

嘉士利®



2017 Interim Report



嘉士利集團有限公司
JIASHILI GROUP LIMITED

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

CONTENT

- 02** Financial Highlights
- 03** Chairman Statement
- 05** Management Discussion and Analysis
- 12** Other Information
- 18** Report on Review of Condensed Consolidated Financial Statements
- 19** Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
- 20** Condensed Consolidated Statement of Financial Position
- 22** Condensed Consolidated Statement of Changes in Equity
- 24** Condensed Consolidated Statement of Cash Flows
- 26** Notes to the Condensed Consolidated Financial Statements



FINANCIAL HIGHLIGHTS



The unaudited consolidated revenue of the Group for the six months ended June 30, 2017 amounted to approximately RMB516.2 million (six months ended June 30, 2016: RMB501.6 million), representing an increase of approximately 2.9% as compared with the same period last year.



Unaudited consolidated profit and total comprehensive income for the period attributable to the owners of the Company for the six months ended June 30, 2017 amounted to approximately RMB42.1 million (six months ended June 30, 2016: RMB52.3 million), representing a decrease of approximately 19.5% as compared with the same period last year.



For the six months ended June 30, 2017, both the basic and diluted earnings per share were RMB10.14 cents (six months ended June 30, 2016: RMB13.28 cents and RMB13.27 cents respectively).



The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2017 (six months ended June 30, 2016: Nil).



CHAIRMAN STATEMENT

Dear shareholders,

On behalf of Jiashili Group Limited (“Jiashili” or the “Company”, together with the subsidiaries, the “Group”), I am pleased to present the interim results of Jiashili. This report covers the six months ended June 30, 2017 (the “Review Period”).

Established in 1966, Jiashili officially welcomed its 60th anniversary in 2016 and the Group has accumulated a wealth of experience over the past years. Besides, 2017 is the third year following the successful listing of the Group on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), which has laid a solid foundation for the Group’s capital base and enhanced its brand awareness and recognition, and in return act is the strongest support of our long-term development.

MARKET REVIEW

In the first half of 2017, the China’s economy recorded a slower growth as a whole against the backdrop of the new normal. In this economic context, the snack industry of China also felt certain repercussion and pressure. According to the latest data of Nielsen, the aggregated sales volume of the biscuit market as a whole declined by 0.9% year on year in the first half of 2017.

Apart from the shrinking market, the Group also faced issues of rising raw material prices in the Review Period. The prices of raw materials for biscuit production such as sugar, oil and packaging materials increased in the Review Period. For example, the sugar price soared up from RMB4,400/tonne in early 2015 to RMB6,500/tonne across China, hitting record high in recent 17 years, representing an increase of approximately 50.0%.

Driven by market change, higher raw material prices and increasing staff costs, production costs were growing relentlessly, leading to a slightly weak performance of the Group for the Review Period. In such plight, sales volume for the Review Period still increased by 2.9% thanks to concerted efforts of the Group. Considering that the gross profit and net profit dropped by 19.9% and 23.6%, respectively, the Group adopted a series of emergency measures to mitigate the impact of higher production costs. Relevant measures included raising the selling prices of products and locking up the raw material prices for a certain period under agreements with suppliers, aiming to achieve better performance in the second half of 2017.

Chairman Statement

FUTURE PROSPECT

Looking into the second half of 2017, the Group remains optimistic about the prospect of China's consumer food market despite of the hardships faced by Jiashili arising from slower economic growth, higher raw material prices, industrial transformation, etc.

To address the primary concern of rising raw material prices, Jiashili will continuously optimize the product portfolio as well as to launch the following plans and campaigns:

- I. Jiashili will promote automatic production vigorously at reasonable expenses, in order to raise productivity and reduce production cost;
- II. Jiashili has been valuing food safety ever since its foundation 60 years ago, and has been trusted by customers for years in this regard. Going forward, the Group will persist in monitoring over food safety, as it strives to win good reputation and recognition across China;
- III. The Group will strive to seize new opportunities amid consumption upgrade with focus on such customers as white -collar workers, children and the middle-class by upholding the product positioning of natural, healthy and safety, so as to consolidate its leading role in the biscuit market of China.

The Group will also cater to the trend among young consumers, and create younger and more fashionable brands image. While entrenching the existing market share, the Group will continue to develop on-line and off-line platforms for the expansion of sales channels so as to increase Jiashili's market share. When it comes to changing consumption trend and the relevant opportunities, the Group will make unremitting efforts to develop new products, and continuously seek proper partners or acquire proper projects, in hope of further diversifying the product portfolio of the Group.

Last but not least, on the behalf of the board of the Group, I would like to express my heartfelt thanks to all the customers, business partners, suppliers, banks and shareholders for your support and care for the Group. Thank you!

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, 2017 (the “Review Period”).

BUSINESS REVIEW

According to the data from the National Bureau of Statistics, China’s economy continued steady expansion in the first half of this year with GDP up 6.9% year on year. However, the growth rate for fast-moving consumers goods (“FMCG”) for the first half of 2017 was only around 1%, and the growth rate for consumer packaged goods (“CPG”) was only 0.5%. These data show that both the growth of FCGM and CPG were much lower than the growth of China’s GDP. In addition, the FMCG market is confronting with changes in products concept, distribution channel and business model as well, and such changes bring huge impact to all market players. Because of the changes and contraction in the market, together with the continuous surging production costs since the last quarter in 2016, the Group’s result was not as expected. Despite there was a 2.9% growth in revenue, the gross profit and net profit for the period dropped by 19.9% and 23.6% respectively. In order to minimize the impact of the increase in production costs, we have increased our products’ selling price by approximately 7.4% in average and the management expect that the price increment effect will be reflected in the second half of 2017.

During the Review Period, the Group accomplished two investments and one of which was the establishment of a limited partnership by investing RMB35 million. Purpose of this limited partnership is to invest in a PRC company principally engaged in production and distribution of food products. The other investment was the formation of an associate company (“Associate”) by investing USD 187,500 and become a 5% owner. The Associate is principally engaged in the production and sale of food products in the PRC. The Board believes that both investments will help the Group to diversify its products portfolio and to expand the market coverage of our existing products.

OUTLOOK

We anticipate that the proportion of the middle class in China will continue to grow in the future in line with the economic growth, and the rising of the middle class will contribute to China’s successful transformation to a consumption-oriented economy, by which the demand for high-quality food will be strongly supported. In the meantime, the “millennial generation” has accounted for almost 30% of the population in China, and is gradually becoming a main consumption force. In additional, as the overall population structure of China will benefit from the complete implementation of the government’s “two-child policy”, new population will become a key driver for the growth of food consumption, and health food, in particular, will enjoy a greater space for growth. Going forward, consumption in quality food with health elements, fine packages and special feature would be the major trend in food industry. We strongly believe that such products will embrace new development opportunities in the era of consumption where new generations being the major consumption forces. Moreover, as the food consumption pattern would be shifting more rapidly from fulfilling necessity to pursuing health and enjoyment, and such transformation would definitely stimulate the sustainable growth of the total food products consumption, including the biscuits.

In anticipation of the consumption transformation and the opportunities stated above, the Group will exert relentless efforts on the research and development of new products, and will continue to seek proper partners, so as to further the development of our products.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the Review Period, the revenue of the Group was approximately RMB516.2 million, representing an increase of approximately RMB14.6 million or 2.9% when compared with the same period in 2016. However, total sales volume dropped by approximately 1,680 tonne during the Review Period and the reasons for such reduction are generally the results of fierce competition in the snacks market, together with the slump in consumers' overall expenditure. Despite of the decrease in sales volume, our revenue still had a slight increase which was attributable to the increase in unit selling price of our products.

Breakdown of the revenue for the review period and the comparative figures are set out as follow:

Revenue/Sales volume	Six months ended June 30				% of changes in revenue	% of changes in sales volume
	2017		2016			
	RMB (million)	Tonne	RMB (million)	Tonne	2017 vs 2016	2017 vs 2016
Breakfast biscuits series	155.5	14,428	172.8	16,406	-10.0%	-12.1%
Crisp biscuits series	121.5	9,249	126.8	9,997	-4.2%	-7.5%
Sandwich biscuits series	120.0	7,335	103.7	6,647	+15.7%	+10.4%
Wafers series	51.7	3,149	42.2	2,833	+22.5%	+11.2%
Other products	67.5	4,662	56.1	4,620	+20.3%	+1.0%
Total	516.2	38,823	501.6	40,503	+2.9%	-4.1%

Breakfast biscuits series

During the Review Period, revenue generated from breakfast biscuits series decreased by approximately RMB17.3 million and sales volume decreased by approximately 1,978 tonne.

Crisp biscuits series

During the Review Period, revenue of crisp biscuits series decreased by approximately RMB5.3 million and sales volume decreased by 748 tonne.

Sandwich biscuits series

During the Review Period, revenue of sandwich biscuits series increased by approximately RMB16.3 million and sales volume increased by approximately 688 tonne.

Wafers series

During the Review Period, revenue of wafers series rose by approximately RMB9.5 million and sales volume increased by 316 tonne.

Management Discussion and Analysis

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit for the Review Period was approximately RMB147.4 million, recorded a decrease of approximately RMB36.6 million or 19.9% and gross profit margin decreased to 28.6% from 36.7%. The deterioration in both gross profit and gross profit margin was caused by the upsurge in raw material costs and the labour costs. When compared to the same period in 2016, the major raw material costs increased by approximately 12.3%, while the packing material costs increased by approximately 20.5%.

OTHER INCOME

During the Review Period, other income increased by RMB5.0 million to RMB10.5 million from RMB5.5 million. Other income represents mainly the government grants, other non-operating income and interest income on bank deposits, entrusted loan receivable and certificate of deposit.

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 decreased by approximately RMB0.4 million or 0.6%, to approximately RMB70.8 million. The decrease was primarily due to the saving in advertising and promotion expenses.

ADMINISTRATIVE EXPENSES

Administrative expenses for the Review Period were amounted to approximately RMB28.8 million; represent a decrease of approximately RMB4.7 million or 13.9%. Such decrease was primarily attributed to the fall in staffs costs, professional fees and rental expenses incurred during the Review Period.

OTHER EXPENSES

During the Review Period, other expenses amounted to approximately RMB18.8 million (six months ended June 30, 2016: RMB16.0 million) was incurred, which mainly represents the research and development (“R&D”) costs and the increase in R&D costs during the Review Period made the total other expenses upward.

OTHER GAIN AND LOSSES

Other gain and losses represent mainly the reversal of impairment loss on amount due from a former associate, net foreign exchange gain, fair value gain on structure deposits and fair value loss on financial assets designated as at FVTPL. During the review period, net other gain amounted to approximately RMB12.4 million (six months ended June 30, 2016: RMB0.5 million) was recorded.

INTEREST EXPENSES ON BANK BORROWINGS

Interest Expenses on bank borrowings amounted to approximately RMB2.8 million was recorded during the Review Period and such costs was the interest expenses paid for the bank borrowings which was obtained during the Review Period (six months ended June 30, 2016: Nil).

Management Discussion and Analysis

INCOME TAX EXPENSE

Income tax expense decreased by approximately RMB7.1 million, or 50.0%, to approximately RMB7.1 million for the Review Period (six months ended June 30, 2016: RMB14.3 million), primarily as a result of the decrease in profit before tax.

PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

As a result of the foregoing factors, profit for the period dropped by approximately 23.6% or RMB13.0 million, to RMB42.1 million during the Review Period. Profit and total comprehensive income for the period attributable to the owners of the Company decreased by 19.5% from RMB52.3 million for the six months ended June 30, 2016 to RMB42.1 million for the Review Period, and net profit margin decreased from 11.0% for the six months ended June 30, 2016 to 8.2% for the Review Period.

FINANCIAL POSITION AND LIQUIDITY

As at June 30, 2017, the Group had cash and cash equivalent amounted to approximately RMB160.6 million. Net current assets of the Group decreased from last year's RMB247.1 million to RMB163.9 million at period end date.

Normal operations of the Group were well supported by credit facilities granted by financial institutions which amounted to approximately 848.7 million at period end date. As at June 30, 2017, the Group had total outstanding interest bearing bank loans amounted to approximately RMB294.3 million and of which approximately RMB239.6 million were unsecured. Net book value of fixed assets and fixed deposits pledged for securing these credit facilities amounted to about RMB20.9 million.

As at June 30, 2017, the Group's gearing ratio, represented by the amount of interest-bearing borrowings divided by shareholders equity was 49.6% (December 31, 2016: Net cash).

As at June 30, 2017, the Group had capital commitment for purchase of property, plant and equipment of approximately RMB34.6 million.

CONTINGENT LIABILITIES AND GUARANTEES

As at June 30, 2017, the Group did not provide any guarantees for any third party and had no significant contingent liabilities.

INVESTMENTS IN TREASURY PRODUCTS

As at June 30, 2017, the Group had financial assets designated as at fair value through profit or loss amounted to approximately RMB108.6 million and fair value loss of approximately RMB1.4 million has been changed to profit or loss for the Review Period.

During the Review Period, the Group entered into two assets management agreements with Guangfa Futures Co., Ltd ("Guangfa futures") and Guangfa Securities Co., Ltd. ("Guangfa Securities") respectively pursuant to which the Group transferred the sums of RMB80.0 million and RMB30.0 million to GF Futures and GF Securities, respectively for investment in a portfolio of financial instruments. Pursuant to the terms of these agreements, the investment managers shall have full discretion on the type and composition of assets to be invested and full authority to invest in and realise any such investment.

Management Discussion and Analysis

Pursuant to the terms of these agreements, the investment managers shall have full discretion on the type and composition of assets to be invested and full authority to invest in and realise any such investment.

The term of investment of the asset management agreement with GF Futures commences from February 28, 2017 until December 2, 2017 with an estimated interest return at the rate of 7% per annum (floating). The Company has the right to redeem the investment at the end of each quarter during the term. The scope of investment includes futures and other derivative products, shares (including new issue), bonds, securities investment funds, central bank notes, cash, bank deposit etc. to be decided by GF Futures at its full discretion. As at June 30, 2017, the portfolio of investment made by GF Futures include:

- Bank deposits (including fixed and saving deposits) of about RMB1.8 million
- Over 180 of PRC listed shares of about RMB61.8 million;
- Stock index futures of about RMB15.3 million (for hedging against the PRC listed shares invested by GF Futures above); and
- Investment funds of about RMB10,000.

The term of investment of the asset management agreement with GF Securities is for a fixed term of about five months commencing from February 28, 2017 until August 2, 2017 with a fixed interest return at the rate of 4.95% per annum and the scope of investment under the asset management agreement with GF Securities includes national debts, local government debts, central bank notes, financial bonds, corporate bonds, short term financial coupons, SME bonds, debt securities, bank deposits etc. to be decided by GF Securities at its full discretion over.

The Company has a treasury policy in place for investment of funds that are surplus cash reserve in excess of the Group's working capital requirements and only those investments with low risk are allowed to be made. Hence, the investment funds made under the two asset management agreements with GF Futures and GF Securities are carried out in accordance with the Company's treasury policy as short-term investments with a view to obtain a better return for the Group for the surplus cash of the Group.

MATERIAL CAPITAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the Review Period, the Group has entered into a partnership agreement (the "Partnership Agreement") with two independent corporate partners (the "Partners") to form a limited partnership (the "Limited Partnership") in the PRC with the principal business activity of investment in a specific company (the "Target") incorporated in the PRC (which is an independent third party) principally engaged in production and distribution of food products. Pursuant to the Partnership Agreement, Guangdong Jiashili has agreed to invest RMB35,000,000 (equivalent to approximately HK\$40,250,000) in the Limited Partnership as a limited partner. Upon injection, Guangdong Jiashili will become the owner of 34.98% of the equity interests in the Limited Partnership. The Limited Partnership will be managed and run by the executive partner which is the general partner of the Limited Partnership. Guangdong Jiashili is not involved in the operation and management of the Limited Partnership.

Management Discussion and Analysis

In addition, The Group, through Jiashili HK has also entered into a joint venture framework agreement (the “JV Agreement”) with various independent joint venture partners (who are unrelated to the Partners), pursuant to which the Jiashili HK has agreed to invest US\$187,500 (equivalent to approximately HK\$1,406,000), out of a total capital requirement of US\$3,750,000, in Hong Kong Ruishiyue (International) Food Co., Limited (“HK Ruishiyue”), a company incorporated in Hong Kong with limited liability which is principally engaged in the production and sale of food products in the PRC through its wholly foreign owned enterprise to be established in the PRC. Upon completion of the JV Agreement, the Jiashili HK will become the owner of 5% of the issued share capital of HK Ruishiyue. Details of the two aforesaid investments are set out in the announcement of the Company dated July 17, 2017.

During the Review Period, the Group did not have any material acquisitions nor disposals.

INTERIM DIVIDEND

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

CAPITAL STRUCTURE

During the Review Period, the Group’s operation was mainly financed by funds generated from its operation and borrowings. As at June 30, 2017, 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.

Management Discussion and Analysis

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 announcement, the respective use of the net proceeds is as follows:

	Net Proceeds from IPO		
	Unused balance as of January 1, 2017 HKD million	Used during the Review Period HKD million	Unused balance as of June 30, 2016 HKD million
Increasing the recognition and awareness of our brands and expansion of our distribution and sales network	65.3	22.8	42.5
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	—	—	—
Research and development activities in order to refine our existing product offerings and develop new products	—	—	—
Working capital and other general corporate purpose	38.0	—	38.0
	103.3	22.8	80.5

HUMAN RESOURCES

As at June 30, 2017, the Group had a total of 2,371 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, 2017, 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.

Other Information

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

As at June 30, 2017, 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%
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%

Other Information

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.

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;

Other Information

- (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.

Other Information

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 had been granted under the Share Option Scheme and of which 10,000,000 shares options were lapsed during the year ended December 31, 2016.

Other Information

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, 2017, 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, 2017.

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, 2017. 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, 2017, 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.

德勤

TO THE BOARD OF DIRECTORS OF JIASHILI GROUP LIMITED

(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Jiashili Group Limited (the “Company”) and its subsidiaries set out on pages 19 to 48, which comprise the condensed consolidated statement of financial position as of June 30, 2017 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”). 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 21, 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2017

	NOTES	Six months ended June 30,	
		2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Revenue	3	516,205	501,575
Cost of sales		(368,759)	(317,521)
Gross profit		147,446	184,054
Other income	4	10,491	5,459
Selling and distribution expenses		(70,778)	(71,190)
Administrative expenses		(28,771)	(33,428)
Other expenses	5	(18,828)	(16,048)
Other gains and losses	6	12,432	513
Interest expenses on bank borrowings		(2,779)	—
Profit before tax		49,213	69,360
Income tax expense	7	(7,124)	(14,260)
Profit for the period	8	42,089	55,100
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		42,089	52,300
Earnings per share	10		
— Basic (RMB cents)		10.14	13.28
— Diluted (RMB cents)		10.14	13.27

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2017

	NOTES	June 30, 2017 RMB'000 (unaudited)	December 31, 2016 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	360,556	326,322
Prepaid lease payments		36,771	36,970
Intangible asset		250	500
Interests in associates	12	—	—
Interests in joint ventures	13	35,000	—
Other receivables and deposits	14	8,109	7,624
		440,686	371,416
CURRENT ASSETS			
Inventories		53,624	47,578
Entrusted loan receivable	15	15,000	—
Prepaid lease payments		1,106	1,099
Investment in certificate of deposit	16	105,000	—
Trade, bills and other receivables	14	183,566	53,192
Income tax recoverable		—	482
Financial assets designated as at fair value through profit or loss	17	108,582	—
Pledged bank deposits	23	20,923	3,623
Bank balances and cash		160,633	428,027
		648,434	534,001
CURRENT LIABILITIES			
Trade, bills and other payables	18	168,140	169,300
Advances from customers	14	18,298	112,640
Income tax payables		3,807	4,931
Borrowings	19	294,287	—
		484,532	286,871
NET CURRENT ASSETS		163,902	247,130
TOTAL ASSETS LESS CURRENT LIABILITIES		604,588	618,546

Condensed Consolidated Statement of Financial Position

At June 30, 2017

	NOTES	June 30, 2017 RMB'000 (unaudited)	December 31, 2016 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Deferred income	20	10,517	11,708
Deferred tax liability		1,035	2,135
		11,552	13,843
NET ASSETS			
		593,036	604,703
CAPITAL AND RESERVES			
Share capital	21	3,285	3,285
Reserves		589,751	601,418
TOTAL EQUITY			
		593,036	604,703

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2017

	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, 2016 (audited)	3,285	463,859	2,389	11,735	(107,000)	18,333	62,292	110,386	565,279
Profit 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 25)	—	—	—	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
At January 1, 2017 (audited)	3,285	411,181	—	16,589	(107,000)	18,333	87,264	175,051	604,703
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	42,089	42,089
Appropriations	—	—	—	—	—	—	9,880	(9,880)	—
Dividends recognised as distribution (note 9)	—	(55,050)	—	—	—	—	—	—	(55,050)
Share-based compensations (note 25)	—	—	—	1,294	—	—	—	—	1,294
At June 30, 2017 (unaudited)	3,285	356,131	—	17,883	(107,000)	18,333	97,144	207,260	593,036

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2017

Note:

- 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 reserve arising from fair value of the Group's available-for-sale investment in equity securities listed in Hong Kong. The Group disposed of its entire listed investment during the year ended December 31, 2016.
- 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, employees and certain consultants in investor relation professional, details are set out in note 25.
- 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 RMB64,763,000 (unaudited) and RMB49,012,000 (unaudited) as at June 30, 2017 and 2016, 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 RMB32,381,000 (unaudited) and RMB24,506,000 (unaudited) as at June 30, 2017 and 2016, 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, 2017

	NOTE	Six months ended June 30,	
		2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
OPERATING ACTIVITIES			
Operating cash flows before movements in working capital		51,638	76,038
Increase in trade, bills and other receivables		(90,049)	(48,633)
Decrease in advances from customers		(94,342)	(23,280)
Other operating cash flows		(17,303)	(30,343)
NET CASH USED IN OPERATING ACTIVITIES		(150,056)	(26,218)
INVESTING ACTIVITIES			
Purchase of financial assets designated as at fair value through profit or loss		(110,000)	—
Investment in certificate of deposit		(105,000)	—
Investments in structured deposits		(80,000)	(100,000)
Purchase of property, plant and equipment		(47,758)	(69,287)
Investment in a joint venture		(35,000)	—
Loan advance paid		(22,000)	—
Placement of pledged bank deposits		(21,400)	(2,983)
Payment for entrusted loan receivable		(15,000)	—
Placement of deposit for property, plant and equipment		(3,248)	—
Deposits paid for acquisition of a land use right		(1,673)	—
Proceeds from structured deposits upon maturity		81,553	101,545
Release of pledged bank deposits		4,100	3,974
Interest received		1,474	2,811
Receipts of assets-related government grants		1,055	5,907
Proceed from disposal of property, plant and equipment		2	—
Placement of time deposits		—	(40,000)
NET CASH USED IN INVESTING ACTIVITIES		(352,895)	(98,033)

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2017

	NOTE	Six months ended June 30,	
		2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
FINANCING ACTIVITIES			
New bank loans raised		304,287	—
Dividends paid	9	(55,050)	(52,678)
Repayments of bank loans		(10,000)	—
Interest paid		(2,779)	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES		236,458	(52,678)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(266,493)	(176,929)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		428,027	510,085
Effect of foreign exchange rate changes		(901)	2,974
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, comprising bank balances and cash		160,633	336,130

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2017

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (“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 “Stock Exchange”).

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.

Except as describe below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2016.

In the current interim period, the Group has applied, the following amendments to International Financial Reporting Standards (“IFRSs”) issued by IASB that are relevant for the preparation of the Group’s condensed consolidated financial instruments:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRS Standards 2014–2016 Cycle

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. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to IAS 7 will be provided in the consolidated financial statements for the year ending December 31, 2017.

Also, in the current interim period, the Group invested in two investment funds with portfolios of identified financial instruments that the Group manages together and evaluates its performance on a fair value basis. The investment funds are classified as financial assets designated as at fair value through profit or loss (“FVTPL”).

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the “other gains and losses” line item. Fair value is determined in the manner described in note 26.

Furthermore, the Group raised new bank loans during current interim period, all borrowing costs that are not eligible for capitalisation are recognised in profit or loss in the period in which they incurred.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

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,	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Government grants	8,068	1,435
Interest income on:		
— Bank deposits	1,383	2,811
— Entrusted loan receivable	77	—
— Certificate of deposit	14	—
Sales of packaging materials	503	266
Rental income	369	381
Other non-operating income	77	566
	10,491	5,459

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

5. OTHER EXPENSES

	Six months ended June 30,	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Research and development expenses	17,720	14,865
Donation expenses	1,104	1,008
Other non-operating expenses	4	175
	18,828	16,048

6. OTHER GAINS AND LOSSES

	Six months ended June 30,	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Reversal of impairment loss on amount due from a former associate	12,250	—
Fair value gain on structured deposits	1,553	1,545
Net foreign exchange gain (loss)	320	(1,363)
Fair value loss on financial assets designated as at FVTPL (note 26)	(1,418)	—
Loss on disposal of property, plant and equipment	(273)	(441)
Fair value loss on convertible redeemable bond	—	(4,178)
Reversal of provision for relocation expenses	—	4,950
	12,432	513

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

7. INCOME TAX EXPENSE

	Six months ended June 30,	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
PRC Enterprise Income Tax ("EIT") – Current tax	6,089	13,194
PRC withholding tax – Deferred tax	1,035	1,066
	7,124	14,260

No provision for Hong Kong Profits Tax has been made for the six months ended June 30, 2017 and 2016 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 are PRC tax resident are required to withhold the PRC withholding tax of 10% on dividend payment to their 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 as set out in 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 ("PRC-HK DTA").

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 was prepared and would be submitted in second half of 2017. On the basis that 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), it should be qualified to enjoy a reduced withholding tax rate of 5% on dividend income for the whole year 2016 and period 2017 pursuant to PRC-HK DTA.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

8. PROFIT FOR THE PERIOD

	Six months ended June 30,	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Profit for the period has been arrived at after charging:		
Directors' and chief executive's remuneration	2,597	3,504
Other staff costs		
— Salaries and allowances	67,300	59,879
— Contributions to retirement benefits scheme	7,080	7,588
— Share-based compensations	1,099	1,926
Total staff costs	78,077	72,897
Depreciation of property, plant and equipment	15,221	11,465
Amortisation of intangible asset	250	250
Total depreciation and amortisation	15,471	11,715
Release of prepaid lease payments	552	246
Impairment loss recognised in respect of prepayment	2,740	2,740
Cost of inventories recognised as expenses with no impairment of inventories recognised	368,759	317,521

9. DIVIDENDS

During the current interim period, a final dividend of HK15.00 cents (six months ended June 30, 2016: HK15.00 cents) per share in respect of the year ended December 31, 2016, amounting to approximately HK\$62,250,000 (equivalent to approximately RMB55,050,000) (year ended December 31, 2015: approximately HK\$62,250,000 (equivalent to approximately RMB52,678,000) was recognised as distribution to the owners of the Company.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

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,	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	42,089	55,100

	Six months ended June 30,	
	2017 '000 (Note a)	2016 '000 (Note b)
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	415,000	415,000
Effect of dilutive potential ordinary shares:		
— Share options	—	72
Weighted average number of ordinary shares for the purpose of diluted earnings per share	415,000	415,072

Notes:

- (a) The computation of diluted earnings per share for the six months ended June 30, 2017 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, 2017.
- (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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group had addition of approximately RMB49,730,000 (six months ended June 30, 2016: RMB67,664,000) on property, plant and equipment in order to upgrade its operating capacities, in which amount of RMB741,000 (six months ended June 30, 2016: RMB146,000) was transferred from deposit for acquisition of property, plant and equipment paid in previous year.

During the six months ended June 30, 2017, the Group disposed of certain plant and equipment with an aggregate carrying amount of RMB275,000 (six months ended June 30, 2016: RMB441,000) for cash proceeds of RMB2,000 (six months ended June 30, 2016: Nil), resulting in a loss on disposal of RMB273,000 (six months ended June 30, 2016: a loss on disposal of RMB441,000).

12. INTERESTS IN ASSOCIATES

	June 30, 2017 RMB'000 (unaudited)	December 31, 2016 RMB'000 (audited)
Cost of investments in associates — unlisted	—	—
Share of results of associates	—	—
	—	—

Details of the Group's associates at the end of the reporting periods are as follow:

Name of associates	Place of incorporation/ registration/principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
		2017	2016	2017	2016	
Fujian Lidajia Food Company Limited* 福建利大家食品有限公司 (Note a)	PRC	N/A	49%	N/A	33.33%	Inactive
Hong Kong Ruishiyue (International) Food Co., Limited* (“Hong Kong Ruishiyue”) 香港瑞士樂 (國際) 食品有限公司 (Note b)	Hong Kong	5%	N/A	50%	N/A	Inactive

* English name for identification purpose only.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

12. INTERESTS IN ASSOCIATES (continued)

Notes:

- (a) During the year ended December 31, 2016, a subsidiary of the Group had established an associate with an independent third party, 好鄰居股份有限公司. Pursuant to the articles of association, the registered capital is RMB10 million, among which, RMB5.1 million and RMB4.9 million are to be contributed by 好鄰居股份有限公司 and a subsidiary of the Group, respectively. As at year ended December 31, 2016, the associate remained inactive and both parties had not yet injected investment capital into the associate, details of the capital commitment are set out in note 22. During the period ended June 30, 2017, the Group entered into a share transfer agreement with 好鄰居股份有限公司 for transferring its entire ownership interests in Fujian Lidajia Food Company Limited to 好鄰居股份有限公司 with nil consideration. The legal procedures of such transfer of ownership interests has been completed on February 16, 2017.
- (b) During the period ended June 30, 2017, a subsidiary of the Group had established an associate with two independent third parties. Pursuant to the articles of association, the registered capital is US dollar ("US\$") 3.7 million (approximately RMB25.2 million), among which, US\$187,500 (approximately RMB1.3 million) to be contributed by a subsidiary of the Group. The board composition of the associate comprised of 4 directors, in which 2 of the directors were appointed by the Group and the remaining 2 directors were appointed by each of the two independent third parties, as such, the Group exercises significant influence in deciding the associate's financial and operating policy, the resolutions of which required approval by simple majority of the Board and accordingly accounts for its interest in Hong Kong Ruishiyue as an associate. As at period ended June 30, 2017, the associate remained inactive and all parties had not yet injected investment capital in the associate, details of the capital commitment are set out in note 22.

13. INTERESTS IN JOINT VENTURES

	June 30, 2017 RMB'000 (unaudited)	December 31, 2016 RMB'000 (audited)
Cost of investments in joint ventures	35,000	—
Share of results of joint ventures	—	—
	35,000	—

Details of the Group's joint ventures at the end of the reporting periods are as follow:

Name of joint ventures	Place of incorporation/ registration/principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
		2017	2016	2017	2016	
深圳前海星旻利股權投資合伙企業 (有限合伙) (Note a)	PRC	89.1%	89.1%	33.33%	33.33%	Inactive
江門建粵利嘉產業投資合伙企業 (有限合伙) (Note b)	PRC	35%	N/A	33.33%	N/A	Inactive

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

13. INTERESTS IN JOINT VENTURES (continued)

Notes:

- (a) During the year ended December 31, 2016, a subsidiary of the Group had established a joint venture together with two independent third parties 亞東複嘉食品投資中心（有限合夥） and 杭州浙商成長股權投資基金合夥企業（有限合夥）。 Pursuant to the joint venture agreement, the total registered capital is RMB150 million, among which, RMB1.5 million is to be contributed by 亞東複嘉食品投資中心（有限合夥） as the general partner, RMB133.65 million and RMB14.85 million are to be contributed by a subsidiary of the Group and 杭州浙商成長股權投資基金合夥企業（有限合夥）， respectively, as the limited partner. Each party to the joint venture can appoint one director to the Board and all the relevant activities require unanimous consent of the directors in board of directors meeting, and accordingly the Group concluded that it had joint control in 深圳前海星旻利股權投資合夥企業（有限合夥） and accounted for its interest in 深圳前海星旻利股權投資合夥企業（有限合夥） as a joint venture. As at period ended June 30, 2017, the joint venture remained inactive with nil carrying amount on the balance sheet, all parties had not yet injected investment capital in the joint venture, details of the capital commitment are set out in note 22.
- (b) In June 2017, a subsidiary of the Group has entered into a partnership agreement (“Partnership Agreement”) with two independent corporate partners to form a joint venture in the PRC with the principal business activity of investment in a specific company established in the PRC principally engaged in production and distribution of food products. Pursuant to the Partnership Agreement, a subsidiary of the Group has injected capital amounting to RMB35 million as limited partner. As all the relevant activities require unanimous consent of all partners of the partnership, the Group concluded that it had joint control in 江門建粵利嘉產業投資合夥企業（有限合夥） and accounted for its interest in 江門建粵利嘉產業投資合夥企業（有限合夥） as a joint venture. As at June 30, 2017, the joint venture remained inactive.

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

	June 30, 2017 RMB'000 (unaudited)	December 31, 2016 RMB'000 (audited)
Trade receivables	22,934	22,114
Less: Allowance for doubtful debts	(115)	(135)
Trade receivables, net	22,819	21,979
Bills receivables	3,602	2,178
Total trade and bills receivables	26,421	24,157
Prepayments for purchase of raw materials	109,622	24,115
Other receivables	41,062	5,319
Rental and utility deposits	1,300	1,300
Other prepayments	8,349	1,824
Earnest money to a potential investee	—	3,000
Deposit for acquisition of property, plant and equipment	3,248	741
Deposit for acquisition of a land use right	1,673	360
	191,675	60,816
Less: Amount shown under current assets	(183,566)	(53,192)
Amount shown under non-current assets as other receivables and deposits	8,109	7,624

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

14. 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 majority of their customers before the delivery of goods. Advances received from customers amounted to approximately RMB18,298,000 and RMB112,640,000 as at June 30, 2017 and December 31, 2016, 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, 2017 RMB'000 (unaudited)	December 31, 2016 RMB'000 (audited)
Within 2 months	13,494	16,937
Over 2 months but within 3 months	5,299	3,715
Over 3 months but within 6 months	4,026	1,327
	22,819	21,979

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, 2017 RMB'000 (unaudited)	December 31, 2016 RMB'000 (audited)
Within 1 month	19	—
Over 1 month but within 3 months	1,853	688
Over 3 months but within 6 months	1,620	1,490
Over 6 months but within 1 year	110	—
	3,602	2,178

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

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

Other receivables and deposits

Other receivables represent advances to staff, amount due from a former associate and loan advanced to a potential investee.

The fair value of advances to staff are determined based on the present value of the estimated future cash flows and discounted using the prevailing market rate on initial recognition. The imputed interest income on the advances to staff is RMB12,000 (six months ended June 30, 2016: RMB13,000). The effective interest rate is ranging from 4.75% to 4.9% (six months ended June 30, 2016: 4.75% to 4.9%) per annum.

Advances to staff amounting to RMB1,888,000 (December 31, 2016: RMB2,223,000) are unsecured, non-interest bearing and amounts are repayable ranging from three to seven years and therefore classified as non-current.

Amount due from a former associate and loan advanced to a potential investee are unsecured, non-interest bearing and repayable on demand of RMB12,250,000 (December 31, 2016: Nil) and RMB25,000,000 (December 31, 2016: Nil), respectively, and therefore classified as current.

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

15. ENTRUSTED LOAN RECEIVABLE

In May 2017, the Group entered into an entrusted loan agreement with 開平市農村信用合作社, 開平市越輝裝飾工程有限公司 (“the Borrower”) and 恩平鼎尚實業發展有限公司 (“the Guarantor”), in which the Group provided a loan of RMB15,000,000 (December 31, 2016: Nil) to the Borrower through 開平市農村信用合作社 as the entrusted bank. The entrusted loan is secured by a land provided by the Guarantor and carries fixed interest rate at 6% per annum and will be repayable on January 12, 2018.

16. INVESTMENT IN CERTIFICATE OF DEPOSIT

As at June 30, 2017, the amount represented investment in certificate of deposit (the “COD”) issued by a bank to an independent third party who then transferred the rights to cash flows of the COD to the Group, carrying fixed interest rate at 4.8% per annum with maturity date of December 14, 2017.

17. FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets designated as at FVTPL represent the investment funds acquired from Guangfa Futures Co., Ltd. and from Guangfa Securities Co., Ltd. The portfolio of the investment funds comprised of identified financial instruments that the Group manages together. The identified financial instruments include futures, shares and securities listed in PRC and bank deposits. Fair value loss of approximately RMB1.4 million is charged to profit or loss for the six months ended June 30, 2017 (six months ended June 30, 2016: Nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

18. TRADE, BILLS AND OTHER PAYABLES

	June 30, 2017 RMB'000 (unaudited)	December 31, 2016 RMB'000 (audited)
Trade payables	77,837	63,483
Bills payables	20,000	22,000
Total trade and bills payables	97,837	85,483
Accrued expenses	20,017	25,266
Transportation fee payables	17,946	18,639
Payroll and welfare payables	15,354	20,758
Construction cost payables	6,907	5,676
Other payables	5,361	2,996
Output value-added-tax and other tax payables	4,718	10,482
	168,140	169,300

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, 2017 RMB'000 (unaudited)	December 31, 2016 RMB'000 (audited)
Within 3 months	77,709	63,167
Over 3 months but within 6 months	—	111
Over 6 months but within 1 year	128	205
	77,837	63,483

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

18. 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, 2017 RMB'000 (unaudited)	December 31, 2016 RMB'000 (audited)
Within 3 months	16,000	22,000
Over 3 months but within 6 months	4,000	—
	20,000	22,000

19. BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to RMB304,287,000 (December 31, 2016: Nil) and repaid bank loans amounted to RMB10,000,000 (six months ended June 30, 2016: Nil). These loans carry interest at fixed rates ranging from 1.57% to 4.35% per annum and variable rates ranging from PRC Loan Prime Rate (“LPR”) -0.1675% to LPR per annum. These loans are repayable at maturity dates within one year.

20. DEFERRED INCOME

During the six months ended June 30, 2017, the Group received government subsidies amounting to RMB1,055,000 (six months ended June 30, 2016: RMB5,907,000) 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

21. 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, 2016, June 30, 2016, January 1, 2017 and June 30, 2017		
— Ordinary shares of HK\$0.01 each	8,000,000,000	80,000,000
Issued and fully paid:		
At January 1, 2016, June 30, 2016, January 1, 2017 and June 30, 2017		
— Ordinary shares of HK\$0.01 each	415,000,000	4,150,000
	At June 30, 2017 and December 31, 2016	
		RMB'000
Presented in the condensed consolidated financial statements		3,285

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

22. 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, 2017 RMB'000 (unaudited)	December 31, 2016 RMB'000 (audited)
Within one year	4,517	4,524
In the second to fifth years inclusive	12,975	15,125
	17,492	19,649

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, 2017 RMB'000 (unaudited)	December 31, 2016 RMB'000 (audited)
Within one year	775	775
In the second to fifth years inclusive	1,744	2,132
	2,519	2,907

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

22. COMMITMENTS (continued)

Capital commitments

	June 30, 2017 RMB'000 (unaudited)	December 31, 2016 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	34,620	36,521
Capital expenditure in respect of acquisition of land use right contracted for but not provided in the condensed consolidated financial statements	—	1,828
Capital expenditure in respect of the establishment of an associate contracted for but not provided in the condensed consolidated financial statements (Note 1)	1,270	—
Capital expenditure in respect of the establishment of an associate contracted for but not provided in the condensed consolidated financial statements (Note 2)	—	4,900
Capital expenditure in respect of the establishment of an investment fund contracted for but not provided in the condensed consolidated financial statements (Note 3)	133,650	133,650
Capital expenditure in respect of the establishment of a joint venture contracted for but not provided in the condensed consolidated financial statements (Note 4)	133,650	133,650

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

22. COMMITMENTS *(continued)*

Capital commitments *(continued)*

Notes:

1. In June 2017, a subsidiary of the Group had established an associate with two independent third parties. Details of the investment in this associate are set out in note 12.
2. On November 24, 2016, a subsidiary of the Group entered in an agreement with 好鄰居股份有限公司 in respect of the incorporation of an associate. During the period ended June 30, 2017, such subsidiary entered into another agreement with 好鄰居股份有限公司 to transfer its entire ownership interests in Fujian Lidajia Food Company Limited at nil consideration. The legal procedures of such transfer of ownership interests has been completed on February 16, 2017. Details of the investment in this associate are set out in note 12.
3. On December 16, 2015, a subsidiary of the Group entered in a partnership agreement (the "Partnership Agreement") with Xizang Fujia Food Investment Center (Limited Partnership) 西藏復嘉食品投資中心（有限合夥）("Xizang Fujia") and Shanghai Fosun Wei Shi Equity Investment Fund Phase 1 上海復星惟實一期股權投資基金合夥企業 ("Fosun Weishi 1 Equity Fund") in respect of the establishment of an investment fund and the subscription of interest therein. During the period ended June 30, 2017, the establishment of the investment fund was suspended and a subsidiary of the Group is in the process of cancellation of the Partnership Agreement. Details of the investment in this joint venture are set out in note 13.
4. On January 28, 2016, a subsidiary of the Group entered in a joint venture agreement with 亞東復嘉食品投資中心（有限合夥） and 杭州浙商成長股權投資基金合夥企業（有限合夥） in respect of the incorporation of a joint venture. Details of the investment in this joint venture are set out in note 13.

23. PLEDGE OF ASSETS

As at June 30, 2017 and December 31, 2016, the following items were used to secure banking borrowings and bills payables of the Group:

	June 30, 2017 RMB'000 (unaudited)	December 31, 2016 RMB'000 (audited)
Pledged bank deposits	20,923	3,623

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

24. RELATED PARTY DISCLOSURES

Related Party Transactions

	Six months ended June 30,	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Sale of goods		
Guangdong Zhongchen Industrial Group Company Limited 廣東中晨實業集團有限公司 (“Zhongchen”) (Note a)	15	13
Services expense paid		
Aurec Capital Ltd. (“Aurec”) (Note b)	1,716	—

Notes:

- (a) Zhongchen was a former immediate holding company of Guangdong Jiashili prior to Group Reorganisation. It is currently owned by Mr. Huang Xianming, the ultimate controlling shareholder of the Group.
- (b) The amount represents the investment advisory service provided by Aurec, which is a minority shareholder of the Company. As at June 30, 2017, the Group prepaid investment advisory service fee of RMB5,834,000 to Aurec and it included in other prepayments in note 14.

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.

Key management personnel

The remuneration of key management personnel including the directors' remuneration during the six months ended June 30, 2017 and 2016 were as follows:

	Six months ended June 30,	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Short-term benefits	2,489	3,462
Post-employment benefits	32	29
Share-based compensations	401	830
	2,922	4,321

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

25. 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.

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, 2017:

For the period ended June 30, 2017

Category of grantees	Date of grant	Exercise period	Exercise price per share	Number of share options			At 6.30.2017
				At 1.1.2017	Granted during the period	Exercised during the period	
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 ended							7,450,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

25. SHARE OPTION SCHEME (continued)

Pre-IPO Share Option Scheme (continued)

For the year ended December 31, 2016

Category of grantees	Date of grant	Exercise period	Exercise price per share	Number of share options			
				At 1.1.2016	Granted during the year	Exercised during the year	At 12.31.2016
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 year ended							7,450,000

The fair value of these options at date of grant was approximately RMB15,607,000, of which approximately RMB1,058,000 were charged to the profit or loss for the period ended June 30, 2017 (six months ended June 30, 2016: RMB1,948,000).

No share option granted and exercised during the period ended June 30, 2017.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

25. SHARE OPTION SCHEME (continued)

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 a former director 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.

The following table discloses the details of the share option and movement in the share option at June 30, 2017:

For the period ended June 30, 2017

Category of grantees	Date of grant	Exercise period	Exercise price per share	Number of share options				At 6.30.2017
				At 1.1.2017	Granted during the period	Exercised during the period	Expired during the period	
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
Total				2,000,000	—	—	—	2,000,000
Exercisable at period ended								1,000,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

25. SHARE OPTION SCHEME (continued)

Share Option Scheme (continued)

For the year ended December 31, 2016

Category of grantees	Date of grant	Exercise period	Exercise price per share	Number of share options				At 12.31.2016
				At 1.1.2016	Granted during the year	Exercised during the year	Lapsed during the year	
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
Total				12,000,000	—	—	(10,000,000)	2,000,000
Exercisable at year ended								500,000

Note: Mr. Wu Meng-cher was formerly a director and resigned as a director on December 1, 2015 and he still under the employment of the Group.

The fair value of the options granted on June 12, 2015 were approximately RMB2,408,000, of which approximately RMB236,000 (six months ended June 30, 2016: RMB429,000) for a former director of the Company were charged to the profit or loss for the period ended June 30, 2017.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2017

26. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT

(i) Fair value of the Group's financial assets and financial liabilities that 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 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.

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

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Relationship of unobservable inputs to fair value
	June 30, 2017	December 31, 2016			
Financial assets designated as at FVTPL	Investment funds in the PRC: RMB108,582,000		N/A Level 2	Derived from quoted bid prices of underlying investments in an active market.	N/A

Included in other gains and losses for period ended June 30, 2017, fair value loss of RMB1,418,000 (six months ended June 30, 2016: Nil) was related to financial assets designated as at FVTPL held at June 30, 2017.

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 condensed consolidated financial statements approximate their fair values using discounted cash flow valuation technique.