嘉士利集團有限公司
JIASHILI GROUP LIMITED

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

2019
INTERIM REPORT

CONTENTS

FINANCIAL HIGHLIGHTS

- The unaudited consolidated revenue of the Group for the six months ended June 30, 2019 amounted to approximately RMB751.1 million, grew by 18.4% as compared with the same period last year.

- Unaudited consolidated profit for the six months ended June 30, 2019 amounted to approximately RMB81.8 million, representing an increase of 88.3% as compared with the same period last year.

- For the six months ended June 30, 2019, both basic and diluted earnings per share was RMB19.65 cents (six months ended June 30, 2018: RMB10.47 cents).

- The Board has resolved to declare payment of an interim dividend of HK$5.00 cents for the six months ended June 30, 2019 (six months ended June 30, 2018: 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, 2019 (the "Reporting Period").

The strong first half of 2019 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 18.4% amounted to approximately RMB751.1 million compared to the corresponding period of last year. Gross profit margin of the Group for the six months ended June 30, 2019 increased by 2.2 percentage points from 31.2% for the same period of 2018 to 33.4% for 2019. In the first half of 2019, the Group witnessed some margin expansion benefitted from decreased materials costs (mainly due to the decreased in raw materials costs), The Group will continue its efforts to enhance operating efficiency programs to mitigate as much as possible the impact of fluctuation in 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 stable manner 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 2019, 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 in middle of 2018 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 of directors (the "Directors") of the Company, staffs, customers, suppliers and business partners and associates of the Group for their continuing support and confidence in the Company.

Jiashili Group Limited
Huang Xianming
Chairman of the Board

August 28, 2019

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 6.3% in the first half of 2019 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 2019, the total retail sales of consumer goods up by 8.3% year-on-year, this indicates that China has entered into a stage of stable economic growth with relatively steady growth in consumer spending.

Over the year, our Group have been adhering to the business philosophy of "JIASHILI-benefit the nation and benefit to all people 嘉士利、利國家、利大家" to provide delicious and high quality biscuits to the customers in China.

Our 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 2019, the Group's revenue increased by 18.4% year-on-year to approximately RMB751.1 million, gross profit increased to approximately RMB251.0 million, representing an increase of 26.8% as compared with the same period last year. Gross profit margin has increased to 33.4% in the first half of 2019, representing an increase of 2.2 percentage points the same period of last year. During the Reporting Period, net profit increased by 88.3% to approximately RMB81.8 million as compared with the same period last year. Breakfast and sandwich biscuits series remains as our Group's two main revenue drivers.

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 RMB751.1 million, representing an increase of approximately RMB116.8 million or up 18.4% during the Reporting Period. Sales tonnes increased by 11.5% to 51,587 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, 2019 RMB (million)	2019 Tonne	2018 RMB (million)	2018 Tonne	% of changes in revenue 2019 vs 2018	% of changes in sales volume 2019 vs 2018
Breakfast biscuits series	**172.6**	**15,374**	168.4	15,252	2.5%	0.8%
Crisp biscuits series	**134.3**	**9,990**	135.1	9,947	-0.6%	0.4%
Sandwiches biscuits series	**207.3**	**12,141**	155.0	9,474	33.7%	28.2%
Wafer series	**69.6**	**4,154**	63.7	3,932	9.3%	5.6%
Coarse grain biscuits series	**62.5**	**3,932**	32.1	2,042	94.7%	92.6%
Others	**104.8**	**5,996**	80.0	5,611	31.1%	6.9%
Total	**751.1**	**51,587**	634.3	46,258	18.4%	11.5%

Breakfast biscuits series

During the Reporting Period, the revenue generated from our traditional breakfast biscuits series amounted to approximately RMB172.6 million, representing an increase of 2.5% as compared with the same period in 2018. Sales volume reaches 15,374 tonnes representing an increase of 0.8% from the same period last year.

Crisp biscuits series

During the Reporting Period, the revenue generated from crisp biscuits series slightly decreased by approximately RMB0.8 million to RMB134.3 million and sales volume increased by 0.4% to 9,990 tonnes over the same period last year.

Sandwiches biscuits series

Sandwich biscuits series, our leading product in the corresponding subdivided market, maintained its strong 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 sandwiches biscuits rose by 33.7% to approximately RMB207.3 million as compared with same period last year, the sales volume reaches 12,141 tonnes rose by 28.2% year-on-year over the same period last year. The revenue of sandwiches biscuits series accounted for approximately 27.59% of the Group's total turnover, which became the Group's first largest revenue driver with high growth potential.

Wafer series

During the Reporting Period, the sales generated from wafer series amounted to approximately RMB69.6 million, an increase of 9.3% as compared with the corresponding period last year. Growth in sales volume rose by approximately 5.6% to 4,154 tonnes. The results were primarily attributable to the success of the Group's marketing and pricing strategy and the wide market acceptance.

Coarse grain biscuits series

Domestic consumers aim at health accords with high healthy standards and will be very cautious in selecting healthy snacks. Coarse grains made biscuits have received much attention and acceptance by customers. During the Reporting Period revenue of coarse grain biscuit amounted to approximately RMB62.5 million, representing an increase of 94.7% as compared with the same period last year. Sales volume reaches 3,932 tonnes representing an increase of 92.6% from the same period last year.

Others

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 others series up 31.1% to approximately RMB104.8 million as compared with same period last year, while sales volume increased by approximately 6.9% to 5,996 tonnes.

Revenue in terms of sale channels

For the six months ended June 30, 2019, revenue from distributors was approximately RMB728.5 million, accounted for 97% of the Group's total revenue. The rest was from supermarkets.

Gross profit and Gross profit margin

In the first half of 2019, gross profit increased by 26.8% to approximately RMB251.0 million over the same period last year. Gross profit margin rose by 2.2 percentage points as compared with the same period in 2018. The market price trends of raw materials (palm oil, sugar and flour) and packaging materials varied but their total cost as a whole decreased 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 sandwiches 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 51.9% to approximately RMB27.7 million as compared with the same period last year. The increase was primarily due to the increase in government grants of approximately RMB6.2 million and increase in interest income on various deposits and loan receivables approximately RMB1.8 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 RMB19.0 million or 21.8%, to approximately RMB106.0 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 and delivery expenses in the first half of 2019.

Administrative expenses

Administrative expenses for the Reporting Period were amounted to approximately RMB34.8 million, represent a decrease of approximately RMB9.4 million or 21.2% over the same period last year. Such decrease was primarily attributed to the decrease in one-off redundancy staff costs incurred in 2018 which no longer incurred in the first half of 2019, and reduction in expenses on professional fees and other expenses incurred in the first half of 2019.

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

During the Reporting Period, profit and total comprehensive income attributable to the owners of the Company increased by 87.6% from approximately RMB43.5 million to approximately RMB81.5 million as compared with the same period last year benefiting from the efficient control on operating costs and increase of gross profit.

Inventories

The Group's inventories consist primarily of raw materials, packaging materials and, finished goods. The Group's inventories as at June 30, 2019 was approximately RMB78.4 million, decreased by 12.5% from approximately RMB89.6 million as at December 31, 2018. The reason for the decrease in inventories was mainly due to the raw materials and finished goods balance at the end of 2018 was higher than that of June 30, 2019 as a result of the stock-up for the Chinese New Year at the end of 2018. The inventory turnover days increased slightly from 29.2 days for the first half of 2018 to 30.7 days for the first half of 2019.

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 together with other prepayments and deposits. The Group's trade, bills and other receivables as at June 30, 2019 was approximately RMB249.0 million, increased by 101.9% from approximately RMB123.3 million as at December 31, 2018 primarily due to a rapid growth of revenue and improved credit conditions offered to certain good performing distributors with good credit records.

The trade, bills and other receivables turnover days increased from 33.5 days for the first half of 2018 to 45.4 days for the first half of 2019.

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, 2019, the Group had pledged deposits and cash and bank balances in the aggregate amount of approximately RMB556.7 million (as at December 31, 2018: approximately RMB411.0 million). As at June 30, 2019 the total interest bearing bank borrowings increased by 35.2% from approximately RMB360.5 million as at December 31, 2018. During the Reporting Period, the Group was in a net cash position (bank balances and cash less bank borrowings) of approximately RMB69.3 million (as at December 31, 2018: approximately RMB18.8 million). This indicates the Group has a healthy and strong net cash balance. As at June 30, 2019 the gross gearing ratio (defined as total liabilities over total assets) was 57.2%. (as at December 31, 2018: 51.2%) The management will from time to time adopt prudent financial management policy to address changing financial conditions.

As at June 30, 2019, the Group had capital commitment for purchase of property, plant and equipment of approximately RMB35.6 million. Other capital commitments were approximately RMB133.7 million.

Contingent liabilities and guarantees

As at June 30, 2019, the Group did not provide any guarantees for any third party and had no significant contingent liabilities.

HUMAN RESOURCES

As at June 30, 2019 the Group had a total of 3,155 employees. (December 31, 2018: 3,427) 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, 2019, the total employee benefits expenses (including Director's remuneration) were approximately RMB99.7 million (for the six months ended June 30, 2018: approximately RMB99.3 million)

PROSPECT

Looking ahead to the second half of 2019, 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.

In terms of growth, the 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 the nation and benefit to all people 嘉士利、利國家、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.

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

As at June 30, 2019, the interests and short positions of our Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), or required, pursuant to section 352 of the SFO, to be entered in the register referred to therein are as follows:

Name of Directors	Company/name of associated corporation	Capacity	Number and class of securities	Approximate percentage of Issued share capital
Mr. Huang 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, 2019, 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, 2019 was disclosed on note 30 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 Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong (the “Listing Rules”).

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, 2019.

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, 2019. 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 2019.

INTERIM DIVIDEND

The Board has resolved to declare payment of an interim dividend of HK$5.00 cents per ordinary share for the Reporting Period to shareholders whose names appear on the register of members of the Company on October 11, 2019 (six months ended June 30, 2018: Nil).

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement of the shareholders of the Company to receive the interim dividend for the six months ended June 30, 2019 (the "2019 Interim Dividend"), the register of members of the Company will be closed from Wednesday, October 9, 2019 to Friday, October 11, 2019, both dates inclusive, during which period no transfer of shares of the Company will be registered. The record date for entitlement to the 2019 Interim Dividend is Friday, October 11, 2019. In order to qualify for the entitlement to receive the 2019 Interim Dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, October 8, 2019. The payment date of the 2019 Interim Dividend is expected to be on Thursday, November 7, 2019.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF JIASHILI GROUP LIMITED
嘉士利集團有限公司
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Jiashili Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 17 to 58, which comprise the condensed consolidated statement of financial position as of June 30, 2019 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 28, 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2019

	NOTES	Six months ended June 30, 2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Revenue	4	**751,103**	634,256
Cost of sales		**(500,108)**	(436,324)
Gross profit		**250,995**	197,932
Other income	6	**27,688**	18,228
Selling and distribution expenses		**(105,951)**	(86,963)
Administrative expenses		**(34,796)**	(44,181)
Other expenses	7	**(27,677)**	(19,324)
Impairment losses reversed (recognised) under expected credit loss model, net	21	**6,905**	(1,419)
Other gains and losses	8	**(644)**	(3,920)
Share of results of associates		**(2,313)**	—
Share of results of a joint venture		**(1,685)**	139
Finance costs	9	**(13,289)**	(7,021)
Profit before tax		**99,233**	53,471
Income tax expense	10	**(17,459)**	(10,032)
Profit for the period	11	**81,774**	43,439
Other comprehensive expense for the period			
Item that will not be reclassified subsequently to profit or loss:			
Fair value loss on investment in financial assets at fair value through other comprehensive income		**(1,027)**	—
Total comprehensive income for the period		**80,747**	43,439
Profit (loss) and total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**81,533**	43,450
Non-controlling interests		**241**	(11)
		81,774	43,439
Earnings per share	13		
— Basic and diluted (RMB cents)		**19.65**	10.47

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2019

	NOTES	June 30, 2019 RMB'000 (unaudited)	December 31, 2018 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	14	477,981	458,167
Right-of-use assets		82,148	—
Prepaid lease payments		—	73,228
Investment property	14	9,900	9,600
Intangible assets	14	44,128	46,717
Goodwill	15	27,449	27,449
Interests in associates	16	29,412	1,120
Interests in joint ventures	17	22,165	23,850
Financial assets at fair value through other comprehensive income	18	102,473	—
Other receivables and deposits	19	1,955	2,073
		797,611	642,204
CURRENT ASSETS			
Inventories		78,357	89,569
Prepaid lease payments		—	1,698
Loan receivables	20	83,297	141,282
Trade, bills and other receivables	19	249,045	123,344
Amount due from an associate		20,754	19,445
Amount due from a non-controlling shareholder of subsidiaries		—	1,133
Amount due from a joint venture		100	100
Loan to a related party		—	9,054
Pledged bank deposits	28	200	31,728
Bank balances and cash		556,515	379,257
		988,268	796,610
CURRENT LIABILITIES			
Trade, bills and other payables	22	252,590	220,249
Contract liabilities		119,602	80,788
Amount due to a non-controlling shareholder of subsidiaries	23	11,514	6,800
Amount due to related parties		10,338	—
Income tax payables		7,694	11,183
Bank borrowings	24	394,671	263,751
Deferred income	25	1,515	2,371
Lease liabilities		3,860	—
Dividends payable		18,181	—
		819,965	585,142
NET CURRENT ASSETS		168,303	211,468
TOTAL ASSETS LESS CURRENT LIABILITIES		965,914	853,672

	NOTES	June 30, 2019 RMB'000 (unaudited)	December 31, 2018 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Deferred income	25	91,412	39,926
Deferred tax liabilities		12,556	14,445
Bank borrowings	24	92,548	96,720
Lease liabilities		4,218	—
		200,734	151,091
NET ASSETS		765,180	702,581
CAPITAL AND RESERVES			
Share capital	26	3,285	3,285
Reserves		749,957	687,599
Equity attributable to owners of the Company		753,242	690,884
Non-controlling interests		11,938	11,697
TOTAL EQUITY		765,180	702,581

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2019

	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	FVTOCI reserve RMB'000	Statutory reserves RMB'000 (Note d)	Accumulated profits RMB'000	Sub-Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At January 1, 2018	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 32)	–	–	–	–	–	–	–	–	–	12,000	12,000
Dividends recognised as distribution (note 12)	–	(52,035)	–	–	–	–	–	–	(52,035)	–	(52,035)
Share-based compensations (note 30)	–	–	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
At December 31, 2018	3,285	304,096	20,121	(107,000)	18,333	–	127,781	324,268	690,884	11,697	702,581
Profit for the period	–	–	–	–	–	–	–	81,533	81,533	241	81,774
Fair value loss on investment in financial assets at fair value through other comprehensive income ("FVTOCI")	–	–	–	–	–	(1,027)	–	–	(1,027)	–	(1,027)
Total comprehensive income for the period	–	–	–	–	–	(1,027)	–	81,533	80,506	241	80,747
Appropriations	–	–	–	–	–	–	15,283	(15,283)	–	–	–
Dividends recognised as distribution (note 12)	–	(18,181)	–	–	–	–	–	–	(18,181)	–	(18,181)
Share-based compensations (note 30)	–	–	33	–	–	–	–	–	33	–	33
At June 30, 2019 (unaudited)	3,285	285,915	20,154	(107,000)	18,333	(1,027)	143,064	390,518	753,242	11,938	765,180

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 30.

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 RMB95,376,000 (unaudited) and RMB78,646,000 (unaudited) as at June 30, 2019 and 2018, 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 RMB47,688,000 (unaudited) and RMB39,526,000 (unaudited) as at June 30, 2019 and 2018, 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, 2019

	NOTE	Six months ended June 30, 2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
OPERATING ACTIVITIES			
Operating cash flows before movements in working capital		**124,031**	80,162
Increase in trade, bills and other receivables		**(125,802)**	(38,744)
Increase (decrease) in contract liabilities		**38,814**	(49,546)
Other operating cash flows		**9,965**	(14,852)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**47,008**	(22,980)
INVESTING ACTIVITIES			
Purchase of financial assets at fair value through other comprehensive income		**(103,500)**	—
Purchase of property, plant and equipment		**(46,016)**	(16,693)
Loan advance paid		**(23,000)**	(15,000)
Investment in an associate		**(5,000)**	—
Receipt of loan advance		**87,043**	—
Receipt of assets-related government grants		**59,335**	1,236
Release of pledged bank deposits		**31,528**	19,523
Receipt of loan to a related party		**10,000**	—
Interest received		**8,103**	6,420
Proceed from disposal of property, plant and equipment		**204**	168
Placement of pledged bank deposits		**—**	(31,623)
Net cash outflow on acquisition of subsidiaries	32	**—**	(18,594)
Refund receipt of deposits for property, plant and equipment		**—**	8,920
Refund receipt of deposits for acquisition of a land use right		**—**	1,249
Proceed from disposal of financial assets at fair value through profit or loss		**—**	110
NET CASH FROM (USED IN) USED INVESTING ACTIVITIES		**18,697**	(44,284)

For the six months ended June 30, 2019

	NOTE	Six months ended June 30, 2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
FINANCING ACTIVITIES			
New bank loans raised		**474,456**	336,900
Repayments of bank loans		**(349,245)**	(267,311)
Repayments of lease liabilities		**(2,115)**	—
Interest paid		**(13,075)**	(7,021)
NET CASH FROM FINANCING ACTIVITIES		**110,021**	62,568
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**175,726**	(4,696)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**379,257**	419,133
Effect of foreign exchange rate changes		**1,532**	(1,451)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, comprising bank balances and cash		**556,515**	412,986

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2019

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 investment property and certain financial instruments, which are measured at fair values, as appropriate.

Other than adoption of new accounting policies and 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, 2019 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2018.

Adoption of new accounting policies

The Group has applied the following accounting policies which become applicable during the interim period.

Commission income

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In respect of the sales of pasta, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises commission income under "other income" and in the amount of any commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Equity instruments designated as at FVTOCI

Investments in equity instruments at fair value through other comprehensive income ("FVTOCI") are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after January 1, 2019 for the preparation of the Group's condensed consolidated financial statements:

IFRS 16	Leases
IFRIC-Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts and changes in accounting policies of application on IFRS 16 *Leases* ("IFRS 16")

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 *Leases* ("IAS 17"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For the contracts entered into on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of office premise and branch premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 16 *Leases* ("IFRS 16") *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 *(Continued)*

As a lessee (Continued)

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and are measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment properties as a separate line item on the condensed consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 16 *Leases* ("IFRS 16") *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 *(Continued)*

As a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Refundable rental deposits

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees. Before application of IFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. The amount of such adjustments are considered insignificant.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 16 *Leases* ("IFRS 16") *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after January 1, 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, January 1, 2019. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of IFRS 16:

As at January 1, 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying IFRS16.C8(b)(ii) transition.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 16 *Leases* ("IFRS 16") *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 *(Continued)*

As a lessee (Continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.75%.

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at December 31, 2018	11,288
Lease liabilities discounted at relevant incremental borrowing rates	10,096
Less: recognition exemption — short-term leases	(117)
Lease liabilities relating to operating leases recognised upon application of IFRS 16 as at January 1, 2019	9,979
Analysed as:	
Current	3,847
Non-current	6,132
	9,979

The carrying amount of right-of-use assets as at January 1, 2019 comprises the following:

	Right-of-use assets RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	9,979
Adjustments on rental deposits at January 1, 2019	147
Reclassified from prepaid lease payments	74,926
	85,052
By class:	
Leasehold lands	74,926
Land and building	9,866
Motor vehicle	260
	85,052

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 16 *Leases* ("IFRS 16") *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 *(Continued)*

As a lessee (Continued)

Notes:

(a) Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, RMB147,000 was adjusted to refundable rental deposits paid and right-of-use assets, respectively.

(b) Upfront payments for leasehold lands in the People's Republic of China (the "PRC") were classified as prepaid lease payments as at December 31, 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments, amounting to RMB1,698,000 and RMB73,228,000 respectively, were reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated. The application of IFRS 16 as a lessor has no material impact on the condensed consolidated financial statements of the Group as at January 1, 2019 and during the current period as the amounts involved are not material.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 16 *Leases* ("IFRS 16") *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 *(Continued)*

As a lessor (Continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at January 1, 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at December 31, 2018	**Adjustments**	**Carrying amounts under IFRS 16 at January 1, 2019**
	RMB'000	RMB'000	RMB'000
Non-current assets			
Prepaid lease payments	73,228	(73,228)	—
Right-of-use assets	—	85,052	85,052
Other receivables and deposits	2,073	(147)	1,926
Current asset			
Prepaid lease payments	1,698	(1,698)	—
Current liability			
Lease liabilities	—	3,847	3,847
Non-current liability			
Lease liabilities	—	6,132	6,132

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing the condensed consolidated financial statements for the six months ended June 30, 2019, 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, 2018, except for the following critical judgement and key sources of estimation uncertainty which are newly applied during the current interim period:

Fair value measurement and valuation process

Financial assets at FVTOCI were revalued by the Directors of the Company by reference to the valuation performed by an independent professional valuer.

The valuation of the unlisted equity investment fund was determined based on the asset based approach by subtracting the total liabilities of the unlisted equity investment fund from total assets. The carrying amount of unlisted equity investment fund for the six months ended June 30, 2019 was RMB102,473,000 (December 31, 2018: Nil) with fair value loss recognised in FVTOCI reserve of RMB1,027,000 (December 31, 2018: Nil). Notwithstanding that the management employs independent professional qualified valuer to perform fair value assessment based on their assumptions, the fair values of these unlisted equity investment fund may be higher or lower depending on the future net asset value.

The information about the fair value measurement of the unlisted equity investment fund is set out in note 31.

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,	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of biscuits products		
Breakfast biscuits	**172,592**	168,406
Crisp biscuits	**134,251**	135,120
Sandwich biscuits	**207,297**	155,010
Wafers	**69,610**	63,686
Coarse grain biscuits	**62,514**	32,062
Others	**104,839**	79,972
Total	**751,103**	634,256

4. REVENUE *(Continued)*

Disaggregation of revenue *(Continued)*

	Six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Geographical markets		
The PRC (Country of domicile)	**750,161**	633,420
Other (Note)	**942**	836
Total	**751,103**	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.

	Six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales channels		
Distributors	**728,505**	614,146
Supermarkets	**22,598**	20,110
Total	**751,103**	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,	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Government grants	**17,622**	11,412
Interest income on:		
— Bank deposits	**6,386**	2,603
— Loan receivables	**1,717**	3,680
— Advances to staff (note 19)	**90**	137
— Rental deposit	**27**	—
Commission income	**953**	—
Sales of packaging materials	**367**	3
Rental income	**369**	375
Refund of handling charges from tax authority	**136**	—
Other non-operating income	**21**	18
	27,688	18,228

7. OTHER EXPENSES

	Six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Research and development expenses	**24,476**	19,200
Donation expenses	**2,660**	—
Compensation expenses	**431**	—
Other non-operating expenses	**110**	124
	27,677	19,324

8. OTHER GAINS AND LOSSES

	Six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net foreign exchange loss	**(1,010)**	(3,848)
Fair value change of investment property	**300**	—
Gain on disposal of property, plant and equipment	**66**	3
Fair value loss on financial assets at fair value through profit or loss	**—**	(75)
	(644)	(3,920)

9. FINANCE COSTS

	Six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on bank borrowings	**13,075**	7,021
Interest on lease liabilities	**214**	—
	13,289	7,021

10. INCOME TAX EXPENSE

	Six months ended June 30, 2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
PRC Enterprise Income Tax ("EIT") — Current tax	17,078	9,265
Deferred tax	381	767
	17,459	10,032

No provision for Hong Kong Profits Tax has been made for the six months ended June 30, 2019 and 2018 as the Group has no assessable profits arising in Hong Kong.

The Group's operating subsidiary, Guangdong Jiashili Food Group Company Limited ("Guangdong Jiashili"), was accredited as a "High and New Technology Enterprise" by the Science and Technology Bureau of Guangdong Province and relevant authorities in the PRC with effect from January 2015 for a term of three years, and was registered with the local tax authority to be eligible to the reduced 15% EIT rate for three years from 2015 to 2017. Subsequent to the reporting period, the accreditation has been approved for renewal of further three years from 2018 to 2020. In the opinion of the directors of the Company, Guangdong Jiashili is eligible to the reduced 15% EIT rate for the six months ended June 30, 2019 based on the accreditation of "High and New Technology Enterprise".

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

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

The Group's subsidiaries that are the PRC tax resident are required to withhold the PRC withholding tax of 10% on dividend payment to their non-PRC resident immediate holding company 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 (the "PRC-HK DTA").

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. Jiashili HK has completed the renewal and obtained the Hong Kong resident certificate on July 29, 2019 for the calendar year 2018 and was valid for three years ending 31 December 2020, which was issued by the Hong Kong Inland Revenue Department. Jiashili HK enjoys a reduced tax rate under Bulletin [2018] No. 9 (國家税務總局公告2018年第9號) (e.g. beneficial ownership, shareholding percentage and holding period) of withholding tax rate of 5% on dividend income for the six months ended June 30, 2019 and 2018, pursuant to the PRC-HK DTA.

11. PROFIT FOR THE PERIOD

	Six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Directors' and chief executive's remuneration	**3,433**	2,124
Other staff costs		
— Salaries and allowances	**86,909**	82,707
— Contributions to retirement benefits scheme	**9,314**	8,556
— Redundancy costs	**—**	5,340
— Share-based compensations	**33**	545
Total staff costs	**99,689**	99,272
Depreciation of property, plant and equipment	**26,064**	22,581
Amortisation of intangible asset (included in cost of sales)	**2,589**	1,282
Depreciation of right-of-use assets	**2,904**	—
Total depreciation and amortisation	**31,557**	23,863
Operating lease rental expenses	**—**	2,368
Expenses relating to short-term leases	**203**	—
Release of prepaid lease payments	**—**	726
Cost of inventories recognised as expenses with no impairment of inventories recognised	**500,108**	436,324

12. DIVIDENDS

During the six months ended June 30, 2019, a final dividend of HK5 cents (six months ended June 30, 2018: HK15 cents) per share in respect of the year ended December 31, 2018, amounting to HK$20,750,000 (equivalent to RMB18,181,000) (year ended December 31, 2017, amounting to HK$62,250,000 (equivalent to RMB52,035,000)) was recognised as distribution to the owners of the Company.

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK$5 cents (six months ended June 30, 2018: Nil) per ordinary share amounting to HK$20,750,000 (six months ended June 30, 2018: Nil) in aggregate will be paid to the owners of the Company whose names appear in the register of members of the Company on October 11, 2019.

13. 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,	
	2019	2018
	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	**81,533**	43,450

	Six months ended June 30,	
	2019	2018
	'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, 2019 and 2018 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, 2019 and 2018.

14. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT/INVESTMENT PROPERTY/INTANGIBLE ASSETS

During the six months ended June 30, 2019, the Group had addition of approximately RMB46,016,000 (six months ended June 30, 2018: RMB16,693,000) on property, plant and equipment in order to upgrade its operating capacities.

During the six months ended June 30, 2019, the Group disposed of certain plant and equipment with an aggregate carrying amount of RMB138,000 (six months ended June 30, 2018: RMB165,000) for cash proceeds of RMB204,000 (six months ended June 30, 2018: RMB168,000), resulting in a gain on disposal of RMB66,000 (six months ended June 30, 2018: RMB3,000).

For the six months ended June 30, 2019, unrealised gain relating to investment property amounted to RMB300,000 (six months ended June 30, 2018: Nil) is included in the fair value change of investment property under "other gains and losses" recognised in profit or loss.

During the six months ended June 30, 2018, the Group had addition of RMB94,380,000, RMB50,558,000 and RMB9,600,000 on property, plant and equipment, intangible assets and investment property, respectively, which were arising from the acquisition of subsidiaries (details set out in note 32).

15. GOODWILL

There are no movements in goodwill in the current interim period.

Goodwill have been allocated to an individual cash generating unit ("CGU"), comprising two subsidiaries engaged in the manufacturing, sales and distribution of biscuits products in the PRC. During the six months ended June 30, 2019 and 2018, the Directors determine that there is no impairment of the CGU represented by these two subsidiaries which were acquired on April 1, 2018 and the management considers as one business (details set out in note 32).

16. INTERESTS IN ASSOCIATES

	June 30, 2019 RMB'000 (unaudited)	December 31, 2018 RMB'000 (audited)
Cost of investments in associates — unlisted	31,887	1,282
Share of results of associates	(2,475)	(162)
	29,412	1,120

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

Name of associates	Place of incorporation/ establishment/principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
		June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018	
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%	45%	45%	45%	Investment holding and manufacture and sale of candies

* English name for identification purpose only.

16. INTERESTS IN ASSOCIATES *(Continued)*

Notes:

(a) In 2017, a subsidiary of the Company had incorporated 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 Company. During the year ended December 31, 2018, a subsidiary of the Company has invested for its 5% equity interest amounting to US$187,500 (approximately RMB1.28 million). 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. In 2018, Hong Kong Ruishiyue established a wholly foreign owned subsidiary, Guangdong Ruishiyue Food Co., Limited ("Guangdong Ruishiyue"), in the PRC principally engaged in manufacturing and selling of candy and biscuits (collectively referred to as "Hong Kong Ruishiyue Group").

(b) In 2018, a subsidiary of the Company 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 Company. 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. In 2018, Kaiping Jiarun established two wholly owned subsidiaries in the PRC, 1) 廣東全成大健康飲品有限公司, which is principally engaged in manufacturing and selling healthy drinks and trading, and 2) 晉江嘉士柏食品貿易有限公司 ("晉江嘉士柏") which is principally engaged in trading of food products. During the period ended June 30, 2019, a subsidiary of the Company has injected RMB5 million of investment capital into the associate.

17. INTERESTS IN JOINT VENTURES

	June 30, 2019 RMB'000 (unaudited)	December 31, 2018 RMB'000 (audited)
Cost of investments in joint ventures	**35,000**	35,000
Share of results of joint ventures	**(12,835)**	(11,150)
	22,165	23,850

17. 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 establishment/ principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
		June 30, 2019	December 31, 2018	**June 30, 2019**	December 31, 2018	
深圳前海星旻利股權投資合伙企業(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伙企業(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) In 2016, a subsidiary of the Company 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 Company 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, 2019, 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 27.

(b) In June 2017, a subsidiary of the Company 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 Company 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.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

On 26 June 2019, an indirect wholly-owned subsidiary of the Group had entered into the limited partnership agreement for setting up an unlisted equity investment fund, 青島嘉匯股權投資基金合夥企業(有限合夥), with three independent third parties. Pursuant to the limited partnership agreement, RMB103.5 million is to be contributed by an indirect wholly-owned subsidiary of the Company as a limited partner. Management of the limited partnership joint venture shall be vested exclusively in the general partner. Limited partners shall have the exclusive authority to monitor and oversight the behavior of general partner and they did not manage daily operation of the limited partnership joint venture and are not allowed to act on behalf of the limited partnership joint venture externally. The unlisted equity investment fund is accounted for as financial assets at FVTOCI. Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated profits. As at June 30, 2019, the unlisted equity investment fund is amounting to RMB102,473,000 with fair value loss recognised in FVTOCI reserve of RMB1,027,000. Details of the establishment of an unlisted equity investment fund are set out in the Company's announcement dated June 26, 2019.

The fair value of the Group's unlisted equity investment fund at June 30, 2019 has been arrived at on the basis of valuation carried out by Asset Appraisal Limited ("Asset Appraisal"), an independent qualified professional valuer not connected with the Group. Asset Appraisal is a registered firm of the Hong Kong Institute of Surveyors, and has appropriate qualifications and experience.

Details of the valuation techniques and key inputs adopted for their fair value measurements are disclosed in note 31.

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

	June 30, 2019 RMB'000 (unaudited)	December 31, 2018 RMB'000 (audited)
Trade receivables	30,353	43,778
Less: Allowance for doubtful debts	(315)	(236)
Trade receivables, net	30,038	43,542
Bills receivables	3,336	1,287
Less: Allowance for doubtful debts	(20)	—
Bills receivables, net	3,316	1,287
Total trade and bills receivables	33,354	44,829
Prepayments for purchase of raw materials (note i)	169,020	58,282
Other receivables (note ii)	12,433	9,886
Other prepayments	35,013	11,120
Rental and utility deposits	1,180	1,300
	251,000	125,417
Less: Amount shown under current assets	(249,045)	(123,344)
Amount shown under non-current assets as other receivables and deposits (note iii)	1,955	2,073

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.

19. TRADE, BILLS AND OTHER RECEIVABLES/OTHER RECEIVABLES AND DEPOSITS *(Continued)*

Trade and bills receivables *(Continued)*

As at June 30, 2019, impairment allowance of RMB79,000 (six months ended June 30, 2018: RMB131,000) and RMB20,000 (six months ended June 30, 2018: Nil) for doubtful debts of trade receivables and bills receivables had been recognised by the Group, respectively, and no amount was written off (six months ended June 30, 2018: RMB97,000) in the allowance for doubtful debts. Details of impairment assessment subject to ECL model are set out in the note 21.

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, 2019 RMB'000 (unaudited)	December 31, 2018 RMB'000 (audited)
Within 2 months	**11,618**	35,694
Over 2 months but within 3 months	**6,838**	4,578
Over 3 months but within 6 months	**4,186**	3,270
Over 6 months but within 1 year	**7,396**	—
	30,038	43,542

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, 2019 RMB'000 (unaudited)	December 31, 2018 RMB'000 (audited)
Within 1 month	**150**	1,287
Over 1 month but within 3 months	**1,173**	—
Over 3 months but within 6 months	**1,962**	—
Over 6 months but within 1 year	**31**	—
	3,316	1,287

19. TRADE, BILLS AND OTHER RECEIVABLES/OTHER RECEIVABLES AND DEPOSITS *(Continued)*

Prepayment, other receivables and deposits

Notes:

(i) Prepayments for purchase of raw materials mainly comprised prepayments for sugar, flour and oil, net of impairment of RMB2,740,000 (December 31, 2018: RMB2,740,000).

(ii) Other receivables represent advances to staff, interest receivables and prepaid expenses, which are unsecured, non-interest bearing and amount of RMB775,000 (December 31, 2018: RMB773,000) from advances to staff are repayable after one year 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 RMB90,000 for the six months ended June 30, 2019 (six months ended June 30, 2018: RMB137,000). The effective interest rate is ranging from 4.75% to 4.90% (six months ended June 30, 2018: 4.75% to 4.9% per annum) per annum for the six months ended June 30, 2019.

(iii) The amount represents a) rental and utility deposits due after one year; and b) advances to staff due after one year.

20. LOAN RECEIVABLES

As at June 30, 2019, the amounts represent loans advanced to independent third parties with aggregated principal value of RMB92,000,000 (December 31, 2018: RMB156,043,000). The amounts are unsecured, interest bearing at from 6.5% to 24% per annum (December 31, 2018: 6% to 17% per annum). Based on the loans agreements, the amounts are repayable within one year.

As at June 30, 2019, the Group recognised an impairment allowance of RMB8,703,000 (December 31, 2018: RMB14,761,000) on loan receivables. During the current interim period, a reversal of impairment losses of RMB6,058,000 (December 31, 2018: an impairment losses of RMB11,450,000) was recognised in the profit or loss. Details of impairment assessment subject to ECL model are set out in the note 21.

21. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO ECL MODEL

	Six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Impairment losses reversed (recognised) in respect of		
— loan receivables	**6,058**	(1,419)
— loan to a related party	**946**	—
— trade receivables	**(79)**	—
— bills receivables	**(20)**	—
	6,905	(1,419)

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended June 30, 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2018.

22. TRADE, BILLS AND OTHER PAYABLES

	June 30, 2019	December 31, 2018
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade payables	**114,739**	105,396
Bills payables	**20,000**	10,000
Total trade and bills payables	**134,739**	115,396
Accrued expense	**14,830**	27,043
Transportation fee payables	**16,958**	25,111
Payroll and welfare payables	**21,450**	27,586
Construction cost payables	**13,551**	5,579
Other payables	**8,031**	4,539
Output value-added-tax and other tax payables	**17,431**	14,995
Payables of capital injection in an associate	**25,600**	—
	252,590	220,249

22. 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, 2019 RMB'000 (unaudited)	December 31, 2018 RMB'000 (audited)
Within 3 months	113,785	104,839
Over 3 months but within 6 months	8	—
Over 6 months but within 1 year	802	557
Over 1 year	144	—
	114,739	105,396

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, 2019 RMB'000 (unaudited)	December 31, 2018 RMB'000 (audited)
Over 3 months but within 6 months	20,000	10,000

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

The amount represents consideration payable for acquisition of subsidiaries of RMB6,800,000 and debts settlement received on behalf of the non-controlling shareholder of subsidiaries of RMB4,714,000, which are unsecured, non-interest bearing and repayable on demand.

24. BANK BORROWINGS

During the six months ended June 30, 2019, the Group obtained new bank loans amounting to RMB474,456,000 (June 30, 2018: RMB336,900,000) and repaid bank loans amounted to RMB349,245,000 (six months ended June 30, 2018: RMB267,311,000). These loans carry interest at fixed rates ranging from 0.75% to 5.51% per annum and variable rates ranging from Hong Kong Inter-bank Offered Rate +1% to PRC Loan Prime Rate +0.45% per annum. These loans are repayable at maturity dates within one year.

25. DEFERRED INCOME

During the six months ended June 30, 2019, the Group received government subsidies amounting to RMB59,335,000 (six months ended June 30, 2018: RMB1,236,000) as capital expenditures for properties, plants and machineries which are deferred and amortised to profit or loss over the estimated useful lives of the respective assets when they are ready to use.

26. 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, 2018, June 30, 2018, January 1, 2019 and June 30, 2019		
— Ordinary shares of HK$0.01 each	8,000,000,000	80,000,000
Issued and fully paid:		
At January 1, 2018, June 30, 2018, January 1, 2019 and June 30, 2019		
— Ordinary shares of HK$0.01 each	415,000,000	4,150,000

	At June 30, 2019 and December 31, 2018
	RMB'000
Presented in the condensed consolidated financial statements	**3,285**

27. CAPITAL COMMITMENTS

	June 30, 2019 RMB'000 (unaudited)	December 31, 2018 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	**35,556**	36,176
Capital expenditure in respect of the establishment of an associate contracted for but not provided in the condensed consolidated financial statements	**–**	30,600
Capital expenditure in respect of the establishment of an investment fund contracted for but not provided in the condensed consolidated financial statements (Note 1)	**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 2)	**133,650**	133,650

Notes:

1. On December 16, 2015, a subsidiary of the Group entered in a partnership agreement (the "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, 2018, the establishment of the investment fund was suspended and a subsidiary of the Company is in the process of cancellation of the Agreement.

2. On January 28, 2016, a subsidiary of the Company 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 17.

28. PLEDGE OF ASSETS

As at June 30, 2019, the Group has pledged its 85% of equity interests of Dongguan Kamtai Foods Company Limited ("Kamtai") to secure bank borrowing.

As at June 30, 2019 and December 31, 2018, the following item was used to secure banking facilities granted to the Group:

	June 30, 2019 RMB'000 (unaudited)	December 31, 2018 RMB'000 (audited)
Pledged bank deposits	**200**	31,728

29. RELATED PARTY DISCLOSURES

Related Party Transactions

	Six months ended June 30,	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Sale of goods		
Guangdong Ruishiyue Food Co., Limited ("Guangdong Ruishiyue") (Note a)	**1,116**	705
Guangdong Zhongchen Industrial Group Company Limited 廣東中晨實業集團有限公司 ("Zhongchen") (Note b)	**24**	24
Jiashibai Company Limited 嘉士柏 (as defined in note 17(b)) (Note a)	**258**	—
	1,398	729
Purchase of goods		
Guangdong Ruishiyue (Note a)	**13,775**	4,803
Jiashibai Company Limited 嘉士柏 (as defined in note 17(b)) (Note a)	**3,039**	—
Jinjiang Jiashibai Food trading Company Limited 晉江嘉士柏 (as defined in note 16(b)) (Note a)	**3,108**	—
	19,922	4,803
Services expense paid		
Aurec Capital Ltd. ("Aurec") (Note c)	**—**	1,579
Commission income		
Guangdong Kangli Food Company Limited 廣東康力食品有限公司 (Note d)	**953**	—

29. RELATED PARTY DISCLOSURES *(Continued)*

Related Party Transactions *(Continued)*

	Six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Lease contract on motor vehicle		
Zhongchen (Note e)		
— Lease payment paid/rental expenditure	**115**	115

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 RMB1,579,000 to Ayrec which was included in other prepayments in note 19.

(d) The amount represents commission income of sales and purchase of pasta. The transactions were entered into in the normal course of business of the Group at terms mutually agreed between the parties.

(e) The Group entered into a lease agreement with Zhongchen with the remaining lease term of 14 months from January 1, 2019 for the use of a motor vehicle. The Group is required to make fixed monthly payments. As at January 1, 2019, the Group recognised lease liabilities of RMB260,000 and right-of use assets of the same amount upon the adoption of HKFRS 16. During the current interim period, RMB115,000 of lease payment has been made. As at June 30, 2019, the corresponding carrying amount of the lease liabilities is RMB150,000.

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.

29. RELATED PARTY DISCLOSURES *(Continued)*

Key management personnel

The remuneration of key management personnel including the directors' remuneration during the six months ended June 30, 2019 and 2018 were as follows:

	Six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Short-term benefits	**5,238**	3,257
Post-employment benefits	**37**	38
Share-based compensations	**–**	185
	5,275	3,480

30. 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.

30. 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, 2019:

For the period ended June 30, 2019

Category of grantee	Date of grant	Exercise period	Exercise price per share	Number of share options At 1.1.2019	Granted during the period	Exercised during the period	At 6.30.2019
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							14,900,000

For the period ended June 30, 2018

Category of grantee	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

The fair value of these options at date of grant was RMB15,607,000, of which nil was charged to the profit or loss for the period ended June 30, 2019 (six months ended June 30, 2018: RMB487,000).

No share option granted and exercised during the period ended June 30, 2019.

30. SHARE OPTION SCHEME *(Continued)*

Share Option Scheme

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

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

The following table discloses the details of the share option and movement in the share option for the period ended June 30, 2019:

For the period ended June 30, 2019

				Number of share options				
Category of grantee	**Date of grant**	**Exercise period**	**Exercise price per share**	**At 1.1.2019**	**Granted during the period**	**Exercised during the period**	**Expired during the period**	**At 6.30.2019**
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								2,000,000

30. SHARE OPTION SCHEME *(Continued)*

Share Option Scheme *(Continued)*

For the period ended June 30, 2018

					Number of share options			
Category of grantee	Date of grant	Exercise period	Exercise price per share	At 1.1.2018	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

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

The fair value of the options granted on June 12, 2015 were RMB2,408,000, of which RMB33,000 (six months ended June 30, 2018: RMB147,000) for a former director of the Company were charged to the profit or loss for the period ended June 30, 2019.

31. 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	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Relationship of unobservable inputs to fair value
	June 30, 2019	December 31, 2018			
Financial assets at FVTOCI	**Unlisted equity investment funds in the PRC: RMB102,473,000**	–	Level 3	Asset based approach. The net asset value is identified by subtracting the total liabilities of these investments from total assets.	The higher the net asset value, the higher the fair value.

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

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

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

32. ACQUISITION OF SUBSIDIARIES

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

Consideration transferred

	RMB'000
Cash	68,000

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.

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.

32. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

Impact of acquisition on the results of the Group

Included in the loss 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.

32. ACQUISITION OF SUBSIDIARIES *(Continued)*

Impact of acquisition on the results of the Group *(Continued)*

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.