嘉士利®

嘉士利集團有限公司
JIASHILI GROUP LIMITED

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

2018
Interim Report

CONTENTS

FINANCIAL HIGHLIGHTS

- The unaudited consolidated revenue of the Group for the six months ended June 30, 2018 amounted to approximately RMB634.3 million, grew by 22.9% as compared with the same period last year.

- Unaudited consolidated profit and total comprehensive income for the six months ended June 30, 2018 amounted to approximately RMB43.4 million, representing an increase of 3.2% as compared with the same period last year.

- Profit after tax but before one-off reorganisation redundancy cost for the six months ended June 30, 2018 were increased by 15.9% to approximately RMB48.8 million over the corresponding period in 2017.

- For the six months ended June 30, 2018, both basic and diluted earnings per share was RMB10.47 cents (six months ended June 30, 2017: RMB10.14 cents).

- The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2018 (six months ended June 30, 2017: Nil).

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of Jiashili Group Limited ("Jiashili" or the "Company", together with the subsidiaries, the "Group", "We", "Our"), I am pleased to present the interim results of Jiashili for the six months ended June 30, 2018 (the "Reporting Period").

The strong first half of 2018 was pleasing as it was based on good underlying performance continue to enjoy support from good end markets and impressive operational execution. As a result, the Group's revenue up by 22.9% amounted to approximately RMB634.3 million compared to the corresponding period of last year. Gross profit margin of the Group for the six months ended June 30, 2018 increased by 2.6 percentage points from 28.6% for the same period of 2017 to 31.2% for 2018. In the first half of 2018, the Group witnessed some margin compression arising from increased materials costs (mainly due to the increased in packaging materials costs) amid continued growth in revenue. Nevertheless, the Group will continue its efforts to enhance operating efficiency programs to mitigate as much as possible the impact of increased materials costs such as advance purchase at cheaper prices and enhance production planning efficiency.

Thanks to rapid urbanization and rising incomes, the total retail sales of consumer goods in China have continued to increase in past years. Today, mainland consumers place more emphasis on "food safety" and "healthy diet". A more westernized lifestyle also has an impact on biscuits and snack market development, offering opportunities for tradition brands such as Jiashili to further expand its market exposure.

Looking forward to the second half of 2018, the Group's strong performance together with the successful execution of our Company's plan, allows the Board of the Company to continue to look to the short and medium term with confidence. Our end markets remain strong and a wide range of metrics have shown consistent improvement. We continue to execute well on our strategy through a combination of organic growth and acquisitions. The recent acquisition of Silang has given us the opportunities to enter into the coarse grain biscuits market which meet customers demand for healthy concerns. We believed that by leveraging our sales management and distribution network, the performance of Silang will be improved tremendously. We will continue to focus in improving the Group's performance by innovating products portfolio, broadening the distributor network to safeguard the Group's revenue and profitability. Barring any unforeseen circumstances, the Board is optimistic on the performance of the Group for the rest of the year with the operating environment expected to remain highly competitive.

Finally, I would like to extend, on Jiashili Group Limited's behalf, my heartfelt gratitude to the Shareholders, member of the Board, staff, customers, suppliers and business partners of the Group for their continuing support and confidence in the Company.

Jiashili Group Limited
Huang Xianming
Chairman of the Board

August 29, 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

According to the latest data released by the National Bureau of Statistics of China, the gross domestic product (GDP) grew by 6.8% in the first half of 2018 as compared with the same period last year indicating China's economy maintained its growth momentum despite on-going trade war with United States. In the first seven-months of 2018, the total retail sales of consumer goods up by 9.3% year-on-year, this indicates that China has entered into a stage of stable economic growth with relatively faster in consumer spending.

Biscuits and snack food in China flourishes with constant growth year by year, imported tasty, fluffy wafers, crackers, refreshments, cookies, and snack bars have better sales in Chinese market. Over the year, our Group have been adhering to the business philosophy of "JIASHILI-benefit thousands of families and benefit to all people 嘉士利、利萬家、利大家" to provide delicious and high quality biscuits to the customers in China.

In light of changing market conditions, the Group has continued to optimize its product offering structure and sales and marketing build-up, adopt the multi-brand strategy, explore effective operating models for emerging distribution channels, strengthen brand building and increase the marketing activities for the communication with consumers in order to broaden market base. Coupled with increased efforts of our efficient sales team, the penetration rates of our products increased further.

For the first half of 2018, the Group's revenue increased by 22.9% year-on-year to approximately RMB634.3 million, gross profit increased to approximately RMB197.9 million, representing an increase of 34.2% as compared with the same period last year. Gross profit margin has increased to 31.2% in the first half of 2018, representing an increase of 2.6 percentage points the same period of last year. During the Reporting Period, net profit increased by 3.2% to approximately RMB43.4 million as compared with the same period last year. Breakfast, crisp and sandwich biscuits accounted for 72.3% of the Group's total revenue.

In April 2018, the Group completed the acquisition of 85.0% equity interest of Dongguan Kamtai Foods Company Limited and Silang Foods (Huaibei) Company Limited (collectively, the "Silang"). During the Reporting Period, revenue generated from Silang accounted for approximately 6.1% of the Group's total turnover, the Group believed that the acquisition of Silang provide unprecedented opportunities to enter into the coarse grain digestive crackers meets the increasing trend of customers demand for no additives, sugar-free and more healthier crackers.

FINANCIAL REVIEW

Revenue

Due to the increased sales efforts, both the Group's total revenue and sales volume were recorded a double-digit growth as compared with the same period of last year, the revenue of the Group was approximately RMB634.3 million, representing an increase of approximately RMB118.1 million or up 22.9% during the Reporting Period. Sales tonnes increased by 19.2% to 46,258 as compared with the same period last year. Breakdown of the revenue and sales volume by product category for the Reporting Period and the comparative figures for the same period last year are as follows:

Revenue/Sales volume	For the six months ended June 30, 2018 RMB (million)	2018 Tonne	2017 RMB (million)	2017 Tonne	% of changes in revenue 2018 vs 2017	% of changes in sales volume 2018 vs 2017
Breakfast biscuits series	**168.4**	**15,252**	155.5	14,428	8.3%	5.7%
Crisp biscuits series	**135.1**	**9,947**	121.5	9,249	11.2%	7.5%
Sandwich biscuits series	**155.0**	**9,474**	120.0	7,335	29.2%	29.2%
Wafer series	**63.7**	**3,932**	51.7	3,149	23.2%	24.9%
Coarse grain biscuits series	**32.1**	**2,042**	—	—	—	—
Others	**80.0**	**5,611**	67.5	4,662	18.5%	20.4%
Total	**634.3**	**46,258**	516.2	38,823	22.9%	19.2%

Breakfast biscuits series

During the Reporting Period, the revenue generated from our traditional breakfast biscuits series amounted to approximately RMB168.4 million, representing an increase of 8.3% as compared with the same period in 2017. Sales volume reaches 15,252 tonnes representing an increase of 5.7% from the same period last year.

Crisp biscuits series

During the Reporting Period, the revenue generated from crisp biscuits series increased by approximately RMB13.6 million to RMB135.1 million and sales volume increased by 7.5% over the same period last year.

Sandwich biscuits series

Sandwich biscuits series, our leading product in the corresponding subdivided market, maintained its growing momentum continued its outstanding sales performance in the first half of the year. Benefited from our effective marketing efforts and its appealing market positioning and pricing strategy which strikes the right tone for the tastes and demand of youth and teenagers.

During the Reporting Period, the revenue of sandwich biscuits rose by 29.2% to approximately RMB155.0 million as compared with same period last year, the sales volume reaches 9,474 tonnes rose by 29.2% year-on-year over the same period last year. The revenue of sandwich biscuits series accounted for approximately 24.4% of the Group's total turnover, which became the Group's second largest revenue driver with high growth potential.

Wafer series

During the Reporting Period, the sales generated from wafer series amounted to approximately RMB63.7 million, an increase of 23.2% as compared with the corresponding period last year. Growth in sales volume rose by approximately 24.9% to 3,932 tonnes. The results were primarily attributable to the success of the Group's marketing and pricing strategy and the wide market acceptance.

Others series

It is the Group's policy of actively seeking to expand the range of biscuits with different quality and flavors to meet customer's expectations. During the Reporting Period, revenue from other biscuits series up 18.5% to approximately RMB80.0 million as compared with same period last year, while sales volume increased by approximately 20.4% to 5,611 tonnes.

Revenue in terms of sale channels

For the six months ended June 30, 2018, revenue from distributors was approximately RMB614.1 million, accounted for 96.8% of the Group's total revenue. The rest was from supermarkets.

Gross profit and Gross profit margin

In the first half of 2018, gross profit increased by 34.2% to approximately RMB197.9 million over the same period last year. Gross profit margin rose by 2.6 percentage points as compared with the same period in 2017. The market price trends of raw materials (palm oil, sugar and flour) and packaging materials varied but their total cost as a whole increased as compared with the same period last year. The increase of gross profit margin were primarily due to our increased sales efforts and increase in sales of our products with higher gross profit margins (including sandwich and crisp biscuits), and expansion of sales in others and coarse grain biscuits.

Other income

Other income during the Reporting Period has increased by approximately 73.7% to approximately RMB18.2 million as compared with the same period last year. The increase was primarily due to the increase in government grants of approximately RMB3.3 million and increase in interest income on various deposits and loan receivables approximately RMB5.0 million.

Selling and distribution expenses

Selling and distribution expenses represent mainly the advertising and promotion expenses, delivery and transportation expenses and salaries of the sales staffs. During the Reporting Period, such expenses grew by approximately RMB16.2 million or 22.9%, to approximately RMB87.0 million. The increase was in line with the expansion of the Group's revenue due to the increase in spending on advertising and promotion activities in the first half of 2018.

Administrative expenses

Administrative expenses for the Reporting Period were amounted to approximately RMB44.2 million; represent an increase of approximately RMB15.4 million or 53.6%. over the same period last year. Such increase was primarily attributed to the increase in staff costs, professional fees and other expenses incurred in the first half of 2018.

Other gains and losses

During the Reporting Period, net other losses amounted to approximately RMB5.3 million (six months ended June 30, 2017: net other gains amounted approximately RMB12.4 million) were recorded. The net other losses for the Reporting Period were primarily due to the net foreign exchange loss of approximately RMB3.8 million and the impairment loss on loan receivables of approximately RMB1.4 million.

Total comprehensive income attributable to the owners of the Company

During the Reporting Period, total comprehensive income attributable to the owners of the Company increased by 3.3% from approximately RMB42.1 million to approximately RMB43.5 million as compared with the same period last year benefiting from the efficient control on operating costs and expansion of sales.

Inventories

The Group's inventories consist primarily of raw materials, packaging materials and, finished goods. The Group's inventories as at June 30, 2018 were approximately RMB66.7 million, decreased by 7.9% from approximately RMB72.4 million as at December 31, 2017. The reason for the decrease in inventories was mainly due to the raw materials and finished goods balance at the end of 2017 was higher than that of June 30, 2018 as a result of the stock-up for the Chinese New Year at the end of 2017. The inventory turnover days increased from 25.1 days for the first half of 2017 to 29.2 days for the first half of 2018.

Trade, bills and other receivables

The Group's trade, bills and other receivables refer to the Group's trade receivable balance from its customers, primarily including distributors and key accounts. The Group's trade, bills and other receivables as at June 30, 2018 was approximately RM141.5 million, increased by 56.2% from approximately RMB90.6 million as at December 31, 2017 primarily due to a rapid growth of revenue and improved credit conditions offered to certain good performing distributors with good credit records.

The trade receivables turnover days increased from 7.9 days for the first half of 2017 to 9.1 days for the first half of 2018.

Liquidity and financial position

The Group finance operations and capital expenditure primarily by internally generated cash flows as well as banking facilities provided by principal bankers. As at June 30, 2018, the Group had pledged deposits and cash and bank balances in the aggregate amount of approximately RMB444.6 million (as at December 31, 2017: approximately RMB438.7 million). The increase in pledged bank deposits was to secure additional bank loans. As at June 30, 2018 interest bearing bank borrowings increased by 97.6% from approximately RMB190.8 million as at December 31, 2017. During the Reporting Period, the Group was in a net cash position (bank balances and cash less borrowings) of approximately RMB36.1 million (as at December 31, 2017: approximately RMB228.4 million). As at June 30, 2018 the gross gearing ratio (defined as total liabilities over total assets) was 51.9%. (as at December 31, 2017: 41.6%) The management will from time to time adopt prudent financial management policy to address changing financial conditions.

As at June 30, 2018, the Group had capital commitment for purchase of property, plant and equipment of approximately RMB40.7 million. Other capital commitments were approximately RMB299.1 million.

Contingent liabilities and guarantees

As at June 30, 2018, the Group did not provide any guarantees for any third party and had no significant contingent liabilities.

USE OF PROCEEDS FROM THE LISTING

The total net proceeds raised from the IPO of the Company were approximately HK$380 million after deduction of related listing expenses. The use of IPO 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 IPO proceeds is as follows:

	Net Proceeds from IPO		
	Unused balance as of January 1, 2018 HKD million	Used during the Reporting Period HKD million	Unused balance as of June 30, 2018 HKD million
Increasing the recognition and awareness of our brands and expansion of our distribution and sales network	20.1	20.1	–
Infrastructure investment in respect of the purchase and installation of more advanced and automated machineries and the upgrading of our existing production facilities in our production plants	–	–	–
Research and development activities in order to refine our existing product offerings and develop new products	–	–	–
Repayment of the principal amount and the accrued interest under the convertible promissory note issued to Actis Investment Holdings No. 151 Limited (now known as Rich Tea Investments Limited)	–	–	–
Working capital and other general corporate purpose	–	–	–
	20.1	20.1	–

HUMAN RESOURCES

As at June 30, 2018 the Group had a total of 2,342 employees. (June 30, 2017: 2,371) The Group's employees are remunerated with reference to their positions, performance, experience and prevailing salary trends in the market. In addition to basic salaries, the Company provides various staff benefits to its employees. For the six months ended June 30, 2018, the total staff costs (including Directors' and chief executive's remuneration) were approximately RMB93.9 million (for the six months ended June 30, 2017: approximately RMB78.1 million).

PROSPECT

Looking ahead to the second half of 2018, the Group will continue adhering to existing strategy to upgrade product quality and broaden product portfolios; expansion of distribution channels and increased marketing efforts with increased interactions with customers.

Improving production management system and optimizing the product manufacturing process and adopting safety process during production was the Group's daily operation practice. The Company will strengthen its internal management and coordination, optimize organization structure and resources allocation to maintain balance between production quality and cost control.

The Group is constantly reviewing the effectiveness of the existing channel of distribution and continued to explore different channels in order to meet customers demand. The Group believed that the combination of high talents sale team together with high performing distributors will form the key of success of the Company.

The Group adopt diversified product offerings with different brand name, the recent acquisition of Silang will give the Group's opportunity to broaden its product base to meet the demand of different segment of customers. The Group believed that the contributions of Silang will be further increased in the second half of 2018.

In terms of growth, apart from the recent acquisition of Silang, our Group will keep an eye on opportunities of mergers and acquisitions and business cooperation in order to enhance and consolidate our leading position in producing and selling of cracker industry

Over the year, the Group have been adhering to the business philosophy of "JIASHILI-benefit thousands of families and benefit to all people 嘉士利、利萬家、利大家". We will keep on this Company's motto to drive the Company towards a higher level and to bring more returns to the shareholders of the Company.

OTHER INFORMATION

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

As at June 30, 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), or required, pursuant to section 352 of the SFO, to be entered in the register referred to therein are as follows:

Name of Directors	Company/name of associated corporation	Capacity	Number and class of securities	Approximate percentage of issued share capital
Mr. Huang Xianming ("Mr. Huang")	The Company	Interests of controlled corporation[2]	252,572,000 (L)[1]	60.86%
Mr. Huang	Kaiyuan	Interests of controlled corporation[3]	100 (L)[1]	100%
Mr. Huang	Great Logistics	Beneficial owner	1 (L)[1]	100%

Notes:

(1) The Letter "L" denotes our Directors' long position in the shares or the relevant associated corporation.

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

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

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

As at June 30, 2018, 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)	252,572,000	60.86%
Ms. Huang Cuihong	Interest in controlled corporation(1); interest in family member(2)	252,572,000	60.86%
Ms. Huang Xianxian	Interest in controlled corporation(1); interest in family member(2)	252,572,000	60.86%
Ms. Huang Rujiao	Interest in controlled corporation(1); interest in family member(2)	252,572,000	60.86%
Ms. Huang Rujun	Interest in controlled corporation(1); interest in family member(2)	252,572,000	60.86%
Great Logistics	Interest in controlled corporation(1); interest in family member(2)	251,472,000	60.60%
Grand Wing	Interest in controlled corporation(1); interest in family member(2)	216,168,000	52.09%
Intelligent Pro	Interest in controlled corporation(1); interest in family member(2)	216,168,000	52.09%
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 Overseas	Interest in controlled corporation(1); interest in family member(2)	216,168,000	52.09%

Name of shareholders	Nature of interest	Number of shares held	Approximate percentage of issued share capital
Actis 4 PCC	Interest in controlled corporation(3)	60,000,000	14.46%
Actis Global 4 LP	Interest in controlled corporation(3)	60,000,000	14.46%
Actis GP LLP	Interest in controlled corporation(3)	60,000,000	14.46%
Actis Investment Holdings Ship Limited ("Actis Ship")	Beneficial interest(3)	60,000,000	14.46%
Rich Tea Investment Limited ("Rich Tea")	Interest in controlled corporation(3)	60,000,000	14.46%

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 conditionally approved by our Shareholders on August 21, 2014:

1. Summary of terms

The purpose of the Pre-IPO Share Option Scheme is a share incentive scheme and is established to provide incentives and rewards to the employees and consultants of our Group for their future contribution and to retain key and senior employees of the Group. The principal terms of the Pre-IPO Share Option Scheme, approved by the written resolutions of our Shareholders passed on August 21, 2014, are substantially the same as the terms of the Share Option Scheme except for the following:

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

b) the total number of shares subject to the Pre-IPO Share Option Scheme is 14,900,000, representing approximately 3.59% of the total issued share capital of the Company immediately upon completion of the Global Offering and the exercise of the Over-allotment Option, and assuming that all options granted under the Pre-IPO Share Option Scheme are exercised at the same time (without taking into account any shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme);

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

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

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

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

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

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

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

Up to the date of this report, options to subscribe for an aggregate of 14,900,000 shares (representing approximately 3.59% of the total issued share capital of the Company) have been conditionally granted by the Company under the Pre-IPO Share Option Scheme for a consideration HK$1.00 per grantee. Particulars of the options granted under the Pre-IPO Share Option Scheme to the employees (including Directors and senior management) of the Group are set out in the prospectus of the Company dated September 15, 2014. As at the date of this report, the Company has 415,000,000 shares in issue. No options granted under the Pre-IPO Share Option Scheme have been cancelled, lapsed or exercised as at the date of this report. The computation of diluted earnings per share does not assume the conversion of the Company's outstanding options since their exercise would result in an increase in earnings per share from continuing operations.

SHARE OPTION SCHEME

Pursuant to a resolution passed by all the shareholders on August 21, 2014, the Company has conditionally adopted the Share Option Scheme for the purpose of recognising and acknowledging the contributions the eligible participants had or may have made to the Group. The Board may, at their discretion, invite any Directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of any member of the Group and any advisers, consultants, distributors, contractors, contract manufacturers, suppliers, agents, customers, business partners, joint venture business partners, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group to participate in the Share Option Scheme. 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 and the exercise of Over-Allotment Option, being 415,000,000 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.

Up to the date of this report, options to subscribe for an aggregate of 12,000,000 shares have been granted under the Share Option Scheme (representing approximately 2.89% of the total issued share capital of the Company as at the date of this report). As at the date of this report, options of 10,000,000 shares have been lapsed and no options granted under the Share Option Scheme have been exercised. Options to subscribe for an aggregate of 41,500,000 shares (representing approximately 10% of the total issued share capital of the Company as at the date of this report, without taking into account any shares which may be issued upon exercise of the options previously granted under the Pre-IPO Share Option Scheme or the Share Option Scheme are exercised) could be granted under the Share Option Scheme.

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 (i.e. August 21, 2024). The amount payable on acceptance of an option is HK$1.00. Particulars of the movement of options in respect of the six months ended June 30, 2018 was disclosed on note 28 to the condensed consolidated financial statements.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining and ensuring high standards of corporate governance practices. In the opinion of the directors, the Company has adopted and complied with the principles and applicable code provisions of Code on Corporate Governance and Corporate Governance Report ("CG Code") as set out in Appendix 14 of the Listing Rules, except for deviation which is summarised as below.

Code Provision A.6.7

As stipulated in the Code provision A.6.7 of CG Code, independent non-executive directors and other non-executive directors shall attend general meetings. One non-executive director and one independent non-executive director were unable to attend the annual general meeting of the Company held on June 15, 2018 (the "2017 AGM") due to other important engagement.

COMPLIANCE WITH MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") 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, 2018.

AUDIT COMMITTEE

The audit committee, together with the management, has reviewed constantly the accounting principles and practices adopted by the Group, discussed review, internal control and financial reporting matters and reviewed the financial results of the Group.

The audit committee has reviewed and discussed the interim results of the Group for the six months ended June 30, 2018. The audit committee has no disagreement with the accounting treatment adopted by the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the first half of 2018.

INTERIM DIVIDEND

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

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 18 to 68, which comprise the condensed consolidated statement of financial position as of June 30, 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

August 29, 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2018

	NOTES	Six months ended June 30, 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Revenue	4	**634,256**	516,205
Cost of sales		**(436,324)**	(368,759)
Gross profit		**197,932**	147,446
Other income	6	**18,228**	10,491
Other gains and losses	7	**(5,339)**	12,432
Selling and distribution expenses		**(86,963)**	(70,778)
Administrative expenses		**(44,181)**	(28,771)
Other expenses	8	**(19,324)**	(18,828)
Share of results of joint ventures		**139**	—
Interest expenses on bank borrowings		**(7,021)**	(2,779)
Profit before tax		**53,471**	49,213
Income tax expense	9	**(10,032)**	(7,124)
Profit and total comprehensive income for the period	10	**43,439**	42,089
Profit (loss) and total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**43,450**	42,089
Non-controlling interests		**(11)**	—
		43,439	42,089
Earnings per share	12		
— Basic and diluted (RMB cents)		**10.47**	10.14

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2018

	NOTES	**June 30, 2018 RMB'000 (unaudited)**	December 31, 2017 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	13	**453,307**	364,980
Investment property	13	**9,600**	—
Goodwill	30	**27,449**	—
Prepaid lease payments		**73,024**	37,824
Intangible asset	13	**49,276**	—
Interests in associates	14	**—**	—
Interests in joint ventures	15	**35,130**	34,991
Other receivables and deposits	16	**2,288**	15,975
		650,074	453,770
CURRENT ASSETS			
Inventories		**66,727**	72,437
Loan receivables	17	**45,270**	35,000
Prepaid lease payments		**1,892**	1,140
Trade, bills and other receivables	16	**141,554**	90,581
Amount due from an associate		**21,279**	34,258
Amount due from a joint venture		**100**	100
Income tax recoverable		**—**	99
Financial assets designated as at fair value through profit or loss	19	**—**	185
Pledged bank deposits	26	**31,623**	19,523
Bank balances and cash		**412,986**	419,133
		721,431	672,456
CURRENT LIABILITIES			
Trade, bills and other payables	20	**150,865**	179,541
Contract liabilities		**26,199**	—
Amount due to a non-controlling shareholder of subsidiaries	21	**44,301**	—
Advances from customers		**—**	75,745
Income tax payables		**6,405**	8,107
Borrowings	22	**376,900**	190,762
Dividends payable		**52,035**	—
		656,705	454,155
NET CURRENT ASSETS		**64,267**	218,301
TOTAL ASSETS LESS CURRENT LIABILITIES		**714,800**	672,071

	NOTES	June 30, 2018 RMB'000 (unaudited)	December 31, 2017 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Deferred income	23	41,094	11,163
Deferred tax liabilities		14,214	2,143
		55,308	13,306
NET ASSETS		659,492	658,765
CAPITAL AND RESERVES			
Share capital	24	3,285	3,285
Reserves		644,218	655,480
Equity attributable to owners of the Company		647,503	658,765
Non-controlling interests		11,989	—
TOTAL EQUITY		659,492	658,765

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2018

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000 (Note a)	Share options reserve RMB'000 (Note b)	Special reserve RMB'000 (Note c)	Contribution reserve RMB'000	Statutory reserve RMB'000 (Note d)	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At January 1, 2017 (audited)	3,285	411,181	16,589	(107,000)	18,333	87,264	175,051	604,703	–	604,703
Profit and total comprehensive income for the period	–	–	–	–	–	–	42,089	42,089	–	42,089
Appropriations	–	–	–	–	–	9,880	(9,880)	–	–	–
Dividends recognised as distribution (note 11)	–	(55,050)	–	–	–	–	–	(55,050)	–	(55,050)
Share-based compensations (note 28)	–	–	1,294	–	–	–	–	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	–	593,036
At December 31, 2017 (audited)	3,285	356,131	19,135	(107,000)	18,333	107,744	261,137	658,765	–	658,765
Adjustment (note 2)	–	–	–	–	–	–	(3,311)	(3,311)	–	(3,311)
At January 1, 2018 (restated)	3,285	356,131	19,135	(107,000)	18,333	107,744	257,826	655,454	–	655,454
Profit (loss) and total comprehensive income (expense) for the period	–	–	–	–	–	–	43,450	43,450	(11)	43,439
Appropriations	–	–	–	–	–	10,428	(10,428)	–	–	
Acquisition of subsidiaries (note 30)	–	–	–	–	–	–	–	–	12,000	12,000
Dividends recognised as distribution (note 11)	–	(52,035)	–	–	–	–	–	(52,035)	–	(52,035)
Share-based compensations (note 28)	–	–	634	–	–	–	–	634	–	634
At June 30, 2018 (unaudited)	3,285	304,096	19,769	(107,000)	18,333	118,172	290,848	647,503	11,989	659,492

Notes:

a. The application of share premium account is governed by the Company's articles of association and the Cayman Islands Companies Law, which provides that the share premium account may be applied in paying distributions or dividends to members, provided immediately following the date on which distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

b. 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 28.

c. 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.

d. 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 RMB78,646,000 (unaudited) and RMB64,763,000 (unaudited) as at June 30, 2018 and 2017, 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 RMB39,526,000 (unaudited) and RMB32,381,000 (unaudited) as at June 30, 2018 and 2017, 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, 2018

	NOTES	Six months ended June 30, 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
OPERATING ACTIVITIES			
Operating cash flows before movements in working capital		**80,162**	51,638
Increase in trade, bills and other receivables		**(38,744)**	(90,049)
Decrease in contract liabilities		**(49,546)**	–
Decrease in advances from customers		**–**	(94,342)
Other operating cash flows		**(14,852)**	(17,303)
NET CASH USED IN OPERATING ACTIVITIES		**(22,980)**	(150,056)
INVESTING ACTIVITIES			
Placement of pledged bank deposits		**(31,623)**	(21,400)
Net cash outflow on acquisition of subsidiaries	30	**(18,594)**	–
Purchase of property, plant and equipment		**(16,693)**	(47,758)
Loan advance paid		**(15,000)**	(22,000)
Release of pledged bank deposits		**19,523**	4,100
Refund receipt of deposits for property, plant and equipment		**8,920**	–
Interest received		**6,420**	1,474
Refund receipt of deposits for acquisition of a land use right		**1,249**	–
Receipts of assets-related government grants		**1,236**	1,055
Proceed from disposal of property, plant and equipment		**168**	2
Proceed from disposal of financial assets at fair value through profit or loss		**110**	–
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)
Investment in a joint venture		**–**	(35,000)
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
NET CASH USED IN INVESTING ACTIVITIES		**(44,284)**	(352,895)

		Six months ended June 30,	
		2018	2017
	NOTES	**RMB'000**	RMB'000
		(unaudited)	(unaudited)
FINANCING ACTIVITIES			
New bank loans raised		**336,900**	304,287
Repayments of bank loans		**(267,311)**	(10,000)
Interest paid		**(7,021)**	(2,779)
Dividends paid	11	**–**	(55,050)
NET CASH FROM FINANCING ACTIVITIES		**62,568**	236,458
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(4,696)**	(266,493)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**419,133**	428,027
Effect of foreign exchange rate changes		**(1,451)**	(901)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, comprising bank balances and cash		**412,986**	160,633

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

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.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2017.

Application of new and amendments of IFRSs

In the current interim period, the Group has applied, the following new and amendments to IFRSs issued by IASB which are mandatory effective for the annual period beginning on or after January 1, 2018 for the preparation of the Group's condensed consolidated financial instruments:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014–2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15")

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from sales of biscuits products.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, January 1, 2018. In accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at January 1, 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations. At the date of initial application, there is no difference recognised in the opening retained profits and no comparative information has been restated.

2.1.1 Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract;
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") *(continued)*

2.1.1 Key changes in accounting policies resulting from application of IFRS 15 *(continued)*

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Consideration payable to a customer

Consideration payable to a customer includes cash amounts that an entity pays, or expects to pay, to the customer. Consideration payable to a customer also includes credit or other items (e.g. a coupon or voucher) that can be applied against amounts owed to the entity. An entity should account for consideration payable to a customer as a reduction of the transaction price and, therefore, of revenue.

Accordingly, if consideration payable to a customer is accounted for as a reduction of the transaction price, it is recognised when (or as) the later of either of the following events occurs:

— the entity recognises revenue for the transfer of the related goods or services to the customer; and

— the entity pays or promises to pay the consideration (even if the payment is conditional on a future event). That promise might be implied by the entity's customary business practices.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.1 Impacts and changes in accounting policies of application on IFRS *15 Revenue from Contracts with Customers* ("IFRS 15") *(continued)*

2.1.1 Key changes in accounting policies resulting from application of IFRS 15 *(continued)*

Revenue from sales of biscuits products

Recognition

Revenue is recognised at a point in time when there is persuasive evidence that the control of the goods has been transferred to the customer, the customer has adequate control over the product and the Group has no unfulfilled obligations that affect customer acceptance products. Consideration payable to the customers includes fee for advertising services provided by customers for promotion of the Group's products is deducted from the revenue.

Contract liability

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2.1.2 Summary of effects arising from initial application of IFRS 15

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at January 1, 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previous reported at December 31, 2017	Reclassification	Carrying amounts under IFRS 15 at January 1, 2018
	RMB'000	RMB'000	RMB'000
Current Liabilities			
Advances from customers	75,745	(75,745)	—
Contract liabilities	—	75,745	75,745

Note: As at January 1, 2018, customers advances of RMB75,745,000 in respect of sales contracts signed with customers previously included in advances from customers are reclassified to contract liabilities.

The application of IFRS 15 had no material impact on the Group's related profits as at January 1, 2018.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.1 Impacts and changes in accounting policies of application on IFRS *15 Revenue from Contracts with Customers* ("IFRS 15") *(continued)*

2.1.2 Summary of effects arising from initial application of IFRS 15 *(continued)*

The following table summarises the impact of applying IFRS 15 on the Group's condensed consolidated statement of financial position as at June 30, 2018 and its condensed consolidated statement of profit or loss and other comprehensive income for the current interim period for each of the line item affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position

	As reported	Reclassification	Amounts without application of IFRS 15
	RMB'000	RMB'000	RMB'000
Current Liabilities			
Advances from customers	—	26,199	26,199
Contract liabilities	26,199	(26,199)	—

Note: The impact on the Group's condensed consolidated statement of financial position at June 30, 2018, without application of IFRS 15, would be a reclassification of contract liabilities of RMB26,199,000 to advances from customers.

2.2 Impacts and changes in accounting policies of application on IFRS 9 *Financial Instruments* ("IFRS 9")

In the current period, the Group has applied IFRS 9 *Financial Instruments* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at January 1, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at January 1, 2018. There is no difference between carrying amounts of the Group's financial instruments recognised as at December 31, 2017 and January 1, 2018.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 *Financial Instruments* ("IFRS 9") *(continued)*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 *Financial Instruments* ("IFRS 9") *(continued)*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(continued)*

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade receivables, bills and other receivables, loan receivables and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on trade receivables is assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 *Financial Instruments* ("IFRS 9") *(continued)*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(continued)*

Impairment under ECL model (continued)

Significant increase in credit risk *(continued)*

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 *Financial Instruments* ("IFRS 9") *(continued)*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(continued)*

Impairment under ECL model (continued)

Measurement and recognition of ECL *(continued)*

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at January 1, 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9.

The results of the assessment and the impact thereof are detailed in Note 2.2.2.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 *Financial Instruments* ("IFRS 9") *(continued)*

2.2.2 Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, January 1, 2018.

	Notes	Carrying amounts previous reported at December 31, 2017 RMB'000	Reclassification RMB'000	Remeasurement impairment under ECL model RMB'000	Carrying amounts under IFRS 9 at January 1, 2018 RMB'000
Current Assets					
Financial assets designated as at FVTPL	(a)	185	(185)	–	–
Financial assets at FVTPL	(a)	–	185	–	185
Loan receivables	(b)	35,000	–	(3,311)	31,689
Accumulated profits	(b)	(261,137)	–	3,311	(257,826)

Notes:

(a) Financial assets at FVTPL and/or designated at FVTPL

At the date of initial application, the Group no longer applied designation as measured at FVTPL for the investment funds which are evaluated on a fair value basis, as these financial assets are required to be measured at FVTPL under IFRS 9. As a result, the fair value of the investment funds of RMB185,000 were reclassified from financial assets designated at FVTPL to financial assets at FVTPL.

(b) Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. The Group applied the IFRS 9 general approach to measure ECL which uses a 12m ECL for all other instruments (including bills and other receivables, loan receivables and bank balances), unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL based on significant increases in the likelihood or risk of a default occurring since initial recognition. The management assessed the expected loss on bills and other receivables, loan receivables and bank balances with significant balances individually.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 *Financial Instruments* ("IFRS 9") *(continued)*

2.2.2 Summary of effects arising from initial application of IFRS 9 *(continued)*

Notes: (continued)

(b) Impairment under ECL model (continued)

As at January 1, 2018, the additional credit loss allowance of RMB3,311,000 has been recognised against accumulated profits. The additional loss allowance is charged against the loan receivables. Except for the loan receivables, the directors of the Company reviewed and assessed the impairment of trade receivables, bills and other receivables and bank balances under ECL model, and no additional loss allowance is recognised against accumulated profits.

All loss allowances for financial assets including trade receivables and loan receivables as at December 31, 2017 reconcile to the opening loss allowance as at January 1, 2018 is as follows:

	Under general approach	Under simplified approach	Total
	RMB'000	RMB'000	RMB'000
Balance at December 31, 2017 under IAS 39	—	228	228
Amount remeasured through opening accumulated profits	3,311	—	3,311
Balance at January 1, 2018 (unaudited)	3,311	228	3,539

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.3 Impact on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had been restated. The following table summarises the adjustments recognised for the relevant individual line item.

	December 31, 2017	IFRS 15	IFRS 9	January 1, 2018
	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)			(Restated)
Loan receivables	35,000	—	(3,311)	31,689
Financial assets designated as at FVTPL	185	—	(185)	—
Financial assets at FVTPL	—	—	185	185
Advances from customers	75,745	(75,745)	—	—
Contract liabilities	—	75,745	—	75,745
Accumulated profits	(261,137)	—	3,311	(257,826)

Except as described above, the application of other amendments to IFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

In addition, the Group has applied the following accounting policies during the current interim period:

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets at fair value.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The intangible assets of trademark with finite useful lives is amortised on a straight-line basis over 10 years.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Impairment loss made on goodwill is not reversed in the subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the cash-generating units within the group of cash-generating units in which the Group monitors goodwill).

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose. Investment properties are initially measured at cost. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdraw from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Taxation

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing the condensed consolidated financial statements for the six months ended June 30, 2018, the critical judgments in applying the Group's accounting policies and the key sources of estimation uncertainty made by the Directors were the same as those applied in the preparation of the Group's annual financial statements for the year ended December 31, 2017, except for the following critical judgement and key sources of estimation uncertainty relating to application of IFRS 9 and acquisition of new subsidiaries which are newly applied during the current interim period:

ECL allowance on trade, bills and other receivables, loan receivables and bank balances

The ECL allowance on these receivables are based on assumptions about risk of default and expected credit loss rates. The Group adopts judgement in making these assumptions and selecting inputs for computing such ECL allowance, broadly based on the available customers' historical data, existing market conditions including forward looking estimates at the end of reporting period.

When the expectation is different from the original estimate, such difference will impact the carrying amount of these receivables and ECL allowance in the periods in which such has been changed.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Estimated impairment of intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated with reference to the value in use calculation in order to determine the extent of the impairment loss, if any. The value in use calculation is sensitive to changes in the key assumptions including growth rates, discount rates and the forecast performance based on the management's view of future business prospects. If the recoverable amount of an intangible assets is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. As at June 30, 2018, the carrying amount of intangible assets is approximately RMB49,276,000 (December 31, 2017: Nil). No impairment loss was made during the six months ended June 30, 2018.

Estimated impairment of goodwill

For the purpose of impairment testing, the entire amount of goodwill has been allocated to a cash generating unit (the "CGU"). The impairment assessment is based on the higher of fair value less costs of disposal and value in use of the CGU. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. The value in use calculation is sensitive to changes in the key assumptions including growth rates, discount rates and the forecast performance based on the management's view of future business prospects. Where the actual future cash flows are less than expected, or changes in facts and circumstances which result in downward revision of future cash flows, an impairment loss may arise. In the opinion of the directors of the Company, no impairment of goodwill is required for the six months ended June 30, 2018. As at June 30, 2018, the carrying amount of goodwill is approximately RMB27,449,000 (December 31, 2017: Nil).

4. REVENUE

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

Disaggregation of revenue

	Six months ended June 30, 2018 RMB'000 (unaudited)
Sales of biscuits products	
Breakfast biscuits	168,406
Sandwich biscuits	155,010
Crisp biscuits	135,120
Wafers	63,686
Coarse grain biscuits	32,062
Others	79,972
Total	634,256

	Six months ended June 30, 2018 RMB'000 (unaudited)
Geographical markets	
The PRC (Country of domicile)	633,420
Other (Note)	836
Total	634,256

Note: Others represent export sales to locations other than the PRC and none of such locations alone accounted for a material portion as a reportable geographic segment.

4. REVENUE *(continued)*

Disaggregation of revenue *(continued)*

	Six months ended June 30, 2018 RMB'000 (unaudited)
Sales channels	
Distributors	614,146
Supermarkets	20,110
Total	634,256

5. SEGMENT INFORMATION

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.

6. OTHER INCOME

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Government grants	**11,412**	8,068
Interest income on:		
— Bank deposits	**2,603**	1,383
— Loan receivables	**3,817**	—
— Entrusted loan receivable	**—**	77
— Certificate of deposit	**—**	14
Sales of packaging materials	**3**	503
Rental income	**375**	369
Other non-operating income	**18**	77
	18,228	10,491

7. OTHER GAINS AND LOSSES

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net foreign exchange (loss) gain	**(3,848)**	320
Impairment loss on loan receivables	**(1,419)**	—
Fair value loss on financial assets at FVTPL (note 19)	**(75)**	—
Gain (loss) on disposal of property, plant and equipment	**3**	(273)
Reversal of impairment loss on amount due from a former associate	**—**	12,250
Fair value gain on structured deposits	**—**	1,553
Fair value loss on financial assets designated as at FVTPL (note 19)	**—**	(1,418)
	(5,339)	12,432

8. OTHER EXPENSES

	Six months ended June 30, 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Research and development expenses	19,200	17,720
Other non-operating expenses	124	4
Donation expenses	—	1,104
	19,324	18,828

9. INCOME TAX EXPENSE

	Six months ended June 30, 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
PRC Enterprise Income Tax ("EIT") — Current tax	9,265	6,089
Deferred tax	767	1,035
	10,032	7,124

No provision for Hong Kong Profits Tax has been made for the six months ended June 30, 2018 and 2017 as the Group has no assessable profits arising in Hong Kong.

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.

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, which will be expired in September 2018.

The Group has submitted the application of accreditation renewal of "High and New Technology Enterprise" to the relevant authorities. In the opinion of the directors of the Company, Guangdong Jiashili meets the criteria for renewal of the accreditation and is eligible to the reduced 15% enterprise income tax rate during the current interim period.

9. INCOME TAX EXPENSE *(continued)*

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 has been prepared and submitted in January 2018. On the basis that Jiashili HK also meets the requirement of enjoying 5% reduced tax rate under Bulletin [2015] No. 60 (國家稅務總局公告2015年第60號) (e.g. beneficial ownership, shareholding percentage and holding period), hence, it should be qualified to enjoy a reduced withholding tax rate of 5% on dividend income for the whole year 2017 and period 2018 pursuant to the PRC-HK DTA.

10. PROFIT FOR THE PERIOD

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Directors' and chief executive's remuneration	**2,124**	2,597
Other staff costs		
— Salaries and allowances	**82,707**	67,300
— Contributions to retirement benefits scheme	**8,556**	7,080
— Share-based compensations	**545**	1,099
Total staff costs	**93,932**	78,077
Redundancy costs	**5,340**	—
Depreciation of property, plant and equipment	**22,581**	15,221
Amortisation of intangible asset	**1,282**	250
Total depreciation and amortisation	**23,863**	15,471
Release of prepaid lease payments	**726**	552
Impairment loss recognised in respect of prepayment	**—**	2,740
Cost of inventories recognised as expenses with no impairment of inventories recognised	**436,324**	368,759

11. DIVIDENDS

During the six months ended June 30, 2018, a final dividend of HK15 cents (six months ended June 30, 2017: HK15 cents) per share in respect of the year ended December 31, 2017, amounting to approximately HK$62,250,000 (equivalent to approximately RMB52,035,000) (year ended December 31, 2016, amounting to approximately HK$62,250,000 (equivalent to approximately RMB55,050,000)) was recognised as distribution to the owners of the Company.

12. 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,	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	**43,450**	42,089

	Six months ended June 30,	
	2018	2017
	'000	'000
Number of shares		
Number of ordinary shares for the purposes of basic and diluted earnings per share (Note)	**415,000**	415,000

Note: The computation of diluted earnings per share for the six months ended June 30, 2018 and 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 periods ended June 30, 2018 and 2017.

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT/INTANGIBLE ASSET/ INVESTMENT PROPERTY

During the six months ended June 30, 2018, the Group had addition of approximately RMB16,693,000 (six months ended June 30, 2017: RMB49,730,000) on property, plant and equipment in order to upgrade its operating capacities, in which amount of RMB nil (six months ended June 30, 2017: RMB741,000) was transferred from deposit for acquisition of property, plant and equipment paid in previous year.

During the six months ended June 30, 2018, the Group had addition of approximately RMB94,380,000, RMB50,558,000 and RMB9,600,000 (six months ended June 30, 2017: Nil, Nil and Nil) on property, plant and equipment, intangible asset and investment property respectively, which were arising from the acquisition of subsidiaries and set out in note 30.

During the six months ended June 30, 2018, the Group disposed of certain plant and equipment with an aggregate carrying amount of RMB165,000 (six months ended June 30, 2017: RMB275,000) for cash proceeds of RMB168,000 (six months ended June 30, 2017: RMB2,000), resulting in a gain on disposal of RMB3,000 (six months ended June 30, 2017: a loss on disposal of RMB273,000).

14. INTERESTS IN ASSOCIATES

	June 30, 2018 RMB'000 (unaudited)	December 31, 2017 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
		June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017	
Hong Kong Ruishiyue (International) Food Co., Limited* ("Hong Kong Ruishiyue") 香港瑞士樂(國際)食品有限公司 (Note a)	Hong Kong	5%	5%	50%	50%	Investment holding and manufacture and sale of biscuits
Kaiping Jiarun Investment Co., Limited* ("Kaiping Jiarun") 開平市嘉潤投資有限公司 (Note b)	The PRC	45%	N/A	45%	N/A	Inactive

* English name for identification purpose only.

14. INTERESTS IN ASSOCIATES *(continued)*

Notes:

(a) During the year ended December 31, 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 resolution 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 June 30, 2018, 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 25.

(b) During the six months ended June 30, 2018, a subsidiary of the Group had established an associate with an independent third party. Pursuant to the articles of association, the registered capital is RMB68 million, among which, RMB30.6 million to be contributed by a subsidiary of the Group. The board composition of the associate comprised of 3 directors, in which 1 of the directors were appointed by the Group and the remaining 2 directors were appointed by the other independent third party, as such, the Group exercises significant influence in deciding the associate's financial and operating policy, the resolution of which required approval by simple majority of the Board and accordingly accounts for its interest in Kaiping Jiarun as an associate. As at June 30, 2018, the associate remained inactive and the Group had not yet injected investment capital in the associate, details of the capital commitment are set out in note 25.

15. INTERESTS IN JOINT VENTURES

	June 30, 2018 RMB'000 (unaudited)	December 31, 2017 RMB'000 (audited)
Cost of investments in joint ventures	**35,000**	35,000
Share of results of joint ventures	**130**	(9)
	35,130	34,991

15. INTERESTS IN JOINT VENTURES *(continued)*

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
		June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017	
深圳前海星旻利股權投資合夥企業(有限合夥) (Note a)	PRC	89.1%	89.1%	33.33%	33.33%	Inactive
江門建粵利嘉產業投資合夥企業(有限合夥) ("江門建粵利嘉") (Note b)	PRC	34.98%	34.98%	33.33%	33.33%	Investment holding

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 June 30, 2018, 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 25.

(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, namely 嘉士柏股份有限公司 ("嘉士柏"). 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 and accounted for its interest in 江門建粵利嘉 as a joint venture.

16. TRADE, BILLS AND OTHER RECEIVABLES/OTHER RECEIVABLES AND DEPOSITS

	June 30, 2018 RMB'000 (unaudited)	December 31, 2017 RMB'000 (audited)
Trade receivables	**37,728**	25,713
Less: Allowance for doubtful debts	**(131)**	(228)
Trade receivables, net	**37,597**	25,485
Bills receivables	**1,560**	12,392
Total trade and bills receivables	**39,157**	37,877
Prepayments for purchase of raw materials	**86,552**	41,901
Other receivables	**6,260**	6,949
Rental and utility deposits	**1,300**	1,300
Other prepayments	**10,573**	5,360
Deposit for acquisition of an investment	**–**	3,000
Deposit for acquisition of property, plant and equipment	**–**	8,920
Deposit for acquisition of a land use right	**–**	1,249
	143,842	106,556
Less: Amount shown under current assets	**(141,554)**	(90,581)
Amount shown under non-current assets as other receivables and deposits	**2,288**	15,975

Trade and bills receivables

The Group generally adopted a policy to require advance payment from majority of their customers before the delivery of goods.

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.

16. TRADE, BILLS AND OTHER RECEIVABLES/OTHER RECEIVABLES AND DEPOSITS *(continued)*

Trade and bills receivables *(continued)*

As at June 30, 2018 the Group recognised an impairment allowance of RMB131,000 in the allowance for doubtful debts of trade receivables. During the current interim period, the amount of RMB97,000 was written off in the allowance for doubtful debts. Details of impairment assessment subject to ECL model are set out in the note 18.

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, 2018 RMB'000 (unaudited)	December 31, 2017 RMB'000 (audited)
Within 2 months	**27,491**	17,489
Over 2 months but within 3 months	**4,537**	5,979
Over 3 months but within 6 months	**5,444**	2,017
Over 6 months but within 12 months	**125**	—
	37,597	25,485

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, 2018 RMB'000 (unaudited)	December 31, 2017 RMB'000 (audited)
Within 1 month	**90**	—
Over 1 month but within 3 months	**1,370**	6,200
Over 3 months but within 6 months	**100**	6,192
	1,560	12,392

16. TRADE, BILLS AND OTHER RECEIVABLES/OTHER RECEIVABLES AND DEPOSITS *(continued)*

Other receivables and deposits

Other receivables represent advances to staff, which are unsecured, non-interest bearing and amount are repayable ranging from three to seven years of RMB988,000 (December 31, 2017: RMB1,506,000) and therefore classified as non-current.

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 RMB137,000 (six months ended June 30, 2017: RMB12,000) for the six months ended June 30, 2018. The effective interest rate is ranging from 4.75% to 4.9% (six months ended June 30, 2017: 4.75% to 4.9% per annum) per annum for the six months ended June 30, 2018.

Deposits represent rental and utility deposits due after one year and classified as non-current.

17. LOAN RECEIVABLES

As at June 30, 2018, the amounts represent loans advanced to independent third parties with aggregated principal value of RMB50,000,000 (December 31, 2017: RMB35,000,000). The amounts are unsecured, interest bearing at from 12.5% to 16% per annum and guaranteed by other independent third parties. The amounts are repayable within one year.

As at June 30, 2018, the Group recognised an impairment allowance of RMB4,730,000 on loan receivables. During the current interim period, the impairment allowance of RMB1,419,000 was recognised in the profit or loss. Details of impairment assessment subject to ECL model are set out in the note 18.

18. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO ECL MODEL

Impairment assessment on financial assets subject to ECL model

Since the adoption of IFRS 9 on January 1, 2018, the Group applies the simplified approach to providing for ECL prescribed by IFRS 9 for trade receivables, which permits the use of the lifetime expected loss provision for these trade receivables.

Management assessed the expected loss on trade receivables with significant balances individually. For the remaining trade receivables with insignificant balances, management assessed the expected loss collectively using a provision matrix with appropriate groupings and the expected loss rate is assessed to be less than 1% due to the long term/on-going relationship with and good repayment record from these customers. As at June 30, 2018, the additional loss allowance for provision for trade receivables was not material.

18. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO ECL MODEL *(continued)*

Impairment assessment on financial assets subject to ECL model *(continued)*

In addition, the Group applied the IFRS 9 general approach to measure ECL which uses a 12m ECL for all other instruments (including bills and other receivables, loan receivables and bank balances), unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL based on significant increases in the likelihood or risk of a default occurring since initial recognition. The management assessed the expected loss on bills and other receivables, loan receivables and bank balances with significant balances individually.

As part of the Group's credit risk management, the Group regularly monitors the internal credit rating based on available information at each reporting date for all other instruments. The following table provides information about the exposure to credit risk and ECL for all other instruments as at June 30, 2018.

The Group has exposure to the ECL of loan receivables of RMB50,000,000 and impairment allowance of RMB4,730,000 were recognised based on the expected loss rate of 9.46% determined by the credit risk management of the Group at June 30, 2018. For the remaining other instruments, management assessed the expected loss rate which is less than 1%. As at June 30, 2018, the loss allowance of provision for other instruments was not material.

Allowance for impairment

The movements in the allowance for impairment under simplified approach and general approach during the current interim period were as follows:

	Under general approach	**Under simplified approach**	**Total**
	RMB'000	RMB'000	RMB'000
Balance at January 1, 2018* (unaudited)	3,311	228	3,539
Impairment loss provided	1,419	—	1,419
Written off	—	(97)	(97)
Balance at June 30, 2018 (unaudited)	**4,730**	**131**	**4,861**

* The Group initially applied IFRS 9 at January 1, 2018. Under the transition method chosen, comparative information is not restated.

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

Financial assets designated as at FVTPL has been reclassified as financial assets at FVTPL from initial application of IFRS 9 on January 1, 2018. Financial assets at FVTPL and 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 RMB75,000 is charged to profit or loss for the six months ended June 30, 2018 (six months ended June 30, 2017: RMB1.4 million). The Group has fully redeemed the investment funds acquired from Guang Fa Futures Co., Ltd. at fair value of RMB110,000 during the six months ended June 30, 2018.

20. TRADE, BILLS AND OTHER PAYABLES

	June 30, 2018 RMB'000 (unaudited)	December 31, 2017 RMB'000 (audited)
Trade payables	**83,802**	80,117
Bills payables	**–**	15,000
Total trade and bills payables	**83,802**	95,117
Accrued expense	**17,794**	16,453
Transportation fee payables	**19,135**	22,630
Payroll and welfare payables	**12,745**	21,052
Construction cost payables	**7,193**	3,373
Other payables	**3,919**	13,021
Output value-added-tax and other tax payables	**6,277**	7,895
	150,865	179,541

20. TRADE, BILLS AND OTHER PAYABLES *(continued)*

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, 2018 RMB'000 (unaudited)	December 31, 2017 RMB'000 (audited)
Within 3 months	82,920	79,527
Over 3 months but within 6 months	15	305
Over 6 months but within 1 year	741	159
Over 1 year but within 2 years	126	126
	83,802	80,117

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, 2018 RMB'000 (unaudited)	December 31, 2017 RMB'000 (audited)
Within 3 months	–	–
Over 3 months but within 6 months	–	15,000
	–	15,000

21. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER OF SUBSIDIARIES

The amount represents consideration payable for acquisition of subsidiaries of RMB27,200,000 and cash advanced from the non-controlling shareholder of subsidiaries of RMB17,101,000, which are unsecured, non-interest bearing and repayable on demand.

22. BORROWINGS

During the six months ended June 30, 2018, the Group obtained new bank loans amounting to RMB336,900.000 (June 30, 2017: RMB304,287,000) and repaid bank loans amounted to RMB267,311,000 (six months ended June 30, 2017: RMB10,000,000). These loans carry interest at fixed rates ranging from 1.57% to 4.79% 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.

23. DEFERRED INCOME

During the six months ended June 30, 2018, the Group received government subsidies amounting to RMB1,236,000 (six months ended June 30, 2017: RMB1,055,000) 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.

During the six months ended June 30, 2018, there were government subsidies amounting to RMB29,180,000 (six months ended June 30, 2017: Nil) for the compensation of capital expenditure of land use rights under prepaid lease payments arising from acquisition of subsidiaries as set out in note 30, which are deferred and amortised to profit or loss over the estimated useful lives of the respective assets when they are ready to use.

24. 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, 2017, June 30, 2017, January 1, 2018 and June 30, 2018		
— Ordinary shares of HK$0.01 each	8,000,000,000	80,000,000
Issued and fully paid:		
At January 1, 2017, June 30, 2017, January 1, 2018 and June 30, 2018		
— Ordinary shares of HK$0.01 each	415,000,000	4,150,000

	At June 30, 2018 and December 31, 2017
	RMB'000
Presented in the condensed consolidated financial statements	3,285

25. 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, 2018 RMB'000 (unaudited)	December 31, 2017 RMB'000 (audited)
Within one year	4,436	4,493
In the second to fifth years inclusive	8,750	10,333
	13,186	14,826

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, 2018 RMB'000 (unaudited)	December 31, 2017 RMB'000 (audited)
Within one year	775	775
In the second to fifth years inclusive	969	1,357
	1,744	2,132

25. COMMITMENTS *(continued)*

Capital commitments

	June 30, 2018 RMB'000 (unaudited)	December 31, 2017 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	**40,661**	38,341
Capital expenditure in respect of acquisition of land use right contracted for but not provided in the condensed consolidated financial statements	**1,249**	1,249
Capital expenditure in respect of the establishment of an associate contracted for but not provided in the condensed consolidated financial statements (Note 1)	**30,600**	1,270
Capital expenditure in respect of the establishment of an investment fund contracted for but not provided in the condensed consolidated financial statements (Note 2)	**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 3)	**133,650**	133,650
Capital expenditure in respect of the acquisition of a subsidiary contracted for but not provided in the consolidated financial statements (Note 4)	**–**	218,000

25. COMMITMENTS *(continued)*

Capital commitments *(continued)*

Notes:

1. During the six months ended June 30, 2018, a subsidiary of the Group had established an associate with one independent third party. Details of the investment in this associate are set out in note 14.

2. 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 year ended December 31, 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 15.

3. On January 28, 2016, a subsidiary of the Group entered in a joint venture agreement with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) in respect of the incorporation of a joint venture. Details of the investment in this joint venture are set out in note 15.

4. On October 24, 2017, a subsidiary of the Group entered into a sales and purchase agreement (the "Sales and Purchase Agreement") with an independent third party in respect of the acquisition of 90% of the equity interests of its subsidiary (the "Acquiree"). During the six months ended June 30, 2018, the transaction lapsed as no equity interests of the Acquiree has been transferred to the Group on the date specified in the Sales and Purchase Agreement.

26. PLEDGE OF ASSETS

As at June 30, 2018 and December 31, 2017, the following item was used to secure banking borrowings and bills payables of the Group:

	June 30, 2018 RMB'000 (unaudited)	December 31, 2017 RMB'000 (audited)
Pledged bank deposits	**31,623**	19,523

27. RELATED PARTY DISCLOSURES

Related Party Transactions

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sale of goods		
Guangdong Ruishiyue Food Co., Limited ("Guangdong Ruishiyue") (Note a)	**705**	—
Guangdong Zhongchen Industrial Group Company Limited 廣東中晨實業集團有限公司 ("Zhongchen") (Note b)	**24**	15
	729	15
Purchase of goods		
Guangdong Ruishiyue (Note a)	**4,803**	—
Services expense paid		
Aurec Capital Ltd. ("Aurec") (Note c)	**1,579**	1,716

Notes:

(a) The amount represents the sales and purchase of biscuits and confectioneries. The transactions were entered into in the normal course of business of the Group at terms mutually agreed between the parties.

(b) 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.

(c) The amount represents the investment advisory service provided by Aurec, which is a minority shareholder of the Company. As at June 30, 2018, the Group prepaid investment advisory service fee of RMB1,640,000 (December 31, 2017: RMB337,200) to Aurec and it included in other prepayments in note 16.

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.

27. RELATED PARTY DISCLOSURES *(continued)*

Key management personnel

The remuneration of key management personnel including the directors' remuneration during the six months ended June 30, 2018 and 2017 were as follows:

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Short-term benefits	**3,257**	2,489
Post-employment benefits	**38**	32
Share-based compensations	**185**	401
	3,480	2,922

28. 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.

28. SHARE OPTION SCHEME *(continued)*

Pre-IPO Share Option Scheme *(continued)*

The following table discloses the details of and movements in the share options granted under the Pre-IPO Share Option Scheme for the period ended June 30, 2018:

For the period ended June 30, 2018

Category of grantees	Date of grant	Exercise period	Exercise price per share	Number of share options: At 1.1.2018	Granted during the period	Exercised during the period	At 6.30.2018
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							11,175,000

28. SHARE OPTION SCHEME *(continued)*

Pre-IPO Share Option Scheme *(continued)*

For the period ended June 30, 2017

				Number of share options			
Category of grantees	**Date of grant**	**Exercise period**	Exercise price per share	At 1.1.2017	Granted during the year	Exercised during the year	At 6.30.2017
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

The fair value of these options at date of grant was approximately RMB15,607,000, of which approximately RMB487,000 were charged to the profit or loss for the period ended June 30, 2018 (six months ended June 30, 2017: RMB1,058,000).

No share option granted and exercised during the period ended June 30, 2018.

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.

28. SHARE OPTION SCHEME *(continued)*

Share Option Scheme *(continued)*

The following table discloses the details of the share option and movement in the share option for the period ended June 30, 2018:

For the period ended June 30, 2018

Category of grantee	Date of grant	Exercise period	Exercise price per share	At 1.1.2018	Number of share options: Granted during the period	Exercised during the period	Expired during the period	At 6.30.2018
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								1,500,000

For the period ended June 30, 2017

Category of grantee	Date of grant	Exercise period	Exercise price per share	At 1.1.2017	Number of share options: Granted during the period	Exercised during the period	Expired during the period	At 6.30.2017
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	–	–	–	2,000,0000
Exercisable at period ended								1,000,000

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.

28. SHARE OPTION SCHEME *(continued)*

Share Option Scheme *(continued)*

The fair value of the options granted on June 12, 2015 were approximately RMB2,408,000, of which approximately RMB147,000 (six months ended June 30, 2017: RMB236,000) for a former director of the Company were charged to the profit or loss for the period ended June 30, 2018.

29. 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, 2018	December 31, 2017			
Financial assets designated as at FVTPL	**Investment funds in the PRC: Nil**	Investment funds in the PRC: RMB185,000	Level 2	Derived from quoted bid prices of underlying investments in an active market.	N/A

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

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

(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.

30. ACQUISITION OF SUBSIDIARIES

On April 1, 2018, the Group acquired an 85% interest in Dongguan Kamtai Foods Company Limited ("Kamtai") and Silang Foods (Huaibei) Company Limited ("Silang").

Consideration transferred

	RMB'000
Cash	68,000

30. ACQUISITION OF SUBSIDIARIES *(continued)*

Assets and liabilities recognised at the date of acquisition (determined on a provisional basis)

	RMB'000
Non-current assets	
Property, plant and equipment	94,380
Investment property	9,600
Intangible asset	50,558
Prepaid lease payment	37,660
Current assets	
Cash and cash equivalents	19,206
Trade and other receivables	10,730
Inventories	7,077
Current liabilities	
Trade and other payables	16,033
Borrowings	118,000
Non-current liabilities	
Deferred income	29,180
Deferred tax liabilities	13,447
	52,551

The receivables acquired (which principally comprised trade receivables) with a fair value of RMB10,730,000 at the date of acquisition equivalent to the gross contractual amounts, which is the best estimate at acquisition date of the contractual cash flows expected to be collected.

30. ACQUISITION OF SUBSIDIARIES *(continued)*

Non-controlling interests

The non-controlling interest (15%) in Kamtai and Silang recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to RMB12,000,000.

Goodwill arising on acquisition (determined on a provisional basis)

	RMB'000
Consideration transferred	68,000
Plus: non-controlling interests	12,000
Less: recognised amount of identifiable net assets acquired (100%)	(52,551)
Goodwill arising on acquisition	27,449

Goodwill arose on the acquisition of Kamtai and Silang because the acquisition included the strategic synergy of the resources for cracker products of the Group and strengthening the market coverage of the Group in the PRC as at the date of acquisition. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflows arising on acquisition

	RMB'000
Cash	68,000
Less: cash consideration paid during the year ended December 31, 2017	(3,000)
Less: consideration payable	(27,200)
Less: cash and cash equivalent balances acquired	(19,206)
	18,594

30. ACQUISITION OF SUBSIDIARIES *(continued)*

Impact of acquisition on the results of the Group

Included in the profit for the interim period is loss of RMB73,000 attributable to Kamtai & Silang. Revenue for the interim period includes RMB38,698,000 is attributable to Kamtai & Silang.

Had the acquisition of Kamtai and Silang been effected at the beginning of the interim period, the total amount of revenue of the Group for the six months ended June 30, 2018 would have been RMB100,515,000, and the amount of the profit for the interim period would have been RMB966,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the interim period, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Kamtai and Silang been acquired at the beginning of the interim period, the directors of the Company calculated depreciation and amortisation of property, plant and equipment and intangible asset based on the recognised amounts of property, plant and equipment and intangible asset at the date of the acquisition.

The directors of the Company has performed impairment assessment with reference to the independent valuation report prepared by an independent valuer, in which the recoverable amount of Kamtai and Silang as at June 30, 2018, based on value in use calculation. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past performance and expectations of future changes in the market.

Based on the internal assessment of the directors of the Company with reference to the independent valuation report prepared by an independent valuer, the directors of the Company consider that there was no impairment in respect of the carrying amount of goodwill during the six months ended June 30, 2018.