嘉士利集團有限公司

Jiashili Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1285)

INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30 2017

FINANCIAL HIGHLIGHTS

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

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

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

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

The board (the "Board") of directors (the "Directors") of Jiashili Group Limited (the "Company", together with its subsidiaries, the "Group") is pleased to present the unaudited consolidated interim results of the Group for the six months ended June 30, 2017 (the "Review Period").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2017

		Six months ended June 30,	
	NOTES	**2017**	2016
		RMB'000	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*3*	**516,205**	501,575
Cost of sales		**(368,759)**	(317,521)
Gross profit		**147,446**	184,054
Other income	*4*	**10,491**	5,459
Selling and distribution expenses		**(70,778)**	(71,190)
Administrative expenses		**(28,771)**	(33,428)
Other expenses	*5*	**(18,828)**	(16,048)
Other gains and losses	*6*	**12,432**	513
Interest expenses on bank borrowings		**(2,779)**	—
Profit before tax		**49,213**	69,360
Income tax expense	*7*	**(7,124)**	(14,260)
Profit for the period	*8*	**42,089**	55,100
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Decrease in fair value of available-for-sale investment		**—**	(2,800)
Total comprehensive income for the period attributable to owners of the Company		**42,089**	52,300
Earnings per share	*10*		
— Basic *(RMB cents)*		**10.14**	13.28
— Diluted *(RMB cents)*		**10.14**	13.27

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At June 30, 2017

	NOTES	**June 30, 2017** *RMB'000* **(unaudited)**	December 31, 2016 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**360,556**	326,322
Prepaid lease payments		**36,771**	36,970
Intangible asset		**250**	500
Interests in associates		**—**	—
Interests in joint ventures		**35,000**	—
Other receivables and deposits	11	**8,109**	7,624
		440,686	371,416
CURRENT ASSETS			
Inventories		**53,624**	47,578
Entrusted loan receivable		**15,000**	—
Prepaid lease payments		**1,106**	1,099
Investment in certificate of deposit	12	**105,000**	—
Trade, bills and other receivables	11	**183,566**	53,192
Income tax recoverable		**—**	482
Financial assets designated at fair value through profit or loss	13	**108,582**	—
Pledged bank deposits		**20,923**	3,623
Bank balances and cash		**160,633**	428,027
		648,434	534,001
CURRENT LIABILITIES			
Trade, bills and other payables	14	**168,140**	169,300
Advances from customers	11	**18,298**	112,640
Income tax payables		**3,807**	4,931
Borrowings		**294,287**	—
		484,532	286,871
NET CURRENT ASSETS		**163,902**	247,130
TOTAL ASSETS LESS CURRENT LIABILITIES		**604,588**	618,546
NON-CURRENT LIABILITIES			
Deferred income		**10,517**	11,708
Deferred tax liability		**1,035**	2,135
		11,552	13,843
NET ASSETS		**593,036**	604,703
CAPITAL AND RESERVES			
Share capital	15	**3,285**	3,285
Reserves		**589,751**	601,418
TOTAL EQUITY		**593,036**	604,703

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2017

	Share capital *RMB'000*	Share premium *RMB'000* (Note a)	Investment revaluation reserve *RMB'000* (Note b)	Share options reserve *RMB'000* (Note c)	Special reserve *RMB'000* (Note d)	Contribution reserve *RMB'000*	Statutory reserves *RMB'000* (Note e)	Accumulated profits *RMB'000*	Total *RMB'000*
At January 1, 2016 (audited)	3,285	463,859	2,389	11,735	(107,000)	18,333	62,292	110,386	565,279
Profit for the period	—	—	—	—	—	—	—	55,100	55,100
Decrease in fair value of available-for-sale investment	—	—	(2,800)	—	—	—	—	—	(2,800)
Total comprehensive (expense) income for the period	—	—	(2,800)	—	—	—	—	55,100	52,300
Appropriations	—	—	—	—	—	—	11,226	(11,226)	—
Dividends recognised as distribution *(note 9)*	—	(52,678)	—	—	—	—	—	—	(52,678)
Share-based compensations	—	—	—	2,377	—	—	—	—	2,377
At June 30, 2016 (unaudited)	3,285	411,181	(411)	14,112	(107,000)	18,333	73,518	154,260	567,278
At January 1, 2017 (audited)	**3,285**	**411,181**	**—**	**16,589**	**(107,000)**	**18,333**	**87,264**	**175,051**	**604,703**
Profit and total comprehensive income for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**42,089**	**42,089**
Appropriations	**—**	**—**	**—**	**—**	**—**	**—**	**9,880**	**(9,880)**	**—**
Dividends recognised as distribution *(note 9)*	**—**	**(55,050)**	**—**	**—**	**—**	**—**	**—**	**—**	**(55,050)**
Share-based compensations	**—**	**—**	**—**	**1,294**	**—**	**—**	**—**	**—**	**1,294**
At June 30, 2017 (unaudited)	**3,285**	**356,131**	**—**	**17,883**	**(107,000)**	**18,333**	**97,144**	**207,260**	**593,036**

Notes:

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

b. Amount represents equity reserves arising from fair value of the Group's available-for-sale investment in equity securities listed in Hong Kong. The Group disposed of its entire listed investment during the year ended December 31, 2016.

c. Amounts represent equity reserve arising from share-based compensations under pre-IPO share option scheme and share option schemes of the Group provided to directors, employees and certain consultants in investor relation professional.

d. Amount represents the paid-in capital of the subsidiaries acquired of RMB120 million less the payment of cash to the ultimate controlling shareholder of RMB227 million in May 2014 pursuant to a group reorganisation resulting in a reduction of net assets of the Group, which accounted for as a deemed distribution recognised in equity directly.

e. Statutory reserves comprise statutory surplus reserve and discretionary surplus reserve of the group subsidiaries established in the People's Republic of China (the "PRC"), which are non-distributable and the transfer to these reserves is determined according to the relevant laws in the PRC and by the directors of the relevant subsidiaries in accordance with their Articles of Association. Statutory surplus reserve amounting to approximately RMB64,763,000 (unaudited) and RMB49,012,000 (unaudited) as at June 30, 2017 and 2016, respectively can be used to make up for previous year's losses or convert into additional capital of the relevant subsidiaries. Discretionary surplus reserve amounting to approximately RMB32,381,000 (unaudited) and RMB24,506,000 (unaudited) as at June 30, 2017 and 2016, respectively can be used to expand the existing operations of the relevant subsidiaries.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2017

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34") "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

The application of the amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosure set out in these condensed consolidated financial statements. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to IAS 7 will be provided in the consolidated financial statements for the year ending December 31, 2017.

Also, in the current interim period, the Group invested in two investment funds with portfolios of identified financial instruments that the Group manages together and principally for the purpose of selling in near term. The investment funds are classified as financial assets designated at fair value through profit or loss ("FVTPL"). Financial assets designated at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item.

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

3. REVENUE AND SEGMENT INFORMATION

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

Information reported to the management of the Group, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of products manufactured and sold. The management of the Group reviews operating results and financial information on a product by product basis. Each individual product constitutes an operating segment. For operating segments that exhibit similar long-term financial performance as they have similar economic characteristics, are produced by using similar production processes and are distributed and sold to similar classes of customers, their segment information is aggregated into biscuits operation, as a single reportable segment. The management of the Group assesses the performance of the operating segments based on a measure of segment profit or loss which represent the gross profit of the Group as presented in the condensed consolidated statement of profit or loss and other comprehensive income.

Segment assets and liabilities

The consolidated assets and consolidated liabilities of the Group are regularly reviewed by the management of the Group as a whole; therefore, the measure of total assets and total liabilities by reportable segment is not presented.

4. OTHER INCOME

	Six months ended June 30,	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Government grants	**8,068**	1,435
Interest income on:		
— Bank deposits	**1,383**	2,811
— Entrusted loan receivable	**77**	—
— Certificate of deposit	**14**	—
Sales of packaging materials	**503**	266
Rental income	**369**	381
Other non-operating income	**77**	566
	10,491	5,459

5. OTHER EXPENSES

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

6. OTHER GAINS AND LOSSES

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

7. INCOME TAX EXPENSE

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

No provision for Hong Kong Profits Tax has been made for the six months ended June 30, 2017 and 2016 as the Group has no assessable profits arising in Hong Kong.

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

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

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

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

In the opinion of the directors, Jiashili (Hong Kong) Limited ("Jiashili HK"), which was incorporated on December 24, 2013 in Hong Kong, was managed and controlled in Hong Kong and is qualified as a Hong Kong tax resident. The application of Hong Kong resident certificate was prepared and would be submitted in second half of 2017. On the basis that Jiashili HK also meets the requirement of enjoying 5% reduced tax rate under Guoshuifa 2009 No. 601 and Guoshuihan 2009 No. 81 (e.g. beneficial ownership, shareholding percentage and holding period), hence, it should be qualified to enjoy a reduced withholding tax rate of 5% on dividend income for the whole year 2016 and period 2017 pursuant to PRC-HK DTA.

8. PROFIT FOR THE PERIOD

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

9. DIVIDENDS

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

10. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended June 30, **2017** *RMB'000* (unaudited)	2016 *RMB'000* (unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	**42,089**	55,100

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

Notes:

(a) The computation of diluted earnings per share for the six months ended June 30, 2017 does not assume the exercise of the Company's outstanding share options because the exercise price of those share options was higher than the average market price for the period ended June 30, 2017.

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

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

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

Trade and bills receivables

The Group generally adopted a policy to require advance payment from majority of their customers before the delivery of goods. Advances received from customers amounted to approximately RMB18,298,000 and RMB112,640,000 as at June 30, 2017 and December 31, 2016, respectively.

Before accepting any new customers, the Group assesses the potential customers' credit quality and defines their credit limit based on the reputation of the customers in the industry. Limits attributed to customers are reviewed regularly.

The trade and bills receivables balances at the end of the period mainly represents credit sales to certain customers. The Group generally allows a credit period of 30 to 180 days from the invoice date for trade receivables and a further credit period ranging from 90 to 180 days for bills receivable of these external customers based on bills issue date.

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

	June 30, 2017	December 31, 2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 2 months	**13,494**	16,937
Over 2 months but within 3 months	**5,299**	3,715
Over 3 months but within 6 months	**4,026**	1,327
	22,819	21,979

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

	June 30, 2017	December 31, 2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 1 month	**19**	—
Over 1 month but within 3 months	**1,853**	688
Over 3 months but within 6 months	**1,620**	1,490
Over 6 months but within 1 year	**110**	—
	3,602	2,178

Other receivables and deposits

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

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

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

Amount due from a former associate and loan advanced to a potential investee are unsecured, non-interest bearing and repayable on demand of RMB12,250,000 (December 31, 2016: Nil) and RMB 25,000,000 (December 31, 2016: Nil), respectively, and therefore classified as current.

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

12. INVESTMENT IN CERTIFICATE OF DEPOSIT

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

13. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

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

14. TRADE, BILLS AND OTHER PAYABLES

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

Trade and bills payables

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

	June 30, 2017	December 31, 2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 3 months	**77,709**	63,167
Over 3 months but within 6 months	**—**	111
Over 6 months but within 1 year	**128**	205
	77,837	63,483

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

	June 30, 2017	December 31, 2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 3 months	**16,000**	22,000
Over 3 months but within 6 months	**4,000**	—
	20,000	22,000

15. SHARE CAPITAL

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

	Number of shares	**Share capital**
		HK$
Authorised:		
At January 1, 2016, June 30, 2016, January 1, 2017 and June 30, 2017		
— Ordinary shares of HK$0.01 each	8,000,000,000	80,000,000
Issued and fully paid:		
At January 1, 2016, June 30, 2016, January 1, 2017 and June 30, 2017		
— Ordinary shares of HK$0.01 each	415,000,000	4,150,000

	At June 30, 2017 and December 31, 2016
	RMB'000
Presented in the condensed consolidated financial statements	3,285

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the "Board") of directors (the "Directors") of Jiashili Group Limited (the "Company") is pleased to present this interim report, including the unaudited consolidated interim results of the Company and its subsidiaries (together, the "Group") for the six months ended June 30, 2017 (the "Review Period").

Business Review

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

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

Outlook

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

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

FINANCIAL REVIEW

Revenue

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

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

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

Breakfast biscuits series

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

Crisp biscuits series

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

Sandwich biscuits series

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

Wafers series

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

GROSS PROFIT AND GROSS PROFIT MARGIN

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

OTHER INCOME

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

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses represent mainly the advertising and promotion expenses, transportation expenses and salaries of the sales staffs. During the Review Period, such expenses decreased by approximately RMB0.4 million or 0.6%, to approximately RMB70.8 million. The decrease was primarily due to the saving in advertising and promotion expenses.

ADMINISTRATIVE EXPENSES

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

OTHER EXPENSES

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

OTHER GAIN AND LOSSES

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

INTEREST EXPENSES ON BANK BORROWINGS

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

INCOME TAX EXPENSE

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

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

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

FINANCIAL POSITION AND LIQUIDITY

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

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

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

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

CONTINGENT LIABILITIES AND GUARANTEES

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

MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

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

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

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

INTERIM DIVIDEND

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

CAPITAL STRUCTURE

During the Review Period, the Group's operation was mainly financed by funds generated from its operation and borrowings. As at 30 June 2017, the cash and cash equivalents held by the Group were mainly denominated in Hong Kong dollars and Renminbi. The Group's turnover is mainly denominated in Renminbi, while its costs and expenses are mainly denominated Hong Kong dollars and Renminbi. As majority portion of the Group's assets, liabilities, revenues and payments during the Review Period were denominated in either Hong Kong dollars or Renminbi, the Board considers that the risk exposure to foreign exchange rate fluctuations is not significant. The Group does not have a formal hedging policy and has not entered into any material foreign currency exchange contracts or derivative transactions to hedge against its currency risks.

USE OF PROCEED FROM GLOBAL OFFERING

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

	Net Proceeds from IPO		
	Unused balance as of 1 January 2017	**Used during the Review Period**	**Unused balance as of 30 June 2016**
	HKD million	*HKD million*	*HKD million*
Increasing the recognition and awareness of our brands and expansion of our distribution and sales network	65.3	22.8	42.5
Infrastructure investment in respect of the purchase and installation of more advanced and automated machineries and the upgrading of our existing production facilities in our production plants	—	—	—
Research and development activities in order to refine our existing product offerings and develop new products	—	—	—
Working capital and other general corporate purpose	38.0	—	38.0
	103.3	22.8	80.5

HUMAN RESOURCES

As at 30 June 2017, the Group had a total of 2,371 full-time staff based in Hong Kong and the PRC. The Group's remuneration packages are generally structured with reference to market terms and individual merits. The Group operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries. The Group also made contributions to provident funds, elderly insurance, medical insurance, unemployment insurance and work-related injury insurance in accordance with appropriate laws and regulations in the PRC. The Group has also adopted a share option scheme to provide incentive or reward to eligible high-calibre employees and attract human resources that are valuable to the Group.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices by emphasizing a quality board of directors, sound internal control, transparency and accountability to all the Shareholders of the Company. For the six months ended June 30, 2017, the Company has complied with all the code provisions set out in the corporate governance code (the "Code"), as set out in Appendix 14 of the Listing Rules, except for below:

Under the code provision A.2.1 of the Code, the role of chairman and chief executive should be separated and should not be performed by the same individual. As the duties of chairman and chief executive of the Company are performed by Mr. Huang Xianming, the Company has deviated from the Code. The Board believes that it is necessary to vest the roles of chairman and chief executive in the same person due to its unique role, Mr. Huang Xianming's experience and established market reputation in the industry, and the importance of Mr. Huang Xianming in the strategic development of the Company. The dual role arrangement provides strong and consistent market leadership and is critical for efficient business planning and decision making of the Company. As all major decisions are made in consultation with the members of the Board, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will also continue to review and monitor the practices of the Company for the purpose of complying with the Code and maintaining a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code during the six months ended June 30, 2017.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the Code. As at the date of this announcement, the Audit Committee consists of the three members who are all independent non-executive Directors. Mr. Kam Robert has been appointed as the chairman of Audit Committee.

The Audit Committee has reviewed and discussed the interim results of the Group for the six months ended June 30, 2017. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

PURCHASES, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Company (http://www.gdjsl.com). The interim report of the Company for the six months ended June 30 2017 will be dispatched to shareholders of the Company and published on the aforementioned websites in due course.

By order of the Board
Jiashili Group Limited
Huang Xianming
Chairman

Hong Kong, August 21, 2017

As at the date of this announcement, the Board comprises Mr. Huang Xianming, Mr. Tan Chaojun and Mr. Chen Minghui as executive Directors; Mr. Lin Xiao as a non-executive Director; Mr. Kam Robert, Ms. Ho Man Kay, and Mr. Ma Xiaoqiang as independent non-executive Directors.