

嘉士利®

嘉士利集團有限公司 JIASHILI GROUP LIMITED

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

INTERIM REPORT 2015



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Financial Highlights

- The unaudited consolidated revenue of the Group for the six months ended June 30, 2015 amounted to approximately RMB454.5 million (six months ended June 30, 2014: RMB367.9 million), representing an increase of approximately 23.5% 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 June 30, 2015 amounted to approximately RMB49.5 million (six months ended June 30, 2014: RMB34.1 million), representing an increase of approximately 45.2% as compared with the same period last year.
- The Underlying Profit* for the six months ended June 30 2015 amounted to approximately RMB49.5 million (six months ended June 30, 2014: RMB41.8 million), representing an increase of approximately 18.4% as compared with the same period last year.

*Note: It 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 June 30, 2015, both the basic and diluted earnings per share from the continuing operation were RMB11.92 cents and RMB11.92 cents respectively (six months ended June 30, 2014: RMB13.32 cents and RMB12.82 cents respectively).
- The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2015 (six months ended June 30, 2014: Nil).

Management Discussion and Analysis

The board (the “Board”) of directors (the “Directors”) of Jiashili Group Limited (the “Company”) is pleased to present this interim report, including the unaudited consolidated interim results of the Company and its subsidiaries (together, the “Group”) for the six months ended June 30, 2015 (the “Review Period”).

BUSINESS REVIEW

Marketing

During the Review Period, the Group achieved an encouraging result through the endeavor of its staff and management. Both the revenue and the profit of the Group for the Review Period recorded a double-digit growth despite the downward pressure of China’s economy, particularly the fast-moving consumer goods market. By utilizing the resources after the Company’s listing in September 2014 (the “Listing”, the “IPO” or the “Global Offering”), the Group has put much more effort to develop the market intensively, details of which are set out in the tables below:

Table 1

Number of:	As of June 30, 2015	As of December 31, 2014	Increased by
Salespersons	221	185	19.5%
Total distributors	621	585	6.2%
Points-of-sales	192,932	181,748	6.2%

Table 2

Number of marketing activities conducted:	For the six months ended		
	2015	2014	Increased by
Sample tasting	9,950	6,545	52.0%
Special display events	38,388	29,059	32.1%
Special promotion events in supermarkets	250	87	187.4%

In addition to the traditional sales model, online sales channel also became one of the Group’s focused developing areas, to cope with the changing consumption patterns. For the Review Period, revenue from our online flagship shop was approximately RMB2.3 million, and the Directors believe that there will be a large room for further growth of our e-commerce.

Products

The Group’s revenue has also been driven up by our continuous launch of new products and enhancement in product mix. During the Review Period, the high margin products-fruit jam biscuits (果樂果香) remained our key products to promote. The sales share of sandwich biscuits series upsurged to 18.8% from 12.7% for the same period in 2014. Further, three products of new flavor have been launched during the Review Period, which are bearded tooth mushroom series biscuits (猴頭菇餅乾系列), sandwich cookies (醬心曲奇) and sesame crisp biscuits (芝麻香薄脆), and have all been well received by consumers.

Food Safety Management

Food safety has long been a concern in the food industry and the management of the Group has been investing enormous effort and resources in maintaining the quality of our products so as to eradicate the safety problems completely. During the Review Period, we have carried out site investigation to our three major raw material suppliers, to examine their production processes and storage condition to ensure that the raw materials being supplied to us can reach relevant standards. Meanwhile, various detectors were acquired, to further guarantee our products are free of contamination. Food safety knowledge training was also provided to all labor regularly to ensure that all the production processes comply with both Company and national standards.

OUTLOOK

The Board believes that the growing trend during the Review Period will continue in the second half of 2015, as the traditional peak season is yet to come. Marketing activities will be conducted more frequently and effectively so that both our brand and products can be penetrated deeper to the consumers in different regions. At the same time, our research and development team will keep developing new products, especially those with healthy elements, to satisfy the increasing needs for health-conscious products. Apart from the organic growth, the Board has been seeking target companies for merger and acquisition (“M&A”) globally. In view of our strong sales channels the extensive experience in food industry, the Board is confident that the Group will continue our success through synergy after M&A and expansion of the products portfolio as well as a greater coverage on different regions.

FINANCIAL REVIEW

Revenue

For the Review Period, the revenue of the Group was approximately RMB454.5 million, representing an increase of approximately RMB86.6 million or 23.5% when compared with the same period in 2014. 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 2015 vs 2014	% of changes in sales volume 2015 vs 2014
	2015		2014			
	RMB (million)	Tonne	RMB (million)	Tonne		
Breakfast biscuits series	169.1	16,014	163.2	16,133	+3.6%	-0.7%
Crisp biscuits series	112.1	9,433	85.2	8,444	+31.6%	+11.7%
Sandwich biscuits series	85.5	5,595	46.6	3,333	+83.5%	+67.9%
Wafers series	33.3	2,227	27.1	1,854	+22.9%	+20.1%
Other products	54.5	4,605	45.8	4,071	+19.0%	+13.1%
Total	454.5	37,874	367.9	33,835	+23.5%	+11.9%

Breakfast biscuits series

During the Review Period, results of the breakfast biscuits series remained stable where revenue increased by approximately RMB5.9 million and sales volume declined slightly by approximately 119 tonnes. The main reason for such volume drop was resulting from the further scaling down of the sales of the low margin products among this series, while the selling prices of certain products were adjusted upward during the Review Period. The Board considered that this is the right strategy and direction to go in order to maximize the profitability of this well-known biscuit series.

Crisp biscuits series

During the Review Period, revenue of the crisp biscuits series increased by approximately RMB26.9 million and sales volume increased by approximately 989 tonnes. The increase was attributable to the strong market demand of our original flavored crisp biscuits (香薄脆) which was launched in the second half year in 2014 and the revenue of which was approximately RMB17.8 million in the Review Period.

Sandwich biscuits series

During the Review Period, sales of the sandwich biscuits series achieved an outstanding result with revenue increased by approximately RMB38.9 million and sales volume increased by approximately 2,262 tonnes. Such dramatic increase was the result of our successful positioning and marketing of our star product-fruit jam series, which recorded a revenue of approximately RMB81.2 million.

Wafers series

During the Review Period, revenue of the wafers series rose by approximately RMB6.2 million and sales volume increased by 373 tonnes. Two new production lines for manufacturing of the wafers series were put into use and two old production lines were upgraded so as to fulfill the increasing demand.

Gross Profit and Gross Profit Margin

Gross profit for the Review Period was approximately RMB162.3 million, representing an increase of approximately RMB50.3 million or 44.9% and such increase was mainly due to the increase in revenue, reasons of which are summarised above. Gross profit margin increased to 35.7% from 30.4%. The boost in the gross profit margin was contributed by the continuing optimization of product portfolio and selling price upward adjustment, while the costs of raw material were lowered slightly by adopting effective purchasing strategies and average direct labor cost was saved through upgrading the automation of the production facilities.

Other Income

During the Review Period, other income increased by RMB2.6 million to RMB5.5 million from RMB2.9 million for the same period in 2014. Such increase was mainly due to the increase in government grants by approximately RMB1.5 million. 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. During the Review Period, such expenses increased by approximately RMB21.8 million or 57.2%, to approximately RMB59.9 million. The causes of the aforesaid increase was primarily due to the increase in advertising and promotion expenses in online channel and megastore, together with hiring of additional salesperson to expand our business.

Administrative Expenses

Administrative expenses for the Review Period amounted to approximately RMB28.6 million, representing an increase of approximately RMB15.4 million or 116.0%. Such substantial increase was primarily attributed to the extra staff costs, professional fees, printing charges and share-based compensation expenses incurred during the Review Period. All these expenses arose mostly after the Listing.

Finance Costs

No finance costs was recorded as there were no interest-bearing borrowings during the Review Period. (six months ended June 30, 2014: RMB1.7 million)

Other Expenses

During the Review Period, other expenses amounting to approximately RMB18.4 million (six months ended June 30, 2014: RMB17.6 million) were incurred, which mainly represents the research and development expenses and no significant fluctuation was recorded when compared to the same period in 2014.

Other Gain and Losses

Other gain and losses represent mainly the exchange gain, fair value gain on structure deposit and fair value loss on convertible promissory note. During the Review Period, net other gain amounted to approximately RMB2.2 million (six months ended June 30, 2014: net other losses of RMB0.3 million) was recorded. No fair value loss on convertible promissory note was booked during the Review Period (six months ended June 30, 2014: RMB1.8 million) as the convertible promissory note had been redeemed in September 2014 upon the Listing.

Income Tax Expenses

Income tax increased by approximately RMB3.6 million, or 36.1%, to RMB13.5 million for the Review Period (six months ended June 30, 2014: RMB9.9 million), primarily as a result of the increase in profit before taxation.

Discontinued Operation

No profit from discontinued operation was recorded for the Review Period. (six months ended June 30, 2014: 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 45.2% from RMB34.1 million for the six months ended June 30, 2014 to RMB49.5 million for the Review Period, and net profit margin increased from 9.3% for the six months ended June 30, 2014 to 10.9% for the Review Period.

Financial Position and Liquidity

As at June 30, 2015, the Group had cash and cash equivalent amounting to approximately RMB354.5 million. Net current assets of the Group increased slightly from RMB254.9 million as at December 31, 2014 to RMB287.3 million at the end of the Review Period.

Daily operations of the Group were well supported by credit facilities granted by financial institutions and as at June 30, 2015, the Group did not have any outstanding secured interest bearing bank loans. Fixed deposits and bills receivable pledged for securing these credit facilities amounted to about RMB17.5 million. Other than such, the Group did not have any charge on assets as at June 30, 2015.

As at June 30, 2015, the Group was in net cash position.

As at June 30, 2015, the Group had capital commitment for purchase of property, plant and equipment of approximately RMB1.3 million and had no material investment nor future plans for material investments.

Contingent Liabilities and Guarantees

As at June 30 2015, the Group did not provide any guarantees for any third party and had no significant contingent liabilities.

Material Acquisitions and Disposals

There were no material acquisitions or disposals of subsidiaries or associated companies by the Group during the Review Period.

Interim Dividend

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

Capital Structure

The Group maintains a prudent funding and treasury policy with regard to its business operation. During the Review Period, the Group's operation was mainly financed by funds generated from its operation. As at June 30, 2015, the cash and cash equivalents held by the Group were mainly denominated in Hong Kong dollars and Renminbi. 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 Proceeds From the IPO

The Group raised HK\$380 million from the IPO. The following table sets forth the status of the use of the proceeds from the IPO:

	Net Proceeds from the IPO HK\$ million	Used up to June 30, 2015 HK\$ million	Unused balance as of June 30, 2015 HK\$ million
Increasing the recognition and awareness of our brands and expansion of our distribution and sales network	167.4	36.3	131.1
Infrastructure investment in respect of the purchase and installation of more advanced and automated machineries and the upgrading of our existing production facilities in our production plants	38.6	24.4	14.2
Research and development activities in order to refine our existing product offerings and develop new products	36.0	5.6	30.4
Repayment of the principal amount and the accrued interest under the convertible promissory note issued to Rich Tea Investments Limited (formerly known as Actis Investment Holdings No.151 Limited)	100.0	100.0	–
Working capital and other general corporate purpose	38.0	–	38
	380.0	166.3	213.7

Human Resources

As at June 30, 2015, the Group had a total of 2,279 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, details of which are set out in the paragraph headed "Share Option Scheme" under the section headed "Other Information" of this interim report.

Other Information

DIRECTORS' INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR THE ASSOCIATED CORPORATIONS

As at June 30, 2015, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance ("SFO") (including interests and short positions in which they are taken or deemed to have taken under such provisions), or required, pursuant to section 352 of the SFO, to be entered in the register referred to therein are as follows:

Name of Directors	Company/name of associated corporation	Capacity	Number and class of securities	Approximate percentage of issued share capital
Mr. Huang Xianming ("Mr. Huang")	The Company	Interests of controlled corporation (Note 2)	242,100,000 (L) (Note 1)	58.34%
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 of the Company or the relevant associated corporation.

Note 2: The relevant shares of the Company (the "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

As at June 30, 2015, the following persons have an interest or a short position in the Shares required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO:

Name of Shareholders	Nature of interest	Number of Shares held	Approximate percentage of issued share capital
Mr. Huang	Interest in controlled corporation ⁽¹⁾ ; interest in family member ⁽²⁾	242,100,000	58.34%
Ms. Huang Cuihong	Interest in controlled corporation ⁽¹⁾ ; interest in family member ⁽²⁾	241,000,000	58.07%
Ms. Huang Xianxian	Interest in controlled corporation ⁽¹⁾ ; interest in family member ⁽²⁾	240,000,000	57.83%
Ms. Huang Rujiao	Interest in controlled corporation ⁽¹⁾ ; interest in family member ⁽²⁾	240,000,000	57.83%
Ms. Huang Rujun	Interest in controlled corporation ⁽¹⁾ ; interest in family member ⁽²⁾	240,000,000	57.83%
Great Logistics	Interest in controlled corporation ⁽¹⁾ ; interest in family member ⁽²⁾	241,000,000	58.07%
Jade Isle Global Limited ("Jade Isle")	Interest in controlled corporation ⁽¹⁾ ; interest in family member ⁽²⁾	240,000,000	57.83%
Prestige Choice Investment (Overseas) Limited ("Prestige Choice Overseas")	Interest in controlled corporation ⁽¹⁾ ; interest in family member ⁽²⁾	240,000,000	57.83%
Grand Wing Investment Limited ("Grand Wing")	Interest in controlled corporation ⁽¹⁾ ; interest in family member ⁽²⁾	240,000,000	57.83%
Intelligent Pro Investment Limited ("Intelligent Pro")	Interest in controlled corporation ⁽¹⁾ ; interest in family member ⁽²⁾	240,000,000	57.83%
Kaiyuan	Beneficial interest	240,000,000 ⁽⁴⁾	57.83% ⁽⁴⁾
Actis Investment Holdings Ship Limited ("Actis Ship")	Beneficial interest ⁽³⁾	83,832,000	20.20%
Rich Tea Investments Limited ("Rich Tea")	Beneficial interest ⁽³⁾	83,832,000 ⁽⁴⁾	20.20% ⁽⁴⁾

Notes:

- (1) Kaiyuan is 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 consists of Ms. Huang Cuihong, Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun. Ms. Huang Cuihong is the spouse of Mr. Huang, while Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun are the sisters of Mr. Huang, and therefore they are deemed to be parties acting in concert with Mr. Huang and are deemed to be interested in the Shares in our Company in which Mr. Huang is interested, and Mr. Huang is deemed to be interested in the Shares in which Huang's Family is interested, and vice versa.
- (3) Actis Ship and Rich Tea are the pre-IPO investors (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 a call option on April 16, 2014, in relation to the 993 Shares then held by Rich Tea, which have been enlarged to 23,832,000 Shares upon Capitalization Issue (as defined in the Company's IPO prospectus), representing approximately 5.74% of our issued share capital immediately following the completion of the Global Offering and the over-allotment option is fully exercised. The call option shall survive after the Listing but is subject to the relevant rules under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") or otherwise imposed by the Stock Exchange.

PRE-IPO SHARE OPTION SCHEME

The following is a summary of the principal terms of the pre-IPO share option scheme (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 (as defined below) except for the following:

- (a) the exercise period shall commence on the first anniversary of the date of the Listing (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 falling 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 of the Company dated 15 September 2014.

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 August 21, 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.

From the date that the Share Option Scheme became effective and unconditional and up to the date of this interim report, 12,000,000 shares options were granted under the Share Option Scheme and details of which are set out in the Note 21 to the unaudited consolidated financial statements.

The Company is committed to maintaining a high standard of corporate governance practices by emphasizing a quality board of directors, sound internal control, transparency and accountability to all the Shareholders of the Company. For the six months ended June 30, 2015, the Company has complied with all the code provisions set out in the corporate governance code (the "Code"), as set out in Appendix 14 of the Listing Rules, except for below:

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. 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 six months ended June 30, 2015.

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 four 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 months ended June 30, 2015. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

PURCHASES, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s securities listed on the Stock Exchange.

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

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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 set out on pages 17 to 44, which comprise the condensed consolidated statement of financial position as of June 30, 2015 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” 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.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

August 19, 2015

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2015

	NOTES	Six months ended June 30,	
		2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Continuing operation			
Revenue	3	454,472	367,909
Cost of sales		(292,219)	(255,901)
Gross profit		162,253	112,008
Other income	4	5,521	2,879
Selling and distribution expenses		(59,924)	(38,116)
Administrative expenses		(28,608)	(13,246)
Finance costs	5	–	(1,716)
Other expenses	6	(18,407)	(17,555)
Other gains and losses	7	2,157	(266)
Profit before tax		62,992	43,988
Income tax expense	8	(13,504)	(9,920)
Profit for the period from continuing operation	9	49,488	34,068
Discontinued operation			
Profit for the period from discontinued operation	10	–	61
Profit and total comprehensive income for the period attributable to the owners of the Company		49,488	34,129
Earnings per share			
From continuing and discontinued operations	12		
– Basic (RMB cents)		11.92	13.34
– Diluted (RMB cents)		11.92	12.84
From continuing operation			
– Basic (RMB cents)		11.92	13.32
– Diluted (RMB cents)		11.92	12.82

Condensed Consolidated Statement of Financial Position

At June 30, 2015

	NOTES	June 30, 2015 RMB'000 (unaudited)	December 31, 2014 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	13	210,507	202,993
Prepaid lease payments		11,696	11,942
Intangible asset		1,250	1,500
Deposits for acquisition of property, plant and equipment		3,340	262
Other deposit		2,000	–
		228,793	216,697
CURRENT ASSETS			
Inventories		40,798	44,711
Prepaid lease payments		493	493
Trade, bills and other receivables	14	46,813	66,719
Pledged bank deposits	19	11,845	1,927
Income tax recoverable		1,985	2,114
Bank balances and cash		354,464	298,198
		456,398	414,162
CURRENT LIABILITIES			
Trade, bills and other payables	15	143,176	119,167
Advances from customers	14	24,422	37,620
Income tax payables		1,536	2,475
		169,134	159,262
NET CURRENT ASSETS		287,264	254,900
TOTAL ASSETS LESS CURRENT LIABILITIES		516,057	471,597

At June 30, 2015

	NOTES	June 30, 2015 RMB'000 (unaudited)	December 31, 2014 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Deferred income	16	10,200	2,000
Deferred tax liabilities		3,168	1,712
		13,368	3,712
NET ASSETS		502,689	467,885
CAPITAL AND RESERVES			
Share capital – ordinary shares	17	3,285	3,285
Share capital – preferred shares		–	–
Reserves		499,404	464,600
TOTAL EQUITY		502,689	467,885

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2015

	Share capital – ordinary shares/paid-in capital RMB'000	Share capital – preferred shares RMB'000	Share premium RMB'000	Share options reserve RMB'000 (Note a)	Special reserve RMB'000	Contribution reserve RMB'000	Statutory reserves RMB'000 (Note b)	Accumulated (losses) profits RMB'000	Total RMB'000
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 11 and Note c)	–	–	–	–	–	–	–	(25,592)	(25,592)
Gain on disposal of a subsidiary (Note 10)	–	–	–	–	–	9,361	–	–	9,361
Transfer upon group reorganisation (Note d)	(120,000)	–	–	–	120,000	–	–	–	–
Issuance of preferred shares (Note e)	–	–	165,588	–	–	–	–	–	165,588
Issuance of ordinary shares (Note f)	–	–	–	–	–	–	–	–	–
Deemed distribution (Note g)	–	–	–	–	(227,000)	–	–	–	(227,000)
At June 30, 2014 (unaudited)	–	–	165,588	–	(107,000)	18,333	38,029	(8,062)	106,888
At January 1, 2015 (audited)	3,285	–	483,574	2,166	(107,000)	18,333	45,831	21,696	467,885
Profit and total comprehensive income for the period	–	–	–	–	–	–	–	49,488	49,488
Appropriations	–	–	–	–	–	–	9,342	(9,342)	–
Dividends recognised as distribution (Note 11)	–	–	–	–	–	–	–	(20,006)	(20,006)
Share-based compensations (Note 21)	–	–	–	5,322	–	–	–	–	5,322
At June 30, 2015 (unaudited)	3,285	–	483,574	7,488	(107,000)	18,333	55,173	41,836	502,689

For the six months ended June 30, 2015

Notes:

- a. Amounts represent equity reserve arising from share-based compensations under pre-IPO share option scheme and share option schemes of the Group provided to directors, employees and certain consultants in investor relation professions, details are set out in Note 21.
- b. 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 RMB36,782,000 (unaudited) and RMB25,353,000 (unaudited) as at June 30, 2015 and 2014, 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 RMB18,391,000 (unaudited) and RMB12,676,000 (unaudited) as at June 30, 2015 and 2014, respectively can be used to expand the existing operations of the relevant subsidiaries.
- c. On April 1, 2014, the PRC subsidiary of the Company, Guangdong Jiashili Food Group Co. Limited 廣東嘉士利食品集團有限公司 ("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.
- d. Amount represented the paid-in capital of the subsidiaries acquired pursuant to a Group Reorganisation (as defined in Note 1).
- e. On April 11, 2014, the Company, the Company's subsidiaries, Kaiyuan Investment Limited 開元投資有限公司 ("Kaiyuan") (the immediate and ultimate holding company of the Company) and Mr. Huang Xianming ("Mr. Huang"), entered into an investment agreement with Actis Investment Holdings Ship Limited ("Actis Ship") and Actis Investment Holdings No. 151 Limited (now known as Rich Tea Investments Limited), independent third parties, 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). The 2,500 non-cumulative series A preferred shares were fully converted into 60,000,000 ordinary shares of the Company by Actis Ship on September 25, 2014, and ranked pari passu in all aspects with existing issued ordinary shares.
- f. At the time of incorporation, the Company allotted 1 ordinary share to the subscriber without consideration which was transferred to 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.
- g. 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 cash 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, 2015

	NOTES	Six months ended June 30,	
		2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		94,370	(17,331)
INVESTING ACTIVITIES			
Payment for structured deposits		(130,000)	–
Placement of pledged bank deposits		(16,287)	(21,192)
Purchase of property, plant and equipment		(16,159)	(36,464)
Deposits paid for acquisition of property, plant and equipment		(3,340)	(980)
Proceeds from structured deposits upon maturity		131,979	–
Government grants received	16	8,200	–
Release of pledged bank deposits		6,369	22,494
Interest received		1,171	265
Disposal of a subsidiary	10	–	19,787
NET CASH USED IN INVESTING ACTIVITIES		(18,067)	(16,090)
FINANCING ACTIVITIES			
Dividends paid	9	(20,006)	–
Deemed distribution to the ultimate controlling shareholder		–	(227,000)
Repayment of bank borrowings		–	(45,300)
Interest paid		–	(1,716)
Proceeds from issuance of preferred shares		–	165,588
Proceeds from issuance of convertible promissory note		–	78,109
New bank borrowings raised		–	72,132
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(20,006)	41,813
NET INCREASE IN CASH AND CASH EQUIVALENTS		56,297	8,392
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		298,198	69,908
Effect of foreign exchange rate changes		(31)	763
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, comprising bank balances and cash		354,464	79,063

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

1. BASIS OF PREPARATION

The condensed consolidated financial statements of Jiashili Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) 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 of Hong Kong Limited.

During the six months ended June 30, 2014, the Group completed the group reorganisation which involved interspersing Kaiyuan, the Company, Jiashili Limited and Jiashili HK between the ultimate individual shareholders of Guangdong Jiashili and Guangdong Jiashili (the “Group Reorganisation”). The Group resulting from the Group Reorganisation was regarded as a continuing entity. Details of the Group Reorganisation are set out in the Group’s annual report for the year ended December 31, 2014.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for convertible promissory note and structured deposits which are 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, 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2014.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards (“IFRSs”) which are effective for the current interim period:

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle

The application of the amendments to IFRSs in the current interim period has had no material effect on the amounts reported and/or disclosure set out in these condensed consolidated financial statements.

For the six months ended June 30, 2015

3. 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 year, the Group was also involved in the manufacture and sale of pasta operation. That operation was discontinued with effect from March 28, 2014. Financial information of the pasta operation is disclosed in Note 10.

4. OTHER INCOME

	Six months ended June 30,	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Bank interest income	1,171	265
Government grants	3,890	2,385
Other non-operating income	460	229
	5,521	2,879

For the six months ended June 30, 2015

5. FINANCE COSTS

	Six months ended June 30,	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Interest on bank borrowings wholly repayable within five years	–	1,716

6. OTHER EXPENSES

	Six months ended June 30,	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Research and development expenses	18,191	10,904
Donation expenses	155	414
Other non-operating expenses	61	217
Listing expenses	–	6,020
	18,407	17,555

7. OTHER GAINS AND LOSSES

	Six months ended June 30,	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Fair values gain on structured deposits (Note 22)	1,979	–
Net exchange gain	179	1,535
Loss on disposal of property, plant and equipment	(1)	(50)
Fair value loss on convertible promissory note (Note 22)	–	(1,751)
	2,157	(266)

For the six months ended June 30, 2015

8. INCOME TAX EXPENSE

	Six months ended June 30,	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
PRC Enterprise Income Tax ("EIT") – Current tax	12,048	8,100
PRC withholding tax	1,456	1,830
Deferred tax credit	–	(10)
	13,504	9,920

No provision for Hong Kong Profits Tax has been made for the six months ended June 30, 2015 and 2014 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 15% preferential enterprise income tax rate from 2012 to 2014.

Guangdong Jiashili used the preferential enterprise income tax at the concessionary rate of 15% for the six months ended June 30, 2015 as the directors of the Company are confident that Guangdong Jiashili will obtain the renewal of the High and New Technology Enterprise Certificate and enjoy the preferential tax rate from 2015 to 2017. Such renewal is expected to be completed in November 2015.

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.

For the six months ended June 30, 2015

9. PROFIT FOR THE PERIOD FROM CONTINUING OPERATION

	Six months ended June 30,	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Profit for the period from continuing operation has been arrived at after charging:		
Directors' and chief executive's remuneration	3,176	927
Other staff costs		
Salaries and allowances	45,720	39,369
Contributions to retirement benefits scheme	5,499	4,011
Share-based compensations	2,728	–
Total staff costs	57,123	44,307
Depreciation of property, plant and equipment	9,856	6,647
Amortisation of intangible asset (included in cost of sales)	250	250
Total depreciation and amortisation	10,106	6,897
Release of prepaid lease payments	246	225
Cost of inventories recognised as expenses	292,219	255,901

For the six months ended June 30, 2015

10. DISCONTINUED OPERATION

On March 24, 2014, the Group entered into an equity transfer agreement with Guangdong Zhongchen Industrial Group Company Limited 廣東中晨實業集團有限公司 (“Zhongchen”), to dispose of its entire interest in Guangdong Kangli Food Company Limited 廣東康力食品有限公司 (“Guangdong Kangli”), which carried out all of the Group’s manufacture and sale of pasta products (the “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 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 six months ended June 30, 2014 from the discontinued operation is analysed as follows:

	RMB'000 (unaudited)
Profit of discontinued operation for the period	61

For the six months ended June 30, 2015

10. DISCONTINUED OPERATION *(continued)*

The results of the discontinued operation for the six months ended June 30, 2014, were as follows and the profit from discontinued operation for the period has been included in condensed consolidated statement of profit or loss and other comprehensive income.

	RMB'000 (unaudited)
Revenue	10,701
Cost of sales	(9,449)
Gross profit	1,252
Other income	6
Selling and distribution expenses	(507)
Administrative expenses	(663)
Finance costs	(7)
Profit before tax	81
Income tax expense	(20)
Profit from discontinued operation for the period	61

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

	2014 RMB'000 (unaudited)
Directors' and chief executive's remuneration	–
Other staff costs:	
– Salaries and allowances	838
– Contributions to retirement benefits scheme	134
Total staff costs	974
Depreciation on property, plant and equipment	620
Release of prepaid lease payments	10
Auditor's remuneration	–
Cost of inventories recognised as expenses	9,449
Bank interest income	(6)

For the six months ended June 30, 2015

10. DISCONTINUED OPERATION *(continued)*

Cash flows for the six months ended June 30, 2014 from discontinued operation:

	RMB'000 (unaudited)
Net cash inflows from operating activities	1,104
Net cash outflows from investing activities	(477)
Net cash outflows from financing activities	(1,406)
Net cash outflows from discontinued operation	(779)

The net assets of Guangdong Kangli at the date of disposal were as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment	39,555
Prepaid lease payment	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 outflow arising on disposal:	
Bank balances and cash disposed of	(4,564)
Cash consideration	24,351
	19,787

For the six months ended June 30, 2015

11. DIVIDENDS

During the six months ended June 30, 2015, a final dividend of HK6 cent per share in respect of the year ended December 31, 2014 (six months ended June 30, 2014: Nil), amounting to approximately HK\$24,900,000 (equivalent to approximately RMB20,006,000), was declared and paid to the shareholders of the Company.

During the six months ended June 30, 2014, 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 then equity owners.

12. 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,	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Earnings		
Profit for the period attributable to owners of the Company	49,488	34,129
Less: Undistributable earnings attributable to preferred shares	–	(2,112)
Earnings for the purpose of basic earnings per share	49,488	32,017
Add: Undistributable earnings attributable to preferred shares	–	2,112
Earnings for the purpose of diluted earnings per share	49,488	34,129
Number of shares		
Number of ordinary shares for the purpose of calculation of basic earnings per share	415,000	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	415,000	265,856

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options because the exercise price of those share options was higher than the average market price for the period ended June 30, 2015.

For the six months ended June 30, 2015

12. EARNINGS PER SHARE *(continued)***From continuing and discontinued operations** *(continued)*

The number of shares for the purpose of basic earnings per share for the period ended June 30, 2014 was based on the assumption that 240,000,000 shares of the Company were in issue and issuable, comprising an aggregate of 10,000 shares in issue and adjusted for the effect of capitalisation issue of 239,990,000 shares, as if the Group Reorganisation was effective on January 1, 2014 for the period ended June 30, 2014.

Note: The computation on the effect of dilutive ordinary shares on preferred shares for the period ended June 30, 2014 is adjusted for the effect of capitalisation issue of 59,997,500 shares (see Note 17), as if the shares were outstanding since the date of issue of preferred shares.

The computation of diluted earnings per share for the period ended June 30, 2014 did 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 attributable to the owners of the Company is based on the following data:

	Six months ended June 30,	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Profit for the period attributable to owners of the Company	49,488	34,129
Less: Profit for the period from discontinued operation	–	(61)
Profit for the period attributable to owners of the Company from continuing operation	49,488	34,068
Less: Undistributable earnings attributable to preferred shares	–	(2,112)
Earnings for the purpose of basic earnings per share	49,488	31,956
Add: Undistributable earnings attributable to preferred shares	–	2,112
Earnings for the purpose of diluted earnings per share	49,488	34,068

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

For the six months ended June 30, 2015

12. EARNINGS PER SHARE *(continued)***From discontinued operation**

For the period ended June 30, 2014, basic earnings per share for the discontinued operation was RMB0.02 cent per share and diluted earnings per share for the discontinued operation was RMB0.02 cent per share, based on the profit for the period from the discontinued operation of RMB61,000 and the denominators detailed above for both basic and diluted earnings per share.

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred additions of approximately RMB17,371,000 (six months ended June 30, 2014: RMB38,335,000) in property, plant and equipment in order to upgrade its operating capacities, in which amount of RMB262,000 (six months ended June 30, 2014: RMB9,488,000) was transferred from deposit for acquisition of property, plant and equipment paid in previous year.

In addition, during the six months ended June 30, 2014, 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.

14. TRADE, BILLS AND OTHER RECEIVABLES

	June 30, 2015 RMB'000 (unaudited)	December 31, 2014 RMB'000 (audited)
Trade receivables	18,340	13,007
Less: Allowance for doubtful debts	(761)	(761)
Trade receivables, net	17,579	12,246
Bills receivables	7,815	18,293
Total trade and bills receivables	25,394	30,539
Prepayments for purchase of raw materials	16,518	28,071
Other receivables	2,756	1,911
Other prepayments	2,145	6,198
	46,813	66,719

For the six months ended June 30, 2015

14. TRADE, BILLS AND OTHER RECEIVABLES *(continued)***Trade and bills receivables**

The Group generally adopted a policy to require advance payment from majority of their customers before the delivery of goods. Advances received from customers amounted to approximately RMB24,422,000 and RMB37,620,000 as at June 30, 2015 and December 31, 2014, 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 90 days from the invoice date for trade receivables and a further credit period ranging from 90 to 180 days for bills receivable of these external customers based on bills issue date.

The following is an 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, 2015 RMB'000 (unaudited)	December 31, 2014 RMB'000 (audited)
Within 2 months	17,288	6,228
Over 2 months but within 3 months	–	6,007
Over 3 months but within 6 months	–	10
Over 6 months but within 1 year	281	1
Over 1 year	10	–
	17,579	12,246

For the six months ended June 30, 2015

14. TRADE, BILLS AND OTHER RECEIVABLES *(continued)***Trade and bills receivables** *(continued)*

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, 2015 RMB'000 (unaudited)	December 31, 2014 RMB'000 (audited)
Within 1 month	490	4,470
Over 1 month but within 3 months	3,405	8,573
Over 3 months but within 6 months	3,920	5,250
	7,815	18,293

15. TRADE, BILLS AND OTHER PAYABLES

	June 30, 2015 RMB'000 (unaudited)	December 31, 2014 RMB'000 (audited)
Trade payables	51,478	63,246
Bills payables	41,092	1,000
Total trade and bills payables	92,570	64,246
Accrued expenses	8,302	10,003
Transportation fee payables	15,482	14,342
Payroll and welfare payables	11,226	16,427
Output value-added-tax and other tax payables	7,475	7,202
Construction cost payables	4,920	3,970
Other payables	3,201	2,977
	143,176	119,167

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15. TRADE, BILLS AND OTHER PAYABLES *(continued)***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, 2015 RMB'000 (unaudited)	December 31, 2014 RMB'000 (audited)
Within 3 months	45,592	62,112
Over 3 months but within 6 months	4,700	228
Over 6 months but within 1 year	319	104
Over 1 year	867	802
	51,478	63,246

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

	June 30, 2015 RMB'000 (unaudited)	December 31, 2014 RMB'000 (audited)
Within 3 months	35,592	1,000
Over 3 months but within 6 months	5,500	–
	41,092	1,000

16. DEFERRED INCOME

During the six months ended June 30, 2015, the Group received government subsidies amounting to RMB8,200,000 (six months ended June 30, 2014: Nil) for the compensation of capital expenditures on the plant and machinery which are deferred and amortised to profit or loss over the estimated useful lives of the respective assets when they are ready to use.

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17. SHARE CAPITAL – ORDINARY SHARES

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, December 31, 2014 and June 30, 2015	8,000,000,000	80,000,000
Issued and fully paid:		
Issuance of new shares at date of incorporation	1	–
Issuance of new shares on April 15, 2014	9,999	100
Conversion of preferred shares on September 25, 2014	60,000,000	600,000
Capitalisation issue on September 25, 2014 (Note)	239,990,000	2,399,900
Issuance of new shares on September 25, 2014	100,000,000	1,000,000
Issuance of new shares on October 10, 2014	15,000,000	150,000
At December 31, 2014 and June 30, 2015	415,000,000	4,150,000

	At June 30, 2015 and December 31, 2014 RMB'000
Presented in the condensed consolidated financial statements	3,285

Note: On September 25, 2014, the Company allotted and issued 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 (equivalent to approximately RMB1,900,000) standing to the credit of the share premium account of the Company, and the ordinary shares allotted and issued pursuant to the resolution of the directors ranked pari passu in all respects with the existing issued ordinary shares.

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18. COMMITMENTS**Operating leases commitments**

At the end of each reporting period, the Group had commitments for future minimum leases payments under non-cancellable operating leases which fall due as follows:

	June 30, 2015 RMB'000 (unaudited)	December 31, 2014 RMB'000 (audited)
Within one year	4,175	501
In the second to fifth years inclusive	4,090	676
	8,265	1,177

Capital commitments

	June 30, 2015 RMB'000 (unaudited)	December 31, 2014 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	1,258	982

19. PLEDGE OF ASSETS

As at June 30, 2015 and December 31, 2014, the following items were used to secure banking facilities granted to the Group:

	June 30, 2015 RMB'000 (unaudited)	December 31, 2014 RMB'000 (audited)
Pledged bank deposits	11,845	1,927
Pledge of bills receivable	5,650	5,944
	17,495	7,871

For the six months ended June 30, 2015

20. RELATED PARTY DISCLOSURES

Related Party Transactions

	Six months ended June 30,	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Sale of goods Zhongchen	19	8

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.

At December 31, 2013, Zhongchen and Mr. Huang provided corporate guarantee and personal guarantee, respectively and Zhongchen and Mr. Huang together, provided a joint guarantee to the Group in obtaining certain banking facilities from the banks. 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 were released in February 2014.

Before the disposal of Guangdong Kangli in March 2014, Guangdong Jiashili made advances to Guangdong Kangli, its former subsidiary, in the amount of RMB22.5 million in aggregate to finance its capital expenditure, the amount has been settled in May 2014.

Key management personnel

The remuneration of key management personnel including the directors' remuneration during the six months ended June 30, 2015 and 2014 were as follows:

	Six months ended June 30,	
	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Short-term benefits	3,404	905
Post-employment benefits	26	22
Share-based compensations	1,497	–
	4,927	927

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21. SHARE OPTION SCHEME

Pre-IPO Share Option Scheme

The Company has conditionally adopted a pre-IPO share option scheme (“Pre-IPO Share Option Scheme”) on August 21, 2014 to provide incentives and rewards to the director and employees of the Group for their future contribution and to retain key and senior employees of the Group. The Group is authorized to issue options to a maximum of 10% of the shares in issue on the listing on September 25, 2014 under the Pre-IPO Share Option Scheme.

The total number of options granted to the directors and employees under the Pre-IPO Share Option Scheme was 14,900,000 on the listing date of September 25, 2014 at exercise price of HK\$3.45 per share determined with reference to the costs per share acquired by the Pre-IPO investors, subject to any adjustment made in the manner as contemplated under the Pre-IPO Share Option Scheme.

The following table discloses the details of and movements in the share options granted under the Pre-IPO Share Option Scheme for the period ended June 30, 2015:

For the period ended June 30, 2015

Category of grantees	Date of grant	Exercise period	Exercise price per share	Number of share options		
				At 1.1.2015	Granted during the period	At 30.6.2015
Directors of the Company	25.9.2014	25.9.2015–25.9.2019	HK\$3.45	862,500	–	862,500
	25.9.2014	25.9.2016–25.9.2019	HK\$3.45	862,500	–	862,500
	25.9.2014	25.9.2017–25.9.2019	HK\$3.45	862,500	–	862,500
	25.9.2014	25.9.2018–25.9.2019	HK\$3.45	862,500	–	862,500
Employees of the Group	25.9.2014	25.9.2015–25.9.2019	HK\$3.45	2,862,500	–	2,862,500
	25.9.2014	25.9.2016–25.9.2019	HK\$3.45	2,862,500	–	2,862,500
	25.9.2014	25.9.2017–25.9.2019	HK\$3.45	2,862,500	–	2,862,500
	25.9.2014	25.9.2018–25.9.2019	HK\$3.45	2,862,500	–	2,862,500
Total				14,900,000	–	14,900,000
Exercisable at period end						–

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21. SHARE OPTION SCHEME *(continued)***Pre-IPO Share Option Scheme** *(continued)*

The fair value of these options at the date of grant was approximately RMB15,607,000 of which approximately RMB3,550,000 were charged to profit or loss for the period ended June 30, 2015 (six months ended June 30, 2014: Nil).

No option was granted during the period ended June 30, 2014.

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

	On September 25, 2014
Share price (HK\$)	3.89
Exercise price (HK\$)	3.45
Risk-free rate	1.424%
Dividend yield	1.057%
Volatility	34.77%
Expiry date	September 25, 2019
Suboptimal factor	3.0

Share Option Scheme

The Company has conditionally adopted a share option scheme on August 21, 2014 to enable the Company to grant options to the eligible person as incentives or rewards for their contribution to the Group. The Group is authorized to issue options to a maximum of 10% of the shares in issue as at the listing date under the share option scheme.

The total number of options granted to consultants in investor relation profession under the share option scheme was 10,000,000 on February 17, 2015 at exercise price of HK\$4.00 per share. The exercise price is determined by the board of directors of the Company at its absolute discretion and shall not be less than the highest of (i) the closing price of HK\$3.66 per share as quoted in the Stock Exchange's daily quotation sheet on the grant date; (ii) the average closing price of approximately HK\$3.632 per share as quoted in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the grant date; and (iii) the nominal value of HK\$0.01 per share); subject to adjustments). Upon acceptance of the options, the eligible person shall pay HK\$1.00 to the Company by way of consideration for the grant. The options were offered for acceptance for a period of 28 days from the date on which the options were granted. There is no vesting condition attached to the options.

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21. SHARE OPTION SCHEME *(continued)***Share Option Scheme** *(continued)*

The total number of options granted to the directors under the share option scheme was 2,000,000 on June 12, 2015 at exercise price of HK\$4.58 per share. The exercise price is determined by the board of directors of the Company at its absolute discretion and shall not be less than the highest (i) the closing price of HK\$4.580 per share as quoted in the daily quotation sheet of the Stock Exchange on the grant date; (ii) the average closing price of approximately HK\$4.536 per share as quoted in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the grant date; and (iii) the nominal value of HK\$0.01 per share.

The following table discloses the details of and movements in the share options granted under the share option scheme for the period ended June 30, 2015:

For the period ended June 30, 2015

Category of grantees	Date of grant	Exercise period	Exercise price per share	Number of share options		
				At 1.1.2015	Granted during the period	At 30.6.2015
Consultants in investor relation profession	17.2.2015	17.2.2015-31.12.2015	HK\$4.00	-	10,000,000	10,000,000
Directors of the Company	12.6.2015	12.6.2016-12.6.2020	HK\$4.58	-	500,000	500,000
	12.6.2015	12.6.2017-12.6.2020	HK\$4.58	-	500,000	500,000
	12.6.2015	12.6.2018-12.6.2020	HK\$4.58	-	500,000	500,000
	12.6.2015	12.6.2019-12.6.2020	HK\$4.58	-	500,000	500,000
Total				-	12,000,000	12,000,000
Exercisable at period end						10,000,000

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21. SHARE OPTION SCHEME *(continued)***For the period ended June 30, 2015** *(continued)*

The fair value of the options granted on June 12, 2015 and February 17, 2015 were approximately RMB2,408,000 and RMB1,716,000, of which approximately RMB56,000 and RMB1,716,000 were charged to profit or loss for the period ended June 30, 2015 respectively.

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

	On June 12, 2015	On February 17, 2015
Share price (HK\$)	4.58	3.66
Exercise price (HK\$)	4.58	4.00
Risk-free rate	1.314%	0.118%
Dividend yield	1.31%	1.64%
Volatility	33.93%	26.69%
Expiry date	June 12, 2020	December 31, 2015
Suboptimal factor	2.8	2.2

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

The Group's structured deposit with non-closely related embedded derivative was measured at fair value. The fair value was derived from valuation techniques that included unobservable input, being expected yields of money market instruments and debt instruments invested by banks and a discount rate that reflects the credit risk of the bank, i.e. Level 3 fair value hierarchy. The fair value is determined by using discount cash flow method to capture the present value of the expected future economic benefit that will flow to the Group based on an appropriate discount rate.

Included in other gains and losses for the six months ended June 30, 2015, fair values gain of RMB1,979,000 (six months ended June 30, 2014: Nil) were related to structured deposits measured at fair value through profit or loss.

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22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT *(continued)*

The Group's convertible promissory note was measured at fair value. The fair value was derived from valuation techniques that included unobservable input, being company specific discount rate, i.e. Level 3 fair value hierarchy. The fair value is determined by using discount cash flow method to capture the present value of the expected future economic benefit that will flow to the convertible promissory note holder based on an appropriate discount rate.

Included in other gains and losses for the six months ended June 30, 2014, fair value loss of RMB1,751,000 was related to convertible promissory note designated as at fair value through profit or loss.

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.

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.