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嘉士利集團有限公司
Jiashili Group Limited



(incorporated in the Cayman Islands with limited liability)

(Stock code: 1285)

**ANNOUNCEMENT OF ANNUAL RESULTS FOR
THE YEAR ENDED DECEMBER 31, 2020**

The board (the “**Board**”) of directors (the “**Directors**”) of Jiashili Group Limited (the “**Company**” or “**Jiashili**”) is hereby to announce the consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”, “**we**” or “**our**”) for the year ended December 31, 2020, together with the comparative figures for the year 2019 as agreed with Messrs. Deloitte Touche Tohmatsu as follows:

FINANCIAL HIGHLIGHTS

	Year ended December 31,		
	2020 (RMB'000)	2019 (RMB'000)	Increase/Decrease
Revenue	1,518,545	1,593,067	↓4.7%
Gross profit	510,988	538,865	↓5.2%
Gross profit margin	33.6%	33.8%	↓0.2 percentage point
Profit for the year	145,265	108,539	↑33.8%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	250,296	223,001	↑12.2%
Operating profit (EBIT)	191,385	167,441	↑14.3%
Earnings per share	34.38	26.41	↑30.2%
— Basic and diluted (RMB cents)			
Net profit margin	9.6%	6.8%	↑2.8 percentage point
Proposed final dividend per share (HKD)	0.05	0.05	—

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2020

		2020	2019
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	1,518,545	1,593,067
Cost of sales		(1,007,557)	(1,054,202)
Gross profit		510,988	538,865
Other income	4	47,535	48,322
Other gains and losses	5	(409)	(69,738)
Selling and distribution expenses		(223,045)	(219,046)
Administrative expenses		(76,396)	(75,844)
Other expenses	6	(64,079)	(56,193)
Impairment losses (recognised) reversed under expected credit loss model, net	7	(820)	5,030
Share of results of associates		(1,910)	(2,535)
Share of results of a joint venture		(479)	(1,420)
Finance costs		(22,232)	(20,046)
Profit before tax		169,153	147,395
Income tax expense	8	(23,888)	(38,856)
Profit and total comprehensive income for the year	9	145,265	108,539
Profit (loss) and total comprehensive income (expense) for the year attributable to:			
Owners of the Company		142,669	109,584
Non-controlling interests		2,596	(1,045)
		145,265	108,539
Earnings per share	11		
— Basic and diluted (<i>RMB cents</i>)		34.38	26.41

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2020

	<i>NOTES</i>	2020 RMB'000	2019 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		495,244	459,361
Right-of-use assets		98,034	98,440
Intangible assets		43,259	41,650
Goodwill		27,449	27,449
Interests in associates		25,624	3,613
Interest in a joint venture		9,721	—
Loan to a non-controlling shareholder of a subsidiary	12(a)	18,000	—
Financial asset at fair value through profit or loss (“FVTPL”)	13	100,691	101,037
Other receivables and deposits	14	1,587	1,992
Deposits paid for acquisition of right-of-use assets and property, plant and equipment		60,520	—
		880,129	733,542
CURRENT ASSETS			
Inventories		97,481	72,715
Trade, bills and other receivables	14	181,011	193,741
Loan receivables	15	47,575	97,281
Amounts due from associates		46,954	47,459
Amount due from non-controlling shareholders of a subsidiary		11,197	—
Amount due from a related party		6	9
Loan to a joint venture	12(b)	18,000	—
Income tax recoverable		401	4,889
Pledged bank deposits		239	52,005
Bank balances and cash		490,225	432,113
		893,089	900,212

	<i>NOTES</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
CURRENT LIABILITIES			
Trade, bills and other payables	16	310,592	260,252
Contract liabilities		131,101	82,733
Income tax payables		4,119	15,311
Bank borrowings		309,000	319,699
Amounts due to a non-controlling shareholder of subsidiaries		4,567	11,501
Amount due to a joint venture		23,660	—
Amount due to a related party		46	2,870
Deferred income		1,804	1,805
Lease liabilities		3,410	3,835
		788,299	698,006
NET CURRENT ASSETS		104,790	202,206
TOTAL ASSETS LESS CURRENT LIABILITIES		984,919	935,748
NON-CURRENT LIABILITIES			
Deferred tax liabilities		11,062	12,445
Deferred income		53,886	87,181
Bank borrowings		—	59,000
Lease liabilities		3,043	2,298
		67,991	160,924
NET ASSETS		916,928	774,824
CAPITAL AND RESERVES			
Share capital		3,285	3,285
Reserves		884,167	760,887
Equity attributable to owners of the Company		887,452	764,172
Non-controlling interests		29,476	10,652
TOTAL EQUITY		916,928	774,824

1. GENERAL INFORMATION

Jiashili Group Limited (the “**Company**”) was incorporated as an exempted company with limited liability in the Cayman Islands on December 19, 2013. Its ultimate and immediate holding company is Great Logistics Global Limited and Kaiyuan Investments Limited respectively. Its ultimate controlling shareholder is Mr. Huang Xianming and his family. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of the principal place of business of the Company is Flat 10A, 14/F, Splendid Centre, 100 Larch Street, Kowloon, Hong Kong.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the “**Group**”) are manufacturing and sales of biscuit and other products in Mainland of China (the “**PRC**”).

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Company.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“**IFRSs**”)

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs issued by International Accounting Standards Board (“**IASB**”) for the first time, which are mandatorily effective for the annual period beginning after January 1, 2020 for the preparation of the consolidated financial statements:

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

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

2.1 Impacts on application of Amendments to IAS 1 and IAS 8 *Definition of Material*

The Group has applied the Amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

2.2 Impacts on application of Amendments to IFRS 3 *Definition of a Business*

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

An analysis of the Group's revenue from major products and revenue by geographical locations is set out below as such analysis form part of the segment information reported to the management of the Group. All of the Group's revenue is recognised at a point in time.

Sales channels

	2020 RMB'000	2019 RMB'000
Distributors	1,516,382	1,562,791
Supermarkets	2,163	30,276
	<u>1,518,545</u>	<u>1,593,067</u>

(ii) Performance obligations for contracts with customers

The Group sells biscuit and other products to distributors and supermarkets throughout the PRC and also export biscuit and other products to location other than the PRC.

For sales of biscuit and other products to customers, revenue is recognised at a point in time when control of the biscuit and other products is transferred, being when the goods have been shipped to the customers' specific location (delivery). Following delivery, the customers have full discretion over the manner of distribution and price to sell the goods, and have the primary responsibility on when selling the goods and bear the risks of obsolescence and loss in relation to the goods. For distributors, the Group normally receives an advance from customer before the good is delivered. For supermarkets, the normal credit term is 30 to 180 days upon delivery.

A contract liability represents the Group's obligation to sales of biscuit and other products to customers for which the Group has received consideration (or an amount of consideration is due to) from customers while revenue has yet been recognised.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31, 2020 and 2019 and the expected timing of recognising revenue are as follows:

	Sales of biscuit and other products	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	<u>131,101</u>	<u>82,733</u>

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 year. Accordingly, these were grouped in “Others”.

Segment assets and liabilities

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

Other segment information

Amounts included in the measurement of segment results:

Year ended December 31, 2020

	Biscuit products <i>RMB'000</i>	Others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Depreciation of property, plant and equipment	35,516	157	10,617	46,290
Amortisation of intangible assets	5,066	413	—	5,479
Depreciation of right-of-use assets	<u>6,096</u>	<u>551</u>	<u>495</u>	<u>7,142</u>

Year ended December 31, 2019

	Biscuit products <i>RMB'000</i>	Others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Depreciation of property, plant and equipment	36,962	—	7,480	44,442
Amortisation of intangible assets	5,067	—	—	5,067
Depreciation of right-of-use assets	<u>6,051</u>	<u>—</u>	<u>—</u>	<u>6,051</u>

Revenue from major products

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue by products		
Breakfast biscuits	363,862	359,406
Crisp biscuits	253,411	292,834
Sandwich biscuits	410,039	438,079
Wafers	162,258	141,497
Coarse grain biscuits	111,429	165,717
Other biscuits	175,835	170,648
Others (<i>note</i>)	41,711	24,886
	<u>1,518,545</u>	<u>1,593,067</u>
Gross profit by products		
Breakfast biscuits	108,535	110,427
Crisp biscuits	76,439	90,824
Sandwich biscuits	154,904	164,675
Wafers	56,507	47,901
Coarse grain biscuits	39,780	60,452
Other biscuits	62,816	61,030
Others (<i>note</i>)	12,007	3,556
	<u>510,988</u>	<u>538,865</u>

Note: Others represents miscellaneous products other than biscuits, such as bread, mooncake, candies and pasta.

Geographical information

All of the Group's operations are located in the PRC. Information about the Group's revenue from external customers by location of the relevant customers and non-current assets by location of assets is presented below:

	Revenue from external customers		Non-current assets	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
The PRC (Country of domicile)	1,516,149	1,590,933	724,506	626,900
Others (<i>Note</i>)	2,396	2,134	—	—
	<u>1,518,545</u>	<u>1,593,067</u>	<u>724,506</u>	<u>626,900</u>

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

No single customer contributed over 10% of the total revenue of the Group during both years.

4. OTHER INCOME

	2020	2019
	RMB'000	RMB'000
Government grants	12,701	20,792
Interest income on:		
— bank balances and deposits	13,284	12,192
— loan receivables	12,914	10,889
— loan to a non-controlling shareholder of a subsidiary	840	—
Commission income	—	2,427
Sales of packaging materials	1,308	1,015
Rental income	1,071	738
Refund of handling charges from tax authority	—	136
Imputed interest income		
— advances to staff	50	76
— rental deposits	84	55
Other income related to early termination of a property development cooperative project (<i>Note</i>)	5,283	—
Other non-operating income	—	2
	<u>47,535</u>	<u>48,322</u>

Note: On August 2, 2019, the Group has entered into a memorandum of understanding with Guangdong Huasheng Yanshi Group Co., Limited.* 廣東華盛禰氏集團有限公司 (“**Guangdong Huasheng**”), an independent third party, and received an advance payment of RMB5,283,000 for a property development cooperative project. The advance payment is unsecured, non-interest bearing and has no fixed repayment terms. Pursuant to the memorandum of understanding, the Group agreed to contribute the land located in Yunan, Guangdong province, the PRC held by Guangdong Jiashili Huangpi Industry Development Co. Limited. 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 will be based on the value of the land contributed by the Group and the cash consideration injected by Guangdong Huasheng. During the year ended December 31, 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.

* English name for identification purpose only.

5. OTHER GAINS AND LOSSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Impairment loss on prepayments	—	(74,641)
Loss on disposal of a subsidiary	—	(5,700)
Fair value loss on financial assets at FVTPL	(346)	(2,463)
Net foreign exchange losses	(75)	(637)
Gain on disposal of a joint venture	—	13,570
Fair value gain on investment property	—	300
Gain on disposal of property, plant and equipment	12	143
Others	—	(310)
	<u>(409)</u>	<u>(69,738)</u>

6. OTHER EXPENSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Research expenses	59,863	52,357
Donation expenses	3,217	2,931
Other non-operating expenses	999	905
	<u>64,079</u>	<u>56,193</u>

7. IMPAIRMENT LOSSES (RECOGNISED) REVERSED UNDER EXPECTED CREDIT LOSS MODEL, NET

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Impairment losses recognised, net of reversal		
— loan receivables	5,710	6,302
— loan to a related party	—	946
— trade receivables	(4,980)	(2,218)
— other receivables	(1,550)	—
	<u>(820)</u>	<u>5,030</u>

8. INCOME TAX EXPENSE

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax:		
PRC Enterprise Income Tax (" EIT ")		
— Current tax	28,396	38,968
— Overprovision in prior years	(3,125)	(383)
	<u>25,271</u>	<u>38,585</u>
Deferred tax	(1,383)	271
	<u>23,888</u>	<u>38,856</u>

9. PROFIT FOR THE YEAR

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit for the year has been arrived at after charging:		
Director's and chief executive's remuneration	3,073	3,087
Other employee benefits expenses:		
Salaries and allowances	199,134	175,296
Contributions to retirement benefits scheme (note)	12,648	20,042
Share-based compensations	—	66
Total employee benefits expenses	<u>214,855</u>	<u>198,491</u>
Depreciation of property, plant and equipment	46,290	44,442
Depreciation of right-of-use assets	7,142	6,051
Amortisation of intangible assets (included in cost of sales)	<u>5,479</u>	<u>5,067</u>
Total depreciation and amortisation	<u>58,911</u>	<u>55,560</u>
Auditors' remuneration	2,459	2,044
Cost of inventories recognised as expenses with no impairment of inventories recognised	<u><u>1,007,557</u></u>	<u><u>1,054,202</u></u>

Note: During the year ended December 31, 2020, due to the outbreak of COVID-19, the PRC government relieved 50% of the social insurance for certain Group's entities from February to December 2020.

10. DIVIDENDS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2019 Final — HK 5 cents (2019: 2018 Final — HK5 cents) per share	18,587	18,181
2020 Interim — nil cents (2019: 2019 Interim — HK5 cents) per share	—	18,181
	<u>18,587</u>	<u>36,362</u>

Subsequent to the end of the reporting period, final dividend of HK5 cent (2019: HK5 cents) per share, amounting to approximately HK\$20,750,000 (equivalent to approximately RMB17,585,000) (2019: approximately HK\$20,750,000 (equivalent to approximately RMB18,587,000)), has been proposed by the directors and is subject to the approval by the shareholders at the forthcoming Annual General Meeting of the Company.

11. EARNINGS PER SHARE

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Earnings		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	<u>142,669</u>	<u>109,584</u>
	2020 '000	2019 '000
Number of shares		
Number of ordinary shares for the purposes of basic and diluted earnings per share (<i>Note</i>)	<u>415,000</u>	<u>415,000</u>

Note: The computation of diluted earnings per share for the years ended December 31, 2020 and 2019 does not assume the exercise of the Company's outstanding share options because the exercise price of those share options was higher than the average market price for 2020 and 2019.

12. LOAN TO A JOINT VENTURE AND A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

(a) Loan to a non-controlling shareholder of a subsidiary

The amount represents a loan advanced to a non-controlling shareholder of a subsidiary, with aggregated principal value of RMB18,000,000 (2019: nil). The amount is secured with the non-controlling shareholder's equity interest in the subsidiary and interest bearing at 8% (2019: N/A) per annum. The amount is repayable in 2023 and therefore classified as non-current.

(b) Loan to a joint venture

The amount represents a loan advanced to a joint venture, with aggregated principal value of RMB18,000,000 (2019: nil). The amount is unsecured and interest bearing at 5% (2019: N/A) per annum. The amount is repayable within a year and therefore classified as current.

13. FINANCIAL ASSET 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 December 31, 2020 and 2019, the unlisted equity investment fund is classified as 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 December 31, 2020, the fair value of Jia Hui LLP is amounting to RMB100,691,000 (2019: a fair value loss of RMB101,037,000) with a fair value loss recognised in profit or loss of RMB346,000 for the year ended December 31, 2020 (2019: a fair value loss of RMB2,463,000). Details of the establishment of Jia Hui LLP are set out in the Company's announcement dated June 26, 2019.

The fair value of the Group's unlisted equity investment fund at December 31, 2020 and 2019 has been arrived at on the basis of valuation carried out by Asset Appraisal Limited (“**Asset Appraisal**”), an independent qualified professional valuer not connected with the Group. Asset Appraisal is a registered firm of the Hong Kong Institute of Surveyors, and has appropriate qualifications and experience.

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade and bills receivables	28,267	29,422
Less: allowance for ECL	<u>(7,272)</u>	<u>(2,414)</u>
Total trade and bills receivables, net	20,995	27,008
Prepayments for purchase of raw materials (<i>Note a</i>)	89,125	99,115
Other receivables, net of allowance (<i>Note b</i>)	15,307	14,949
Other prepayments (<i>Note c</i>)	56,035	53,361
Rental and utility deposits	<u>1,136</u>	<u>1,300</u>
	182,598	195,733
Less: Amount shown under current assets	<u>(181,011)</u>	<u>(193,741)</u>
Amount shown under non-current assets as other receivables and deposits (<i>Note d</i>)	<u><u>1,587</u></u>	<u><u>1,992</u></u>

Trade and bills receivables

As at January 1, 2019, trade and bills receivables amount to RMB44,829,000.

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.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 2 months	13,161	11,605
Over 2 months but within 3 months	3,294	2,866
Over 3 months but within 6 months	4,540	8,837
Over 6 months but within 1 year	<u>—</u>	<u>3,700</u>
	<u><u>20,995</u></u>	<u><u>27,008</u></u>

As at December 31, 2020, total bills received amounting to RMB5,533,000 (2019: RMB4,439,000) are held by the Group. All bills received by the Group are with a maturity period of less than one year.

As at December 31, 2020, included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of RMB7,834,000 (2019: RMB15,403,000) which are past due as at the reporting date. Out of the past due balances, RMB4,540,000 (2019: RMB12,537,000) has been past due 90 days or more and is not considered as in default as the balances were related to customers with no recent history of default.

All Group's trade and bills receivables does not hold any collateral.

Notes:

- (a) Prepayments for purchase of raw materials mainly comprised prepayments for sugar, flour and oil, net of impairment of RMB77,381,000 (2019: RMB77,381,000).
- (b) Other receivables, net of allowance represent advances to staff and other miscellaneous deposits, which are unsecured, non-interest bearing and amounts of RMB451,000 (2019: RMB692,000) from advances to staff are repayable after one year and therefore classified as non-current.

The fair value of advances to staff are determined based on the present value of the estimated future cash flows and discounted using the prevailing market rate on initial recognition. The imputed interest income on the advances to staff is RMB50,000 (2019: RMB76,000). The effective interest rate is 4.75% to 4.9% (2019: 4.75% to 4.9%) per annum.

During the year, the Group has provided an impairment loss of RMB1,550,000 (2019: Nil) on other receivables.

- (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 i) rental and utility deposits due after one year, and ii) advances to staff due after one year are classified as non-current.

15. LOAN RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Fixed-rate loan receivables	50,324	105,740
Less: allowance for ECL	<u>(2,749)</u>	<u>(8,459)</u>
	<u>47,575</u>	<u>97,281</u>
Analysed as		
Current	<u>47,575</u>	<u>97,281</u>

The effective interest rate of the loan receivable is ranged from 6.5% to 24.0% (2019: 6.5% to 24.0% per annum).

As at December 31, 2020, included in the Group's loan receivables balance are debtors with aggregate carrying amount of RMB45,324,000 which are past due 90 days or more as at the reporting date. The directors of the Company consider credit risks have increased significantly and those past due more than 90 days are considered as credit-impaired.

As at December 31, 2020, the carrying amount of loan receivables amounting to RMB43,324,000 (2019: RMB45,761,000) are pledged with collaterals such as land, retail stores, manufacturing plant and residential building (2019: land, retail stores, manufacturing plant and residential building). The Group is not permitted to sell or repledge the collaterals in the absence of default by the borrower. There has not been any significant changes in the quality of the collateral held for the loan receivables. The Group has not recognised a loss allowance for the loan receivables as a result of these collaterals.

Included in the carrying amount of loan receivables as at December 31, 2020 is accumulated impairment losses of RMB2,749,000 (2019: RMB8,459,000).

The exposure of the Group's fixed-rate loan receivables to interest rate risks and their contractual maturity dates are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Fixed-rate loan receivables		
Within one year	50,324	105,740

16. TRADE, BILLS AND OTHER PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables	124,432	137,119
Bills payables	62,327	24,000
Total trade and bills payables	186,759	161,119
Transportation fee payables	20,164	19,081
Payroll and welfare payables	32,736	28,825
Receipts in advance	—	5,283
Accrued expenses	49,595	27,145
Other payables	6,539	2,363
Other tax payables	14,799	16,436
	310,592	260,252

Trade and bills payables

The credit period on purchase of goods is ranged from 7 to 45 days from the invoice date. The Group has financial risk management policies in place to ensure that all payables are settled within the credit limit frame.

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

	2020 RMB'000	2019 <i>RMB'000</i>
Within 3 months	124,104	136,651
Over 3 months but within 6 months	31	249
Over 6 months but within 1 year	221	55
Over 1 year	76	164
	124,432	137,119

All bills payables are due within one year. The following is an analysis of bills payables by maturity date at the end of each reporting period:

	2020 RMB'000	2019 <i>RMB'000</i>
Within 3 months	33,677	19,000
Over 3 months but within 6 months	18,250	5,000
Over 6 months but within 1 year	10,400	—
	62,327	24,000

Certain of the bills payables are secured by pledged bank deposits.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

COVID-19

2020 has been an extraordinary year would be something of an understatement. The rapid spread of the global novel coronavirus (COVID-19) pandemic was totally unexpected and has to a great extent caused destructive power to the global environment causing severe impacts to businesses, families, communities and society as a whole in ways which we could not have imagined a year ago. In response to the COVID-19 pandemic and related mitigation measures, we created an internal COVID-19 crisis management team led by Board of Directors in order to review and assess the evolving COVID-19 pandemic and began implementing changes in our business in February 2020 to protect our employees and customers, and to support appropriate health and safety protocols. For example, we installed physical barriers between employees in production facilities, implemented extensive cleaning and sanitation processes for both production and office spaces. Throughout the year our focus has been on our people, our customers, our communities and our investors, in particular:

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

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

In our operating environment, China saw a rapid recovery starting from the third-quarter of 2020 after economic slump in the first half year due to the success of Chinese Government's measures in combating virus lead to gradual relaxation of restriction orders and valiant recovery by private consumption. The 2020 gross domestic product (GDP) according to the data released by the National Bureau of Statistics of China exceeded RMB101 trillion, grew by 2.3% year-on-year suggesting that China is the only market that experienced a positive economic growth across the world amidst the COVID-19 pandemic. The pace of recovery of China market looks promising and will depend on the delivery of the vaccine and on continued policy support. The Group is full of confidence in the future and will stay vigilant and cautious and will continue to maintain and improve product quality, innovating products portfolio, reducing costs and broadening the distributor network to safeguard revenue and addressing the needs of consumers.

Performance Review

Although COVID-19 has influenced the Group's short-term planning and actions, our strategy remains unchanged with long-term growth being driven by organic investment and supplemented by acquisitions. Our financial performance this year more than ever demonstrates the resilience of the group. This comes from the strength of our brands, the diversity of our products and markets, our geographic spread, conservative financing and an organisation design that permits fast and flexible decision-taking. The Group's revenue has marginally decreased by approximately RMB75 million or 4.7% to approximately RMB1,518 million in 2020. On product mix, breakfast biscuits, crisp biscuits and sandwich biscuits are being the dominant range represent about 67.7% (2019: 68.4%) of the total revenue, while coarse grain biscuits, wafer and other biscuits products make up the balance. Gross profit decreased by approximately RMB28 million to approximately RMB511 million from approximately RMB539 million in the same period of 2019, representing a year-on-year decline of 5.2%, the reduction was mainly due to the increase in our cost of raw materials (particularly the palm oil). Then, gross profit margin decreased by approximately 0.2 percentage point to 33.6% as compared with that of 2019.

Despite the difficult market environment created by repeated local lockdowns and temporary closure on shopping malls and shops; restrictions orders in use of roads and highways and persistent social distancing, the Group continued to make progress on certain segments including breakfast biscuits and our new product of short shelf-life bread. Profit for the year increased by 33.8% or approximately RMB36.7 million in 2020 to approximately RMB145.3 million from approximately RMB108.5 million of 2019. The increased in COVID-19-related administrative and selling and distribution costs and incremental increase in research expenses on expanding product excellency and portfolio were completely offset by reduction on impairment loss on prepayments no longer provided in 2020.

The Group's objectives are to produce quality, popular and preferred biscuits and leisure snack products where you can share anytime, anywhere. Through our Company's effective sale strategy and our slogan "Quality and Customers first 質量第一、顧客至上" and our business philosophy of "Jiashili benefit the Nation and benefit to all People" "嘉士利、利國家、利大家" the Group strive to provide delicious and premium biscuits and other series products to the customers in the PRC.

New Business Ventures

In the second quarter of 2020, Guangzhou Jialixuan Food Company Ltd, an indirect wholly-owned subsidiary of the Company has acquired the bakery and bread making business from LOHAS (綠葉居), a well-known bread making company in Guangzhou for more than 20 years in the PRC. The short shelf-life bread market in the PRC has huge growth potential, with its market size potentially reaching tens of billions of RMB, the market landscape is hardly concentrated, comprising mainly regional and local factories as industry players. The Group captured this new business opportunity and fully entered the short shelf-life bread business through leveraging the Group's brand advantages. The Group had made substantial progress in the first year of operation gaining consumers over with products of high quality, rich nutrition and diverse tastes. During the year, revenue generated from Guangzhou Jialixuan reached to approximately RMB14.0 million. The Group adopted business strategy of diversified product category aiming at providing different food and snack categories with different flavors to customers in the PRC market. Dare to accept innovative idea and product development are the driving force for the Group's continuous development.

In May of 2020, the Group had established a joint venture, Guangdong Fengjia Food Company Limited engaged in manufacture and sale of flour, together with Beidahuang Fengyuan Group Co., Ltd. The Group believed that investment in business of flour will provide a stable supply and discount on prices of our major materials to our business. Our cost of flour purchase has reduced around 2% in 2020 from 2019.

Enhancement of product quality and raw material supplies are our Group strives for best quality with competitive prices, and zero customers complaints. This could be achieved by improved quality and supplies management and production and packaging processes. Through straight and stringent control on product safety, quality check and review will be implemented on each stages of production leads to costs reduction and enhancement of production efficiency.

Marketing and promotion

Innovation has always been a strong tradition at Jiashili. Today, our pace of innovation is faster than ever, and every year we bring new creations on to the market. To cater for constantly changing consumer demands, our product specialists work day after day to ensure that every new product has the potential to become a classic one day. In 2020, research expenses amounted to approximately RMB59.9 million increased by 14.3% year-on-year. Research expenses accounted for approximately 3.9% of total revenue in 2020 (2019: 3.3%)

In 2020, our Group has more than 2,000 distributors in the PRC, Jiashili is a consumer-led organisation. Our business model, structures and strategies continue to evolve, centred around a deep understanding of diverse local consumer preference. Jiashili continues to meet a wide range of rapidly evolving consumer preferences. Across different consumer landscape, today's most pronounced preferences include clean and cleaner label, convenience, nutrition & wellness, authenticity and premiumisation. These distinct preferences can mean different things to consumers in different parts of the world. Central to Jiashili's approach is the fundamental understanding of how to address these needs and support customers as they seek to innovate to win in today's marketplace. These ever-evolving consumer preferences are redefining consumption occasions right across end use markets and channels. Our customers is at the centre everything we do, we aims to adding value by offering so much more to distributors and our end consumers. Our Group is undergoing consolidation in different distributor channels, aligning with different distributors through various channels such as supermarkets, shops, convenience stores and key accounts (KA) to fulfil our customers' needs. Some differentiated products are sold exclusive through specific channel to avoid possible conflicts among channels. We also strived for product differentiation in packaging and specifications among different channels and regions.

To promote our products our Group has a policy and control on promoting our products and brand names through discounts, tasting events, on-site advertisement and promotion. Owing to recent government restriction orders and social distancing guidelines, we are unable to conduct those face-to-face promotion events. We switch to using on-line promotion media via Tik Tok (抖音) and Kuaishou (快手) was used in 2020. In December of 2020, we have signed a contract with Tian Leng ("**Mr. Tian**"), as the spokesperson of our brand names of Jiashili and Silang for two years till November of 2022. We believed that the healthy, sportive, full of energetic images of Mr. Tin would be a perfect match to our brand images. Selling, advertising and promotion expenses accounted for 9.4% of revenue of 2020. (2019: 8.3%).

FINANCIAL REVIEW

Despite the challenging conditions, created by the Covid-19 pandemic, Jiashili was able to achieve a solid result and maintained its market share in all of its key markets in 2020. Group's revenue had been hurt by repeated lockdowns and closed of shopping malls and shops and persistent social distancing. Sales level was dropped even after reopening of mall and shops and relaxation of social restrictions compared to pre-pandemic level reflects consumer demand.

During the year ended December 31, 2020 Group's revenue recorded a slight decline by 4.7% year-on-year to approximately RMB1,518.5 million while the aggregate sales volume reached 105,639 tonnes, a 4.3% decreased of the same period last year. Breakdown of the revenue and sales volume by product category in 2020 and the comparative figures for the same period last year are as follows:

Sales volume/Revenue	2020			2019			Changes in	
	Tonne	RMB (million)	Revenue contribution	Tonne	RMB (million)	Revenue contribution	Sales volume	Revenue
Breakfast biscuits	32,412	363.9	24.0%	31,860	359.4	22.6%	1.7%	1.3%
Crisp biscuits	19,619	253.4	16.7%	21,828	292.8	18.4%	-10.1%	-13.5%
Sandwiches biscuits	24,741	410.0	27.0%	25,789	438.1	27.5%	-4.1%	-6.4%
Wafer	9,757	162.2	10.7%	8,478	141.5	8.9%	15.1%	14.6%
Coarse grain biscuits	7,239	111.4	7.3%	9,710	165.7	10.4%	-25.4%	-32.8%
Other biscuits products	11,192	175.9	11.6%	10,788	170.6	10.7%	3.7%	3.1%
Others	679	41.7	2.7%	1,958	24.9	1.6%	-65.3%	67.5%
Total	<u>105,639</u>	<u>1,518.5</u>	<u>100.0%</u>	<u>110,411</u>	<u>1,593.0</u>	<u>100.0%</u>	<u>-4.3%</u>	<u>-4.7%</u>

Breakfast biscuits series

Under COVID-19 pandemic level, breakfast biscuits series delivered a mild increase in reported sales, driven mainly by our Group strong brand names and Chinese people traditionally like to eat biscuit during breakfast time. In 2020 the revenue generated from breakfast biscuits increased by approximately RMB4.5 million, or 1.2% to approximately RMB363.9 million and sales volume increased by 1.7% to 32,412 tonnes over the same period last year.

Crisp biscuits series

In 2020, the revenue generated from crisp biscuits series decreased by approximately RMB39.4 million to approximately RMB253.4 million and sales volume decreased by 10.1% to 19,619 tonnes over the same period last year. The market landscape for crisp biscuits continued to be challenged in the period.

Sandwiches biscuits series

Turning to sandwiches biscuits, mainly fruit jam sandwiches biscuits (果樂果香), in 2020, the business performed well in the first half of the year, but it drops in the fourth quarter of the year, the revenue generated from sandwich biscuits series was mildly declined by 6.4%, or approximately 28.1 million year-on-year to approximately RMB410.0 million. Sales volume decreased by 4.1% to 24,741 tonnes over the same period last year. This is the first time that sandwich biscuits series registered a drop in revenue after enjoying astronomical double-digit growth annually since its first launch in 2014. The reason for the decline was mainly attributable as follows: (i) In view of COVID-19 pandemic situation, a lot of factories and production were lockdown in February and March, in addition, logistic and delivery time was further prolonged due to transportation restrictions, thus impacting delivery of products and (ii) Our target consumers are mostly university students; youngsters and teenagers, the prolonged suspension of school since this year causing unexpected loss of these groups of consumers and (iii) consumers are straightly follow the social distancing rules and guidelines.

Wafer series

Despite the COVID-19 pandemic challenges, the strict lockdowns mostly affected the mall and shops. Wafer biscuits achieved positive sales growth and increased its market shares, mainly thanks to the success of the Group's marketing and pricing strategy and wide market acceptance. Wafer biscuits series delivered a strong improvement in revenue with a 14.6% ahead of 2019 to approximately RMB162.2 million, from approximately 141.5 million of 2019. Growth in sales volume rose by 15.1% to 9,757 tonnes.

Coarse grain biscuits series

The revenue of coarse grain biscuit amounted to approximately RMB111.4 million, representing a decline of 32.8% or approximately RMB54.3 million as compared with the same period last year. Sales volume reached 7,239 tonnes representing a decrease of 25.4% from the same period last year. The reason for the decline was mainly attributable as follows: (i) The Chinese Lunar New Year (CNY) peak season was nearing the end of January 2020 instead of usual mid-February, thus most of our new-year gifts and products was dispatched on late December 2019 and early January 2020. Subsequent suspension of production and transportation and delivery restrictions impact our normal sales and (ii) In

order to enjoy better exposure to various group of consumers, our distribution channel was mostly rely on key accounts (KA), super markets and mega stores which is relatively narrow and unique base, previous closedowns and restrictions orders on business hours on those stores and repeated social distancing guidelines would seriously impact our sales.

Other biscuits products

It is the Group's policy of actively seeking to expand different mix of biscuits products with different brands and flavors to meet customer's demands. Other biscuits products include mainly Jiuzhou cookie (九洲曲奇), cream crackers, Ruishiyue products series (瑞士樂系列) and others. During the year of 2020, the revenue of other biscuits products amounted to approximately RMB175.9 million, representing an increase of 3.1% or approximately RMB5.3 million as compared with the same period last year.

Others

Other products represent mainly short shelf-life bread, mooncakes and others in 2020 whereas it consists mainly pastra, sugar candies and others in 2019. The revenue of others products amounted to approximately RMB41.7 million, representing an increase of 67.5% or approximately RMB16.8 million as compared with the same period last year.

Gross profit and Gross profit margin

Breakdown of the gross profit and gross profit margin by product categories are set out as follows:

	2020		2019		Changes in	
	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit
	RMB	margin	RMB	margin	RMB	margin
	(million)	%	(million)	%	(million)	(percentage points)
Breakfast biscuits	108.5	29.8%	110.4	30.7%	-1.9	-0.9%
Crisp biscuits	76.4	30.1%	90.8	31.0%	-14.4	-0.9%
Sandwiches biscuits	154.9	37.8%	164.7	37.6%	-9.8	0.2%
Wafer	56.6	34.9%	47.9	33.9%	8.7	1.0%
Coarse grain biscuits	39.8	35.7%	60.5	36.5%	-20.7	-0.8%
Other biscuits products	62.8	35.7%	61.0	35.8%	1.8	-0.1%
Others	12.0	28.8%	3.6	14.5%	8.4	14.3%
Overall	<u>511.0</u>	<u>33.6%</u>	<u>538.9</u>	<u>33.8%</u>	<u>-27.9</u>	<u>-0.2%</u>

Overall gross profit margin remained the same in 2020 compared with 2019.

In 2020, gross profit amounted to approximately RMB511.0 million (2019: approximately RMB538.9 million), representing a year-on-year decrease of 5.2%. Gross profit margin mildly decreased to 33.6% in 2020, representing a drop of 0.2 percentage point from last year. The decrease in gross profit margin was due to the increase in our raw material costs (mainly sugar and palm oil). In 2020, the cost of sugar and palm oil has increased by 4.7% and 22.9% per ton respectively from last year. The Group will further imposed stringent measures and controls to keep our production and manufacturing cost remain competitive.

Other income

Other income remained the same in 2020 compared with 2019. Other income for the year of 2020 has slightly decreased by approximately 1.6% to approximately RMB47.5 million compared with 2019. The decline was primarily due to one-off lump sum government grants and tax refund received in the corresponding period last year no longer available in current year. However, the reduction of government grants income was offset by increase in interest income on loan receivables and bank deposits, rental income and other income earned.

Selling and distribution expenses

Selling and distribution expenses comprise mainly the advertising and promotion expenses, delivery and transportation expenses and selling administration expenses. Such expense remained the same in 2020 compared with 2019. The selling and distribution expenses rose by 1.8% from approximately RMB219.0 million in 2019 to approximately RMB223.0 million in 2020. In 2020 selling, advertising and promotion expenses was approximately RMB142.3 million (2019: approximately RMB132.6 million). Selling advertising and promotion expenses as a percentage of revenue was 9.4% (2019: 8.3%) such increase was in line with Group's policy to expand and broaden consumer base by increase in advertising and promotion expenditure. Delivery and transportation expenses were approximately RMB80.7 million (2019: approximately RMB86.4 million). Delivery and transportation expenses as a percentage of revenue is 5.3% in 2020 (2019: 5.4%).

Administrative expenses

Administrative expenses remained the same in 2020 compared with 2019, For the year ended December 31, 2020, the administrative expenses amounted to approximately RMB76.4 million, representing an increase of approximately RMB0.6 million or 0.7%. Administrative expenses mainly consist of staff costs, legal and professional expenses, other tax expenses and rental expenses.

Other gains and losses

During the year, other losses was approximately RMB0.4 million, a decrease of losses by approximately RMB69.3 million (2019: approximately RMB69.7 million losses) as compared with the corresponding period of last year. The decrease of losses was mainly attributable to the impairment provisions on advanced payment amounted to approximately RMB74.6 million no longer provided in 2020.

Inventories

The Group's inventories consist mainly of raw materials, packaging materials and, finished goods. The Group's inventories as at December 31, 2020 was approximately RMB97.5 million, increased by 34.1% from approximately RMB72.7 million as at December 31, 2019. The reason for the increase in inventories at the year end of 2020 was primarily due to the forthcoming Lunar Chinese New Year is in February 2021. Accordingly, the inventory turnover days increased from 28.09 days in 2019 to 30.83 days in 2020.

Trade, bills and other receivables

The Group's trade, bills and other receivables refer to the Group's trade receivable balance from its customers, primarily including distributors and KA together with other deposits and prepayments. The Group's trade, bills and other receivables remained the same in 2020 compared with 2019. The amounts of trade, bills and other receivables as at December 31, 2020 was approximately RMB181.0 million, decreased by 6.6% from approximately RMB193.7 million as at December 31, 2019. Accordingly, the trade, bills and other receivables turnover days was slightly increased from 36.32 days in 2019 to 45.04 days in 2020.

Working capital position

To preserve and maintain a stable cash flow is very important especially under unpredictable COVID-19 pandemic situation. Measures to mitigate the cash outflow included cutting back on discretionary spend and non-essential capital expenditure across the group. As at December 31, 2020, the Group's net current assets was approximately RMB104.8 million (2019: approximately RMB202.2 million). Current ratio of the Group as at December 31, 2020 was 1.13 (2019: 1.29). We believed our Group is in the healthy state of operating situation with adequate source of resources to meet our short-term debt.

Net Cash and liquidity position

The Group's net cash and liquidity position for the last three years is illustrated as follows:

	Year ended 31 December		
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Bank balances and cash	490,225	432,113	379,257
Bank borrowings — current	(309,000)	(319,699)	(263,751)
Bank borrowings — long term	—	(59,000)	(96,720)
Lease liabilities — current	(3,410)	(3,835)	—
Lease liabilities — long term	(3,043)	(2,298)	—
Total net cash	<u>174,772</u>	<u>47,281</u>	<u>18,786</u>

We finance our operations and capital expenditure primarily by internally generated cash flows as well as banking facilities provided by our principal bankers. As at December 31, 2020, the Group had bank balances and cash amounted to approximately RMB490.2 million (2019: approximately RMB432.1 million; 2018: approximately RMB379.3 million). We are from time to time adopt prudent financial management policy to maintain sufficient cash to meet our cash flow needs. Total bank borrowings as at December 31, 2020 amounted to approximately RMB309.0 million, a decrease of approximately RMB69.7 million, or 18.4% from corresponding period of last year. All of our bank borrowings are unguaranteed and unsecured. As at December 31, 2020, the Group was in a net cash position (bank balances and cash less borrowings and lease liabilities) of approximately RMB174.8 million (2019: approximately RMB47.3 million; 2018: approximately RMB18.8 million). As at December 31, 2020, the gross gearing ratio (defined as total liabilities over total assets) was 48.3% (2019: 52.6%).

At this time, the COVID-19 pandemic has not materially impacted our liquidity and we anticipate current cash and operating cash flows, together with our current bank borrowing facilities will be adequate to meet our operating, investing and financing needs. The severity, magnitude and duration of the current COVID-19 pandemic is uncertain and rapidly changing. The Group 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.

Contingent liabilities and guarantees

As at December 31, 2020, the Group did not provide any guarantees for any third party and had no significant contingent liabilities.

OUTLOOK

Since the outbreak of the COVID-19 pandemic, Jiashili has taken all the necessary measures to protect the health of its employees, consumers, business partners and suppliers. There were no major bottlenecks or disruptions neither in the supply chain nor in operations. In order to have a better picture of the impact of the pandemic and to detect significant risks early on, internal processes have been adjusted by, for example, asking for specific information earlier or more often. For this annual performance, the Group considered all known consequences of the pandemic. However, the impact on the future income and profitability measures cannot be fully determined and is difficult to predict. Thanks to our solid foundation — built on a strong business model, stable finances and high liquidity, improved efficiency in various areas, consistently high investments on brand advertising and a high level of employee engagement — Jiashili is confident it can master the current economic downturn and once again achieve good results and emerge even stronger post-recovery.

OTHER INFORMATION

Human resources and remuneration of employees

As at December 31, 2020 the Group had a total of 2,882 employees. (December 31, 2019: 2,956) The Group's employees are remunerated with reference to their positions, performance, experience and prevailing salary trends in the market. The remuneration package of our employees includes fixed salary, commissions and allowances (where applicable), and performance based year-end bonuses having regard to the performance of the Group and individual. For year ended December 31, 2020, the total employee benefits expenses (including Directors' and chief executive's remuneration) were approximately RMB214.9 million (2019: approximately RMB198.5 million)

CORPORATE GOVERNANCE PRACTICES

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

Code Provision A.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.

Code Provision A.6.7

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

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 year ended December 31, 2020.

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 annual results of the Group for the year ended December 31, 2020. The audit committee has no disagreement with the accounting treatment adopted by the Company.

SCOPE OF WORK OF MESSRS DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagement or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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 year ended December 31, 2020.

ANNUAL GENERAL MEETING

The annual general meeting ("2021 AGM") of the Company will be held on Monday, June 28, 2021 and a notice convening the 2021 AGM will be published and despatched to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Tuesday, June 22, 2021 to Monday, June 28, 2021 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2021 AGM, all transfer of shares of the Company accompanied by the relevant share certificate(s) and appropriate transfer form(s) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, June 21, 2021. For determining the entitlement to receive the proposed final dividend, the register of members of the Company will be closed from Tuesday, July 27, 2021 to Wednesday, July 28, 2021 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to receive the proposed final dividend, all transfer of shares of the Company accompanied by the relevant share certificate(s) and appropriate transfer form(s) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than Hong Kong time 4:30 p.m. on Monday, July 26, 2021.

PROPOSED FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK 5 cents per ordinary share for the year ended December 31, 2020 (2019: HK5 cents), to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at Wednesday, July 28, 2021. Subject to the approval by the shareholders of the Company, the payment date of the proposed final dividend is expected to be on Friday, August 20, 2021.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This preliminary results announcement is published on the Company's website (www.gdjsl.com) and the Stock Exchange's website (<http://www.hkexnews.hk>). The annual report for the year ended December 31, 2020 will be despatched to the shareholders of the Company and will be made available on the websites of the Company and the Stock Exchange in due course in accordance with the Listing Rules.

ACKNOWLEDGEMENT

The Directors would like to take this opportunity to express their sincere thanks to our shareholders and to our staff for their commitment and diligence during the year.

By Order of the Board
Jiashili Group Limited
Huang Xianming
Chairman and Executive Director

Hong Kong, March 30, 2021

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