



嘉士利集團有限公司
JIASHILI GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock code : 1285.HK

INTERIM REPORT 2016



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Financial Highlights

- The unaudited consolidated revenue of the Group for the six months ended 30 June 2016 amounted to approximately RMB501.6 million (six months ended 30 June 2015: RMB454.5 million), representing an increase of approximately 10.4% 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 2016 amounted to approximately RMB52.3 million (six months ended 30 June 2015: RMB49.5 million), representing an increase of approximately 5.7% as compared with the same period last year.
- For the six months ended 30 June 2016, the basic and diluted earnings per share were RMB13.28 cents and RMB13.27 cents respectively. (six months ended 30 June 2015: RMB11.92 cents and RMB11.92 cents respectively)
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: 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, 2016 (the “Review Period”).

BUSINESS REVIEW

During the first half of 2016, the slowdown of overall economic growth in the PRC has exerted a certain impact on the Group’s business. Nevertheless, the Group was still able to record a 10.4% growth in sales and a 11.3% growth in profit for the period, thanks to the efforts of the management with its successful sales and marketing strategies and strict cost control.

During the Review Period, the Company was committed to improving its brand awareness and continuously investing in the expansion of our distribution and sales network. In February 2016, the Group sponsored an online entertainment program in the Company’s name for the first time. The program, performed by the current youth idol “Lu Han (鹿晗)”, successfully made our brand-Jiashili more youthful and attracted more young consumers, thus further improving our brand awareness.

Set out in the following tables are the details in relation to the Company’s offline marketing activities and sales coverage data:

Table 1

Numbers:	As at 30 June 2016	As at 31 December 2015	Increase
Sales personnel	291	241	20.7%
Distributors	809	720	12.4%
Points of sales	225,000	209,001	7.7%

Table 2

Number of marketing activities	For the six months ended		
	2016	2015	Increase
Sample tasting events	16,596	9,950	66.8%
Special display events	49,542	38,388	29.1%
Weekly promotion events	281	250	12.4%

Apart from traditional offline sales, the Group was also devoted to promoting its online sales. Through its online flagship stores, Jiashili recorded approximately RMB4.6 million in online sales during the Review Period, representing an increase of approximately 104.0% as compared with the corresponding period of last year.

In respect of our production, the Group closed down its plants in Xingtai City, Hebei Province in February 2016. The manufacturing base in the Northern China region has been planned to be relocated to the new plants at Tangyin County, Henan Province, in a bid to better cater to the customers in the Northern China region and reduce transportation cost. During the Review Period, construction has started for the new plants at Tangyin, which are expected to commence operation during the fourth quarter this year.

Besides, during the Review Period, we have started building the new pastry manufacturing base at Kaiping City. China boasts a huge pastry market, its retail share far outstripping that of biscuits. In addition to its ability to further enrich our product portfolio, the management believes the pastry products can also expand our sources of income, improve Jiashili's profitability and enlarge our market shares.

In respect of products, we have raised the unit prices of certain products and continued to optimize product structure. In particular, we have launched certain products with new packages so as to provide more options to the consumers. Owing to the abovementioned factors, the average unit price of our products has risen to approximately RMB12,384 per tonne, representing an increase of approximately 3.2% as compared with the corresponding period of last year.

OUTLOOK

The consumption behavior and preference of consumer food in China has been changing, and its coming trend tends to emphasize health, food safety and convenient purchase, with a significant increase in the demand for imported food. Consumer groups becomes younger because of the increasing consumption power of the youth as well as the online shopping becomes popular. To seize the opportunities brought by such change, Jiashili will further its research and development of more different products, explore different online and offline channels, and provide quality food for all types of consumers. Meanwhile, the Board will be active in identifying suitable consumer food enterprises around the world for collaboration. In addition, the industry fund co-established with the Fosun Group will also continue its search for food-related businesses for investment in a view to create higher returns for investors.

FINANCIAL REVIEW

Revenue

For the Review Period, the revenue of the Group was approximately RMB501.6 million, representing an increase of approximately RMB47.1 million or 10.4% when compared with the same period in 2015. 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 2016 vs 2015	% of changes in sales volume 2016 vs 2015
	2016		2015			
	RMB (million)	Tonne	RMB (million)	Tonne		
Breakfast biscuits series	172.8	16,406	169.1	16,014	+2.2%	+2.4%
Crisp biscuits series	126.8	9,997	112.1	9,433	+13.1%	+6.0%
Sandwich biscuits series	103.7	6,647	85.5	5,595	+21.3%	+18.8%
Wafers series	42.2	2,833	33.3	2,227	+26.7%	+27.2%
Other products	56.1	4,620	54.5	4,605	+2.9%	+0.3%
Total	501.6	40,503	454.5	37,874	+10.4%	+6.9%

Breakfast biscuits series

During the Review Period, results of breakfast biscuits series remained stable which revenue increased by approximately RMB3.7 million and sales volume increased slightly by approximately 392 tonne.

Crisp biscuits series

During the Review Period, revenue of crisp biscuits series increased by approximately RMB14.7 million and sales volume increased by 564 tonne. Such increase was attributable to the growth in demand of our original flavored crisp biscuits (香薄脆).

Sandwich biscuits series

During the Review Period, revenue of sandwich biscuits series increased by approximately RMB18.2 million and sales volume increased by approximately 1,052 tonne. Such increase was resulting from our successful marketing strategy including Jiashili's sponsorship of an online entertainment program performed by the hot artist-Lu Han.

Wafers series

During the Review Period, revenue of wafers series rose by approximately RMB8.9 million and sales volume increased by 606 tonne.

Gross Profit and Gross Profit Margin

Gross profit for the Review Period was approximately RMB184.1 million, recorded an increase of approximately RMB21.8 million or 13.4% and such increase was mainly due to the increase in revenue. Gross profit margin increased to 36.7% from 35.7%. Improvement in the gross profit margin was contributed by our persistent enhancement of the product mix, together with the slight reduction in major raw material costs.

Other Income

During the Review Period, other income decreased by approximately RMB62,000 to RMB5,459,000 from RMB5,521,000. 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 RMB11.3 million or 18.8%, to approximately RMB71.2 million. The causes of the aforesaid increase was primarily due to the increase in advertising and promotion expenses by sponsoring the online entertainment program during the Review Period and the increase in transportation cost.

Administrative Expenses

Administrative expenses for the Review Period were amounted to approximately RMB33.4 million; represent an increase of approximately RMB4.8 million or 16.8%. Such increase was primarily attributed to the increase in rental expenses for the new manufacturing base in Kaiping and the impairment loss recognised in respect of prepayment.

Other Expenses

During the Review Period, other expenses amounted to approximately RMB16.0 million (six months ended 30 June 2015: RMB18.4 million) was incurred, which mainly represents the research and development (“R&D”) costs and donation expenses.

Other Gain and Losses

Other gain and losses represent mainly the reversal of relocation provision of a manufacturing plant, fair value gain on structure deposit, fair value loss on convertible redeemable bond and net foreign exchange loss. During the review period, net other gain amounted to approximately RMB513,000 (six months ended 30 June 2015: RMB2.2 million) was recorded.

Income Tax Expenses

Income tax increased by approximately RMB756,000, or 5.6%, to RMB14.3 million for the Review Period (six months ended 30 June 2015: RMB13.5 million), and such increase was the result of increase in profit before tax.

Profit for the Period Attributable to Owners of the Company

As a result of the foregoing factors, profit for the period attributable to owners of the Company increased by approximately 5.6 million from RMB49.5 million for the six months ended 30 June 2015 to RMB55.1 million for the Review Period, and net profit margin increased slightly to 11.0% for the Review Period (six months ended 30 June 2015: 10.9%).

Financial Position and Liquidity

As at 30 June 2016, the Group had cash and cash equivalent amounted to approximately RMB336.1 million. Net current assets of the Group decreased from last year's RMB446.3 million to RMB407.0 million at period end date.

Normal operations of the Group were well supported by internal fund and credit facilities granted by financial institutions which amounted to approximately RMB290 million at period end date. As at 30 June 2016, the Group did not have any outstanding secured interest bearing bank loans. Fixed deposits pledged for securing these credit facilities amounted to about RMB2.90 million.

As at 30 June 2016, the Group was in net cash position.

As at 30 June 2016, the Group had capital commitment for (i) purchase of property, plant and equipment of approximately RMB20.8 million (ii) establishment of an investment fund of approximately RMB133.7 million. Apart from the aforesaid capital commitment, the Group had no other material investment as of 30 June 2016.

Contingent Liabilities and Guarantees

As at 30 June 2016, the Group did not provide any guarantees for any third party and had no significant contingent liabilities.

Material Acquisitions and Disposals

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

Interim Dividend

The board (the "Board") of directors (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. As at 30 June 2016, the cash and cash equivalents held by the Group were mainly denominated in Hong Kong dollars, Renminbi and United States dollars. 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 Global Offering

On September 25, 2014, the Company's shares were listed on the main board of the Stock Exchange. The total net proceeds raised from the IPO of the Company were approximately HK\$380 million after the deduction of related listing expenses. The use of proceeds has been consistent with the disclosure in the prospectus of the Company dated September 15, 2014. Up to the date of this report, the respective use of the net proceeds is as follows:

	Net Proceeds from IPO		
	Available HKD million	Used HKD million	Unused HKD million
Increasing the recognition and awareness of our brands and expansion of our distribution and sales network	167.4	75.6	91.8
Infrastructure investment in respect of the purchase and installation of more advanced and automated machineries and the upgrading of our existing production facilities in our production plants	38.6	38.6	–
Research and development activities in order to refine our existing product offerings and develop new products	36.0	26.6	9.4
Repayment of the principal amount and the accrued interest under the convertible promissory note issued to Actis Investment Holdings No. 151 Limited (now known as Rich Tea Investments Limited)	100.0	100.0	–
Working capital and other general corporate purpose	38.0	–	38.0
	380.0	240.8	139.2

Human Resources

As at 30 June 2016, the Group had a total of 2,263 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' INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR THE ASSOCIATED CORPORATIONS

As at June 30, 2016, 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, 2016, 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⁾	242,100,000	58.34%
Ms. Huang Xianxian	Interest in controlled corporation ⁽¹⁾ ; interest in family member ⁽²⁾	242,100,000	58.34%
Ms. Huang Rujiao	Interest in controlled corporation ⁽¹⁾ ; interest in family member ⁽²⁾	242,100,000	58.34%
Ms. Huang Rujun	Interest in controlled corporation ⁽¹⁾ ; interest in family member ⁽²⁾	242,100,000	58.34%
Great Logistics	Interest in controlled corporation ⁽¹⁾ ; interest in family member ⁽²⁾	241,000,000	58.07%
Grand Wing Investment Limited ("Grand Wing")	Interest in controlled corporation ⁽¹⁾ ; interest in family member ⁽²⁾	216,168,000	52.09%
Intelligent Pro Investment Limited ("Intelligent Pro")	Interest in controlled corporation ⁽¹⁾ ; interest in family member ⁽²⁾	216,168,000	52.09%
Jade Isle Global Limited ("Jade Isle")	Interest in controlled corporation ⁽¹⁾ ; interest in family member ⁽²⁾	216,168,000	52.09%
Kaiyuan	Beneficial interest	216,168,000	52.09%
Prestige Choice Investment Overseas Limited ("Prestige Choice Overseas")	Interest in controlled corporation ⁽¹⁾ ; interest in family member ⁽²⁾	216,168,000	52.09%

Name of shareholders	Nature of interest	Number of shares held	Approximate percentage of issued share capital
Actis 4 PCC	Interest in controlled corporation ⁽³⁾	60,000,000	14.46%
Actis Global 4 LP	Interest in controlled corporation ⁽³⁾	60,000,000	14.46%
Actis GP LLP	Interest in controlled corporation ⁽³⁾	60,000,000	14.46%
Actis Investment Holdings Ship Limited (“Actis Ship”)	Beneficial interest ⁽³⁾	60,000,000	14.46%
Rich Tea Investment Limited (“Rich Tea”)	Interest in controlled corporation ⁽³⁾	60,000,000	14.46%
Fosun Financial Holdings Limited	Interest in controlled corporation ⁽⁴⁾	33,583,332	8.09%
Fosun Holdings Limited	Interest in controlled corporation ⁽⁴⁾	33,583,332	8.09%
Fosun International Holdings Ltd.	Interest in controlled corporation ⁽⁴⁾	33,583,332	8.09%
Fosun International Limited	Interest in controlled corporation ⁽⁴⁾	33,583,332	8.09%
Guo Guangchang	Interest in controlled corporation ⁽⁴⁾	33,583,332	8.09%
Peak Reinsurance Company Limited	Beneficial interest ⁽⁴⁾	33,583,332	8.09%
Peak Reinsurance Holdings Limited	Interest in controlled corporation ⁽⁴⁾	33,583,332	8.09%
Spinel Investment Limited	Interest in controlled corporation ⁽⁴⁾	33,583,332	8.09%

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 Rich Tea are controlled by a group of limited partnerships and protected cell companies, and are parties acting in concert with each other. Therefore, Rich Tea and such group of limited partnerships and protected cell companies are deemed to be interested in the shares held by Actis Ship.
- (4) This represents the interest in the convertible redeemable bond issued by the Company to Peak Reinsurance Company Limited. Pursuant to the terms of the convertible redeemable bond and based on the initial conversion price of HK\$4.80 per conversion share, as well as an exchange rate of HK\$7.75 to US\$1.00, assuming that all the interests accrued on the convertible redeemable bond are to be satisfied by the issue of additional conversion shares, a maximum number of 33,583,332 conversion shares may be issued and allotted to Peak Reinsurance Company Limited upon its exercise of the conversion rights in full.

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 approximately 3.59% of the total issued share capital of the Company) 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 (including Directors and senior management) of the Group are set out in the prospectus of the Company dated September 15, 2014. As at the date of this report, the Company has 415,000,000 shares in issue. No options granted under the Pre-IPO Share Option Scheme have been cancelled, lapsed or exercised as at the date of this report. The computation of diluted earnings per share does not assume the conversion of the Company’s outstanding options since their exercise would result in an increase in earnings per share from continuing operations.

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 of which 10,000,000 shares options have been lapsed during the Review Period.

CORPORATE GOVERNANCE PRACTICES

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, 2016, 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, 2016.

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 months ended June 30, 2016. 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, 2016, 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 (collectively referred to as the “Group”) set out on pages 16 to 40, which comprise the condensed consolidated statement of financial position as of June 30, 2016 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 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”) issued by the International Accounting Standards Board. 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 22, 2016

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2016

	NOTES	Six months ended June 30,	
		2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Revenue	3	501,575	454,472
Cost of sales		(317,521)	(292,219)
Gross profit		184,054	162,253
Other income	4	5,459	5,521
Selling and distribution expenses		(71,190)	(59,924)
Administrative expenses		(33,428)	(28,608)
Other expenses	5	(16,048)	(18,407)
Other gains and losses	6	513	2,157
Profit before tax		69,360	62,992
Income tax expense	7	(14,260)	(13,504)
Profit for the period	8	55,100	49,488
Other comprehensive expense			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Decrease in fair value of available-for-sale investment		(2,800)	–
Total comprehensive income for the period attributable to owners of the Company		52,300	49,488
Earnings per share	10		
From continuing operations			
– Basic (RMB cents)		13.28	11.92
– Diluted (RMB cents)		13.27	11.92

Condensed Consolidated Statement of Financial Position

At June 30, 2016

	NOTES	June 30, 2016 RMB'000 (unaudited)	December 31, 2015 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	280,109	224,351
Prepaid lease payments		11,203	11,449
Intangible asset		750	1,000
Available-for-sale investment	12	19,834	22,189
Other receivables and other deposits	13	4,489	5,396
		316,385	264,385
CURRENT ASSETS			
Inventories		26,367	38,716
Prepaid lease payments		493	493
Trade, bills and other receivables	13	142,442	90,308
Income tax recoverable		–	498
Pledged bank deposits	18	2,852	5,388
Time deposits		40,000	–
Bank balances and cash		336,130	510,085
		548,284	645,488
CURRENT LIABILITIES			
Trade, bills and other payables	14	125,055	153,046
Advances from customers	13	10,843	34,123
Income tax payables		5,374	5,063
Provisions		–	6,967
		141,272	199,199
NET CURRENT ASSETS		407,012	446,289
TOTAL ASSETS LESS CURRENT LIABILITIES		723,397	710,674

At June 30, 2016

	NOTE	June 30, 2016 RMB'000 (unaudited)	December 31, 2015 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Convertible redeemable bond		141,168	133,914
Deferred income	15	13,885	9,413
Deferred tax liabilities		1,066	2,068
		156,119	145,395
NET ASSETS			
		567,278	565,279
CAPITAL AND RESERVES			
Share capital	16	3,285	3,285
Reserves		563,993	561,994
TOTAL EQUITY			
		567,278	565,279

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2016

	Share capital RMB'000	Share premium RMB'000 (Note a)	Investment revaluation reserve RMB'000 (Note b)	Share options reserve RMB'000 (Note c)	Special reserve RMB'000 (Note d)	Contribution reserve RMB'000	Statutory reserves RMB'000 (Note e)	Accumulated profits RMB'000	Total RMB'000
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 9)	-	(20,006)	-	-	-	-	-	-	(20,006)
Share-based compensations (note 20)	-	-	-	5,322	-	-	-	-	5,322
At June 30, 2015 (unaudited)	3,285	463,568	-	7,488	(107,000)	18,333	55,173	61,842	502,689
At January 1, 2016 (audited)	3,285	463,859	2,389	11,735	(107,000)	18,333	62,292	110,386	565,279
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	55,100	55,100
Decrease in fair value of available-for-sale investment	-	-	(2,800)	-	-	-	-	-	(2,800)
Total comprehensive (expense) income for the period	-	-	(2,800)	-	-	-	-	55,100	52,300
Appropriations	-	-	-	-	-	-	11,226	(11,226)	-
Dividends recognised as distribution (note 9)	-	(52,678)	-	-	-	-	-	-	(52,678)
Share-based compensations (note 20)	-	-	-	2,377	-	-	-	-	2,377
At June 30, 2016 (unaudited)	3,285	411,181	(411)	14,112	(107,000)	18,333	73,518	154,260	567,278

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2016

Notes:

- a. The application of share premium account is governed by the Company's articles of association and the Cayman Islands Companies Law, which provides that the share premium account may be applied in paying distributions or dividends to members, provided immediately following the date on which distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.
- b. Amount represents equity reserves arising from the revaluation of the Group's available-for-sale listed equity investment in equity securities listed in Hong Kong, details are set out in note 12.
- c. 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 and employees, and certain consultants in investor relation professions, details are set out in note 20.
- d. Amount represents the paid-in capital of the subsidiaries acquired of RMB120 million less the payment of cash to the ultimate controlling shareholder of RMB227 million in May 2014 pursuant to a group reorganisation resulting in a reduction of net assets of the Group, which accounted for as a deemed distribution recognised in equity directly.
- e. Statutory reserves comprise statutory surplus reserve and discretionary surplus reserve of the group 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 RMB49,012,000 (unaudited) and RMB36,782,000 (unaudited) as at June 30, 2016 and 2015, 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 RMB24,506,000 (unaudited) and RMB18,391,000 (unaudited) as at June 30, 2016 and 2015, respectively can be used to expand the existing operations of the relevant subsidiaries.

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2016

	NOTE	Six months ended June 30,	
		2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(26,218)	94,370
INVESTING ACTIVITIES			
Investments in structured deposits		(100,000)	(130,000)
Purchase of property, plant and equipment		(69,287)	(16,159)
Placement of time deposits		(40,000)	–
Placement in pledged bank deposits		(2,983)	(16,287)
Proceeds from structured deposits upon maturity		101,545	131,979
Receipts of assets – related government grants		5,907	8,200
Release of pledged bank deposits		3,974	6,369
Interest received		2,811	1,171
Deposits paid for acquisition of property, plant and equipment		–	(3,340)
NET CASH USED IN INVESTING ACTIVITIES		(98,033)	(18,067)
NET CASH USED IN FINANCING ACTIVITY			
Dividends paid	9	(52,678)	(20,006)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(176,929)	56,297
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		510,085	298,198
Effect of foreign exchange rate changes		2,974	(31)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, comprising bank balances and cash		336,130	354,464

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2016

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (“IASB”) 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 (the “Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, 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, 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2015.

In the current interim period, the Group has applied, the following amendments to IFRSs issued by IASB that are relevant for the preparation of the Group’s condensed consolidated financial instruments:

Amendments to IFRS 11	Accounting for Acquisition of Interests in Joint Operations
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2014 Cycle
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception

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

For the six months ended June 30, 2016

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.

4. OTHER INCOME

	Six months ended June 30,	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Bank interest income	2,811	1,171
Government grants	1,435	3,890
Other non-operating income	1,213	460
	5,459	5,521

For the six months ended June 30, 2016

5. OTHER EXPENSES

	Six months ended June 30,	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Research and development expenses	14,865	18,191
Donation expenses	1,008	155
Other non-operating expenses	175	61
	16,048	18,407

6. OTHER GAINS AND LOSSES

	Six months ended June 30,	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Reversal of relocation provision of a manufacturing plant	4,950	–
Fair value gain on structured deposits (note 21)	1,545	1,979
Fair value loss on convertible redeemable bond	(4,178)	–
Net foreign exchange (loss) gain	(1,363)	179
Loss on disposal of property, plant and equipment	(441)	(1)
	513	2,157

7. INCOME TAX EXPENSE

	Six months ended June 30,	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
PRC Enterprise Income Tax ("EIT") – Current tax	13,194	12,048
PRC withholding tax	1,066	1,456
	14,260	13,504

For the six months ended June 30, 2016

7. INCOME TAX EXPENSE *(continued)*

No provision for Hong Kong Profits Tax has been made for the six months ended June 30, 2016 and 2015 as the Group has no assessable profits arising in Hong Kong.

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

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

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

The Group's subsidiaries that the PRC tax resident are required to withhold the PRC withholding tax of 10% on the dividend payment to their non-PRC resident immediately holding company registered in Hong Kong when and if undistributed earnings are declared to be paid as dividends out of profits that arose on or after April 4, 2014, when the Group Reorganisation as set out in the Group's annual report for the year ended December 31, 2015 (the "Group Reorganisation") completed, unless such dividend payment is qualified for the 5% reduced tax rate under the Arrangement between Mainland China and Hong Kong for the Avoidance of Double taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income.

In the opinion of the directors, Jiashili (Hong Kong) Limited ("Jiashili HK"), which was incorporated on December 24, 2013 in Hong Kong, was managed and controlled in Hong Kong and is qualified as a Hong Kong tax resident. The application of Hong Kong resident certificate will be submitted in the second half of 2016. In addition, Jiashili HK also meets the requirement of enjoying 5% reduced tax rate under Guoshuifa 2009 No.601 and Guoshuihan 2009 No.81 (e.g. beneficial ownership, shareholding percentage and holding period). Therefore, Jiashili HK would be qualified to enjoy a reduced withholding tax rate of 5% on dividend income for the whole year 2015 and period 2016 pursuant to PRC-HK DTA.

For the six months ended June 30, 2016

8. PROFIT FOR THE PERIOD

	Six months ended June 30,	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Profit for the period has been arrived at after charging:		
Directors' and chief executive's remuneration	3,504	3,176
Other staff costs		
– Salaries and allowances	59,879	45,720
– Contributions to retirement benefits scheme	7,588	5,499
– Share-based compensations	1,926	2,728
Total staff costs	72,897	57,123
Depreciation of property, plant and equipment	11,465	9,856
Amortisation of intangible asset	250	250
Total depreciation and amortisation	11,715	10,106
Release of prepaid lease payments	246	246
Impairment loss recognised in respect of prepayment	2,740	–
Cost of inventories recognised as expenses with no impairment of inventories recognised	317,521	292,219

9. DIVIDENDS

During the current interim period, a final dividend of HK15 cents per share in respect of the year ended December 31, 2015 (six months ended June 30, 2015: HK6 cents), amounting to approximately HK\$62,250,000 (equivalent to approximately RMB52,678,000) (2014: approximately HK\$24,900,000 (equivalent to approximately RMB20,006,000) was recognised as distribution to the owners of the Company.

For the six months ended June 30, 2016

10. EARNINGS PER SHARE

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,	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	55,100	49,488

	Six months ended June 30,	
	2016 '000	2015 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of weighted average basic earnings per share	415,000	415,000
Effect of dilutive potential ordinary shares:		
Share options (Note a)	72	–
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share (Note b)	415,072	415,000

Notes:

- (a) The computation of diluted earnings per share for the six months ended June 30, 2016 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, 2016.
- (b) The computation of diluted earnings per share for the period ended June 30, 2016 does not assume the conversion of the Company's outstanding convertible redeemable bond since this assumed conversion would result in an increase in earnings per share.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately RMB67,664,000 (six months ended June 30, 2015: RMB17,371,000) on property, plant and equipment in order to upgrade its operating capacities, in which amount of RMB146,000 (six months ended June 30, 2015: RMB262,000) was transferred from deposit for acquisition of property, plant and equipment paid in previous year.

For the six months ended June 30, 2016

12. AVAILABLE-FOR-SALE INVESTMENT

	June 30, 2016 RMB'000 (unaudited)	December 31, 2015 RMB'000 (audited)
Listed investment – Equity securities listed in Hong Kong (Note)	19,834	22,189

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

13. TRADE, BILLS AND OTHER RECEIVABLES/OTHER RECEIVABLES AND DEPOSITS/ADVANCES FROM CUSTOMERS

	June 30, 2016 RMB'000 (unaudited)	December 31, 2015 RMB'000 (audited)
Trade receivables	23,884	15,249
Less: Allowance for doubtful debts	(186)	(188)
Trade receivables, net	23,698	15,061
Bills receivables	2,210	16,316
Total trade and bills receivables	25,908	31,377
Prepayments for purchase of raw materials	86,973	33,848
Other receivables	30,351	22,625
Rental and utility deposits	2,250	2,250
Other prepayments	1,449	2,458
Deposit for acquisition of properties	–	3,000
Deposit for acquisition of property, plant and equipment	–	146
	146,931	95,704
Less: Amount shown under current assets	(142,442)	(90,308)
Amount shown under non-current assets as other receivables and other deposits	4,489	5,396

For the six months ended June 30, 2016

13. TRADE, BILLS AND OTHER RECEIVABLES/OTHER RECEIVABLES AND DEPOSITS/ADVANCES FROM CUSTOMERS *(continued)*

Trade and bills receivables

The Group generally adopted a policy to require advance payment from certain of their customers before the delivery of goods. Advances received from customers amounted to approximately RMB10,843,000 and RMB34,123,000 as at June 30, 2016 and December 31, 2015, 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 mainly represents credit sales to certain customers. The Group generally allows a credit period of 30 to 180 days from the invoice date for trade receivables and a further credit period ranging from 90 to 180 days for bills receivable of these external customers based on bills issue date.

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

	June 30, 2016 RMB'000 (unaudited)	December 31, 2015 RMB'000 (audited)
Within 2 months	16,525	12,940
Over 2 months but within 3 months	2,556	1,891
Over 3 months but within 6 months	4,617	230
	23,698	15,061

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

	June 30, 2016 RMB'000 (unaudited)	December 31, 2015 RMB'000 (audited)
Within 1 month	370	2,900
Over 1 month but within 3 months	999	3,521
Over 3 months but within 6 months	841	9,895
	2,210	16,316

For the six months ended June 30, 2016

13. TRADE, BILLS AND OTHER RECEIVABLES/OTHER RECEIVABLES AND DEPOSITS/ADVANCES FROM CUSTOMERS *(continued)*

Other receivables

Included in the Group's other receivables as at June 30, 2016, there is RMB23,000,000 loan advanced to a local government authority in Tangyin County in Henan Province, the PRC, which is repayable within twelve months.

As at December 31, 2015, there was RMB 20,000,000 loan advanced to such local government authority, the amount was unsecured, interest-free and repayable in three months from the date of lending. Upon expiry of such loan advanced in February 2016, the Group entered into a supplementary agreement with such local government authority to acquire a land use right and other properties interests with a consideration of RMB23,000,000, and settle by converting this RMB20,000,000 loan advanced and a deposit of RMB3,000,000 paid by the Group into a deposit for acquisition of the land use rights and other properties interests (the "Deposit").

Upon the expiry of the supplementary agreement in June 2016, the Group entered into another supplementary agreement with such local government authority for converting the Deposit into a short term loan after negotiation between the directors of the Company and the local government authority due to the change in the Group's business plan and its resources allocation. The remaining balance mainly represent advances to staff (due within one year) and other miscellaneous receivables.

Other receivables and other deposits

Other receivables represent advances to staff, which are unsecured, non-interest bearing and amounts are repayable ranging from three to seven years and therefore classified as non-current.

The fair value of other receivables is determined based on the present value of the estimated future cash flows and discounted using the prevailing market rate at the end of the reporting period. The imputed interest income on the other receivables is RMB13,000 (2015: nil). The effective interest rate is ranging from 4.75% to 4.9% (2015: nil) per annum.

Other deposits represent i) rental and utility deposits due after one year; and ii) deposits for acquisition of property, plant and equipment.

For the six months ended June 30, 2016

14. TRADE, BILLS AND OTHER PAYABLES

	June 30, 2016	December 31, 2015
	RMB'000 (unaudited)	RMB'000 (audited)
Trade payables	50,911	68,710
Bills payables	18,725	15,922
Total trade and bills payables	69,636	84,632
Accrued expenses	10,610	16,196
Transportation fee payables	16,408	17,608
Payroll and welfare payables	12,775	14,791
Construction cost payables	3,252	5,021
Other payables	2,739	1,746
Output value-added-tax and other tax payables	9,635	13,052
	125,055	153,046

Trade and bills payables

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

	June 30, 2016	December 31, 2015
	RMB'000 (unaudited)	RMB'000 (audited)
Within 3 months	50,866	68,478
Over 3 months but within 6 months	2	43
Over 6 months but within 1 year	9	-
Over 1 year	34	189
	50,911	68,710

For the six months ended June 30, 2016

14. TRADE, BILLS AND OTHER PAYABLES (continued)**Trade and bills payables** (continued)

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

	June 30, 2016 RMB'000 (unaudited)	December 31, 2015 RMB'000 (audited)
Within 3 months	6,880	3,172
Over 3 months but within 6 months	11,845	12,750
	18,725	15,922

15. DEFERRED INCOME

During the six months ended June 30, 2016, the Group received government subsidies amounting to RMB5,907,000 (six months ended June 30, 2015: RMB8,200,000) 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.

16. SHARE CAPITAL

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

	Number of shares	Share capital HK\$
Authorised:		
At January 1, 2015, June 30, 2015, January 1, 2016 and June 30, 2016 – Ordinary shares of HK\$0.01 each	8,000,000,000	80,000,000
Issued and fully paid:		
At January 1, 2015, June 30, 2015, January 1, 2016 and June 30, 2016 – Ordinary shares of HK\$0.01 each	415,000,000	4,150,000

For the six months ended June 30, 2016

16. SHARE CAPITAL (continued)

	At June 30, 2016 and December 31, 2015 RMB'000
Presented in the condensed consolidated financial statements	3,285

17. COMMITMENTS**Operating leases commitments****The Group as lessee**

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, 2016 RMB'000 (unaudited)	December 31, 2015 RMB'000 (audited)
Within one year	4,653	4,694
In the second to fifth years inclusive	16,800	17,009
Over five years	350	2,450
	21,803	24,153

The Group as lessor

At the end of each reporting period, the Group had contracted with tenants for following future minimum lease payments:

	June 30, 2016 RMB'000 (unaudited)	December 31, 2015 RMB'000 (audited)
Within one year	775	775
In the second to fifth years inclusive	2,519	2,778
	3,294	3,553

For the six months ended June 30, 2016

17. COMMITMENTS (continued)**Capital commitments**

	June 30, 2016	December 31, 2015
	RMB'000 (unaudited)	RMB'000 (audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	20,837	6,894
Capital expenditure in respect of the establishment of an investment fund contracted for but not provided in the consolidated financial statements	133,650	133,650

18. PLEDGE OF ASSETS

As at June 30, 2016 and December 31, 2015, the following items were used to secure banking facilities granted to the Group:

	June 30, 2016	December 31, 2015
	RMB'000 (unaudited)	RMB'000 (audited)
Pledged bank deposits	2,852	5,388

19. RELATED PARTY DISCLOSURES**Related Party Transactions**

	Six months ended June 30,	
	2016	2015
	RMB'000 (unaudited)	RMB'000 (unaudited)
Sale of goods Guangdong Zhongchen Industrial Group Company Limited 廣東中農實業集團有限公司 (“Zhongchen”) (Note)	13	19

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

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.

For the six months ended June 30, 2016

19. RELATED PARTY DISCLOSURES *(continued)***Key management personnel**

The remuneration of key management personnel including the directors' remuneration during the six months ended June 30, 2016 and 2015 were as follows:

	Six months ended June 30,	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Short-term benefits	3,462	3,404
Post-employment benefits	29	26
Share-based compensations	830	1,497
	4,321	4,927

20. 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 authorised 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 is 14,900,000 on the listing date of September 25, 2014 at the 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.

For the six months ended June 30, 2016

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

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, 2016:

Category of grantees	Date of grant	Exercise period	Exercise price per share	Number of share options			
				At 1.1.2016	Granted during the period	Exercised during the period	At 6.30.2016
Directors of the Company	9.25.2014	9.25.2015–9.25.2019	HK\$3.45	862,500	-	-	862,500
	9.25.2014	9.25.2016–9.25.2019	HK\$3.45	862,500	-	-	862,500
	9.25.2014	9.25.2017–9.25.2019	HK\$3.45	862,500	-	-	862,500
	9.25.2014	9.25.2018–9.25.2019	HK\$3.45	862,500	-	-	862,500
Employees of the Group	9.25.2014	9.25.2015–9.25.2019	HK\$3.45	2,862,500	-	-	2,862,500
	9.25.2014	9.25.2016–9.25.2019	HK\$3.45	2,862,500	-	-	2,862,500
	9.25.2014	9.25.2017–9.25.2019	HK\$3.45	2,862,500	-	-	2,862,500
	9.25.2014	9.25.2018–9.25.2019	HK\$3.45	2,862,500	-	-	2,862,500
Total				14,900,000	-	-	14,900,000
Exercisable at period end							3,725,000

The fair value of these options at date of grant was approximately RMB15,607,000, of which approximately RMB1,948,000 were charged to the profit or loss for the period ended June 30, 2016 (six months ended June 30, 2015: RMB3,550,000).

No share option granted during the period ended June 30, 2016.

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

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 authorised 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 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.

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 of (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.

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

The following table discloses the details of the share options and movements in the share options at June 30, 2016:

Category of grantees	Date of grant	Exercise period	Exercise price per share	Number of share options				
				At 1.1.2016	Granted during the period	Exercised during the period	Expired during the period	At 6.30.2016
Consultants in investor relation profession	2.17.2015	2.17.2015-12.31.2015	HK\$4.00	10,000,000	-	-	10,000,000	-
Mr. Wu Meng-cher (Note)	6.12.2015	6.12.2016-6.12.2020	HK\$4.58	500,000	-	-	-	500,000
	6.12.2015	6.12.2017-6.12.2020	HK\$4.58	500,000	-	-	-	500,000
	6.12.2015	6.12.2018-6.12.2020	HK\$4.58	500,000	-	-	-	500,000
	6.12.2015	6.12.2019-6.12.2020	HK\$4.58	500,000	-	-	-	500,000
				12,000,000	-	-	10,000,000	2,000,000
Exercisable at period end								500,000

Note: Mr. Wu Meng-cher was formerly a Director and resigned as a Director on December 1, 2015.

The fair value of the options granted on February 17, 2015 and June 12, 2015 were approximately RMB1,716,000 and RMB2,408,000 respectively, of which approximately nil (six months ended June 30, 2015: RMB1,716,000) for consultants in investor relation profession and RMB429,000 (six months ended June 30, 2015: RMB56,000) for a director of the Company were charged to the profit or loss for the period ended June 30, 2016, respectively.

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

	On February 17, 2015	On June 12, 2015
Share price (HK\$)	3.66	4.58
Exercise price (HK\$)	4.00	4.58
Risk-free rate	0.118%	1.314%
Dividend yield	1.64%	1.31%
Volatility	26.69%	33.93%
Expiry date	January 1, 2016	June 12, 2020
Suboptimal factor	2.2	2.8

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21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT

(i) Fair value of the Group's financial liabilities are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial asset and liability	Fair value	Fair value hierarchy	Valuation technique and key inputs	Relationship of unobservable inputs to fair value
Convertible redeemable bond	June 30, 2016: RMB141,168,000 (December 31, 2015: RMB133,914,000)	Level 3	Binomial tree option pricing Key unobservable inputs are: discount rate remaining time to maturity, expected volatility and dividend yield	The higher the discount rate, the lower the fair value. The shorter the remaining time to maturity, the lower the fair value. The higher the expected volatility and dividend yield, the higher the fair value.
Listed available-for-sale investment	June 30, 2016: RMB19,834,000 (December 31, 2015: RMB22,189,000)	Level 1	Quoted bid price in an active market	N/A

The Group's structured deposits 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 banks.

Included in other gain and losses for the period ended June 30, 2016, fair value gain of RMB1,545,000 (six months ended June 30, 2015: RMB1,979,000) were related to structured deposits measured at fair value through profit or loss.

There is no transfer between Level 1, 2 and 3 in the current period.

(ii) Fair value financial assets and financial liabilities that are not measure at fair value on a recurring basis

The directors consider that the carrying amounts of other financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values using discounted cash flow valuation technique.