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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 ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2018

FINANCIAL HIGHLIGHTS

- The unaudited consolidated revenue of the Group for the six months ended June 30, 2018 amounted to approximately RMB634.3 million, grew by 22.9% as compared with the same period last year.
- Unaudited consolidated profit and total comprehensive income for the six months ended June 30, 2018 amounted to approximately RMB43.4 million (six months ended June 30, 2017: approximately RMB42.1 million), representing an increase of 3.2% as compared with the same period last year.
- Profit after tax but before one-off reorganisation redundancy cost for the six months ended June 30, 2018 were increased by 15.9% to approximately RMB48.8 million over the corresponding period in 2017.
- For the six months ended June 30, 2018, both basic and diluted earnings per share was RMB10.47 cents (six months ended June 30, 2017: RMB10.14 cents).
- The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2018 (six months ended June 30, 2017: Nil).

The board (the "Board") of directors (the "Directors") of Jiashili Group Limited (the "Company") is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended June 30, 2018 (the"Reporting Period") together with the comparative figures for the corresponding period in 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended June 30, 2018

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2018

	NOTES	**June 30, 2018** *RMB'000* **(unaudited)**	December 31, 2017 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	**453,307**	364,980
Investment property	12	**9,600**	—
Goodwill	17	**27,449**	—
Prepaid lease payments		**73,024**	37,824
Intangible asset	12	**49,276**	—
Interests in associates		**—**	—
Interests in joint ventures		**35,130**	34,991
Other receivables and deposits	13	**2,288**	15,975
		650,074	453,770
CURRENT ASSETS			
Inventories		**66,727**	72,437
Loan receivables	14	**45,270**	35,000
Prepaid lease payments		**1,892**	1,140
Trade, bills and other receivables	13	**141,554**	90,581
Amount due from an associate		**21,279**	34,258
Amount due from a joint venture		**100**	100
Income tax recoverable		**—**	99
Financial assets designated as at fair value through profit or loss		**—**	185
Pledged bank deposits		**31,623**	19,523
Bank balances and cash		**412,986**	419,133
		721,431	672,456

	NOTES	**June 30, 2018** *RMB'000* **(unaudited)**	December 31, 2017 *RMB'000* (audited)
CURRENT LIABILITIES			
Trade, bills and other payables	16	**150,865**	179,541
Contract liabilities		**26,199**	—
Amount due to a non-controlling shareholder of subsidiaries		**44,301**	—
Advances from customers		**—**	75,745
Income tax payables		**6,405**	8,107
Borrowings		**376,900**	190,762
Dividends payable		**52,035**	—
		656,705	454,155
NET CURRENT ASSETS		**64,267**	218,301
TOTAL ASSETS LESS CURRENT LIABILITIES		**714,800**	672,071
NON-CURRENT LIABILITIES			
Deferred income		**41,094**	11,163
Deferred tax liabilities		**14,214**	2,143
		55,308	13,306
NET ASSETS		**659,492**	658,765
CAPITAL AND RESERVES			
Share capital		**3,285**	3,285
Reserves		**644,218**	655,480
Equity attributable to owners of the company		**647,503**	658,765
Non-controlling interests		**11,989**	—
TOTAL EQUITY		**659,492**	658,765

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

Application of new and amendments of IFRSs

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

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

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

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

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

The Group recognises revenue from sales of biscuits products.

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

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

Revenue from sales of biscuits products

Recognition

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

Contract liability

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

2.1.2 Summary of effects arising from initial application of IFRS 15

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

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

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

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

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

Impact on the condensed consolidated statement of financial position

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

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

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments

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

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

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

Classification and measurement of financial assets

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

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

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Impairment under ECL model

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

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

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

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

2.2.2 Summary of effects arising from initial application of IFRS 9

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

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

Notes:

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

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

(b) Impairment under ECL model

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

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

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

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

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

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

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

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

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

Business combinations

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

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

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

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

Intangible assets acquired in a business combination

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

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

Goodwill

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

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

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

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

Investment properties

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

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

Taxation

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

Estimated impairment of intangible assets

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

Estimated impairment of goodwill

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

4. REVENUE

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

Disaggregation of revenue

	Six months ended June 30, 2018 *RMB'000* **(unaudited)**
Sales of biscuits products	
Breakfast biscuits	**168,406**
Sandwich biscuits	**155,010**
Crisp biscuits	**135,120**
Wafers	**63,686**
Coarse grain biscuits	**32,062**
Others	**79,972**
Total	**634,256**
Geographical markets	
The PRC (Country of domicile)	**633,420**
Other *(Note)*	**836**
Total	**634,256**

Note:

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

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

5. SEGMENT INFORMATION

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

Segment assets and liabilities

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

6. OTHER INCOME

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

7. OTHER GAINS AND LOSSES

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

8. INCOME TAX EXPENSE

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

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

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

The Group's operating subsidiary, Guangdong Jiashili Food Group Company Limited ("Guangdong Jiashili"), was accredited as a "High and New Technology Enterprise" by the Science and Technology Bureau of Guangdong Province and relevant authorities in the PRC with effect from January 2015 for a term of three years, and was registered with the local tax authority to be eligible to the reduced 15% enterprise income tax rate for three years from 2015 to 2017, which will be expired in September 2018.

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

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

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

In the opinion of the directors, Jiashili (Hong Kong) Limited ("Jiashili HK"), which was incorporated on December 24, 2013 in Hong Kong, was managed and controlled in Hong Kong and is qualified as a Hong Kong tax resident. The application of Hong Kong resident certificate has been prepared and submitted in January 2018. On the basis that Jiashili HK also meets the requirement of enjoying 5% reduced tax rate under Bulletin [2015] No. 60 (國家稅務總局公告2015年第60號) (e.g. beneficial ownership, shareholding percentage and holding period), hence, it should be qualified to enjoy a reduced withholding tax rate of 5% on dividend income for the whole year 2017 and period 2018 pursuant to the PRC-HK DTA.

9. PROFIT FOR THE PERIOD

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

10. DIVIDENDS

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

11. EARNINGS PER SHARE

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

	Six months ended June 30,	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	**43,450**	42,089

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

Note: The computation of diluted earnings per share for the six months ended June 30, 2018 and 2017 does not assume the exercise of the Company's outstanding share options because the exercise price of those share options was higher than the average market price for the periods ended June 30, 2018 and 2017.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT/INTANGABLE ASSET/ INVESTMENT PROPERTY

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

During the six months ended June 30, 2018, the Group had addition of approximately RMB94,380,000, RMB50,558,000 and RMB9,600,000 (six months ended June 30, 2017: Nil, Nil and Nil) on property, plant and equipment, intangible asset and investment property respectively, which were arising from the business combination and set out in note 17.

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

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

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

Trade and bills receivables

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

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

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

As at June 30, 2018 the Group recognised an impairment allowance of RMB131,000 in the allowance for doubtful debts of trade receivables. During the current interim period, the amount of RMB97,000 was written off in the allowance for doubtful debts. Details of impairment assessment subject to ECL model are set out in the note 15.

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

	June 30, 2018	December 31, 2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 2 months	**27,491**	17,489
Over 2 months but within 3 months	**4,537**	5,979
Over 3 months but within 6 months	**5,444**	2,017
Over 6 months but within 12 months	**125**	—
	37,597	25,485

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

	June 30, 2018	December 31, 2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 1 month	**90**	—
Over 1 month but within 3 months	**1,370**	6,200
Over 3 months but within 6 months	**100**	6,192
	1,560	12,392

Other receivables and deposits

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

The fair value of advances to staff are determined based on the present value of the estimated future cash flows and discounted using the prevailing market rate on initial recognition. The imputed interest income on the advances to staff is RMB137,000 (six months ended June 30, 2017: RMB12,000) for the six months ended June 30, 2018. The effective interest rate is ranging from 4.75% to 4.9% (six months ended June 30, 2017: 4.75% to 4.9% per annum) per annum for the six months ended June 30, 2018.

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

14. LOAN RECEIVABLES

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

As at June 30, 2018, the Group recognised an impairment allowance of RMB4,730,000 on loan receivables. During the current interim period, the impairment allowance of RMB1,419,000 was recognised in the profit or loss. Details of impairment assessment subject to ECL model are set out in the note 15.

15. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO ECL MODEL

Impairment assessment on financial assets subject to ECL model

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

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

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

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

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

Allowance for impairment

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

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

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

16. TRADE, BILLS AND OTHER PAYABLES

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

Trade and bills payables

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

	June 30, 2018	December 31, 2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 3 months	**82,920**	79,527
Over 3 months but within 6 months	**15**	305
Over 6 months but within 1 year	**741**	159
Over 1 year but within 2 years	**126**	126
	83,802	80,117

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

	June 30, 2018	December 31, 2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 3 months	**—**	—
Over 3 months but within 6 months	**—**	15,000
	—	15,000

17. ACQUISTION OF SUBSIDIARIES

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

Consideration transferred

	RMB'000
Cash	68,000

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

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

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

Non-controlling interests

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

Goodwill arising on acquisition (determined on a provisional basis)

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

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

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

Net cash outflows arising on acquisition

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

Impact of acquisition on the results of the Group

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

Had the acquisition of Kamtai and Silang been effected at the beginning of the interim period, the total amount of revenue of the Group for the six months ended June 30, 2018 would have been RMB100,514,785, and the amount of the profit for the interim period would have been RMB966,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the interim period, nor is it intended to be a projection of future results.

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

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

Breakfast biscuits series

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

Crisp biscuits series

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

Sandwiches biscuits series

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

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

Wafer series

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

Others series

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

Revenue in terms of sale channels

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

Gross profit and Gross profit margin

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

Other income

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

Selling and distribution expenses

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

Administrative expenses

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

Other gains and losses

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

Total comprehensive income attributable to the owners of the Company

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

Inventories

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

Trade, bills and other receivables

The Group's trade, bills and other receivables refer to the Group's trade receivable balance from its customers, primarily including distributors and key accounts. The Group's trade, bills and other receivables as at June 30, 2018 was approximately RMB141.5 million, increased by 56.2% from approximately RMB90.6 million as at December 31, 2017 primarily due to a rapid growth of revenue and improved credit conditions offered to certain good performing distributors with good credit records.

The trade, bills and other receivables turnover days decreased from 42.0 days for the first half of 2017 to 33.5 days for the first half of 2018.

Liquidity and financial position

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

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

Contingent liabilities and guarantees

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

USE OF PROCEEDS FROM THE LISTING

The total net proceeds raised from the IPO of the Company were approximately HK$380 million after deduction of related listing expenses. The use of IPO proceeds has been consistent with the disclosure in the prospectus of the Company dated September 15, 2014. Up to the date of this announcement, the respective use of the net IPO proceeds is as follows:

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

HUMAN RESOURCES

As at June 30, 2018 the Group had a total of 2,342 employees. (June 30, 2017: 2,371) The Group's employees are remunerated with reference to their positions, performance, experience and prevailing salary trends in the market. In addition to basic salaries, the Company provides various staff benefits to its employees. For the six months ended June 30, 2018, the total employee benefits expenses (including Director's remuneration) were approximately RMB99.3 million (for the six months ended June 30, 2017: approximately RMB78.1 million)

PROSPECT

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

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

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

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

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

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

CORPORATE GOVERNANCE PRACTICES

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

Code Provision A.6.7

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

COMPLIANCE WITH MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code during the six months ended June 30, 2018.

AUDIT COMMITTEE

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

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

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

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

INTERIM DIVIDEND

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

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, 2018 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 29, 2018

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 non-executive Director; Mr. Kam Robert, Ms. Ho Man Kay and Mr. Ma Xiaoqiang as independent non-executive Directors.