company has conditionally adopted the share option scheme (the "Share Option Scheme") for the purpose of recognising and acknowledging the contributions the eligible participants had or may have made to the Group. The Directors were authorised to grant options to subscribe for Shares of the Company and to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary and/or desirable to implement and give effect to the Share Option Scheme. The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering, being 400,000,000 Shares, excluding any Shares that may be issued under the options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company), unless otherwise approved by the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time.

Unless otherwise approved by the shareholders of the Company in general meeting, the number of Shares that may be granted to an eligible participant under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not exceed 1% of the Shares in issue of the Company within any 12-month period. Any grant of options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by Shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules, the number of Shares that may be granted to a substantial shareholder or any independent non-executive Director or their respective associates under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not exceed 0.1% of the Shares in issue, having an aggregate value in excess of HK$5 million, within any 12-month period.

There is no minimum period for which an option must be held before it can be exercised, and the period during which an option may be exercised will be determined by the Board in its absolute discretion, however, no options shall be exercised 10 years after they have been granted. The subscription price of a Share in respect of a particular option shall be not less than the highest of (a) the official closing price of the Shares on the daily quotation sheet of the Stock Exchange; (b) the average official closing price of the Shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share. The Share Option Scheme shall take effect from the date it is adopted and shall remain effective within a period of 10 years from that date.

Since the Share Option Scheme only became effective and unconditional upon the Company's Listing on 25 September 2014, no share options were granted under the Share Option Scheme for the six months ended 30 June 2014.

From the date that the Share Option Scheme became effective and unconditional and up to the date of this interim report, no share options were granted under the Share Option Scheme.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Directors recognise the importance of good corporate governance in the management of the Group. The Board has adopted the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules since the date of listing of the Company's shares on the Stock Exchange on 25 September 2014. As a private company during the reporting period as covered in this interim financial report, the Company was not required to comply with the Code during the reporting period. The Board will review and monitor the practices of the Company for the purpose of complying with the Code and maintaining a high standard of corporate governance practices of the Company.

Under the code provision A.2.1 of the Code, the role of chairman and chief executive should be separated and should not be performed by the same individual. As the duties of chairman and chief executive of the Company are performed by Mr. Huang Xianming, the Company has deviated from the Code. The Board believes that it is necessary to vest the roles of chairman and chief executive in the same person due to its unique role, Mr. Huang Xianming's experience and established market reputation in the industry, and the importance of Mr. Huang Xianming in the strategic development of the Company. The dual role arrangement provides strong and consistent market leadership and is critical for efficient business planning and decision making of the Company. As all major decisions are made in consultation with the members of the Board, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will also continue to review and monitor the practices of the Company for the purpose of complying with the Code and maintaining a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors since the date of listing of the Company's shares on the Stock Exchange on 25 September 2014. As a private company during the reporting period, the Model Code was not applicable to the Company for the six months ended 30 June 2014. However, having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code during the reporting period.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the Code. As at the date of this report, the Audit Committee consists of the three members who are all independent non-executive Directors. Mr. Kam Robert has been appointed as the chairman of Audit Committee.

The Audit Committee has reviewed and discussed the interim results of the Group for the six month ended 30 June 2014.

PURCHASES, SALE AND REDEMPTION OF LISTED SECURITIES

Since the Company was only listed on the Stock Exchange on 25 September 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the six months ended 30 June 2014.

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF JIASHILI GROUP LIMITED
(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Jiashili Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 21 to 52, which comprise the condensed consolidated statement of financial position as of June 30, 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("HKSRE 2410") issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

OTHER MATTER

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2013 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
September 26, 2014

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2014

	NOTES	Six months ended June 30, 2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Continuing operation			
Revenue	4	**367,909**	331,616
Cost of sales		**(255,901)**	(235,054)
Gross profit		**112,008**	96,562
Other income	5	**2,879**	2,386
Selling and distribution expenses		**(38,116)**	(37,622)
Administrative expenses		**(13,246)**	(14,875)
Finance costs	6	**(1,716)**	(960)
Other expenses	7	**(17,555)**	(9,806)
Other gain and losses	8	**(266)**	(12)
Profit before tax		**43,988**	35,673
Income tax expense	9	**(9,920)**	(5,976)
Profit for the period from continuing operation	11	**34,068**	29,697
Discontinued operation			
Profit for the period from discontinued operation	10	**61**	67
Profit and total comprehensive income for the period attributable to the owners of the Company		**34,129**	29,764
Earnings per share	13		
From continuing and discontinued operations			
— Basic *(RMB cents)*		**13.34**	12.40
— Diluted *(RMB cents)*		**12.84**	12.40
From continuing operation			
— Basic *(RMB cents)*		**13.32**	12.38
— Diluted *(RMB cents)*		**12.82**	12.38

Condensed Consolidated Statement of Financial Position

At June 30, 2014

	NOTES	June 30, 2014 RMB'000 (unaudited)	December 31, 2013 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	14	**198,842**	207,084
Prepaid lease payments		**12,165**	11,772
Intangible asset		**1,750**	2,000
Deposits for acquisition of property, plant and equipment and prepaid lease payments		**1,866**	12,924
		214,623	233,780
CURRENT ASSETS			
Inventories		**38,960**	43,443
Prepaid lease payments		**517**	472
Trade, bills and other receivables	15	**52,022**	44,022
Pledged bank deposits	22(a)	**9,543**	10,845
Bank balances and cash		**79,063**	69,908
		180,105	168,690
CURRENT LIABILITIES			
Trade, bills and other payables	16	**104,058**	160,538
Advances from customers		**12,205**	49,750
Dividends payable		**25,592**	—
Bank borrowings — due within one year	17	**17,732**	35,300
Income tax payables		**3,800**	1,957
Convertible promissory note	18	**80,623**	—
		244,010	247,545
NET CURRENT LIABILITIES		**(63,905)**	(78,855)
TOTAL ASSETS LESS CURRENT LIABILITIES		**150,718**	154,925

Condensed Consolidated Statement of Financial Position

At June 30, 2014

	NOTES	June 30, 2014 RMB'000 (unaudited)	December 31, 2013 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Bank borrowings — due after one year	17	**42,000**	—
Deferred income		**—**	4,390
Deferred tax liabilities		**1,830**	133
		43,830	4,523
NET ASSETS		**106,888**	150,402
CAPITAL AND RESERVES			
Share capital — ordinary shares/paid-in capital	19	**—**	120,000
Share capital — preferred shares	20	**—**	—
Reserves		**106,888**	30,402
TOTAL EQUITY		**106,888**	150,402

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2014

	Share capital – ordinary shares/ paid-in capital RMB'000	Share capital – preferred shares RMB'000	Share premium RMB'000	Contribution reserve RMB'000	Statutory reserves RMB'000 (Note a)	Special reserve RMB'000	Accumulated profits (losses) RMB'000	Total RMB'000
At January 1, 2013 (audited)	52,000	–	–	–	22,668	–	27,474	102,142
Profit and total comprehensive income for the period	–	–	–	–	–	–	29,764	29,764
Appropriations	–	–	–	–	4,351	–	(4,351)	–
At June 30, 2013 (unaudited)	52,000	–	–	–	27,019	–	52,887	131,906
At January 1, 2014 (audited)	**120,000**	**–**	**–**	**8,972**	**32,012**	**–**	**(10,582)**	**150,402**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**34,129**	**34,129**
Appropriations	**–**	**–**	**–**	**–**	**6,017**	**–**	**(6,017)**	**–**
Special dividend declared *(Note b)*	**–**	**–**	**–**	**–**	**–**	**–**	**(25,592)**	**(25,592)**
Gain on disposal of a subsidiary	**–**	**–**	**–**	**9,361**	**–**	**–**	**–**	**9,361**
Transfer upon group reorganisation *(Note c)*	**(120,000)**	**–**	**–**	**–**	**–**	**120,000**	**–**	**–**
Issuance of ordinary shares *(Note d)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Issuance of preferred shares *(Note e)*	**–**	**–**	**165,588**	**–**	**–**	**–**	**–**	**165,588**
Deemed distribution *(Note f)*	**–**	**–**	**–**	**–**	**–**	**(227,000)**	**–**	**(227,000)**
At June 30, 2014 (unaudited)	**–**	**–**	**165,588**	**18,333**	**38,029**	**(107,000)**	**(8,062)**	**106,888**

Note:

a. Statutory reserves comprise statutory surplus reserve and discretionary surplus reserve of subsidiaries established in the People's Republic of China (the "PRC"), which are non-distributable and the transfer to these reserves is determined according to the relevant laws in the PRC and by the directors of the relevant subsidiaries in accordance with their Articles of Association. Statutory surplus reserve amounting to approximately RMB25,353,000 (unaudited) and RMB18,013,000 (unaudited) as at June 30, 2014 and 2013, respectively can be used to make up for previous year's losses or convert into additional capital of the relevant subsidiaries. Discretionary surplus reserve amounting to approximately RMB12,676,000 (unaudited) and RMB9,006,000 (unaudited) as at June 30, 2014 and 2013, respectively can be used to expand the existing operations of the relevant subsidiaries.

b. On April 1, 2014, the PRC subsidiary of the Company, Guangdong Jiashili Food Group Limited ("Guangdong Jiashili") declared a special dividend of approximately RMB25,592,000 to its equity owners pursuant to the resolution from the board of directors of Guangdong Jiashili.

c. Amount represented the paid-in capital of the subsidiaries acquired pursuant to a group reorganisation.

d. At the time of incorporation, the Company allotted 1 ordinary share to the subscriber without consideration which was transferred to Kaiyuan Investment Limited ("Kaiyuan"). On April 15, 2014, the Company issued and allotted 9,999 ordinary shares of the Company to Kaiyuan at a consideration of approximately HK$100.

e. On April 11, 2014, the Company, the Company's subsidiaries, Kaiyuan (the immediate and ultimate holding company of the Company) and Mr. Huang Xianming 黃銑銘, entered into an investment agreement ("Investment Agreement") with Actis Investment Holdings Ship Limited ("Actis Ship") and Actis Investment Holdings No. 151 Limited (now known as Rich Tea Investments Limited) ("Actis 151"), pursuant to which Actis Ship, amongst other, subject to customary conditions, agreed to subscribe for 2,500 non-cumulative series A preferred shares with par value of HK$0.01 each by Actis Ship for aggregate consideration of US$26,700,000 (equivalent to RMB165,588,000) which will be converted into ordinary shares of the Company upon the completion of the global offering of the Company. The 2,500 series A preferred shares carry voting rights equal to such number of ordinary shares as convertible on the date the vote is to be taken.

f. After the completion of the acquisition of Guangdong Jiashili by Jiashili (Hong Kong) Limited ("Jiashili HK") on April 4, 2014, the Group paid RMB227 million to the ultimate controlling shareholder in May 2014 resulting in a reduction of net assets of the Group, which was accounted for as a deemed distribution recognised in equity directly.

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2014

	NOTES	Six months ended June 30, 2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES		**(17,331)**	(7,222)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(36,464)**	(46,574)
Increase in pledged bank deposits		**(21,192)**	(15,063)
Release of pledged bank deposits		**22,494**	15,135
Disposal of a subsidiary	10	**19,787**	—
Repayment from an associate		**—**	50
Deposits paid for acquisition of property, plant and equipment		**(980)**	(1,435)
Proceeds from structured deposits upon maturity		**—**	1,000
Interest received		**265**	173
Return of paid-in capital upon dissolution of an associate		**—**	200
NET CASH USED IN INVESTING ACTIVITIES		**(16,090)**	(46,514)
FINANCING ACTIVITIES			
New bank borrowings raised		**72,132**	62,815
Proceeds from issuance of convertible promissory note		**78,109**	—
Proceeds from issuance of preferred shares		**165,588**	—
Interest paid		**(1,716)**	(960)
Dividends paid		**—**	(23,324)
Deemed distribution to the ultimate controlling shareholder	2	**(227,000)**	—
Repayment of bank borrowings		**(45,300)**	(4,500)
NET CASH FROM FINANCING ACTIVITIES		**41,813**	34,031
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**8,392**	(19,705)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**69,908**	50,615
Effect of foreign exchange rate changes		**763**	—
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, comprising bank balances and cash		**79,063**	30,910

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Island on December 19, 2013. Its immediate and ultimate holding company is Kaiyuan Investments Limited 開元投資有限公司 ("Kaiyuan"). Its ultimate controlling shareholder is Mr. Huang Xianming 黃銑銘 ("Mr. Huang") and his family ("Huang's Family"). The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from September 25, 2014. The address of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The address of the principal place of business of the Company is Room 701A, East Ocean Center, 98 Granville Road, Hong Kong.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the "Group") are manufacturing and sales of biscuits in the PRC.

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

2. BASIS OF PRESENTATION AND PREPARATION

Basis of presentation

Jiashili Limited ("Jiashili BVI") was incorporated in the BVI on December 6, 2013 with limited liability. On December 19, 2013, Jiashili BVI allotted one subscriber share to the Company, pursuant to which Jiashili BVI became a wholly-owned subsidiary of the Company.

Jiashili HK was incorporated under the laws of Hong Kong on December 24, 2013 with limited liability. On the same day, Jiashili HK allotted one subscriber share to Jiashili BVI, pursuant to which Jiashili HK became a wholly-owned subsidiary of Jiashili BVI.

As part of the group reorganization, on March 28, 2014, Jiashili HK entered into an equity transfer agreement with each of Guangdong Zhongchen Industrial Group Company Limited ("Zhongchen") and Prestige Choice Investments Limited ("Prestige Choice"), then shareholders of Guangdong Jiashili, whereby Jiashili HK agreed to acquire 99% and 1% entire equity interest in Guangdong Jiashili from Zhongchen and Prestige Choice with the consideration of RMB224.7 million and RMB2.3 million, respectively, representing an aggregate amount of RMB227.0 million (the "Guangdong Jiashili Acquisition"). Based on subsequent approvals by the relevant government authorities, the Guangdong Jiashili Acquisition was completed on April 4, 2014, upon which Guangdong Jiashili became a wholly-owned subsidiary of Jiashili HK. Zhongchen and Prestige Choice are companies wholly owned by Huang's Family.

Pursuant to the group reorganisation as set out above which was completed on April 4, 2014 (the "Group Reorganisation"), the Company became the holding company of the subsidiaries now comprising the Group.

2. BASIS OF PRESENTATION AND PREPARATION (Continued)

Basis of presentation (Continued)

The Group Reorganisation mainly involved interspersing Kaiyuan, our Company, Jiashili BVI and Jiashili HK between the ultimate individual shareholders of Guangdong Jiashili and Guangdong Jiashili. The group resulting from the Group Reorganisation is regarded as a continuing entity.

The condensed 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 six-month periods ended June 30, 2014 and 2013 include the results of operations and cash flows of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the periods, or since their respective dates of incorporation or establishment when there is a shorter period (except for those dissolved or disposed of during the periods). The condensed consolidated statement of financial position of the Group as at December 31, 2013 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at December 31, 2013, taking into account the respective dates of incorporation or establishment (except for those dissolved or disposed of during the period).

Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Group had net current liabilities of approximately RMB63,905,000 as at June 30, 2014. Taking into account the financial resources of the Group, including the Group's unutilised banking facilities amounted to RMB150,453,000, the Group's ability to renew or refinance the banking facilities upon maturity and the proceeds from the global offering of the Company, the directors of the Company ("Directors") are of the opinion that the Group has sufficient working capital to meet in full its financial obligation as they fall due for at least the next twelve months from the end of the reporting period and accordingly, these condensed consolidated financial statements have been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for convertible promissory note which is measured at fair value, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2014 are the same as those followed in the preparation of the Group's financial information for the three years ended December 31, 2013 and the three months ended March 31, 2014 set out in the accountant's report included in Appendix I to the prospectus of the Company.

In the current interim period, the Group has applied, for the first time, the following accounting policies in respect of the convertible promissory note.

Financial liability at fair value through profit or loss ("FVTPL")

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

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

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

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

Convertible promissory note

Convertible promissory note issued by the Group is designated as at FVTPL on initial recognition.

Convertible promissory note is measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the convertible promissory note and is included in the 'other gain and losses' line item.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents sales of biscuits to external customers in the PRC and locations other than the PRC.

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

Segment assets and liabilities

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

In prior period, the Group was involved in the manufacture and sale of pasta activities (the "Pasta Operation"). That operation was discontinued with effect from March 28, 2014. Financial information of the Pasta Operation is disclosed in note 10.

5. OTHER INCOME

	Six months ended June 30,	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Bank interest income	**265**	173
Imputed interest income	**—**	640
Government grants	**2,385**	1,405
Other non-operating income	**229**	168
	2,879	2,386

6. FINANCE COSTS

	Six months ended June 30,	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest on bank borrowings wholly repayable within five years	**1,716**	960

7. OTHER EXPENSES

	Six months ended June 30,	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Research and development expenses	**10,904**	9,371
Listing expenses	**6,020**	—
Donation expenses	**414**	432
Other non-operating expenses	**217**	3
	17,555	9,806

8. OTHER GAIN AND LOSSES

	Six months ended June 30,	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Exchange gain	**1,535**	—
Fair value loss on convertible promissory note	**(1,751)**	—
Loss on disposal of property, plant and equipment	**(50)**	(12)
	(266)	(12)

9. INCOME TAX EXPENSE

	Six months ended June 30,	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("EIT") — Current tax	**8,100**	5,996
PRC withholding tax	**1,830**	—
Deferred tax credit	**(10)**	(20)
	9,920	5,976

No provision for Hong Kong Profits Tax has been made for the six months ended June 30, 2014 and 2013 as the Group has no assessable profits arising in Hong Kong.

Guangdong Jiashili was accredited as a "High and New Technology Enterprise" by the Science and Technology Bureau of Guangdong Province and relevant authorities in the PRC with effect from January 2012 for a term of three years, and was registered with the local tax authority to be eligible to the reduced 15% enterprise income tax rate from 2012 to 2014.

For other subsidiaries, under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the enterprise income tax rate of the PRC subsidiaries is 25%.

According to a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui 2008 No. 1, dividend distributed out of the profits generated since January 1, 2008 by the PRC entity to non-PRC tax resident shall be subject to PRC Enterprise Income Tax pursuant to Articles 3 and 27 of the Income Tax Law Concerning Foreign Investment Enterprises and Foreign Enterprises and Article 91 of the Detailed Rules for the Implementation of the Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises.

The Group's subsidiaries that are tax resident in the PRC are subject to the PRC dividend withholding tax of 10% for the non-PRC resident immediate holding company registered in Hong Kong when and if undistributed earnings are declared to be paid as dividends out of profits that arose on or after April 4, 2014, when the Group Reorganisation completed.

10. DISCONTINUED OPERATION

On March 24, 2014, the Group entered into an equity transfer agreement with Zhongchen, to dispose of its entire interest in Guangdong Kangli Food Company Limited ("Guangdong Kangli"), which carried out all of the Group's Pasta Operation, to Zhongchen at a consideration of RMB24,351,000, which was determined based on the valuation of the equity interest in Guangdong Kangli conducted by an independent valuer. The disposal was completed on March 28, 2014, on which date the control of Guangdong Kangli was passed to Zhongchen. Accordingly, the results of the Pasta Operation for the six months ended June 30, 2014 and 2013 have been separately presented as discontinued operation in the condensed consolidated statement of profit or loss and other comprehensive income.

Zhongchen was a former immediate holding company of Guangdong Jiashili prior to the Group Reorganisation. It is currently owned as to 80% by Mr. Huang, the ultimate controlling shareholder of the Company.

The profit for the period from the discontinued operation is analysed as follows:

	Six months ended June 30,	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit of discontinued operation for the period	**61**	67

10. DISCONTINUED OPERATION (Continued)

The results of the discontinued operation for the six months ended June 30, 2014 and 2013, which have been included in condensed consolidated statement of profit or loss and other comprehensive income, were as follows:

	Six months ended June 30,	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue	**10,701**	19,722
Cost of sales	**(9,449)**	(17,058)
Gross profit	**1,252**	2,664
Other income	**6**	30
Selling and distribution expenses	**(507)**	(1,223)
Administrative expenses	**(663)**	(1,379)
Finance costs	**(7)**	—
Other expense	**—**	(2)
Profit before tax	**81**	90
Income tax expense	**(20)**	(23)
Profit of discontinued operation for the period	**61**	67

10. DISCONTINUED OPERATION (Continued)

Profit for the period of the discontinued operation for the six months ended June 30, 2014 and 2013 has been arrived at after charging (crediting):

	Six months ended June 30,	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Directors' and chief executive's remuneration	**—**	—
Other staff costs:		
Salaries and allowances	**838**	1,852
Contributions to retirement benefits scheme	**134**	358
Total staff costs	**972**	2,210
Depreciation of property, plant and equipment	**620**	1,169
Release of prepaid lease payments	**10**	20
Included in cost of sales:		
Cost of inventories recognised as expenses	**9,449**	17,058
Bank interest income	**(6)**	(26)

Cash flows for the period from discontinued operation were as follows:

	Six months ended June 30,	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net cash inflows from operating activities	**1,104**	680
Net cash outflows from investing activities	**(477)**	(14,366)
Net cash (outflows) inflows from financing activities	**(1,406)**	10,000
Net cash outflows from discontinued operation	**(779)**	(3,686)

10. DISCONTINUED OPERATION (Continued)

	RMB'000
Net assets of Guangdong Kangli at the date of disposal were as follows:	
Property, plant and equipment	39,555
Prepaid lease payments	1,827
Deposits for acquisition of plant and equipment	50
Inventories	2,474
Trade, bills and other receivables	5,276
Bank balances and cash	4,564
Trade, bills and other payables	(9,218)
Amount due to Guangdong Jiashili	(22,496)
Advances from customers	(129)
Bank borrowing	(2,400)
Deferred tax liability	(123)
Deferred income	(4,390)
	14,990
Gain on disposal recognised in contribution reserve	9,361
Total Consideration	24,351
Net cash inflows arising on disposal:	
Bank balances and cash disposed of	(4,564)
Consideration received	24,351
	19,787

11. PROFIT FOR THE PERIOD FROM CONTINUING OPERATION

	Six months ended June 30,	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period from continuing operation has been arrived at after charging:		
Directors' and chief executive's remuneration	**927**	657
Other staff costs		
— Salaries and allowances	**39,369**	29,825
— Contributions to retirement benefits scheme	**4,011**	3,206
Total staff costs	**44,307**	33,688
Depreciation of property, plant and equipment	**6,647**	4,176
Amortisation of intangible asset	**250**	250
Total depreciation and amortisation	**6,897**	4,426
Release of prepaid lease payments	**225**	216
Cost of inventories recognised as expenses including impairment of inventories	**255,901**	235,054

12. DIVIDEND

Guangdong Jiashili, a PRC subsidiary of the Company, declared a special dividend of approximately RMB25,592,000 before the completion of the Group Reorganisation to its equity owners during the six months ended June 30, 2014.

13. EARNINGS PER SHARE

From continuing and discontinued operations

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

	Six months ended June 30,	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company	**34,129**	29,764
Less: Undistributable earnings attributable to preferred shares	**(2,112)**	—
Earnings for the purpose of basic earnings per share	**32,017**	29,764
Add: Undistributable earnings attributable to preferred shares	**2,112**	—
Earnings for the purpose of diluted earnings per share	**34,129**	29,764

	Six months ended June 30,	
	2014	2013
	'000	*'000*
Number of shares		
Number of ordinary shares for the purpose of calculation of basic earnings per share	**240,000**	240,000
Effect of dilutive potential ordinary shares:		
Preferred shares (Note)	**25,856**	—
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	**265,856**	240,000

The number of shares for the purpose of basic earnings per share for the period ended June 30, 2014 is based on the assumption that 240,000,000 shares (six months ended June 30, 2013: 240,000,000 shares) of the Company are in issue and issuable, comprising an aggregate of 10,000 shares (six months ended June 30, 2013: 10,000 shares) in issue and adjusted for the effect of capitalisation issue of 239,990,000 shares (six months ended June 30, 2013: 239,000,000 shares) (see note 26(2)(a)), as if the Group Reorganisation was effective on January 1, 2013.

Note: The computation on the effect of dilutive potential ordinary shares on preferred shares is adjusted for the effect of capitalisation issue of 59,997,500 shares (see note 26(2)(a)), as if the shares were outstanding since the date of issue of preferred shares.

13. EARNINGS PER SHARE (Continued)

From continuing and discontinued operations (Continued)

The computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible promissory note since this assumed conversion would result in an increase in earnings per share from continuing and discontinued operations.

From continuing operation

The calculation of basic and diluted earnings per share from continuing operation attribute to the owners of the Company is based on the following data:

	Six months ended June 30,	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period attributable to owners of the Company	**34,129**	29,764
Less: Profit for the period from discontinued operation	**(61)**	(67)
Profit for the period attributable to owners of the Company from continuing operation	**34,068**	29,697
Less: Undistributable earnings attributable to preferred shares	**(2,112)**	—
Earnings for the purpose of basic earnings per share	**31,956**	29,697
Add: Undistributable earnings attributable to preferred shares	**2,112**	—
Earnings for the purpose of diluted earnings per share	**34,068**	29,697

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operation

Basic earnings per share for the discontinued operation is RMB0.02 cent per share (2013: RMB0.02 cent per share) and diluted earnings per share for the discontinued operation is RMB0.02 cent per share (2013: RMB0.02 cent per share), based on the profit for the period from the discontinued operation of RMB61,000 (2013: RMB67,000) and the denominators detailed above for both basic and diluted earnings per share.

14. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group has additions of approximately RMB38,335,000 (six months ended June 30, 2013: RMB50,107,000) on property, plant and equipment in order to upgrade its operating capacities, in which amount of RMB9,488,000 (six months ended June 30, 2013: RMB838,000) was transferred from deposit for acquisition of property, plant and equipment paid in previous year.

In addition, the Group disposed of property, plant and equipment with an aggregate carrying amount of RMB39,555,000 as a result of the disposal of Guangdong Kangli during the period.

15. TRADE, BILLS AND OTHER RECEIVABLES

	June 30, 2014 RMB'000 (unaudited)	December 31, 2013 RMB'000 (audited)
Trade receivables	10,707	8,873
Less: Allowance for doubtful debts	(38)	(38)
Trade receivables, net	10,669	8,835
Bills receivables	12,066	17,325
Total trade and bills receivables	22,735	26,160
Prepayments for purchase of raw materials	24,124	12,342
Other prepayment	3,288	1,647
Other receivables	371	2,856
Input value-added-tax	1,504	1,017
	52,022	44,022

Trade and bills receivables

The Group generally adopted a policy to require advance payment from majority of their customers before the delivery of goods. Advances received from customers amounted to approximately RMB12,205,000 and RMB49,750,000 as at June 30, 2014 and December 31, 2013, respectively.

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

The trade and bills receivables balances at the end of the period represents credit sales to certain customers. The Group generally allows a credit period of 30 to 60 days from the invoice date for trade receivables and a further credit period ranging from 90 to 180 days for bills receivable of these external customers based on bills issue date.

15. TRADE, BILLS AND OTHER RECEIVABLES (Continued)

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

	June 30, 2014 *RMB'000* (unaudited)	December 31, 2013 *RMB'000* (audited)
Within 3 months	**10,375**	8,603
Over 3 months but within 6 months	**101**	62
Over 6 months but within 1 year	**1**	102
Over 1 year	**192**	68
	10,669	8,835

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

	June 30, 2014 *RMB'000* (unaudited)	December 31, 2013 *RMB'000* (audited)
Within 3 months	**7,096**	6,836
Over 3 months but within 6 months	**4,970**	10,489
	12,066	17,325

16. TRADE, BILLS AND OTHER PAYABLES

	June 30, 2014 RMB'000 (unaudited)	December 31, 2013 RMB'000 (audited)
Trade payables	**52,545**	89,676
Bills payables	**—**	4,300
Total trade and bills payables	**52,545**	93,976
Accrued expenses	**9,798**	12,424
Accrued listing expenses	**8,641**	2,331
Transportation fee payables	**13,139**	14,899
Payroll and welfare payables	**9,251**	16,938
Construction cost payables	**6,472**	14,089
Other payables	**1,718**	2,113
Output value-added-tax and other tax payables	**2,494**	3,768
	104,058	160,538

Trade and bills payables

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	June 30, 2014 RMB'000 (unaudited)	December 31, 2013 RMB'000 (audited)
Within 3 months	**50,134**	84,972
Over 3 months but within 6 months	**923**	2,882
Over 6 months but within 1 year	**660**	474
Over 1 year	**828**	1,348
	52,545	89,676

16. TRADE, BILLS AND OTHER PAYABLES (Continued)

Trade and bills payables (Continued)

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

	June 30, 2014 *RMB'000* (unaudited)	December 31, 2013 *RMB'000* (audited)
Within 3 months	**–**	4,300

17. BANK BORROWINGS

	June 30, 2014 *RMB'000* (unaudited)	December 31, 2013 *RMB'000* (audited)
Secured	**12,732**	30,000
Unsecured	**47,000**	5,300
	59,732	35,300

During the period, the Group obtained new bank loans of RMB72,132,000 (six months ended June 30, 2013: RMB62,815,000). In addition, the Group also repaid bank loans of RMB45,300,000 (six months ended June 30, 2013: RMB4,500,000) during the period.

As at June 30, 2014, the fixed-rate bank borrowings carry interest at 6% (December 31, 2013: 6%) per annum.

18. CONVERTIBLE PROMISSORY NOTE

Pursuant to the Investment Agreement, Actis 151 agreed to subscribe and purchase a convertible promissory note issued by the Company with a principal value of US$12,700,000 (equivalent to RMB78,109,000) on April 16, 2014, which will mature on the earlier of (i) October 15, 2015 or (ii) the date on which dealings in the Company's shares first commence on the Stock Exchange. Any amount due and unpaid by the Company on the date falling three months after the maturity date is convertible, at the option of the holder, into such number of preferred shares of the Company of par value HK$0.01 each issued by the Company with the rights ascribed in the Company's articles of association "Series A Preferred Shares".

The principal terms of the convertible promissory note are set out as below:

Interest rate:	8% per annum on the outstanding principal amount compounded annually, accruing on a daily basis from the issue date
Payment of interest:	Interest is accrued and payable upon repayment or prepayment of the principal amount (in any event no later than the maturity date)
Default interest:	15% per annum on the outstanding amount compounded daily, accruing from the date of occurrence of event of default
Prepayment:	The Company may prepay any and all principal amount payable by it by delivery of prior written notice of no less than 10 business days to the holder of the convertible promissory note
Conversion:	Any amount due and unpaid by the Company on the date falling 3 months after the maturity date is convertible into such number of Series A Preferred Shares, being the result of multiplying the then total number of shares of the Company (on a fully-diluted and as converted basis) by the ratio of the RMB equivalent of the unpaid amount to RMB800,000,000
Guarantee:	A guarantee was granted by Mr. Huang in favor of Actis 151 to guarantee the repayment obligations of the Company under the convertible promissory note. Such guarantee will lapse upon listing of the shares of the Company (the "Listing")

18. CONVERTIBLE PROMISSORY NOTE (Continued)

Share mortgage/charge: On April 16, 2014, each of Mr. Huang, Great Logistics Global Limited ("Great Logistics"), Kaiyuan and Jiashili HK entered into separate share mortgage/charge agreements with Actis 151, pursuant to which the following shares/equity interest are charged in favor of Actis 151 to secure the repayment obligations of the Company under the convertible promissory note:

(i) Share mortgage over the shares of Great Logistics;

(ii) Share mortgage over the shares of Kaiyuan which were held by Great Logistics;

(iii) Share mortgage over the shares of the Company which were held by Kaiyuan; and

(iv) Charge over the entire equity interest in Guangdong Jiashili which was held by Jiashili HK.

The above mortgages/charge will be terminated and released upon the Listing.

At the date of issue, the Company designated the convertible promissory note payable as financial liability at FVTPL and initially recognised at fair value. In subsequent periods, the convertible promissory note payable will be measured at fair value with changes in fair value recognised in profit or loss.

The fair value of the convertible promissory note was determined by the Directors with reference to a valuation report carried out by an independent valuer on June 30, 2014. Fair value of the conversion option of the convertible promissory note is considered as insignificant at initial recognition and June 30, 2014. The movement of the convertible promissory note for the six months ended June 30, 2014 is set out below:

	RMB'000
At the date of issuance on April 16, 2014	78,109
Increase in fair value	1,751
Exchange realignment	763
At June 30, 2014 (unaudited)	80,623

19. SHARE CAPITAL — ORDINARY SHARES/PAID-IN CAPITAL

The paid-in capital amounted to RMB52,000,000 at January 1, 2013 and June 30, 2013, and RMB120,000,000 at December 31, 2013 represented the registered and paid-in capital of Guangdong Jiashili. The paid-in capital was transferred to special reserve upon completion of the Group Reorganisation.

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

	Number of shares	Share capital — ordinary shares *HK$*
Ordinary shares of par value HK$0.01 each		
Authorised:		
At date of incorporation and June 30, 2014	38,000,000	380,000
Issued and fully paid:		
Issuance of new shares at date of incorporation	1	—
Issuance of new shares on April 15, 2014	9,999	100
At June 30, 2014	10,000	100

	At June 30, 2014 *RMB'000*
Presented in the condensed consolidated financial statements	—

20. SHARE CAPITAL — PREFERRED SHARES

	Number of shares	Share capital — preferred shares *HK$*
Preferred shares of par value HK$0.01 each		
Authorised:		
At April 14, 2014 and June 30, 2014	4,370	44
Issued and fully paid:		
Issuance of new shares on April 14, 2014	2,500	25
At June 30, 2014	2,500	25

	At June 30, 2014 ***RMB'000***
Presented in the condensed consolidated financial statements	–

The 2,500 non-cumulative series A preferred shares will be converted into ordinary shares of the Company with an initial conversion ratio of 1.1 upon the completion of the global offering of the Company, subject to anti-dilutive adjustments. It carries voting rights equal to such number of ordinary shares as convertible on the date the vote is to be taken.

On September 25, 2014, the series A preferred shares have been fully converted into ordinary shares of the Company upon the completion of the global offering.

21. CAPITAL COMMITMENTS

	June 30, 2014 ***RMB'000*** **(unaudited)**	December 31, 2013 *RMB'000* (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	**10,386**	18,236

22. PLEDGE OF ASSETS

As at June 30, 2014, the following items were used to secure banking facilities granted to the Group:

(a) Pledged bank deposits amounting to RMB9,543,000 (December 31, 2013: RMB10,845,000).

(b) Pledge of the Group's property, plant and equipment with carrying value of nil (December 31, 2013: RMB131,501,000).

(c) Pledge of the earnings from certain inventories with carrying value of nil (December 31, 2013: RMB27,394,000).

(d) Pledge of the earnings from certain trade receivables with carrying value of nil (December 31, 2013: RMB5,304,000).

(e) Pledge of bills receivables with carrying value of RMB3,000,000 (December 31, 2013: RMB3,360,000).

The pledge of assets under (b), (c) and (d) were released during the current period upon the repayment of the relevant borrowing.

23. MAJOR NON-CASH TRANSACTION

During the current period, the banks directly received the contractually entitled cash flows of RMB9,688,000 (six months ended June 30, 2013: RMB3,909,000) upon maturity of the discounted bills receivable from the Group's debtors as settlement of the related bank borrowing granted to the Group.

24. RELATED PARTY DISCLOSURES

Related Party Transactions

	Six months ended June 30,	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sale of goods		
Zhongchen	**8**	12

The above transactions were carried out in the ordinary course of business and conducted in accordance with the terms and conditions mutually agreed by both parties.

On March 28, 2014, the Group disposed of its entire interest in Guangdong Kangli to Zhongchen at a consideration of RMB24,351,000. Details are set out in note 10.

24. RELATED PARTY DISCLOSURES (Continued)

Related Party Transactions (Continued)

Mr. Huang has also been employed by Zhongchen and the payment of his contributions to retirement benefits scheme was centralised and made by Zhongchen for the six months ended June 30, 2014 and 2013, in which the amounts are considered to be insignificant.

As at December 31, 2013, Zhongchen and Mr. Huang have provided corporate guarantee and personal guarantee respectively, and Zhongchen and Mr. Huang together, have provided a joint guarantee to the Group in obtaining certain banking facilities from the banks. As at December 31, 2013, total bank loans of RMB1,500,000 were drawn down and letters of credit of RMB33,914,000 were issued from these facilities. Such guarantees have been released in February 2014.

As at June 30, 2014, Mr. Huang has provided personal guarantee for the repayment obligations of the Company under the convertible promissory note. Such guarantee was lapsed upon the Listing (see note 18).

As at June 30, 2014, each of Mr. Huang, Great Logistics and Kaiyuan has provided share mortgage to secure the repayment obligations of the Company under the convertible promissory note. Such mortgage was terminated and released upon the Listing. Details are set out in note 18.

Key management personnel

The remuneration of key management personnel during the six months ended June 30, 2014 and 2013 were as follows:

	Six months ended June 30,	
	2014	2013
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Short-term benefits	**905**	638
Post-employment benefits	**22**	19
	927	657

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial liability that is measured at fair value on a recurring basis

Convertible promissory note is measured at fair value at June 30, 2014. The following table gives information about how the fair value of this financial liability is determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurement is categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurement is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial liability	Fair value as at June 30, 2014 *RMB'000*	Fair value hierarchy	Valuation technique(s) and key input(s) *(note)*	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Convertible promissory note classified as financial liability designated as at fair value through profit or loss in the condensed consolidated statement of financial position	80,623	Level 3	Discount cash flow method was used to capture the present value of the expected future economic benefits that will flow to the convertible promissory note holder based on an appropriate discount rate	— company specific discounted rate (the "Rate")	— the higher the Rate, the lower the fair value

Note: The valuation is based on the assumption that the convertible promissory note is not converted and would be settled in cash.

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial liability that is measured at fair value on a recurring basis (Continued)

Of the total gains or losses for the period included in profit or loss, RMB1,751,000 relates to financial liability designated as at fair value through profit or loss held at the end of the current reporting period. Fair value loss on financial liability designated as at fair value through profit or loss are included in "other gain and losses".

The Directors consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

There is no transfer between the different levels of the fair value hierarchy for the period.

Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the management of the Company engaged a third party qualified valuer to perform the valuation. The finance department works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the external valuers' findings to the Directors semi-annually to explain the cause of fluctuations in the fair value of the assets and liabilities.

26. EVENTS AFTER THE REPORTING PERIOD

(1) On September 25, 2014, the Company completed its initial public offering on the Main Board of The Stock Exchange of Hong Kong Limited (the "Offering"). Pursuant to the Offering, the Company issued 100,000,000 new shares at the price of HK$3.7 per share. The gross proceeds from the Offering were approximately HK$370 million (equivalent to RMB294 million) (without considering any potential issue of shares under over-allotment option).

(2) The Company's shareholders have passed the following written resolution on August 21, 2014:

(a) Capitalisation issue

On August 21, 2014, subject to the share premium account of the Company being credited as a result of the global offering, the Directors have authorised to allot and issue a total of 239,990,000 ordinary shares credited as fully paid at par by way of capitalisation of the sum of HK$2,399,900 standing to the credit of the share premium account of the Company, and the ordinary shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued ordinary shares.

(b) Pre-IPO share option scheme

The Company has conditionally adopted a pre-IPO share option scheme on August 21, 2014 to provide incentives and rewards to the employees and consultants of the Group for their future contribution and to retain key and senior employees of the Group.

The total number of options granted under the pre-IPO share option scheme is 14,900,000 on the listing date of September 25, 2014. The fair value of these options as of the grant date was being assessed and yet to complete as of the date of approval of these condensed consolidated financial statements.

(c) Share option scheme

The Company has conditionally adopted a share option scheme on August 21, 2014 to enable the Company of grant options to the eligible person as incentives or rewards for their contribution to the Group.

No share options have been granted under share option scheme up to the date of this report.

(d) Conversion of series A preferred shares

Subsequent to capitalisation issue, 2,500 series A preferred shares were fully converted into 60,000,000 ordinary shares of Company by Actis Ship on September 25, 2014.