



Interim Report
2020

嘉士利集團有限公司 JIASHILI GROUP LIMITED

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



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FINANCIAL HIGHLIGHTS

The board (the “Board”) of directors (the “Directors”) of Jiashili Group Limited (the “Company” or “Jiashili”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”, “we” or “our”) for the six months ended June 30, 2020 (the “Reporting Period”) together with the comparative figures for the corresponding period in 2019.

SUMMARY OF FINANCIAL RESULTS

(All amounts are expressed in thousands of Renminbi (“RMB”) except per share data)

	For the six months ended June 30,		
	(Unaudited)		Change
	2020	2019	
Revenue	741,209	751,103	-1.3%
Gross profit	250,874	250,995	-0.1%
Earnings before interest, tax, depreciation and amortisation	122,076	144,079	-15.3%
Profit attributable to owners of the Company	66,108	80,506	-17.9%
Earnings per share			
— basic and diluted (RMB cents)	15.93	19.40	-17.9%

	As at		Change
	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)	
Total assets	1,748,065	1,633,754	+7.0%
Total liabilities	916,565	858,930	+6.7%
Total equity	831,500	774,824	+7.3%

CHAIRMAN'S STATEMENT

Dear Shareholders,

The first half of 2020 is extremely challenging and full of uncertainties, the outbreak of COVID-19 pandemic has impacted on every single individual all over the world. The length and severity of the COVID-19 and resultant economic and business impacts are so difficult to predict. In this COVID-19 our top priority is to ensure the health and safety of our employees, customers and the communities as a whole and maintaining our business continuity.

From a business prospective, we're managing well through the COVID-19 during the Reporting Period. Gross profit has maintained the same and sales volume growth of 3.7% as compared with the same period in 2019. Whereas profit attributable to owners of the Company decreased by 17.9% year-on-year to approximately RMB66.1 million from approximately RMB80.5 million of the same period last year due to increase in allowance on additional credit risks of loan receivables and trade receivables under expected credit loss model and one-off lump sum government subsidies received in corresponding period of last year no longer available in current Reporting Period. Our balance sheet and liquidity position continue to show strength as a result of cash flow generation, our net cash inflow from operating activities in Reporting Period amounts to approximately RMB52.2 million representing an increase of 11.1% from the corresponding period of last year. We believe higher levels of liquidity are prudent until we have more visibility into recovery and realisation of a new, dynamic environment.

As we look beyond this year, we're prepared to navigate prolonged pandemic-related uncertainty. Looking ahead to second half of 2020, we're taking action to further improve our position in three areas.

- (i) In terms of growth perspective on accelerating consumer-centric growth
 - increasing working media investments in second half;
 - focusing SKU portfolio and innovation pipeline;
 - expanding revenue growth management; and
 - capitalizing on eCommerce shift
- (ii) In terms of execution to drive operational excellence
 - tightening cost control;
 - streamlining activities and projects;
 - prioritizing highest return capex investments; and
 - exploring new M&A activities to increase portfolio and scale efficiencies
- (iii) In terms of building winning growth culture
 - accelerating new ways of working and agility;
 - further optimizing organization structures; and
 - strengthening capabilities for new reality, e.g., digital

We can't say how long the impacts of COVID-19 will last, but we have demonstrated the ability to operate while facing the current challenges. We will continue to adapt our business to address market challenges. I believe shareholders will benefit from our strengths, which include our portfolio, distribution channels, dedicated workforce, and scale. Finally, I would like to extend, on the Company behalf, my heartfelt gratitude to the Shareholders, member of the Board, 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, 2020



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

COVID-19

The outbreak of the global novel coronavirus (COVID-19) pandemic was totally unexpected and has to a great extent, caused destructive power to the global economy. According to the latest data released by the National Bureau of Statistics of China, the gross domestic product (GDP) fell by 1.6% in the first half of 2020 as compared with the same period last year, likewise in the first seven-months of 2020, the society total retail sales of consumer goods dropped by 9.9% year-on-year, indicating the economic outlook of China for 2020 will be significantly impacted by the COVID-19 pandemic. In response to the COVID-19 pandemic and related mitigation measures, we created an internal COVID-19 crisis management team led by Board of Directors in order to review and assess the evolving COVID-19 pandemic and began implementing changes in our business in February 2020 to protect our employees and customers, and to support appropriate health and safety protocols. For example, we installed physical barriers between employees in production facilities, implemented extensive cleaning and sanitation processes for both production and office spaces. Throughout the Reporting Period our focus has been on our people, our customers, our communities and our investors, in particular:

- ensuring the health and safety of our staffs and customers;
- continuing to serve the needs of our customers and communities, including supporting government and private sector responses to the pandemic; and
- taking steps to optimise cash flow, reduce operating costs and strengthen further our liquidity position during a period of suppressed activity.

Our strong business model and stable finances, combined with a solid cash flow — and above all our highly committed workforce — provide a solid basis for us collectively to overcome this pandemic and emerge from it stronger.

Review of the first half

The effects of COVID-19 pandemic caused Group revenue in the first half of 2020 to a slight decline by 1.3% year-on-year to approximately RMB741.0 million. Accordingly, gross profit was slightly decreased from approximately RMB251.0 million to approximately RMB250.9 million compared with the same period last year. Thanks to the decrease in costs of packaging materials the overall gross profit margin of the Group has increased to 33.8% in the first half of 2020, representing an increase of 0.4 percentage points from the same period last year. Profit after tax, however decreased by 17.9% year-on-year to approximately RMB67.2 million from approximately RMB81.8 million of the same period last year mainly as a result of increase in provisions and allowance on additional credit risks of loan receivables and trade receivables under expected credit loss model due to the outbreak of COVID-19 pandemic and in addition because of one-off lump sum government grants received in corresponding period of last year no longer available in current Reporting Period.

The Group's objectives are to produce quality, popular and preferred biscuits and leisure snack products where you can share anytime, anywhere. Over the year, we 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.

FINANCIAL REVIEW

Revenue

During the Reporting Period, Group's revenue experienced a slight decline by 1.3% year-on-year to RMB741.0 million while the aggregate sales volume reached 53,517 tonnes, a 3.7% ahead of 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,				% of changes in revenue 2020 vs 2019	% of changes in sales volume 2020 vs 2019
	2020		2019			
	RMB (million)	Tonne	RMB (million)	Tonne		
Breakfast biscuits series	193.4	17,351	172.6	15,374	12.1%	12.9%
Crisp biscuits series	114.8	9,177	134.3	9,990	-14.5%	-8.1%
Sandwiches biscuits series	202.6	12,250	207.3	12,141	-2.3%	0.9%
Wafer series	82.6	4,998	69.6	4,154	18.7%	20.3%
Coarse grain biscuits series	56.4	3,688	62.5	3,932	-9.8%	-6.2%
Other series	91.2	6,053	104.8	5,996	-13.0%	1.0%
Total	741.0	53,517	751.1	51,587	-1.3%	3.7%

Breakfast biscuits series

During the Reporting Period, the revenue and sales tonnes of our traditional breakfast biscuits series recorded a double-digit growth as compared with the same period last year reached to approximately RMB193.4 million, representing an increase of 12.1% as compared with the same period in 2019. Sales volume reached 17,351 tonnes representing an increase of 12.9% from the same period last year. The increase was mainly due to the effective pricing and promotional strategies.

Crisp biscuits series

During the Reporting Period, the revenue generated from crisp biscuits series decreased by approximately RMB19.5 million to RMB114.8 million and sales volume decreased by 8.1% to 9,177 tonnes over the same period last year. The market landscape for crisp biscuits continued to be challenged in the period.

Sandwiches biscuits series

In the first half of 2020, the revenue generated from sandwich biscuits series was slightly declined by 2.3% year-on-year to approximately RMB202.6 million. Nevertheless, the sales volume was increased by 0.9% to 12,250 tonnes over the same period last year. This is the first time that sandwich biscuits series registered a drop in revenue after enjoying astronomical double-digit growth annually since its first launch in 2012. The reason for the decline was mainly attributable as follows: (i) In view of COVID-19 epidemic situation, a lot of factories and production were lockdown in February and March, in addition, logistic and delivery time was further prolonged due to transportation restrictions, thus impacting delivery of products and (ii) Our target consumers are mostly university students; youngsters and teenagers, the prolonged suspension of school since this year causing unexpected loss of these groups of consumers.

Wafer series

During the Reporting Period, the revenue generated from wafer series amounted to approximately RMB82.6 million, an increase of 18.7% as compared with the corresponding period last year. Growth in sales volume rose by 20.3% to 4,998 tonnes. The results were primarily attributable to the success of the Group's marketing and pricing strategy and wide market acceptance.

Coarse grain biscuits series

During the Reporting Period, revenue of coarse grain biscuit amounted to approximately RMB56.4 million, representing a decline of 9.8% as compared with the same period last year. Sales volume reached 3,688 tonnes representing a decrease of 6.2% from the same period last year. The reason for the decline was mainly attributable as follows: (i) The Chinese Lunar New Year (CNY) peak season was nearing the end of January 2020 instead of usual mid-February, thus most of our new-year gifts and products was dispatched on late December 2019 and early January 2020. Subsequent suspension of production and transportation and delivery restrictions impact our normal sales and (ii) In order to enjoy better exposure to various group of consumers, our distribution channel was mostly rely on key accounts (KA), super markets and mega stores which is relatively narrow and unique base, previous closedowns and restrictions on business hours on those stores would seriously impact our sales.

Other series

It is the Group's policy of actively seeking to expand different mix of products with different brands and flavors to meet customer's demands. Other series include mainly Jiuzhou cookie (九洲曲奇), cream crackers, Ruishiyue products series (瑞士樂系列) and others. During the Reporting Period, revenue from other series was declined by 13.0% to approximately RMB91.2 million as compared with the same period last year, while sales volume increased by 1.0% to 6,053 tonnes.

Gross profit and Gross profit margin

In the first half of 2020, gross profit was slightly decreased from approximately RMB251.0 million to approximately RMB250.9 million compared with the same period last year. Gross profit margin rose by 0.4 percentage points as compared with the same period in 2019. The price of raw materials (palm oil, sugar and flour) have increased in the first half however the total costs of production decreased as compared with the same period last year thanks to decline in cost of packaging materials.

Other income

Other income during the Reporting Period has decreased by approximately 23.8% to approximately RMB21.1 million as compared with the same period last year. The decrease was primarily due to one-off lump sum government grants and tax refund received in the corresponding period last year no longer available in current Reporting Period. However, the reduction of government grants income was partial offset by increase in interest income on loan receivables and consulting service income in current Reporting Period.

Selling and distribution expenses

Selling and distribution expenses represent mainly the advertising and promotion expenses, delivery and transportation expenses and selling administration expenses. During the Reporting Period, such expense was dropped by approximately RMB5.7 million or 5.4% year-on-year, to approximately RMB100.2 million. It was primarily due to decrease in logistic and transportation expenses and advertising and promotions expenses adhere to suspension and lockdown on commercial business in first half of 2020.

Administrative expenses

Administrative expenses for the Reporting Period was amounted to approximately RMB39.1 million, representing an increase of approximately RMB4.4 million or 12.5% over the same period of last year. Such increase was primarily attributable to the increase of protective and safety measures and sanitation and cleaning expenses and increase in compensations to workers and staffs during the COVID-19 pandemic in the first half of 2020.

Inventories

Group's inventories consist mainly of raw materials, packaging materials and, finished goods. The Group's inventories as at June 30, 2020 was approximately RMB69.0 million, decreased by 5.0% from approximately RMB72.7 million as at December 31, 2019. The reason for the decrease in inventories was mainly due to the raw materials and finished goods balance at the end of 2019 was higher than that of June 30, 2020 as a result of the stock-up for the CNY at the end of 2019. Accordingly, the inventory turnover days decreased from 30.7 days for the first half of 2019 to 26.5 days for the first half of 2020.

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 KA together with other deposits and prepayments. The Group's trade, bills and other receivables as at June 30, 2020 was approximately RMB177.3 million, decreased by 6.4% from approximately RMB189.5 million as at December 31, 2019. Accordingly, the trade, bills and other receivables turnover days was slightly decreased from 45.4 days for the first half of 2019 to 45.3 days for the first half of 2020.

Liquidity and financial position

The source to fund Group finance operations and capital expenditure was primarily by internally generated cash flows as well as banking facilities provided by principal bankers. As at June 30, 2020, the Group had pledged deposits and cash and bank balances in the aggregate amount of approximately RMB542.4 million (as at December 31, 2019: approximately RMB484.1 million). As at June 30, 2020 the total interest-bearing bank borrowings increased by 34.7% from approximately RMB378.7 million as at December 31, 2019. During the Reporting Period, the Group was in a net cash position (bank balances and cash less total bank borrowings) of approximately RMB32.2 million (as at December 31, 2019: approximately RMB53.4 million). As at June 30, 2020 the asset liabilities ratio (defined as total liabilities over total assets) was 52.4%. (as at December 31, 2019: 52.6%), the Board will from time to time adopt prudent financial management policy to address changing financial conditions.

Contingent liabilities and guarantees

As at June 30, 2020, the Group did not provide any guarantees for any third party and had no significant contingent liabilities.

OUTLOOK

The COVID-19 pandemic has become a worldwide crisis and at the date of this report the situation was still evolving. Although COVID-19 has influenced the Group's short-term planning and actions, our medium and long term strategy remains unchanged.

For the remaining year ahead, it will be challenging and the Group will have to be cautious and stay vigilant. Recognizing and understanding the changing business environment and moving into the 'new norm' era, the Group will continue to exercise prudence and find new business strategies moving forward. Some of the immediate strategies will be to introduce Jiashili's products onto the "online platform" with extensive marketing to reach out to the younger generation segment of the markets. Nevertheless, the Group will continue to maintain and improve product quality, innovating products portfolio, reducing costs and broadening the distributor network to safeguard revenue and addressing the needs of consumers.

Thanks to our solid foundation — built on a strong business model, stable finances and high liquidity, improved efficiency in various areas, consistently high investments on brand advertising and a high level of employee engagement — Jiashili is confident it can master the current economic downturn and once again achieve good results and emerge even stronger post-recovery.

OTHER INFORMATION

HUMAN RESOURCES AND REMUNERATION OF EMPLOYEES

As at June 30, 2020 the Group had a total of 2,738 employees. (December 31, 2019: 2,956) The Group's employees are remunerated with reference to their positions, performance, experience and prevailing salary trends in the market. The remuneration package of our employees includes fixed salary, commissions and allowances (where applicable), and performance based year-end bonuses having regard to the performance of the Group and individual. For the six months ended June 30, 2020, the total employee benefits expenses (including Directors' and chief executive's remuneration) were approximately RMB106.8 million (for the six months ended June 30, 2019: approximately RMB99.7 million).

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 the principles and applicable code provisions of Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong (the "Listing Rules") as its own code of corporate governance. Since the date of its listing and up to the date of this announcement, the Company has complied with the code provisions under the CG Code except for deviation during the year which is summarised as below.

Code Provision A.6.7

As stipulated in the Code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors shall attend general meetings. One non-executive director and one independent non-executive director were unable to attend the annual general meeting of the Company held on June 29, 2020 due to prior or unexpected business engagements.

Code Provision A.2.1

As stipulated in the Code provision A.2.1 of the Code, the role of chairman and chief executive should be separated and should not be performed by the same individual. As the duties of chairman and chief executive of the Company are performed by Mr. Huang Xianming ("Mr. Huang"), the Company has deviated from the Code provision A.2.1 of the CG Code. As all major decisions are made in consultation with all members of the Board, and currently there are three independent non-executive Directors on the Board offering independent advises and providing fresh perspectives to the Company. In regard of this, the Board is of the view that it is appropriate this management structure is effective for the Group's operations and sufficient checks and balances are in place and in the best interests of the Company for Mr. Huang to hold both positions as it helps to maintain the continuity of the policies and the stability of the operations of the Company. The Board will also continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

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 throughout the Reporting Period.

AUDIT COMMITTEE

The audit committee, together with the management, has reviewed constantly the accounting principles and practices adopted by the Group, discussed auditing, 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, 2020. 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 2020.

INTERIM DIVIDEND

The Board has decided not to declare an interim dividend. The Directors consider that this is prudent given the focus on managing the group's cash flow positions in the second half of this financial year. We will consider the declaration of a dividend at the year-end in the light of trading for the full financial year and the financial circumstances at that time.

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.

No option was granted, exercised, cancelled or lapsed during the Reporting Period. The Share Option Scheme adopted on August 21, 2014 has expired on June 12, 2020. No Share Option remained outstanding as at June 30, 2020. Particulars of the movement of options in respect of the period ended June 30, 2020 was disclosed on note 32 to the condensed consolidated financial statements.

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

As at June 30, 2020, 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, 2020, 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.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

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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 set out on pages 15 to 46, which comprise the condensed consolidated statement of financial position as of June 30, 2020 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, 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2020

	NOTES	Six months ended June 30,	
		2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue	4	741,029	751,103
Cost of sales		(490,155)	(500,108)
Gross profit		250,874	250,995
Other income	6	21,086	27,688
Selling and distribution expenses		(100,206)	(105,951)
Administrative expenses		(39,146)	(34,796)
Other expenses	7	(28,730)	(27,677)
Impairment losses (recognised) reversed under expected credit loss model, net	23	(10,376)	6,905
Other gains and losses	8	576	(644)
Share of results of associates		(469)	(2,313)
Share of results of a joint venture		(9)	(1,685)
Finance costs	9	(13,133)	(13,289)
Profit before tax		80,467	99,233
Income tax expense	10	(13,313)	(17,459)
Profit for the period	11	67,154	81,774
Other comprehensive expense for the period			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Fair value loss on investment in financial assets at fair value through other comprehensive income		—	(1,027)
Total comprehensive income for the period		67,154	80,747
Profit for the period attributable to:			
Owners of the Company		66,108	81,533
Non-controlling interests		1,046	241
		67,154	81,774
Total comprehensive income for the period attributable to:			
Owners of the Company		66,108	80,506
Non-controlling interests		1,046	241
		67,154	80,747
Earnings per share	13		
— Basic and diluted (RMB cents)		15.93	19.40

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2020

	NOTES	June 30, 2020 RMB'000 (unaudited)	December 31, 2019 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	14	464,288	459,361
Right-of-use assets	14	100,953	98,440
Intangible assets	14	39,117	41,650
Goodwill	15	27,449	27,449
Interests in associates	16	3,170	3,613
Interest in a joint venture	17	10,191	—
Financial assets at fair value through profit or loss	18	101,384	101,037
Loan to a non-controlling shareholder of a subsidiary	19	18,000	—
Deposits paid for acquisition of right-of-use assets and property, plant and equipment		53,717	—
Other receivables and deposits	20	2,492	1,992
		820,761	733,542
CURRENT ASSETS			
Inventories		69,048	72,715
Loan receivables	21	75,312	97,281
Trade, bills and other receivables	20	177,308	189,541
Amounts due from associates	22	46,657	47,459
Amounts due from non-controlling shareholders of subsidiaries	22	12,450	4,200
Amount due from a related party		7	9
Income tax recoverable		4,142	4,889
Pledged bank deposits	30	200	52,005
Bank balances and cash		542,180	432,113
		927,304	900,212
CURRENT LIABILITIES			
Trade, bills and other payables	24	265,035	260,252
Contract liabilities		48,544	82,733
Amount due to a non-controlling shareholder of subsidiaries	25	4,701	11,501
Amount due to a related party		—	2,870
Income tax payables		12,600	15,311
Bank borrowings	26	510,000	319,699
Deferred income	27	1,805	1,805
Lease liabilities		4,607	3,835
		847,292	698,006
NET CURRENT ASSETS		80,012	202,206
TOTAL ASSETS LESS CURRENT LIABILITIES		900,773	935,748

Condensed Consolidated Statement of Financial Position

At June 30, 2020

	NOTES	June 30, 2020 RMB'000 (unaudited)	December 31, 2019 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Deferred income	27	55,150	87,181
Deferred tax liabilities		10,610	12,445
Bank borrowings	26	—	59,000
Lease liabilities		3,513	2,298
		69,273	160,924
NET ASSETS			
		831,500	774,824
CAPITAL AND RESERVES			
Share capital	28	3,285	3,285
Reserves		808,042	760,887
Equity attributable to owners of the Company		811,327	764,172
Non-controlling interests		20,173	10,652
TOTAL EQUITY			
		831,500	774,824

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2020

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, 2019	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 32)	—	—	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
At January 1, 2020	3,285	267,734	2,408	(107,000)	18,333	—	150,402	429,010	764,172	10,652	774,824
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	66,108	66,108	1,046	67,154
Appropriations	—	—	—	—	—	—	10,505	(10,505)	—	—	—
Capital contribution from non-controlling shareholders of subsidiaries (note e)	—	—	—	—	—	—	—	—	—	8,475	8,475
Dividends recognised as distribution (note 12)	—	(18,953)	—	—	—	—	—	—	(18,953)	—	(18,953)
Lapse of share options (note 32)	—	—	(2,408)	—	—	—	—	2,408	—	—	—
At June 30, 2020 (unaudited)	3,285	248,781	—	(107,000)	18,333	—	160,907	487,021	811,327	20,173	831,500

Notes:

- 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.
- Amounts represent equity reserve arising from share-based compensations under pre-IPO share option scheme and share option scheme of the Group provided to directors, employees and certain consultants in investor relation professional, details are set out in note 32.
- 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.
- 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 RMB107,272,000 (unaudited) and RMB95,376,000 (unaudited) as at June 30, 2020 and 2019, 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 RMB53,635,000 (unaudited) and RMB47,688,000 (unaudited) as at June 30, 2020 and 2019, respectively, can be used to expand the existing operations of the relevant subsidiaries.
- Amount represents the capital contribution from non-controlling shareholders of subsidiaries in form of equipment of RMB2,475,000 and cash consideration of RMB6,000,000.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2020

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Operating cash flows before movements in working capital	118,934	124,031
Decrease (increase) in trade, bills and other receivables	7,599	(125,802)
(Decrease) increase in contract liabilities	(34,189)	38,814
Other operating cash flows	(40,113)	9,965
NET CASH FROM OPERATING ACTIVITIES	52,231	47,008
INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	—	(103,500)
Purchase of property, plant and equipment	(23,557)	(46,016)
Payment for right-of-use assets	(5,976)	—
Deposit paid for acquisition of right-of-use assets and property, plant and equipment	(53,717)	—
Loan advance paid	(22,500)	(23,000)
Loan advance to a non-controlling shareholder of a subsidiary	(18,000)	—
Investment in a joint venture	(10,200)	—
Investment in an associate	—	(5,000)
Receipt of assets-related government grants	278	59,335
Remittance of asset-related government grants	(30,935)	—
Release of pledged bank deposits	51,805	31,528
Repayment from loan to third parties	38,728	87,043
Repayment from loan to a related party	—	10,000
Interest received	12,180	8,103
Proceed from disposal of property, plant and equipment	61	204
Proceed from disposal of right of use assets	4,380	—
Net cash outflow on acquisition of subsidiaries	(6,800)	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(64,253)	18,697

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2020

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
FINANCING ACTIVITIES		
New bank loans raised	435,000	474,456
Repayments of bank loans	(303,159)	(349,245)
Repayments of lease liabilities	(2,053)	(1,901)
Capital contribution from non-controlling shareholders of subsidiaries	6,000	—
Interest paid on bank borrowings	(12,976)	(13,075)
Interest paid on lease liabilities	(157)	(214)
NET CASH FROM FINANCING ACTIVITIES	122,655	110,021
NET INCREASE IN CASH AND CASH EQUIVALENTS	110,633	175,726
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	432,113	379,257
Effect of foreign exchange rate changes	(566)	1,532
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, comprising bank balances and cash	542,180	556,515

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2020

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”).

1A. SIGNIFICANT EVENTS IN THE CURRENT INTERIM PERIOD

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. The Group stopped its manufacturing activities from January 2020 to February 2020 due to mandatory PRC government quarantine measures in an effort to contain the spread of pandemic. On the other hand, the PRC government has announced some financial measures and supports for corporates to overcome the negative impact arising from the pandemic. As such, the financial positions and performance of the Group were affected in different aspects, including increment in allowances for expected credit losses of loan receivables and trade receivables, decrease of directors’ and chief executive’s remuneration and social insurance relief from the PRC government as disclosed in the relevant notes.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2020 are the same as those presented in the Group’s annual financial statements for the year ended December 31, 2019.

Application of amendments to International Financial Reporting Standards (“IFRSs”)

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRSs and the following amendments to IFRSs issued by the IASB, for the first time, which are mandatory effective for the annual period beginning on or after January 1, 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRSs and the 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. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of amendments to IFRSs *(Continued)*

Impact of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending December 31, 2020.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing the condensed consolidated financial statements for the six months ended June 30, 2020, 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, 2019.

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,	
	2020 RMB’000 (unaudited)	2019 RMB’000 (unaudited)
Sales of biscuits products		
Breakfast biscuits	193,446	172,592
Crisp biscuits	114,812	134,251
Sandwich biscuits	202,603	207,297
Wafers	82,556	69,610
Coarse grain biscuits	56,366	62,514
Others	91,246	104,839
Total	741,029	751,103

4. REVENUE (Continued)**Disaggregation of revenue** (Continued)

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Geographical markets		
The PRC (Country of domicile)	739,257	750,161
Other (note)	1,772	942
Total	741,029	751,103

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,	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales channels		
Distributors	740,472	728,505
Supermarkets	557	22,598
Total	741,029	751,103

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Timing of revenue recognition		
A point in time	741,029	751,103

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 type basis. Each type of 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.

Gross profit from major products

The following is an analysis of the Group's gross profit from its major products:

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
Gross profit by products		
Breakfast biscuits	57,305	52,450
Crisp biscuits	32,426	46,558
Sandwich biscuits	78,786	77,529
Wafers	28,788	26,369
Coarse grain biscuits	18,874	22,620
Others (Note)	34,695	25,469
	250,874	250,995

Note: Others included numerous products, none of which alone accounted for a material portion as a reportable product category and therefore, no further analysis is disclosed.

Segment assets and liabilities

The consolidated total assets and consolidated total 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

6. OTHER INCOME

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Government grants (note a)	2,678	17,622
Interest income on:		
– Bank deposits	4,777	6,386
– Loan receivables	7,403	1,717
Commission income	—	953
Sales of packaging materials	311	367
Rental income	503	369
Refund of handling charges from tax authority	—	136
Imputed interest income:		
– Advances to staff (note 20)	47	90
– Rental deposits	35	27
Consulting service income (note b)	5,283	—
Other non-operating income	49	21
	21,086	27,688

Notes:

- (a) Government grants represents incentive subsidies received from a local government for improvement of working capital and compensation of research and development expenses incurred in prior years as well as government subsidies for the compensation of capital expenditures on the plant and machinery and right-of-use assets which are deferred and amortised to profit or loss over the estimated useful lives of the respective assets when they are ready to use.
- (b) On August 2, 2019, the Group has entered into a memorandum of understanding with Guangdong Huasheng Yanshi Group Co., Ltd.* (廣東華盛禰氏集團有限公司) (“Guangdong Huasheng”), an independent third party, and received an advance payment of RMB5,283,000 for a property development cooperative project. The advance payment is unsecured, non-interest bearing and has no fixed repayment terms. Pursuant to the memorandum of understanding, the Group agreed to contribute the land located in Yunan, the PRC held by Guangdong Jiashili Huangpi Industry Development Company Limited (廣東嘉士利黃皮產業發展有限公司), a non-wholly owned subsidiary of the Group, and Guangdong Huasheng agreed to contribute cash to the cooperative project company. The percentage of the equity interest in the cooperative project company is based on the value of the land contributed by the Group and the cash consideration injected by Guangdong Huasheng. The property development cooperative project was terminated during the period and the advance payment was recognised as other income.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

7. OTHER EXPENSES

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Research and development expenses	25,814	24,476
Donation expenses	2,564	2,660
Taxation penalty charges	210	431
Other non-operating expenses	142	110
	28,730	27,677

8. OTHER GAINS AND LOSSES

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net foreign exchange gain (loss)	217	(1,010)
Fair value change of investment property	—	300
Gain on disposal of property, plant and equipment	12	66
Fair value gain on financial assets at fair value through profit or loss	347	—
	576	(644)

9. FINANCE COSTS

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest expenses on bank borrowings	12,976	13,075
Interest expenses on lease liabilities	157	214
	13,133	13,289

10. INCOME TAX EXPENSE

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("EIT") – Current tax	13,169	17,078
Deferred tax	144	381
	13,313	17,459

No provision for Hong Kong Profits Tax has been made for the six months ended June 30, 2020 and 2019 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 2018 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 2018 to 2020.

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 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 obtained the Hong Kong resident certificate for the calendar year 2018 and was valid for three years ending December 31, 2020, which was issued by the Hong Kong Inland Revenue Department. Jiashili HK enjoys a reduced tax rate under Bulletin [2018] No. 9 (國家稅務總局公告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, 2020 and 2019, pursuant to the PRC-HK DTA.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

11. PROFIT FOR THE PERIOD

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Directors' and chief executive's remuneration	1,563	3,433
Other staff costs		
— Salaries and allowances	99,828	86,909
— Contributions to retirement benefits scheme (note)	5,450	9,314
— Share-based compensations	—	33
Total staff costs	106,841	99,689
Depreciation of property, plant and equipment	22,613	26,064
Amortisation of intangible asset (included in cost of sales)	2,533	2,589
Depreciation of right-of-use assets	3,330	2,904
Total depreciation and amortisation	28,476	31,557
Expenses relating to short-term leases	98	203
Cost of inventories recognised as expenses with no impairment of inventories recognised	490,155	500,108

Note: During the six months ended June 30, 2020, due to the outbreak of COVID-19, the PRC government relieved 50% of the social insurance for the Group from February 2020 to June 2020.

12. DIVIDENDS

During the six months ended June 30, 2020, a final dividend of HK\$5 cents per share in respect of the year ended December 31, 2019, amounting to HK\$20,750,000 (equivalent to RMB18,954,000) (six months ended June 30, 2019: HK\$5 cents per share in respect of the year ended December 31, 2018, amounting to HK\$20,750,000 (equivalent to RMB18,181,000)) was recognised as distribution to the owners of the Company.

Subsequent to the end of the current interim period, the directors of the Company do not recommend the payment of an interim dividend for the six months ended June 30, 2020 (six months ended June 30, 2019: HK\$5 cents per share).

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,	
	2020	2019
	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	66,108	80,506

	Six months ended June 30,	
	2020	2019
	'000	'000
Number of shares		
Weighted average 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 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.

14. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS/INTANGIBLE ASSETS

During the six months ended June 30, 2020, the Group had addition of approximately RMB27,589,000 (six months ended June 30, 2019: RMB46,016,000) on property, plant and equipment in order to upgrade its operating capacities.

During the six months ended June 30, 2020, the Group disposed of certain plant and equipment with an aggregate carrying amount of RMB49,000 (six months ended June 30, 2019: RMB138,000) for cash proceeds of RMB61,000 (six months ended June 30, 2019: RMB204,000), resulting in a gain on disposal of RMB12,000 (six months ended June 30, 2019: RMB66,000).

During the six months ended June 30, 2020, the Group entered into several new lease agreements with lease terms ranged from 1 to 20 years. The Group is required to make fixed monthly payments. On lease commencement, the Group recognised right-of-use assets of RMB10,223,000 (six months ended June 30, 2019: nil) and lease liabilities of RMB4,040,000 (six months ended June 30, 2019: nil).

During the six months ended June 30, 2020 and 2019, the Group had no addition on intangible assets.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

15. GOODWILL

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

Goodwill has 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, 2020 and 2019, 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.

16. INTERESTS IN ASSOCIATES

	June 30, 2020 RMB'000 (unaudited)	December 31, 2019 RMB'000 (audited)
Cost of investments in associates — unlisted	6,282	6,282
Share of post-acquisition results of associates	(3,166)	(2,697)
Exchange adjustments	54	28
	3,170	3,613

16. INTERESTS IN ASSOCIATES (Continued)

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, 2020	December 31, 2019	June 30, 2020	December 31, 2019	
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 candies and 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 selling healthy drinks and trading

* English name for identification purpose only.

Notes:

- (a) In 2017, a subsidiary of the Company had incorporated an associate, Hong Kong Ruishiyue, with two independent third parties. Pursuant to the articles of association of Hong Kong Ruishiyue, 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. In 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 in the event of equal votes, chairman of the board, who is appointed by one of the remaining shareholders, has the right to make the final decision. 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 which is principally engaged in manufacturing and selling of candies and biscuits (collectively referred to as "Hong Kong Ruishiyue Group").
- (b) In, 2018, a subsidiary of the Company had established an associate, Kaiping Jiarun, with an independent third party. Pursuant to the articles of association of Kaiping Jiarun, the registered capital is RMB68 million, among which, RMB30.6 million to be contributed by a subsidiary of the Company. As at June 30, 2020, RMB5 million has been contributed by a subsidiary of the Company (December 31, 2019: RMB5 million). 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) Guangdong Quancheng Health Drinks Co., Ltd., which is principally engaged in manufacturing and selling healthy drinks and trading, and 2) Jinjiang Jiashibai Food Trading Co., Ltd. ("Jinjiang Jiashibai") which is principally engaged in trading of food products. On December 23, 2019, Kaiping Jiarun entered into equity transfer agreement with Kaiping Jialung Trading Company Limited, an independent third party, to transfer its equity interests in Jinjiang Jiashibai with no consideration. Jinjiang Jiashibai was an inactive company as at the date of disposal.

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17. INTEREST IN A JOINT VENTURE

	June 30, 2020	December 31, 2019
	RMB'000	RMB'000
	(unaudited)	(audited)
Cost of investments in a joint venture	10,200	—
Share of post-acquisition results of a joint venture	(9)	—
	10,191	—

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

Name of joint venture	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,	December 31,	June 30,	December 31,	
		2020	2019	2020	2019	
Guangdong Fengjia Food Co., Limited * ("Fengjia") 廣東豐嘉食品有限公司 (Note a)	PRC	51%	N/A	51%	N/A	Manufacture and sale of flour

* English name for identification purpose only.

Note:

- (a) On May 15, 2020, a subsidiary of the Company had established a joint venture, Fengjia, together with an independent third party, Beidahuang Fengyuan Group Co., Ltd. ("Beidahuang"). Pursuant to the joint venture agreement of Fengjia, the total registered capital is RMB20 million, among which, RMB9.8 million is contributed by Beidahuang and RMB10.2 million is contributed by a subsidiary of the Company, respectively. The board composition of the joint venture comprised of 5 directors, in which 3 of the directors were appointed by the Group and the remaining 2 directors were appointed by Beidahuang. The resolution of financial and operating policy required unanimous consent of directors in board of directors meeting, and accordingly the Group concluded that it had joint control in Fengjia and accounted for its interest in Fengjia as a joint venture.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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. In 2019, the unlisted equity investment fund is classified as non-current asset which consists of three years term to maturity with two extension options for additional one year term each. 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 fair value through profit or loss ("FVTPL"). As at June 30, 2020, the fair value of the unlisted equity investment fund is amounting to RMB101,384,000 (December 31, 2019: RMB101,037,000) with fair value gain recognised in profit or loss of RMB347,000 for the current period. 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, 2020 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 33.

19. LOAN TO A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The amount represents loans advanced to a non-controlling shareholder of a subsidiary, with aggregated principal value of RMB18,000,000. The amount is secured with the non-controlling shareholder's equity interests in the subsidiary and interest bearing at 8% per annum. The amount is repayable within three years and therefore classified as non-current.

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

	June 30, 2020 RMB'000 (unaudited)	December 31, 2019 RMB'000 (audited)
Trade receivables	21,536	24,983
Less: Allowance for expected credit losses	(7,049)	(2,414)
Trade receivables, net	14,487	22,569
Bills receivables	3,418	4,439
Total trade and bills receivables	17,905	27,008
Prepayments for purchase of raw materials (note i)	98,667	99,115
Other receivables (note ii)	16,065	10,057
Other prepayments (note iii)	44,638	53,361
Rental and utility deposits	2,525	1,992
	179,800	191,533
Less: Amount shown under current assets	(177,308)	(189,541)
Amount shown under non-current assets as other receivables and deposits (note iv)	2,492	1,992

Trade and bills receivables

The Group generally adopted a policy to require advance payments 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.

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

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.

As at June 30, 2020, impairment allowance of RMB4,635,000 (six months ended June 30, 2019: RMB79,000) and RMB nil (six months ended June 30, 2019: RMB20,000) for expected credit losses (“ECL”) of trade receivables and bills receivables had been recognised by the Group, respectively, and no amount was written off (six months ended June 30, 2019: nil) in the allowance for ECL. Details of impairment assessment subject to ECL model are set out in the note 23.

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

	June 30, 2020 RMB'000 (unaudited)	December 31, 2019 RMB'000 (audited)
Within 2 months	8,829	11,605
Over 2 months but within 3 months	683	326
Over 3 months but within 6 months	784	6,938
Over 6 months but within 1 year	4,191	3,700
	14,487	22,569

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, 2020 RMB'000 (unaudited)	December 31, 2019 RMB'000 (audited)
Within 1 month	521	—
Over 1 month but within 3 months	2,197	2,540
Over 3 months but within 6 months	700	1,899
	3,418	4,439

20. 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 RMB77,381,000 (December 31, 2019: RMB77,381,000).
- (ii) Other receivables represent advances to staff, interest receivables and prepaid expenses, which are unsecured, non-interest bearing and amount of RMB426,000 (December 31, 2019: RMB692,000) in respect of 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 RMB47,000 for the six months ended June 30, 2020 (six months ended June 30, 2019: RMB90,000). The effective interest rate is ranging from 4.75% to 4.90% (December 31, 2019: 4.75% to 4.90%) per annum as at June 30, 2020.

- (iii) Other prepayments represent prepaid logistic fee to logistics companies to maintain a long term cooperation relationship and enjoy preferential price offered by the suppliers.
- (iv) The amount represents a) rental and utility deposits due after one year; and b) advances to staff due after one year.

21. LOAN RECEIVABLES

As at June 30, 2020, the amounts represent loans advanced to independent third parties with aggregated principal value of RMB89,512,000 (December 31, 2019: RMB105,740,000). The amounts are secured by properties or guarantees from independent third parties, interest bearing at from 6% to 24% (December 31, 2019: 6.5% to 24%) per annum. Based on the loans agreements, the amounts are repayable within one year.

As at June 30, 2020, the Group recognised an impairment allowance of RMB14,200,000 (December 31, 2019: RMB8,459,000) on loan receivables. During the current interim period, impairment losses of RMB5,741,000 (six months ended June 30, 2019: a reversal of impairment losses of RMB6,058,000) was recognised in the profit or loss. Details of impairment assessment subject to ECL model are set out in the note 23.

22. AMOUNTS DUE FROM ASSOCIATES/NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

The amounts are unsecured, non-interest bearing and in the opinion of the Directors, such amounts will be repaid or utilised to set off the Group's future purchase of finished goods from the associates and non-controlling shareholders of subsidiaries within one year.

23. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO ECL MODEL

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Impairment losses (recognised) reversed in respect of		
— loan receivables	(5,741)	6,058
— loan to a related party	—	946
— trade receivables	(4,635)	(79)
— bills receivables	—	(20)
	(10,376)	6,905

Other than considering those significant events and transactions as disclosed in note 1A, 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, 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2019.

24. TRADE, BILLS AND OTHER PAYABLES

	June 30,	December 31,
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade payables	116,289	137,119
Bills payables	47,486	24,000
Total trade and bills payables	163,775	161,119
Accrued expense	28,667	27,145
Transportation fee payables	17,904	19,081
Payroll and welfare payables	22,727	28,825
Construction cost payables	4,875	3,318
Receipt in advance (note 6)	—	5,283
Other payables	1,068	2,363
Output value-added-tax and other tax payables	7,065	13,118
Dividend payables (note 12)	18,954	—
	265,035	260,252

24. 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, 2020 RMB'000 (unaudited)	December 31, 2019 RMB'000 (audited)
Within 3 months	115,674	136,651
Over 3 months but within 6 months	144	249
Over 6 months but within 1 year	304	55
Over 1 year	167	164
	116,289	137,119

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, 2020 RMB'000 (unaudited)	December 31, 2019 RMB'000 (audited)
Within 3 months	33,200	—
Over 3 months but within 6 months	14,286	24,000
	47,486	24,000

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

As at December 31, 2019, the amount represents the remaining consideration payable of RMB6,800,000 for the acquisition of subsidiaries and balance RMB4,701,000 being advances made to a non-controlling shareholder of subsidiaries. The amount is unsecured, non-interest bearing and repayable on demand.

During the six months ended June 30, 2020, the consideration payable of RMB6,800,000 was fully settled to the non-controlling shareholder of subsidiaries.

26. BANK BORROWINGS

During the six months ended June 30, 2020, the Group obtained new bank loans amounting to RMB435,000,000 (six months ended June 30, 2019: RMB474,456,000) and repaid bank loans amounted to RMB303,159,000 (six months ended June 30, 2019: RMB349,245,000). At June 30, 2020, loans carry interest at fixed rates ranging from 3.75% to 4.35% (December 31, 2019: 0.75% to 4.44%) per annum or variable rates ranging from PRC Loan Prime Rate (“LPR”) minus 0.24% to LPR plus 0.45% (December 31, 2019: Hong Kong Inter-bank Offered Rate plus 1% to LPR plus 0.45%) per annum. These loans are repayable at maturity dates within one year.

27. DEFERRED INCOME

During the six months ended June 30, 2020, the Group received government subsidies amounting to RMB278,000 (six months ended June 30, 2019: RMB59,335,000) 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.

28. 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, 2019 (audited), June 30, 2019 (unaudited), January 1, 2020 (audited) and June 30, 2020 (unaudited) – Ordinary shares of HK\$0.01 each	8,000,000,000	80,000,000
Issued and fully paid:		
At January 1, 2019 (audited), June 30, 2019 (unaudited), January 1, 2020 (audited) and June 30, 2020 (unaudited) – Ordinary shares of HK\$0.01 each	415,000,000	4,150,000
		At June 30, 2020 (unaudited) and December 31, 2019 (audited) RMB'000
Presented in the condensed consolidated financial statements		3,285

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29. CAPITAL COMMITMENTS

	June 30, 2020 RMB'000 (unaudited)	December 31, 2019 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	97,951	21,604
Capital expenditure in respect of the establishment of an associate contracted for but not provided in the consolidated financial statements (Note a)	25,600	25,600
Capital expenditure in respect of the capital injections to the unlisted equity investment fund but not provided in the consolidated financial statements (Note b)	34,500	34,500

Notes:

- (a) On March 26, 2018, a subsidiary of the Group had established an associate with an independent third party. Pursuant to the articles of association of the associate, the registered capital is RMB68 million, among which, RMB30.6 million to be contributed by a subsidiary of the Group. In 2019, a subsidiary of the Company has injected RMB5 millions of investment capital into the associate. Details of the investment in this associate are set out in note 16(b).
- (b) On December 20, 2019, Kaiping Lijia Industrial Investment Company Limited ("Kaiping Lijia") entered into a capital contribution agreement with three independent third parties. Pursuant to the capital increment agreement, the registered capital of the unlisted equity invest fund, 青島嘉匯股權投資基金合夥企業(有限合夥), shall be increased from RMB150,000,000 to RMB200,000,000 (the "Capital Increment"). Pursuant to the Capital Increment, further capital contribution that Kaiping Lijia agreed to make would be RMB34,500,000. Immediately after the completion of the Capital Increment, the total capital contribution to the unlisted equity invest fund by Kaiping Lijia amounts to RMB138,000,000, representing 69% of the enlarged registered capital of the unlisted equity invest fund, which remains unchanged from that prior to the Capital Increment.

Details of the investment in the unlisted equity investment fund are set out in note 18.

30. PLEDGE OF ASSETS

As at June 30, 2020 and December 31, 2019, the following asset was pledged to secure banking facilities granted to the Group:

	June 30, 2020 RMB'000 (unaudited)	December 31, 2019 RMB'000 (audited)
Pledged bank deposits	200	52,005

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

	Six months ended June 30,	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Sale of goods		
Guangdong Ruishiyue (Note a)	953	1,116
Guangdong Zhongchen Industrial Group Company Limited ("Zhongchen") (Notes a and b)	5	24
Jiashibai Company Limited (Note a)	—	258
	958	1,398
Purchase of goods		
Guangdong Ruishiyue (Note a)	9,519	13,775
Guangdong Kangli Food Company Limited ("Kangli") (Note a)	3,272	—
Jiashibai Company Limited (Note a)	—	3,039
Jinjiang Jiashibai (as defined in note 16(b)) (Note a)	—	3,108
	12,791	19,922
Commission income		
Kangli (Note c)	—	953
Lease contract on motor vehicle		
Zhongchen (Note d)		
— Payment of lease liabilities	38	115

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2020

31. RELATED PARTY DISCLOSURES (Continued)

Related Party Transactions (continued)

Notes:

- (a) The amount represents the sales and purchases of biscuits, pasta 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 commission income on 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.
- (d) The Group entered into a lease agreement with Zhongchen with a 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 IFRS 16 Leases. During the six months ended June 30, 2020, lease payments of RMB38,000 (six months ended June 30, 2019: RMB115,000) were made and the corresponding carrying amount of the lease liabilities is nil (December 31, 2019: RMB38,000) as at June, 30 2020.

Key management personnel

The remuneration of key management personnel including the directors' remuneration during the six months ended June 30, 2020 and 2019 were as follows:

	Six months ended June 30,	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Short-term benefits	2,657	5,238
Post-employment benefits	18	37
	2,675	5,275

32. SHARE OPTION SCHEME

Pre-IPO Share Option Scheme

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

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

The following table discloses the details of and movements in the share options granted under the Pre-IPO Share Option Scheme for the six months ended June 30, 2019:

For the six months ended June 30, 2019

Category of grantees	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

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 six months ended June 30, 2019.

No share option had been granted and exercised during the six months ended June 30, 2019. All the share options had been lapsed in 2019.

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32. 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 options and movement in the share options under the Share Option Scheme for the six months ended June 30, 2020 and 2019:

For the six months ended June 30, 2020

Category of grantee	Date of grant	Exercise period	Exercise price per share	Number of share options				
				At 1.1.2020	Granted during the period	Exercised during the period	Lapsed during the period	At 6.30.2020
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								–

32. SHARE OPTION SCHEME (Continued)**Share Option Scheme (Continued)****For the six months ended June 30, 2019**

Category of grantee	Date of grant	Exercise period	Exercise price per share	Number of share options				At 6.30.2019
				At 1.1.2019	Granted during the period	Exercised during the period	Lapsed during the period	
Mr. Wu Meng-cher (Note)	6.12.2015	6.12.2016–6.12.2020	HK\$4.58	500,000	–	–	–	500,000
	6.12.2015	6.12.2017–6.12.2020	HK\$4.58	500,000	–	–	–	500,000
	6.12.2015	6.12.2018–6.12.2020	HK\$4.58	500,000	–	–	–	500,000
	6.12.2015	6.12.2019–6.12.2020	HK\$4.58	500,000	–	–	–	500,000
Total				2,000,000	–	–	–	2,000,000
Exercisable at period ended								2,000,000

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

The fair value of the options at date of grant was RMB2,408,000, of which nil (six months ended June 30, 2019: RMB33,000) was charged to the profit or loss for the six months ended June 30, 2020.

All the share options had been lapsed and the amount previously recognised in share options reserve of RMB2,408,000 was transferred to accumulated profits during the six months ended June 30, 2020.

33. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT**(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis**

Some of the Group's financial assets 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 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

33. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT (Continued)**(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis** (Continued)

- 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, 2020	December 31, 2019			
Financial assets at FVTPL	Unlisted equity investment funds in the PRC: RMB101,384,000	Unlisted equity investment funds in the PRC: RMB101,037,000	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.

Reconciliation of Level 3 fair value measurements

	Financial assets at FVTPL RMB'000
As at January 1, 2020 (audited)	101,037
Fair value gain recognised in profit or loss	347
As at June 30, 2019 (unaudited)	101,384

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

The directors consider that the carrying amounts of other financial assets and financial liabilities that are not measured at fair value on a recurring basis recognised in the condensed consolidated financial statements approximate their fair values using discounted cash flow valuation technique.