



# 嘉士利集團有限公司 JIASHILI GROUP LIMITED

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

## INTERIM REPORT 2021



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# FINANCIAL HIGHLIGHTS

The board (the “Board”) of directors (the “Directors”) of Jiashili Group Limited (the “Company” or “Jiashili”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”, “we” or “our”) for the six months ended June 30, 2021 (the “Reporting Period”) together with the comparative figures for the corresponding period in 2020.

## SUMMARY OF FINANCIAL RESULTS

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

	For the six months ended June 30,		
	(Unaudited)		Change
	2021	2020	
Revenue	<b>707,796</b>	741,209	-4.5%
Gross profit	<b>219,497</b>	250,874	-12.5%
Earnings before interest, tax, depreciation and amortisation	<b>159,364</b>	122,076	+30.5%
Profit attributable to owners of the Company	<b>104,235</b>	66,108	+57.7%
Earnings per share			
— basic and diluted (RMB cents)	<b>25.12</b>	15.93	+57.7%

  

	As at		Change
	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)	
Total assets	<b>2,157,023</b>	1,773,218	+21.6%
Total liabilities	<b>1,145,736</b>	856,290	+33.8%
Total equity	<b>1,011,287</b>	916,928	+10.3%

# CHAIRMAN'S STATEMENT

Dear Shareholders,

## RESILIENCE AND DEDICATION

It is now more than one and a half year since the beginning of the global COVID-19 pandemic which has had such a profound impact on our personal and business lives. It has also been a period that has highlighted the quality of our leadership team and the dedication of our team members in Jiashili who have continued to provide an outstanding level of service to our customers and our wider stakeholder base. The resilience of our business model has been truly tested and we are proud that under these challenging circumstances we have been able to deliver such a set of positive financial results. We have also been operating in an environment where the safety and well-being of our colleagues has been paramount, and is consistent with our leading value that safety is at the forefront of what we do. The culture and dedication of our team members has been critical for our customers and the communities we serve. We have been able to support national and local government and the private sector in their response to the pandemic. Ensuring that non-interrupted supply of biscuits and other snack foods to support our communities.

## REVIEW OF OPERATIONS

From a business prospective, we're managing well through the COVID-19 during the Reporting Period. The Group's revenue has decreased by 4.5% to approximately RMB707.8 million as compared with the same period in 2020. Whereas profit attributable to owners of the Company increased by 57.7% year-on-year to approximately RMB104.2 million from approximately RMB66.1 million of the same period last year mainly due to the reversal of impairment provision on prepayments amounted to approximately RMB74.6 million in current Reporting Period. Our balance sheet and liquidity position continue to show strength as a result of cash flow generation and amounts of total assets. In respect to the acquisition of Guangdong Kailan Flour Co., Limited ("Kailan") in the first quarter of 2021 it will enable the Group to secure stable supply of quality flour from Kailan at reasonable price. We believes that the procurement and transportation cost of flour from Kailan will be lower than that from other suppliers, which will constitute a comparative advantage of the Group amid the intense competition for flour products with other participants in the food industry.

## DIVIDENDS

Our progressive dividend policy is designed to ensure sustainability through the economic cycle while always taking into account both underlying profit and cash generation in the period. I am pleased to report that having taken into account the Group's outlook and financial position and other stakeholders' interests, your Board is recommending an interim dividend of HK\$10.00 cents, The record date for entitlement to the 2021 interim dividend is October 22, 2021.

## OUTLOOK

As ever I am very grateful to my fellow Board colleagues for their wise counsel and support during this extraordinary time. I would also like to thank my colleagues around the Group for their incredible dedication during the Reporting Period. Despite the personal and work challenges many have faced, their spirit and determination to provide an outstanding service to our customers has been exemplary.



## Chairman's Statement

As we look beyond this year, we're prepared to navigate prolonged pandemic-related uncertainty. Looking ahead to second half of 2021, we're taking action to further improve our market share through exploring different distribution channel; leveraging our brand name through cooperation with other media and different promotion activities, and increasing advertising and marketing promotion expenses to increase publicity.

We can't say how long the impacts of COVID-19 will last, but we have demonstrated the ability to operate while facing the current challenges. We will continue to adapt our business to address market challenges. Finally, I would like to extend, on the Company behalf, my heartfelt gratitude to the shareholders, member of the Board, staffs, customers, suppliers and business partners and associates of the Group for their continuing support and confidence in the Company.

**Jiashili Group Limited**

**Huang Xianming**

*Chairman of the Board*

August 30, 2021

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### COVID-19 response

In March 2020, the World Health Organization categorized the novel coronavirus (COVID-19) as a pandemic, and it has spread across the world. The Company has taken proactive steps to protect our people and otherwise mitigate the impact to our business. The Company has taken numerous measures during the pandemic to fulfill our key objectives: 1) ensuring the health and safety of our employees, 2) safely producing and delivering our foods to customers and consumers, 3) supporting the communities in which we operate, and 4) maintaining financial flexibility. Our efforts have been led by our COVID-19 crisis management team consists of Board of Directors. The severity, magnitude and duration of the current COVID-19 pandemic is uncertain and rapidly changing. The Company is actively monitoring the pandemic and related governmental actions as they continue to develop and evolve. We will adjust our mitigation strategies as necessary to address any changing health, operational or financial risks that may arise. We continue to monitor the business for adverse impacts of the pandemic, including reduced retail demand for snack food, increased costs of production and lower revenues for certain product segments with a higher concentration of traditional trade outlets.

### Review of the first half

The effects of COVID-19 pandemic caused Group revenue in the first half of 2021 to decline by 4.5% year-on-year to approximately RMB707.8 million. As a consequence gross profit were decreased from approximately RMB250.9 million to approximately RMB219.5 million compared with the same period last year, a drop of 12.5% year-on-year. Overall gross profit margin of the Group has decreased to 31.0% in the first half of 2021, representing a drop of 2.8 percentage points from the same period last year. Profit after tax increased by 51.7% year-on-year to approximately RMB101.9 million from approximately RMB67.2 million of the same period last year. The increase was mainly attributable to the favorable impact from reversal of impairment provision on prepayments completely outweigh the unfavorable impacts on decrease in revenue and increase in provisions due to additional credit risks on loans and trade receivables under expected credit loss model.

During the long and successful history of Jiashili, we have mastered many crises and once again we have proven that our company is up to the local challenges. Our objectives are to produce quality, popular and preferred biscuits and leisure snack products where you can share anytime, anywhere. Over the year, we have been adhering to the business philosophy of “Jiashili, benefit the nation and benefit to all people 嘉士利、利國家、利大家” to provide delicious and high quality biscuits to the customers in China.

## FINANCIAL REVIEW

### Revenue

During the Reporting Period, Group's revenue recorded a drop by 4.5% year-on-year to RMB707.8 million. Breakdown of the revenue by product category for the Reporting Period and the comparative figures for the same period last year are as follows:

Revenue	For the six months ended June 30,		% of changes in revenue 2021 vs 2020
	2021 RMB (million)	2020 RMB (million)	
Breakfast biscuits	160.2	193.4	-17.2%
Crisp biscuits	128.2	114.8	11.7%
Sandwiches biscuits	204.8	202.6	1.1%
Wafers	76.6	82.6	-7.3%
Coarse grain biscuits	47.9	56.4	-15.1%
Other biscuits	78.7	88.7	-11.2%
Others	11.4	2.5	356.0%
Total	707.8	741.0	-4.5%

### Breakdown of revenue by products

#### Breakfast biscuits

During the Reporting Period, revenue from our traditional breakfast biscuits recorded a decline of 17.2% to approximately RMB160.2 million as compared with the same period last year. The decrease was mainly driven by people switching their breakfast consumption behavior under the COVID-19 pandemic. The decline was mainly in the southern region of Mainland China.

#### Crisp biscuits series

Under COVID-19 pandemic level, the revenue generated from crisp biscuits registered an increase by approximately RMB13.4 million representing an increase of 11.7% ahead of corresponding period last year to approximately RMB128.2 million. It was mainly driven by our Group strong brand name and effective pricing and promotion strategy.

**Sandwiches biscuits**

Turning to sandwiches biscuits, mainly fruit jam sandwiches biscuits (果樂果香) In the first half of 2021, revenue generated from sandwich biscuits was mildly increased by 1.1% year-on-year to approximately RMB204.8 million. The reason for the increase was mainly attributable as follows: (i) the relaxation of social distancing and shops closedowns rules in first half of 2021 has encouraged the consumption of sandwiches; and (ii) the online product promotion via Tik Tok (抖音) and Kuaishou (快手) was proved to be effective as most of our target consumers are mostly university students; youngsters and teenagers, their acknowledgment and acceptance on on-line social media was exceptionally high.

**Wafers**

During the Reporting Period, the revenue generated from wafer amounted to approximately RMB76.6 million, a decline of 7.3% as compared with the corresponding period of last year.

**Coarse grain biscuits**

During the Reporting Period, revenue of coarse grain biscuit amounted to approximately RMB47.9 million, representing a decline of 15.1% as compared with the same period last year. Market repositioning and marketing channel restructuring is underway for coarse grain biscuits.

**Other biscuits**

It is the Group's policy of actively seeking to expand different mix of products with different brands and flavors to meet customer's demands. Other biscuits series include mainly Jiuzhou cookie (九洲曲奇), cream crackers, Ruishiyue products series (瑞士樂系列) and others. During the Reporting Period, revenue from other biscuits was declined by 11.2% to approximately RMB78.7 million as compared with the same period last year.

**Others**

Others represents non-biscuits related miscellaneous products mainly consists of bread and moon cakes. During the Reporting Period, the revenue generated from other products amounted to approximately RMB11.4 million, representing an increase of 356.0% as compared with the same period last year. In which revenue from short shelf-life bread amounted to approximately RMB10.1 million for the six months ended June 30, 2021. Short-shelf life bread has received much market acceptance since its first launch in the second half of 2020. Revenue from moon cakes in the first half of 2021 amounted to approximately RMB0.2 million, The Group is expecting more revenue from moon cakes will be generated in the peak seasons in the second half of the year.

### **Gross profit and Gross profit margin**

In the first half of 2021, gross profit decreased from approximately RMB250.9 million to approximately RMB219.5 million compared with the same period last year. Gross profit margin dropped by 2.8 percentage points as compared with the same period in 2020. The input cost of our raw materials especially palm oil have increased in the first half of 2021 leading to increase in costs of production as compared with the same period last year.

### **Other income**

During the Reporting Period other income has increased by 0.6% to approximately RMB21.2 million from approximately RMB21.1 million as compared with the same period last year. The increase was primarily due to one-off lump sum consulting service income in the corresponding period last year no longer available in current Reporting Period. However, the reduction of consulting service income was offsetted by increase in interest income on loan receivables; loan interests to related parties and increase in income of government grants in current Reporting Period.

### **Selling and distribution expenses**

Selling and distribution expenses represent mainly the advertising and promotion expenses, delivery and transportation expenses and selling administration expenses. During the Reporting Period, such expense was dropped by approximately RMB5.6 million or 5.6% year-on-year, to approximately RMB94.6 million. It was primarily due to decrease in logistic and transportation expenses and advertising and promotions expenses aligned with business in first half of 2021.

### **Administrative expenses**

Administrative expenses in the Reporting Period was amounted to approximately RMB40.1 million, representing an increase of approximately RMB1.0 million or 2.6% over the same period of last year. Such increase was primarily attributable to the increase in compensations to office staffs during the COVID-19 pandemic in the first half of 2021.

### **Inventories**

Group's inventories consist mainly of raw materials, packaging materials and finished goods. The Group's inventories as at June 30, 2021 was approximately RMB75.1 million, decreased by 23.0% from approximately RMB97.5 million as at December 31, 2020. The inventory turnover days increased from 26.5 days for the first half of 2020 to 32.3 days for the first half of 2021. It was primarily due to the increase in production costs and declining revenue resulting more stock turnover days.

### **Trade, bills and other receivables**

The Group's trade, bills and other receivables refer to the Group's trade receivable balance from its customers, primarily including distributors and KA together with other deposits and prepayments. The Group's trade, bills and other receivables as at June 30, 2021 was approximately RMB206.6 million, increased by 14.1% from approximately RMB181.0 million as at December 31, 2020. Accordingly, the trade, bills and other receivables turnover days was increased from 45.3 days for the first half of 2020 to 50.1 days for the first half of 2021.

### Liquidity and financial position

The source to fund Group finance operations and capital expenditure was primarily by internally generated cash flows as well as banking facilities provided by principal bankers. As at June 30, 2021, the Group had pledged bank deposits, time deposits and cash and bank balances in the aggregate amount of approximately RMB486.9 million (as at December 31, 2020: approximately RMB490.5 million). We are from time to time adopt prudent financial management policy to maintain sufficient cash to meet our working capital and investment needs. As at June 30, 2021 the total interest-bearing bank borrowings increased by 85.4% from approximately RMB309.0 million as at December 31, 2020. During the Reporting Period, the Group was in a net borrowing position (time deposits and bank balances and cash less total bank borrowings and lease liabilities) of approximately RMB165.4 million (net cash position as at December 31, 2020: approximately RMB174.8 million). As at June 30, 2021 the gross gearing ratio (defined as total liabilities over total assets) was 53.1% (as at December 31, 2020: 48.3%).

### OUTLOOK

China's economy along with other economics globally are expected to return to positive growth in year 2021, on sustained progress in vaccine rollouts and high vaccination rate that will boost local consumption. However, uncertainties arising from the COVID-19 pandemic could give rise to downside risks to growth after continuous imported virus cases registered every month, forcing renewed curbs on social distancing and quarantine measures that weighed on the recovery. The Group believes that the second half of 2021 will be full of challenges and uncertainties. Nevertheless, the Group remains optimistic and cautious about the prospects of the biscuits industry and will enhance the competitiveness of the products, increase market share, enhance the strategic position of the industry, and increase the popularity of Jiashili biscuits in the industry.

# OTHER INFORMATION

## HUMAN RESOURCES AND REMUNERATION OF EMPLOYEES

As at June 30, 2021 the Group had a total of 2,622 employees. (June 30, 2020: 2,738) The Group's employees are remunerated with reference to their positions, performance, experience and prevailing salary trends in the market. The remuneration package of our employees includes fixed salary, commissions and allowances (where applicable), and performance based year-end bonuses having regard to the performance of the Group and individual. For the six months ended June 30, 2021, the total employee benefits expenses (including Directors' and chief executive's remuneration) were approximately RMB106.3 million (for the six months ended June 30, 2020: approximately RMB106.8 million).

## CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining and ensuring high standards of corporate governance practices. In the opinion of the Directors, the Company has adopted the principles and applicable code provisions of Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong (the "Listing Rules") as its own code of corporate governance. Since the date of its listing and up to the date of this announcement, the Company has complied with the code provisions under the CG Code except for deviation during the Reporting Period which is summarised as below.

### Code Provision A.2.1

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

## COMPLIANCE WITH MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

## AUDIT COMMITTEE

The audit committee comprises three independent non-executive Directors, namely Mr. Kam Robert, Ms. Ho Man Kay and Mr. Ma Xiaoqiang. The audit committee together with the management, has reviewed constantly the accounting principles and practices adopted by the Group, discussed auditing, internal control and financial reporting matters and reviewed the financial results of the Group. The audit committee has reviewed and discussed the interim results of the Group for the six months ended June 30, 2021. 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 2021.

## INTERIM DIVIDEND

The Board has resolved to declare payment of an interim dividend of HK\$10.00 cents per ordinary share for the Reporting Period to shareholders whose names appear on the register of members of the Company on October 22, 2021 (six months ended June 30, 2020: Nil).

## CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement of the shareholders of the Company to receive the interim dividend for the six months ended June 30, 2021 (the "2021 Interim Dividend"), the register of members of the Company will be closed from Wednesday, October 20, 2021 to Friday, October 22, 2021, both dates inclusive, during which period no transfer of shares of the Company will be registered. The record date for entitlement to the 2021 Interim Dividend is Friday, October 22, 2021. In order to qualify for the entitlement to receive the 2021 Interim Dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, October 19, 2021. The payment date of the 2021 Interim Dividend is expected to be on Friday, November 26, 2021.

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

As at June 30, 2021, the interests and short positions of our Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of Securities and Futures Ordinance (the "SFO")) which have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), or required, pursuant to section 352 of the SFO, to be entered in the register referred to therein are as follows:

<b>Name of Directors</b>	<b>Company/name of associated corporation</b>	<b>Capacity</b>	<b>Number and class of securities</b>	<b>Approximate percentage of Issued share capital</b>
Mr. Huang Xianming ("Mr. Huang")	The Company	Interests of controlled corporation <sup>(2)</sup>	310,472,000 (L) <sup>(1)</sup>	74.81%
Mr. Huang	Kaiyuan Investments Limited ("Kaiyuan")	Interests of controlled corporation <sup>(3)</sup>	100 (L) <sup>(1)</sup>	100%
Mr. Huang	Great Logistics Global Limited ("Great Logistics")	Beneficial owner	1 (L) <sup>(1)</sup>	100%

## Other Information

### Notes:

- (1) The Letter "L" denotes our Directors' long position in the shares or the relevant associated corporation.
- (2) The relevant shares are held by Kaiyuan, which is in turn held as to 80% by Great Logistics, a company wholly-owned by Mr. Huang, and the remaining 20% of Kaiyuan are held by four entities wholly-owned by Mr. Huang's family comprising, Ms. Huang Cuihong, Ms. Huang Rujun, Ms. Huang Rujiao and Ms. Huang Xianxian.
- (3) Kaiyuan is held as to 80% by Great Logistics and 20% by four entities, which are all wholly-owned by Mr. Huang's family comprising, Ms. Huang Cuihong, Ms. Huang Rujun, Ms. Huang Rujiao and Ms. Huang Xianxian.

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

As at June 30, 2021, the following persons have an interest or a short position in the shares required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholders	Capacity/Nature of interest	Number of shares held	Approximate percentage of issued share capital
Mr. Huang	Interest in controlled corporation <sup>(1)</sup> ; interest in family member <sup>(2)</sup> /Long position	310,472,000 <sup>(3)</sup>	74.81%
Ms. Huang Cuihong	Interest in controlled corporation <sup>(1)</sup> ; interest in family member <sup>(2)</sup> /Long position	310,472,000 <sup>(3)</sup>	74.81%
Ms. Huang Xianxian	Interest in controlled corporation <sup>(1)</sup> ; interest in family member <sup>(2)</sup> /Long position	310,472,000 <sup>(3)</sup>	74.81%
Ms. Huang Rujiao	Interest in controlled corporation <sup>(1)</sup> ; interest in family member <sup>(2)</sup> /Long position	310,472,000 <sup>(3)</sup>	74.81%
Ms. Huang Rujun	Interest in controlled corporation <sup>(1)</sup> ; interest in family member <sup>(2)</sup> /Long position	310,472,000 <sup>(3)</sup>	74.81%
Great Logistics	Interest in controlled corporation <sup>(1)</sup> ; interest in family member <sup>(2)</sup> /Long position	310,472,000 <sup>(3)</sup>	74.81%
Grand Wing Investments Limited ("Grand Wing")	Interest in controlled corporation <sup>(1)</sup> ; interest in family member <sup>(2)</sup> /Long position	276,168,000 <sup>(3)</sup>	66.55%

Name of shareholders	Capacity/Nature of interest	Number of shares held	Approximate percentage of issued share capital
Intelligent Pro Investments Limited ("Intelligent Pro")	Interest in controlled corporation <sup>(1)</sup> ; interest in family member <sup>(2)</sup> /Long position	276,168,000 <sup>(3)</sup>	66.55%
Jade Isle Global Limited ("Jade Isle")	Interest in controlled corporation <sup>(1)</sup> ; interest in family member <sup>(2)</sup> /Long position	276,168,000 <sup>(3)</sup>	66.55%
Kaiyuan	Beneficial interest/Long position	276,168,000 <sup>(3)</sup>	66.55%
Prestige Choice Investments (Overseas) Limited ("Prestige Choice Overseas")	Interest in controlled corporation <sup>(1)</sup> ; interest in family member <sup>(2)</sup> /Long position	276,168,000 <sup>(3)</sup>	66.55%
Tai Fung Bank Limited ("Tai Fung")	Held a security interest over the shares <sup>(4)</sup> /Long position	250,472,000 <sup>(3)</sup>	60.35%
Bank of China Limited* (中國銀行股份有限公司)	Interest in controlled corporation <sup>(5)</sup> /Long position	250,472,000 <sup>(3)</sup>	60.35%
Central Huijin Investment Limited ("Central Huijin")	Interest in controlled corporation <sup>(6)</sup> /Long position	250,472,000 <sup>(3)</sup>	60.35%

\* English translation of names in Chinese which is marked with "\*" in this report is for identification purpose only.

Notes:

- (1) Kaiyuan was held as to 80% by Mr. Huang (through his investment holding company Great Logistics) and as to 5% by each of Ms. Huang Cuihong, Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun, through their investment holding companies, namely Jade Isle, Prestige Choice Overseas, Grand Wing and Intelligent Pro respectively.
- (2) In addition to Mr. Huang, Huang's Family consist of Ms. Huang Cuihong, Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun. Ms. Huang Cuihong is the spouse of Mr. Huang, while Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun are the sisters of Mr. Huang, and therefore they are deemed to be parties acting in concert with Mr. Huang and are deemed to be interested in the shares in our Company in which Mr. Huang is interested, and Mr. Huang is deemed to be interested in the shares in which Huang's Family is interested, and vice versa.
- (3) On June 10, 2021 Kaiyuan and Great Logistics together signed an agreement to pledge a total of 310,472,000 shares of the Company (approximately 74.81% of the issued share capital of the Company) to Tai Fung Bank Limited as security for certain loan facilities provided by Tai Fung Bank Limited to Kaiyuan. As at June 30, 2021, based on the disclosure of interest forms filed by Central Huijin Investments Limited; Tai Fung Bank Limited and Bank of China Limited\* (中國銀行股份有限公司) on June 10, 2021, they are indirectly interested in 250,472,000 shares of the Company.
- (4) On June 10, 2021 Kaiyuan and Great Logistics together signed an agreement to pledge a total of 310,472,000 shares of the Company (approximately 74.81% of the issued share capital of the Company) to Tai Fung Bank Limited. Based on the notice of disclosure of interest filed on June 10, 2021, Tai Fung is a non wholly-owned subsidiary of Bank of China Limited\* (中國銀行股份有限公司) is owned as to 50.31% by Bank of China Limited\* (中國銀行股份有限公司). Tai Fung held a security interest over 250,472,000 shares of the Company.
- (5) Tai Fung is a non wholly-owned subsidiary of Bank of China Limited\* (中國銀行股份有限公司), as a result Bank of China Limited\* (中國銀行股份有限公司) is deemed to be interested in the 250,472,000 shares of the Company under Part XV of the SFO.
- (6) Based on the notice of disclosure of interest filed on June 10, 2021, Bank of China Limited\* (中國銀行股份有限公司) is a non wholly-owned subsidiary of Central Huijin, is owned as to 64.02% by Central Huijin. As a result Central Huijin is deemed to be interested in the 250,472,000 shares of the Company under Part XV of the SFO.

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2021

# Deloitte.

# 德勤

**TO THE BOARD OF DIRECTORS OF JIASHILI GROUP LIMITED**

**嘉士利集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of Jiashili Group Limited (the “Company”) and its subsidiaries (collectively referred to as “the Group”) set out on pages 15 to 48, which comprise the condensed consolidated statement of financial position as of June 30, 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

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

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

August 30, 2021

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2021

	NOTES	Six months ended June 30,	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Revenue	3	<b>707,796</b>	741,029
Cost of sales		<b>(488,299)</b>	(490,155)
Gross profit		<b>219,497</b>	250,874
Other income	5	<b>21,210</b>	21,086
Selling and distribution expenses		<b>(94,610)</b>	(100,206)
Administrative expenses		<b>(40,145)</b>	(39,146)
Other expenses	6	<b>(29,945)</b>	(28,730)
Impairment losses recognised under expected credit loss model ("ECL"), net	22	<b>(15,152)</b>	(10,376)
Other gains and losses	7	<b>71,956</b>	576
Share of results of associates		<b>(1,221)</b>	(469)
Share of results of a joint venture		<b>(6,866)</b>	(9)
Finance costs	8	<b>(11,997)</b>	(13,133)
Profit before tax		<b>112,727</b>	80,467
Income tax expense	9	<b>(10,871)</b>	(13,313)
Profit and total comprehensive income for the period	10	<b>101,856</b>	67,154
Profit (loss) and total comprehensive income (expense) for the period attributable to:			
Owners of the Company		<b>104,235</b>	66,108
Non-controlling interests		<b>(2,379)</b>	1,046
		<b>101,856</b>	67,154
Earnings per share	12		
— Basic and diluted (RMB cents)		<b>25.12</b>	15.93

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2021

	NOTES	June 30, 2021 RMB'000 (unaudited)	December 31, 2020 RMB'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	566,672	495,244
Right-of-use assets	13	147,756	98,034
Intangible assets	13	40,415	43,259
Goodwill	14	27,449	27,449
Interests in associates	15	24,389	25,624
Interest in a joint venture	16	2,855	9,721
Loan to a non-controlling shareholder of a subsidiary	18b	17,216	18,000
Loans to an associate	18c	12,869	—
Financial assets at fair value through profit or loss ("FVTPL")	17	97,981	100,691
Loan receivables	20	10,109	—
Other receivables and deposits	19	2,082	1,587
Amount due from a joint venture	21	19,521	—
Deposits paid for acquisition of right-of-use assets and property, plant and equipment		12,520	60,520
		<b>981,834</b>	880,129
<b>CURRENT ASSETS</b>			
Inventories		75,065	97,481
Trade, bills and other receivables	19	206,558	181,011
Loan receivables	20	69,635	47,575
Amounts due from associates	21	24,882	46,954
Amounts due from non-controlling shareholders of subsidiaries	21	8,565	11,197
Amount due from a joint venture	21	123,981	—
Amount due from a related party	21	6	6
Loans to a joint venture	18a	179,254	18,000
Income tax recoverable		290	401
Pledged bank deposits	30	21,144	239
Time deposits		35,000	—
Bank balances and cash		430,809	490,225
		<b>1,175,189</b>	893,089

Condensed Consolidated Statement of Financial Position

At June 30, 2021

	NOTES	June 30, 2021 RMB'000 (unaudited)	December 31, 2020 RMB'000 (audited)
<b>CURRENT LIABILITIES</b>			
Trade, bills and other payables	23	371,884	310,592
Contract liabilities		34,269	131,101
Income tax payables		6,132	4,119
Bank borrowings	26	470,000	309,000
Amount due to a non-controlling shareholder of subsidiaries	24	—	4,567
Amount due to a joint venture	25	38,738	23,660
Amount due to related parties	24	170	46
Deferred income	27	1,804	1,804
Lease liabilities		2,622	3,410
		<b>925,619</b>	788,299
<b>NET CURRENT ASSETS</b>			
		<b>249,570</b>	104,790
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>1,231,404</b>	984,919
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		8,874	11,062
Deferred income	27	52,673	53,886
Bank borrowings	26	103,000	—
Lease liabilities		55,570	3,043
		<b>220,117</b>	67,991
<b>NET ASSETS</b>			
		<b>1,011,287</b>	916,928
<b>CAPITAL AND RESERVES</b>			
Share capital	28	3,285	3,285
Reserves		971,136	884,167
Equity attributable to owners of the Company		<b>974,421</b>	887,452
Non-controlling interests		<b>36,866</b>	29,476
<b>TOTAL EQUITY</b>			
		<b>1,011,287</b>	916,928

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2021

Attributable to owners of the Company

	Share capital	Share premium	Share options reserve	Special reserve	Contribution reserve	Statutory reserves	Accumulated profits	Sub-Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note a)	(Note b)	(Note c)		(Note d)				
At January 1, 2020	3,285	267,734	2,408	(107,000)	18,333	150,402	429,010	764,172	10,652	774,824
Profit and total comprehensive income for the period	—	—	—	—	—	—	66,108	66,108	1,046	67,154
Appropriations	—	—	—	—	—	10,505	(10,505)	—	—	—
Capital contribution from non-controlling shareholders of subsidiaries (note e)	—	—	—	—	—	—	—	—	8,475	8,475
Dividends recognised as distribution (note 11)	—	(18,953)	—	—	—	—	—	(18,953)	—	(18,953)
Lapse of share options (note 32)	—	—	(2,408)	—	—	—	2,408	—	—	—
At June 30, 2020 (unaudited)	3,285	248,781	—	(107,000)	18,333	160,907	487,021	811,327	20,173	831,500
At January 1, 2021	3,285	249,147	—	(107,000)	18,333	174,711	548,976	887,452	29,476	916,928
Profit and total comprehensive income for the period	—	—	—	—	—	—	104,235	104,235	(2,379)	101,856
Appropriations	—	—	—	—	—	28,875	(28,875)	—	—	—
Capital contribution from non-controlling shareholders of subsidiaries (note e)	—	—	—	—	—	—	—	—	9,769	9,769
Dividends recognised as distribution (note 11)	—	(17,266)	—	—	—	—	—	(17,266)	—	(17,266)
At June 30, 2021 (unaudited)	3,285	231,881	—	(107,000)	18,333	203,586	624,336	974,421	36,866	1,011,287

## Notes:

- The application of share premium account is governed by the Company's Articles of Association and the Cayman Islands Companies Law, which provides that the share premium account may be applied in paying distributions or dividends to members, provided immediately following the date on which distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.
- Amounts represent equity reserve arising from share-based compensations under the pre-IPO share option scheme and share option scheme of the Group provided to directors, employees and certain consultants in investor relation professional, details are set out in note 32.
- Amount represents the paid-in capital of the subsidiaries acquired of RMB120 million less the payment of cash to the ultimate controlling shareholder of RMB227 million in May 2014 pursuant to a group reorganisation resulting in a reduction of net assets of the Group, which accounted for as a deemed distribution recognised in equity directly.
- Statutory reserves comprise statutory surplus reserve and discretionary surplus reserve of the group subsidiaries established in the People's Republic of China (the "PRC"), which are non-distributable and the transfer to these reserves is determined according to the relevant laws in the PRC and by the directors of the relevant subsidiaries in accordance with their articles of association. Statutory surplus reserve amounting to RMB135,726,000(unaudited) and RMB107,272,000 (unaudited) as at June 30, 2021 and 2020, 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 RMB67,860,000(unaudited) and RMB53,635,000 (unaudited) as at June 30, 2021 and 2020, respectively, can be used to expand the existing operations of the relevant subsidiaries.
- During the period ended June 30, 2021, amount represents the capital contribution from non-controlling shareholders of subsidiaries in form of cash consideration of RMB9,769,000.

During the period ended June 30, 2020, amount represents the capital contribution from non-controlling shareholders of subsidiaries in form of equipment of RMB2,475,000 and cash consideration of RMB6,000,000.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2021

	<b>Six months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
NET CASH FROM OPERATING ACTIVITIES	<b>21,882</b>	52,231
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	<b>(17,407)</b>	(23,557)
Payment for right-of-use assets	—	(5,976)
Deposit paid for acquisition of right-of-use assets and property, plant and equipment	—	(53,717)
Loan receivables advanced	<b>(40,000)</b>	(22,500)
Loan advance to a non-controlling shareholder of a subsidiary	—	(18,000)
Loan advance to a joint venture	<b>(162,600)</b>	—
Advance to a joint venture	<b>(60,000)</b>	—
Loan advance to an associate	<b>(16,000)</b>	—
Investment in a joint venture	—	(10,200)
Remittance of asset-related government grants	—	(30,935)
Placement of time deposits	<b>(35,000)</b>	—
Placement of pledged bank deposits	<b>(20,905)</b>	—
Release of pledged bank deposits	—	51,805
Repayment of loan receivables	<b>2,000</b>	38,728
Interest received	<b>6,579</b>	12,180
Proceed from disposal of right of use assets	—	4,380
Net cash outflow on acquisition of subsidiaries	—	(6,800)
Others	<b>1,515</b>	339
NET CASH USED IN INVESTING ACTIVITIES	<b>(341,818)</b>	(64,253)

## Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2021

	<b>Six months ended June 30,</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>FINANCING ACTIVITIES</b>		
New bank loans raised	<b>509,000</b>	435,000
Repayments of bank loans	<b>(245,000)</b>	(303,159)
Capital contribution from non-controlling shareholders of subsidiaries	<b>9,769</b>	6,000
Interest paid on bank borrowings	<b>(10,645)</b>	(12,976)
Others	<b>(2,618)</b>	(2,210)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>260,506</b>	122,655
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(59,430)</b>	110,633
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>490,225</b>	432,113
Effect of foreign exchange rate changes	<b>14</b>	(566)
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD,</b> comprising bank balances and cash	<b>430,809</b>	542,180

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2021

## 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 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 values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2021 are the same as those presented in the Group’s annual financial statements for the year ended December 31, 2020.

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

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatory effective for the annual period beginning on or after January 1, 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of the Amendments to References to the Conceptual Framework in IFRSs and the amendments to IFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

### 3. REVENUE

All of the Group's revenue is recognised at a point of time.

	Six months ended June 30,	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
<b>Sales channels</b>		
Distributors	705,650	740,472
Supermarkets	2,146	557
Total	707,796	741,029

	Six months ended June 30,	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
<b>Geographical markets</b>		
The PRC (Country of domicile)	706,801	739,257
Other (note)	995	1,772
Total	707,796	741,029

Note: Others represent export sales to locations other than the PRC.

### 4. SEGMENT INFORMATION

Information reported to the executive directors of the Group, being the chief operating decision maker ("CODM"), for the purpose of resource allocation and assessment of segment performance focuses on types of products manufactured and sold. The CODM reviews operating results and financial information on a product by product basis. Each individual type of product constitutes an operating segment. For operating segments that exhibit similar long-term financial performance as they have similar economic characteristics, are produced by using similar production processes and are distributed and sold to similar classes of customers, their segment results are aggregated into one reportable segment. The CODM assesses the performance of the operating segments based on a measure of segment profit or loss which represents the gross profit of each operation segment.

The Group has one reportable segments under IFRS 8 as sales of biscuit products.

In addition to the above reportable segment, none of the other operating segments met the quantitative thresholds for the reportable segments in both current and prior periods. Accordingly, they were grouped in "Others".

**4. SEGMENT INFORMATION** (Continued)**Segment revenue and results**

The following is an analysis of the Group's revenue and results by reportable and operating segments.

**Six months ended June 30, 2021 (unaudited)**

	<b>Biscuit products RMB'000</b>	<b>Others RMB'000</b>	<b>Total RMB'000</b>
Revenue	696,429	11,367	707,796
Segment profit	218,255	1,242	219,497
Other income			21,210
Selling and distribution expenses			(94,610)
Administrative expenses			(40,145)
Other expenses			(29,945)
Impairment losses recognised under ECL model, net			(15,152)
Other gains and losses			71,956
Share of results of associates			(1,221)
Share of results of a joint venture			(6,866)
Finance costs			(11,997)
Profit before tax			112,727

**Six months ended June 30, 2020 (unaudited)**

	<b>Biscuit products RMB'000</b>	<b>Others RMB'000</b>	<b>Total RMB'000</b>
Revenue	738,466	2,563	741,029
Segment profit	250,775	99	250,874
Other income			21,086
Selling and distribution expenses			(100,206)
Administrative expenses			(39,146)
Other expenses			(28,730)
Impairment losses recognised under ECL model, net			(10,376)
Other gains and losses			576
Share of results of associates			(469)
Share of results of a joint venture			(9)
Finance costs			(13,133)
Profit before tax			80,467

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

### 4. SEGMENT INFORMATION *(Continued)*

#### Segment assets and liabilities

The consolidated assets and consolidated liabilities of the Group are regularly reviewed by CODM as a whole. Therefore, the measure of total segment assets and total segment liabilities by operating and reportable segments is not presented.

#### Revenue from major products

##### Disaggregation of revenue

The following is an analysis of the Group's revenue from its major products.

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<b>Revenue by products</b>		
Breakfast biscuits	<b>160,201</b>	193,446
Crisp biscuits	<b>128,227</b>	114,812
Sandwich biscuits	<b>204,818</b>	202,603
Wafers	<b>76,559</b>	82,556
Coarse grain biscuits	<b>47,926</b>	56,366
Other biscuits products	<b>78,698</b>	88,683
Others (note)	<b>11,367</b>	2,563
Total	<b>707,796</b>	741,029

**4. SEGMENT INFORMATION** *(Continued)***Revenue from major products** *(Continued)***Gross profit from major products**

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

	<b>Six months ended June 30,</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Gross profit by products		
Breakfast biscuits	<b>43,219</b>	57,305
Crisp biscuits	<b>34,539</b>	32,426
Sandwich biscuits	<b>74,169</b>	78,786
Wafers	<b>24,928</b>	28,788
Coarse grain biscuits	<b>15,365</b>	18,874
Other biscuits	<b>26,035</b>	34,596
Others (note)	<b>1,242</b>	99
	<b>219,497</b>	250,874

Note: Others represent miscellaneous products other than biscuits, such as bread, mooncakes, candies and pastas.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

### 5. OTHER INCOME

	<b>Six months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Government grants (note a)	<b>2,935</b>	2,678
Interest income on:		
— bank deposits	<b>4,200</b>	4,777
— loan receivables	<b>6,027</b>	7,403
— loan to a joint venture	<b>4,149</b>	—
— loan to a non-controlling shareholder of a subsidiary	<b>720</b>	—
Sales of packaging materials	<b>1,441</b>	311
Rental income	<b>468</b>	503
Imputed interest income	<b>988</b>	82
Other income related to early termination of property development cooperative project (note b)	<b>—</b>	5,283
Other non-operating income	<b>282</b>	49
	<b>21,210</b>	21,086

Notes:

- (a) Government grants represents incentive subsidies received from a local government for improvement of working capital and compensation of research and development expenses incurred as well as government subsidies for the compensation of capital expenditures on plant and machinery and right-of-use assets which are deferred and amortised to profit or loss over the estimated useful lives of the respective assets when they are ready to use.
- (b) On August 2, 2019, the Group entered into a memorandum of understanding with Guangdong Huasheng Yanshi Group Co., Ltd.\* 廣東華盛禰氏集團有限公司 ("Guangdong Huasheng"), an independent third party, and received an advance payment of RMB5,283,000 for a property development cooperative project. The advance payment is unsecured, non-interest bearing and has no fixed repayment terms. Pursuant to the memorandum of understanding, the Group agreed to contribute a piece of land located in Yunan, Guangdong province, the PRC and Guangdong Huasheng agreed to contribute cash to set a newly cooperative project company. The percentage of the equity interest in the cooperative project company was agreed to be based on the value of the land contributed by the Group and the cash consideration injected by Guangdong Huasheng. During the six months ended June 30, 2020, the property development cooperative project was terminated by mutual agreement and the Group is not required to refund the receipt in advance to Guangdong Huasheng. The advance payment received was recognised as other income.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

**6. OTHER EXPENSES**

	<b>Six months ended June 30,</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Research and development expenses	<b>29,835</b>	25,814
Donation expenses	<b>100</b>	2,564
Other non-operating expenses	<b>10</b>	352
	<b>29,945</b>	28,730

**7. OTHER GAINS AND LOSSES**

	<b>Six months ended June 30,</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Reversal of impairment loss on prepayments (note)	<b>74,641</b>	—
Net foreign exchange gains	<b>29</b>	217
(Loss) gain on disposal of property, plant and equipment	<b>(4)</b>	12
Fair value loss on FVTPL	<b>(2,710)</b>	347
	<b>71,956</b>	576

Note:

In 2019, an impairment loss of RMB74,641,000 has been provided in respect of a prepayment for purchase flour from Guangdong Kailan Flour Co. Limited (廣東開蘭麵粉有限公司) ("Kailan") in view of its solvency. On January 4, 2021, pursuant to the restructuring of Kailan as approved by the creditors and the Jiangmen People's Court, the insolvency administrators arranged the judicial auction for the sale of 100% interest in Kailan. The Group's joint venture, Guangdong Fengjia Food Co. Limited\* 廣東豐嘉食品有限公司 ("Fengjia") succeeded in the bidding for the sale of 100% interest in Kailan in the judicial auction with a bidding cost of RMB210,000,000.

The acquisition of Kailan by Fengjia was completed on January 20, 2021. The Group shall be entitled to recover approximately RMB80,474,000, including the unutilised prepayment balance, compensation and interest, from Kailan as stipulated under the restructuring of Kailan. During the period ended June 30, 2021, the Group has recovered approximately RMB50,474,000 from Kailan. In the opinion of the directors of the Company and in accordance with the restructuring of Kailan, the remaining outstanding balance from Kailan shall be fully recovered by end of 2025. Therefore, the Group reversed the impairment loss of RMB74,641,000 during the six months ended June 30, 2021.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

### 8. FINANCE COSTS

	<b>Six months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Interest expenses on:		
Bank borrowings	<b>10,645</b>	12,976
Lease liabilities	<b>1,352</b>	157
	<b>11,997</b>	13,133

### 9. INCOME TAX EXPENSE

	<b>Six months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
PRC Enterprise Income Tax ("EIT") – Current tax	<b>10,748</b>	13,169
Deferred tax charges	<b>123</b>	144
	<b>10,871</b>	13,313

No provision for Hong Kong Profits Tax has been made for the six months ended June 30, 2021 and 2020 as the Group has no assessable profits arising in Hong Kong.

## 9. INCOME TAX EXPENSE *(Continued)*

Guangdong Jiashili Food Group Company Limited (廣東嘉士利食品集團有限公司) (“Guangdong Jiashili”) was accredited as a High-New Technology Enterprise by the Science and Technology Bureau of Guangdong Province (廣東省科學技術廳) and relevant authorities in the PRC with effect from January 2018 for a term of three years. Guangdong Jiashili was registered with the local tax authority to be eligible to the reduced 15% EIT rate for three years from 2018 to 2020. As of June 30, 2021, Guangdong Jiashili is in the process of applying for a new High-New Technology Enterprise Certificate. The directors of the Company consider that the application would be approved before the end of 2021.

For other group entities in the PRC, under the Law of the PRC on EIT (the “EIT Law”) and Implementation Regulations of the EIT Law, the EIT rate is 25% for both periods.

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 a PRC entity to a non-PRC tax resident shall be subject to withholding EIT pursuant to Articles 3 and 19 of the EIT Law.

The Company’s subsidiaries that are PRC tax resident are required to withhold the PRC withholding EIT of 10% on dividend payment to their non-PRC resident immediate holding company, unless such dividend payment is qualified for the 5% reduced tax rate under the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the “PRC-HK DTA”).

Jiashili (Hong Kong) Limited (“Jiashili HK”) is qualified as a Hong Kong tax resident. Jiashili HK is in the process of applying for the renewal of Hong Kong resident certificate. The directors of the Company consider that the application would be approved before the end of 2021. Jiashili HK enjoys a reduced tax rate under Bulletin [2018] No. 9 (國家稅務總局公告2018年第9號) (e.g. beneficial ownership, shareholding percentage and holding period) of withholding EIT rate of 5% on dividend income for the six months ended June 30, 2021 and 2020, pursuant to the PRC-HK DTA.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

### 10. PROFIT FOR THE PERIOD

	<b>Six months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Profit for the period has been arrived at after charging:		
Directors' and chief executive's remuneration	<b>1,751</b>	1,563
Other employee benefits expenses:		
— Salaries and allowances	<b>93,756</b>	99,828
— Contributions to retirement benefits scheme (note)	<b>10,807</b>	5,450
<b>Total employee benefits expenses</b>	<b>106,314</b>	106,841
Depreciation of property, plant and equipment	<b>27,987</b>	22,613
Amortisation of intangible assets (included in cost of sales)	<b>2,844</b>	2,533
Depreciation of right-of-use assets	<b>3,809</b>	3,330
<b>Total depreciation and amortisation</b>	<b>34,640</b>	28,476
Expenses relating to short-term leases	<b>477</b>	98
Cost of inventories recognised as expenses with no impairment of inventories recognised	<b>488,299</b>	490,155

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

### 11. DIVIDENDS

During the six months ended June 30, 2021, a final dividend of HK5 cents per share in respect of the year ended December 31, 2020, amounting to HK\$20,750,000 (equivalent to RMB17,266,000) (six months ended June 30, 2020: HK5 cents per share in respect of the year ended December 31, 2019, amounting to HK\$20,750,000 (equivalent to RMB18,953,000)) was recognised as distribution to the owners of the Company.

**11. DIVIDENDS** *(Continued)*

Subsequent to the end of the current interim period, the directors of the Company has resolved to declare payment of an interim dividend of HK10 cents per ordinary share for the six months ended June 30, 2021 (six months ended June 30, 2020: nil).

**12. EARNINGS PER SHARE**

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

	<b>Six months ended June 30,</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>Earnings</b>		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	<b>104,235</b>	66,108
	<b>Six months ended June 30,</b>	
	<b>2021</b>	2020
	<b>'000</b>	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share (Note)	<b>415,000</b>	415,000

Note: The computation of diluted earnings per share for the years ended June 30, 2020 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 2020. All the share options were lapsed during the period ended June 30, 2020.

**13. PROPERTY, PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS/INTANGIBLE ASSETS**

During the six months ended June 30, 2021, the Group had addition of approximately RMB99,827,000 (six months ended June 30, 2020: RMB27,589,000) on property, plant and equipment in order to upgrade its operating capacities.

### 13. PROPERTY, PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS/INTANGIBLE ASSETS *(Continued)*

During the six months ended June 30, 2021, the Group disposed of certain plant and equipment with an aggregate carrying amount of RMB414,000 (six months ended June 30, 2020: RMB49,000) for cash proceeds of RMB410,000 (six months ended June 30, 2020: RMB61,000), resulting in a loss on disposal of RMB4,000 (six months ended June 30, 2020: a gain in disposal of RMB12,000).

During the six months ended June 30, 2021, the Group entered into several new lease agreements with lease terms ranged from 1 to 20 years. The Group is required to make fixed monthly payments. On lease commencement, the Group recognised right-of-use assets of RMB53,532,000 (six months ended June 30, 2020: RMB10,223,000) and lease liabilities of RMB53,005,000 (six months ended June 30, 2020: RMB4,040,000).

During the six months ended June 30, 2021, and 2020, the Group had no addition on intangible assets.

### 14. GOODWILL

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

During the six months ended June 30, 2021, the directors of the Company determine that there is no impairment of the Group's various biscuit cash-generating units is identified.

### 15. INTERESTS IN ASSOCIATES

	<b>June 30, 2021</b>	December 31, 2020
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
Cost of investments in associates — unlisted	<b>30,282</b>	30,282
Share of post-acquisition results of associates	<b>(5,828)</b>	(4,607)
Exchange adjustments	<b>(65)</b>	(51)
	<b>24,389</b>	25,624

**15. INTERESTS IN ASSOCIATES** (Continued)

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

Name of associates	Place of incorporation/ establishment/principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
		June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020	
Hong Kong Ruishiyue (International) Food Co., Limited ("Hong Kong Ruishiyue") 香港瑞士樂(國際)食品有限公司 (Note a)	Hong Kong	5%	5%	50%	50%	Investment holding and manufacture and sale of candies and biscuits
Kaiping Jiarun Investment Co., Limited* ("Kaiping Jiarun") 開平市嘉潤投資有限公司 (Note b)	The PRC	45%	45%	45%	45%	Investment holding and selling healthy drinks and trading

Notes:

- (a) The board composition of Hong Kong Ruishiyue comprised of four directors, in which two of the directors are appointed by the Group and the remaining two directors are appointed by each of the other two independent third parties shareholders. The resolution of the board of directors of Hong Kong Ruishiyue requires approval by simple majority. As such, the Group can exercise significant influence in deciding Hong Kong Ruishiyue's financial or operating policies and accordingly the Group accounts for its interest in Hong Kong Ruishiyue as an associate. Hong Kong Ruishiyue has a wholly foreign-owned subsidiary, namely 廣東瑞士樂食品有限公司 Guangdong Ruishiyue Food Co., Limited\* ("Guangdong Ruishiyue"), in the PRC, which is principally engaged in manufacturing and selling of candies and biscuits.
- (b) Pursuant to the Articles of Association of Kaiping Jiarun, Kaiping Jiarun has a total registered capital of RMB68 million, of which RMB30.6 million shall be contributed by the Group and the remaining RMB37.4 million shall be contributed by the other shareholder. As at June 30, 2021, the paid-in capital of Kaiping Jiarun is RMB50 million (December 31, 2020: RMB50 million), of which RMB29 million (December 31, 2020: RMB29 million) has been contributed by the Group, with the remaining RMB21 million (December 31, 2020: RMB21 million) has been contributed by the other shareholder.

The board composition of Kaiping Jiarun consists of three directors, in which one of the directors are being appointed by the Group and the remaining two directors are being appointed by the other shareholder of Kaiping Jiarun. The resolution of the board of directors of Kaiping Jiarun requires approval by simple majority. As such, the Group can exercise significant influence in deciding Kaiping Jiarun's financial or operating policies and accordingly, the Group accounts for its interest in Kaiping Jiarun as an associate.

\* English name for identification purpose only.

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### 16. INTEREST IN A JOINT VENTURE

	<b>June 30, 2021</b>	December 31, 2020
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
Cost of investments in a joint venture	<b>10,200</b>	10,200
Share of post-acquisition results of a joint venture	<b>(7,345)</b>	(479)
	<b>2,855</b>	9,721

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

Name of joint venture	Place of establishment/ principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
		June 30,	December 31,	June 30,	December 31,	
		2021	2020	2021	2020	
Fengjia (Note a)	PRC	51%	51%	Note a	Note a	Investment holding and manufacture and sale of flour

Note:

- (a) In May 2020, the Group established Fengjia jointly with an independent third party, Beidahuang Fengyuan Group Co., Limited\* 北大荒豐緣集團有限公司 ("Beidahuang"). Pursuant to the joint venture agreement of Fengjia, the total registered capital of Fengjia is RMB20 million, among which, RMB9.8 million is to be contributed by Beidahuang and the remaining RMB10.2 million is to be contributed by the Group. The board of Fengjia comprised of five directors, in which three of the directors were appointed by the Group and the remaining two directors were appointed by Beidahuang. The board resolution of Fengjia requires approval by directors representing both the Group and Beidahuang in the board of directors meeting. Accordingly, the Group concluded that the Group has joint control over Fengjia and accounted for its interest in Fengjia as a joint venture.

Pursuant to the completion of the restructuring of Kailan set out in note 7, Fengjia obtained 100% interest in Kailan in the judicial auction with a bidding cost of RMB210,000,000 and Kailan becomes the wholly-owned subsidiary of Fengjia.

\* English name for identification purpose only.

## 17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

On June 26, 2019, the Group entered into a limited partnership agreement for setting up an unlisted equity investment fund, 青島嘉匯股權投資基金合夥企業(有限合夥) Tsingtao Jia Hui Equity Investment Fund (Limited Partnership) (“Jia Hui LLP”), with three independent third parties. Pursuant to the limited partnership agreement, RMB103.5 million is to be contributed by the Group as a limited partner. As at June 30, 2021 and December 31, 2020, the unlisted equity investment fund is classified as a non-current asset, of which Jia Hui LLP consists of three years term to maturity with two extension options for additional one year term each. Management of the Jia Hui LLP shall vest exclusively to the general partner of Jia Hui LLP (“GP”). Limited partners of Jia Hui LLP (“LPs”) shall have the exclusive authority to monitor and oversight the behavior of the GP and they shall not involve in the daily operation and are not allowed to act on behalf of the Jia Hui LLP externally. Jia Hui LLP is accounted for as a financial asset at FVTPL.

As at June 30, 2021, the fair value of the unlisted equity investment fund is amounting to RMB97,981,000 (December 31, 2020: RMB100,691,000) with fair value loss recognised in profit or loss of RMB2,710,000 for the current period (for the six months ended June 30, 2020: a fair value gain of RMB347,000). Details of the establishment of an unlisted equity investment fund are set out in the Company’s announcement dated June 26, 2019.

The fair value of the Group’s unlisted equity investment fund at June 30, 2021 and December 31, 2020 has been arrived at on the basis of valuation carried out by Asset Appraisal Limited (“Asset Appraisal”), an independent qualified professional valuer not connected with the Group. Asset Appraisal is a registered firm of the Hong Kong Institute of Surveyors, and has appropriate qualifications and experience.

## **18. LOANS TO A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY/A JOINT VENTURE/AN ASSOCIATE**

### **a) Loans to a joint venture**

The amounts represent loans advanced to Fengjia, a joint venture, with an aggregated principal value of RMB180,600,000 (at December 31, 2020: RMB18,000,000). During the period ended June 30, 2021, an impairment loss under ECL model of RMB1,346,000 (for the six months ended June 30, 2020: nil) was recognised in the profit or loss for the loan to a joint venture. The loan amount of RMB150,000,000 is non-trade in nature, secured by 100% interest of Kailan, the wholly-owned subsidiary of Fengjia, and interest bearing at 5% (at December 31, 2020: nil) per annum. The amount is repayable 12 months from the drawdown date of the loan with early repayment option by Fengjia. Therefore, the amount is classified as current. The remaining amount of RMB30,600,000 is non-trade in nature, unsecured and interest bearing at 5% per annum. The amount is repayable within a year and therefore classified as current.

### **b) Loan to a non-controlling shareholder of a subsidiary**

The amount represents loans advanced to a non-controlling shareholder of a subsidiary, with aggregated principal value of RMB18,000,000 (at December 31, 2020: RMB18,000,000). During the period ended June 30, 2021, an impairment loss under ECL model of RMB784,000 (for the six months ended June 30, 2020: nil) was recognised in the profit or loss for the loan to a non-controlling shareholder of a subsidiary. The amount is non-trade in nature, secured with the non-controlling shareholder's equity interests in the subsidiary and interest bearing at 8% per annum. The amount is repayable in 2023 and therefore classified as non-current.

### **c) Loans to an associate**

The amount represents a loan advanced to an associate, with aggregated principal value of RMB16,000,000 (at December 31 2020: nil). During the period ended June 30, 2021, an impairment loss under ECL model of RMB3,131,000 (for the six months ended June 30, 2020: nil) was recognised in the profit or loss for the loan to an associate. The amount is non-trade in nature, non-interest bearing and guaranteed by the directors of the associate. The amount is repayable in 2023 and therefore classified as non-current.

Details of impairment assessment subject to ECL model are set out in the note 22.

## Notes to the Condensed Consolidated Financial Statements

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

	<b>June 30, 2021 RMB'000 (unaudited)</b>	December 31, 2020 RMB'000 (audited)
Trade receivables and bills receivables	<b>19,392</b>	28,267
Less: Allowance for expected credit losses	<b>(4,809)</b>	(7,272)
Total trade and bills receivables, net	<b>14,583</b>	20,995
Prepayments for purchase of raw materials (note a)	<b>114,227</b>	89,125
Other receivables (note b)	<b>22,785</b>	15,307
Other prepayments (note c)	<b>55,289</b>	56,035
Rental and utility deposits	<b>1,756</b>	1,136
	<b>208,640</b>	182,598
Less: Amount shown under current assets	<b>(206,558)</b>	(181,011)
Amount shown under non-current assets as other receivables and deposits (note d)	<b>2,082</b>	1,587

**Trade and bills receivables**

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

	<b>June 30, 2021 RMB'000 (unaudited)</b>	December 31, 2020 RMB'000 (audited)
Within 2 months	<b>10,742</b>	13,161
Over 2 months but within 3 months	<b>779</b>	3,294
Over 3 months but within 6 months	<b>2,397</b>	4,540
Over 6 months but within one year	<b>665</b>	—
	<b>14,583</b>	20,995

As at June 30, 2021, the Group's trade receivables consist of bills receivables amounting to RMB3,325,000 (December 31, 2020:RMB5,533,000) with a maturity period of less than one year.

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

*(Continued)*

### Prepayment, other receivables and deposits

Notes:

- (a) Prepayments for purchase of raw materials mainly comprised prepayments for sugar, flour and oil.
- (b) Other receivables represent advances to staff, and other miscellaneous deposits, which are unsecured, non-interest bearing and an amount of RMB327,000 (December 31, 2020: RMB451,000) in respect of advances to staff are repayable after one year and therefore classified as non-current.
- (c) Other prepayments represent prepaid logistic fee to logistics companies to maintain a long term cooperation relationship and enjoy preferential price offered by the suppliers.
- (d) The amount represents a) rental and utility deposits due after one year; and b) advances to staff due after one year.

## 20. LOAN RECEIVABLES

As at June 30, 2021, the amounts represent loans advanced to independent third parties with aggregated principal value of RMB88,324,000 (December 31, 2020: RMB50,324,000). The amounts are secured by properties or guarantees from independent third parties, interest bearing from 6% to 24% (December 31, 2020: from 6.5% to 24%) per annum. Based on the loans agreements, loan amount of RMB11,000,000 is repayable in two years and the remaining loan receivables are repayable within one year.

As at June 30, 2021, the Group recognised an impairment loss under ECL model of RMB8,580,000 (December 31, 2020: RMB2,749,000) on loan receivables. During the current interim period, impairment losses under ECL model of RMB5,831,000 (six months ended June 30, 2020: RMB5,741,000) was recognised in the profit or loss. Details of impairment assessment subject to ECL model are set out in the note 22.

## 21. AMOUNTS DUE FROM ASSOCIATES/NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES/A JOINT VENTURE/A RELATED PARTY

The Group had prepayments to associates, non-controlling shareholders of subsidiaries and a joint venture for approximately RMB17,720,000, RMB6,718,000 and RMB21,765,000, respectively. The amounts are trade in nature, unsecured, non-interest bearing and in the opinion of the Directors, such amounts will be utilised to set off the Group's future purchases from the associates, non-controlling shareholders of subsidiaries and a joint venture within one year.

The remaining amounts due from associates, non-controlling shareholders of subsidiaries and a related party are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

## 21. AMOUNTS DUE FROM ASSOCIATES/NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES/A JOINT VENTURE/A RELATED PARTY *(Continued)*

The amount due from a joint venture with carrying amount of RMB121,737,000 at June 30, 2021 is non-trade in nature, unsecured and non-interest bearing, in which RMB19,521,000 is repayable more than one year and classified as non-current assets and the remaining RMB102,216,000 is repayable on demand and classified as current assets during the period ended June 30, 2021.

During the current interim period, impairment losses under ECL model of RMB2,640,000 (six months ended June 30, 2020: nil) was recognised for the amount due from a joint venture in the profit or loss. Details of impairment assessment subject to ECL model are set out in the note 22.

## 22. IMPAIRMENT LOSSES RECOGNISED UNDER ECL MODEL

	<b>Six months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Impairment losses (recognised) reversed in respect of		
– loan to a joint venture	<b>(1,346)</b>	–
– amount due from a joint venture	<b>(2,640)</b>	–
– loan receivables	<b>(5,831)</b>	(5,741)
– loan to a non-controlling shareholder of subsidiaries	<b>(784)</b>	–
– loan to an associate	<b>(3,131)</b>	–
– trade receivables	<b>1,230</b>	(4,635)
– other receivables	<b>(2,650)</b>	–
	<b>(15,152)</b>	(10,376)

As at June 30, 2021, the Group has written off RMB1,233,000 impairment loss on trade receivables and RMB2,650,000 impairment loss on other receivables.

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended June 30, 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2020.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

### 23. TRADE, BILLS AND OTHER PAYABLES

	<b>June 30, 2021 RMB'000 (unaudited)</b>	December 31, 2020 RMB'000 (audited)
Trade payables	<b>85,621</b>	124,432
Bills payables	<b>129,540</b>	62,327
Total trade and bills payables	<b>215,161</b>	186,759
Accrued expense	<b>52,818</b>	49,595
Logistic fee payables	<b>17,375</b>	20,164
Payroll and welfare payables	<b>25,746</b>	32,736
Other payables (note)	<b>35,178</b>	6,539
Other tax payables	<b>8,340</b>	14,799
Dividend payables (note 11)	<b>17,266</b>	—
	<b>371,884</b>	310,592

Note: As at June 30, 2021, amount of RMB34,420,000 represents the other payable to acquire the manufacturing plant and machinery for Hunan Jiashili Food Co. Limited, the wholly owned subsidiary of the Group.

#### 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:

	<b>June 30, 2021 RMB'000 (unaudited)</b>	December 31, 2020 RMB'000 (audited)
Within 3 months	<b>85,305</b>	124,104
Over 3 months but within 6 months	<b>46</b>	31
Over 6 months but within 1 year	<b>81</b>	221
Over 1 year	<b>189</b>	76
	<b>85,621</b>	124,432

**23. TRADE, BILLS AND OTHER PAYABLES** (Continued)**Trade and bills payables** (Continued)

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

	<b>June 30, 2021 RMB'000 (unaudited)</b>	December 31, 2020 RMB'000 (audited)
Within 3 months	<b>2,000</b>	33,677
Over 3 months but within 6 months	<b>117,140</b>	18,250
Over 6 months but within 1 year	<b>10,400</b>	10,400
	<b>129,540</b>	62,327

**24. AMOUNTS DUE TO A NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES/ RELATED PARTIES**

The amounts are unsecured, non-interest bearing and repayable on demand.

**25. AMOUNT DUE TO A JOINT VENTURE**

The amount represents receipt on behalf of Fengjia for selling flour to their customers and such amount will be payable to Fengjia on demand.

**26. BANK BORROWINGS**

During the six months ended June 30, 2021, the Group obtained new bank loans amounting to RMB509,000,000 (six months ended June 30, 2020: RMB435,000,000) and repaid bank loans amounted to RMB245,000,000 (six months ended June 30, 2020: RMB303,159,000). At June 30, 2021, the loans carry interest at fixed rates ranging from 3.33% to 3.85% (December 31, 2020: 3.33% to 3.92%) per annum or variable rates ranging from PRC Loan Prime Rate ("LPR") minus 0.5% to LPR minus 0.15% (December 31, 2020: LPR minus 0.5% to LPR plus 0.07%) per annum. Loan amount of RMB470,000,000 (December 31, 2020: RMB309,000,000) is repayable within one year and the remaining loans amount of RMB103,000,000 (December 31, 2020: nil) are repayable more than one year.

**27. DEFERRED INCOME**

During the six months ended June 30, 2021, the Group received government subsidies amounting approximately to RMB1,105,000 (six months ended June 30, 2020: RMB278,000) as capital expenditures for properties, plants and machineries which are deferred and amortised to profit or loss over the estimated useful lives of the respective assets when they are ready to use.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

## 28. SHARE CAPITAL

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

	Number of shares	Share capital HK\$
<b>Authorised:</b>		
At January 1, 2020 (audited), June 30, 2020 (unaudited), January 1, 2021 (audited) and June 30, 2021 (unaudited)		
— Ordinary shares of HK\$0.01 each	8,000,000,000	80,000,000
<b>Issued and fully paid:</b>		
At January 1, 2020 (audited), June 30, 2020 (unaudited), January 1, 2021 (audited) and June 30, 2021 (unaudited)		
— Ordinary shares of HK\$0.01 each	415,000,000	4,150,000
		<b>At June 30, 2021 (unaudited) and December 31, 2020 (audited)</b>
		RMB'000
Presented in the condensed consolidated financial statements		3,285

**29. CAPITAL COMMITMENTS**

	<b>June 30, 2021 RMB'000 (unaudited)</b>	December 31, 2020 RMB'000 (audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<b>77,540</b>	73,171
Capital expenditure in respect of the establishment of an associate contracted for but not provided in the condensed consolidated financial statements (Note a)	<b>1,600</b>	1,600
Capital expenditure in respect of the capital injections to an unlisted equity investment fund but not provided in the condensed consolidated financial statements (Note b)	<b>34,500</b>	34,500

Notes:

- (a) Pursuant to the Articles of Association of Kaiping Jiarun, Kaiping Jiarun has a total registered capital of RMB68 million, of which RMB30.6 million shall be contributed by the Group and the remaining RMB37.4 million shall be contributed by the other shareholder. As at June 30, 2021, the paid-in capital of Kaiping Jiarun is RMB50 million (December 31, 2020: RMB50 million), of which RMB29 million (December 31, 2020: RMB29 million) has been contributed by the Group, with the remaining RMB21 million (December 31, 2020: RMB21 million) has been contributed by the other shareholder. Details of the investment in this associate are set out in note 15(b).
- (b) On December 20, 2019, the Group entered into a capital increase agreement on Jia Hui LLP with three independent third parties. Pursuant to the capital increase agreement, the registered capital of the Jia Hui LLP, shall further increase by RMB50 million to RMB200 million (the "Capital Increase"). Pursuant to the Capital Increase agreement, the Group shall make further capital contribution of RMB34.5 million. Upon the completion of the Capital Increase, the total capital contribution to the unlisted equity invest fund by the Group would be RMB138 million, representing 69% of the enlarged registered capital Jia Hui LLP, which remains unchanged from that prior to the Capital Increase. As at June 30, 2021, the Group has yet to pay the further capital contribution to the Jia Hui LLP.

Details of the investment in the unlisted equity investment fund are set out in note 17.

**30. PLEDGE OF ASSETS**

As at June 30, 2021 and December 31, 2020, the following asset was pledged to secure banking facilities granted to the Group:

	<b>June 30, 2021 RMB'000 (unaudited)</b>	December 31, 2020 RMB'000 (audited)
Pledged bank deposits	<b>21,144</b>	239

## Notes to the Condensed Consolidated Financial Statements

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### 31. RELATED PARTY DISCLOSURES

#### Related Party Transactions

	Relationship	Six months ended June 30,	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
<b>Sale of goods</b>			
Guangdong Ruishiyue (Note a)	Associate	869	953
Guangdong Jinpingguo Co. Limited ("Jinpingguo") (Note a)	Non-controlling shareholders of a subsidiary	201	—
Guangdong Kangli Food Company Limited ("Kangli") (Note a and b)	Related party	10	—
Guangdong Zhongchen Industrial Group Company Limited ("Zhongchen") (Notes a and b)	Related party	5	5
Fengjia (Note a)	Joint venture	5	—
		<b>1,090</b>	958
<b>Purchase of goods</b>			
Guangdong Ruishiyue (Note a)	Associate	15,126	9,519
Fengjia (Note a)	Joint venture	12,429	—
Jinpingguo (Note a)	Non-controlling shareholders of a subsidiary	780	—
Kangli (Note a)	Related party	—	3,272
		<b>28,335</b>	12,791
<b>Lease contract on motor vehicle</b>			
Zhongchen (Note c)			
— Payment of lease liabilities	Related party	149	38

Notes:

- The amount represents the sales and purchases of biscuits, mooncakes, flour, pasta and confectioneries. The transactions were entered into in the normal course of business of the Group at terms mutually agreed between the parties.
- Zhongchen was a former immediate holding company of Guangdong Jiashili prior to Group Reorganisation. It is currently owned by Mr. Huang Xianming, the ultimate controlling shareholder of the Group. Kangli is a wholly-owned subsidiary of Zhongchen.
- The amount represents the lease payment for a motor vehicle with a lease term of 14 months starting from March 2020.

**31. RELATED PARTY DISCLOSURES** *(Continued)***Related party balances**

Details of balances with the Group's related parties are set out in notes 18, 21, 24 and 25.

**Key management personnel**

The remuneration of key management personnel including the directors' remuneration during the six months ended June 30, 2021 and 2020 were as follows:

	<b>Six months ended June 30,</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Short-term benefits	<b>2,717</b>	2,657
Post-employment benefits	<b>25</b>	18
	<b>2,742</b>	2,675

**32. SHARE OPTION SCHEME**

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

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

## Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

### 32. SHARE OPTION SCHEME (Continued)

The following table discloses the details of the share options and movement in the share options under the Share Option Scheme for the six months ended June 30, 2020:

#### For the six months ended June 30, 2020

Category of grantees	Date of grant	Exercise period	Exercise price per share	Number of share options				
				At 1.1.2020	Granted during the period	Exercised during the period	Lapsed during the period	At 6.30.2020
Mr. Wu Meng-cher (Note)	6.12.2015	6.12.2016–6.12.2020	HK\$4.58	500,000	–	–	(500,000)	–
	6.12.2015	6.12.2017–6.12.2020	HK\$4.58	500,000	–	–	(500,000)	–
	6.12.2015	6.12.2018–6.12.2020	HK\$4.58	500,000	–	–	(500,000)	–
	6.12.2015	6.12.2019–6.12.2020	HK\$4.58	500,000	–	–	(500,000)	–
Total				2,000,000	–	–	(2,000,000)	–
Exercisable at period ended								–

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

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

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

### 33. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT

#### (i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that included inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Relationship of unobservable inputs to fair value
	June 30, 2021 (unaudited)	December 31, 2020 (audited)			
Financial assets at FVTPL – unlisted equity investment fund in the PRC	<b>RMB97,981,000</b>	RMB100,691,000	Level 3	Asset based approach.  The net asset value is identified by subtracting the total liabilities of these investments from total assets.	The higher the net asset value, the higher the fair value. (note a)

Note (a): A slight increase in the net assets of the unlisted equity investment fund would result in an increase in the fair value measurement of the unlisted equity investment fund, and vice versa. As a result of the volatility financial market in 2021, the management adjusted the sensitivity rate to 3% of the underlying assets value for the purpose of performing the sensitivity analysis. A 3% (2020: 3%) increase in the underlying assets value, holding all other variables constant, would increase the fair value of the unlisted equity investment fund by approximately RMB2,939,000 (2020: RMB3,021,000).

There were no transfer between Level 1, 2 and 3 in the both periods.

**33. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT** *(Continued)***(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis** *(Continued)***Reconciliation of Level 3 fair value measurements**

	Financial assets At FVTPL unlisted equity investment fund RMB'000
<b>As at January 1, 2020</b> (audited)	101,037
Fair value gain recognised in profit or loss	347
<b>As at June 30, 2020</b> (unaudited)	101,384
<b>As at January 1, 2021</b> (audited)	100,691
Fair value loss recognised in profit or loss	(2,710)
<b>As at June 30, 2021</b> (unaudited)	97,981

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

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

**34. SUBSEQUENT EVENT**

On May 10, 2021, the Group entered into an equity transfer agreement to conditionally acquire the entire equity interest in Kangli from Koni (Hong Kong) Food Investment Limited, a subsidiary which is wholly-owned by Mr. Huang, an executive Director and a controlling shareholder of the Group, and his family, with the consideration of RMB135,000,000 in cash. Upon completion of the transaction, Kangli will become an indirectly wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group's consolidated financial statements. On June 29, 2021, the transaction has been approved by the shareholders in the extraordinary general meeting (the "EGM"). As at the report date of this interim report, the transaction is yet to be completed.

Details of the transaction is set out in the Company's announcement, circular and poll results of the EGM dated on May 10, 2021, June 11, 2021 and June 29, 2021, respectively.