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嘉士利集團有限公司
Jiashili Group Limited



(incorporated in the Cayman Islands with limited liability)

(Stock code: 1285)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2021

FINANCIAL HIGHLIGHTS

- The unaudited consolidated revenue of the Group for the six months ended June 30, 2021 amounted to approximately RMB707.8 million, drop by 4.5% as compared with the same period last year.
- Unaudited consolidated profit after tax for the six months ended June 30, 2021 amounted to approximately RMB101.9 million (six months ended June 30, 2020: approximately RMB67.2 million), representing a rise of 51.7% as compared with the same period last year.
- Unaudited consolidated profit after tax before reversal of impairment provision on prepayments for the six months ended June 30, 2021 amounted to approximately RMB27.2 million (six months ended June 30, 2020: approximately RMB67.2 million), representing a decline of 59.5% as compared with the same period last year.
- For the six months ended June 30, 2021, both basic and diluted earnings per share was RMB25.12 cents (six months ended June 30, 2020: RMB15.93 cents).
- The Board has resolved to declare payment of an interim dividend of HK\$10.00 cents for the six months ended June 30, 2021 (six months ended June 30, 2020: Nil).

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.

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2021

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

	<i>NOTES</i>	June 30, 2021 RMB'000 (unaudited)	December 31, 2020 RMB'000 (audited)
CURRENT LIABILITIES			
Trade, bills and other payables	15	371,884	310,592
Contract liabilities		34,269	131,101
Income tax payables		6,132	4,119
Bank borrowings	16	470,000	309,000
Amount due to a non-controlling shareholder of subsidiaries		—	4,567
Amount due to a joint venture		38,738	23,660
Amount due to related parties		170	46
Deferred income		1,804	1,804
Lease liabilities		2,622	3,410
		925,619	788,299
NET CURRENT ASSETS			
		249,570	104,790
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,231,404	984,919
NON-CURRENT LIABILITIES			
Deferred tax liabilities		8,874	11,062
Deferred income		52,673	53,886
Bank borrowings	16	103,000	—
Lease liabilities		55,570	3,043
		220,117	67,991
NET ASSETS			
		1,011,287	916,928
CAPITAL AND RESERVES			
Share capital		3,285	3,285
Reserves		971,136	884,167
Equity attributable to owners of the Company		974,421	887,452
Non-controlling interests		36,866	29,476
TOTAL EQUITY			
		1,011,287	916,928

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
Amendments to IFRS 9, IAS 39,
IFRS 7, IFRS 4 and IFRS 16

Covid-19-Related Rent Concessions
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.

3. REVENUE

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

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales channels		
Distributors	705,650	740,472
Supermarkets	2,146	557
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Total	707,796	741,029
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	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Geographical markets		
The PRC (Country of domicile)	706,801	739,257
Other (<i>Note</i>)	995	1,772
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Total	707,796	741,029
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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 year. Accordingly, they were grouped in “Others”.

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

	Biscuit products RMB’000	Others RMB’000	Total RMB’000
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			<u>112,727</u>

Six months ended June 30, 2020

	Biscuit products <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue	738,466	2,563	741,029
Segment profit	<u>250,775</u>	<u>99</u>	<u>250,874</u>
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			<u>(13,133)</u>
Profit before tax			<u><u>80,467</u></u>

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

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

Disaggregation of revenue

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

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

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

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

5. OTHER INCOME

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

6. OTHER EXPENSES

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

7. OTHER GAINS AND LOSSES

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

8. INCOME TAX EXPENSE

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

9. PROFIT FOR THE PERIOD

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

10. DIVIDENDS

During the six months ended June 30, 2021, a final dividend of HK\$5 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: HK\$5 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.

Subsequent to the end of the current interim period, the directors of the Company has resolved to declare payment of an interim dividend of HK\$10 cent per ordinary share for the six months ended June 30, 2021 (six months ended June 30, 2020: nil).

11. EARNINGS PER SHARE

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

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

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.

12. 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.

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.

13. 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, 青島嘉滙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 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.

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

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

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:

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

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

15. TRADE, BILLS AND OTHER PAYABLES

	June 30, 2021 RMB'000 (unaudited)	December 31, 2020 RMB'000 (audited)
Trade payables	85,621	124,432
Bills payables	129,540	62,327
Total trade and bills payables	215,161	186,759
Accrued expense	52,818	49,595
Transportation fee payables	17,375	20,164
Payroll and welfare payables	25,746	32,736
Other payables	35,178	6,539
Other tax payables	8,340	14,799
Dividend payables (<i>note 10</i>)	17,266	—
	<u>371,884</u>	<u>310,592</u>

Trade and bills payables

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

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

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

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

16. 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 is repayable at maturity dates within one year, and RMB103,000,000 loans are repayable more than one year .

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		% of changes in revenue 2021 vs 2020
	June 30, 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	<u>707.8</u>	<u>741.0</u>	<u>-4.5%</u>

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.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Company (<http://www.gdjsl.com>). The interim report of the Company for the six months ended June 30, 2021 will be dispatched to shareholders of the Company and published on the aforementioned websites in due course.

By Order of the Board
Jiashili Group Limited
Huang Xianming
Chairman

Hong Kong, August 30, 2021

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