

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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, 2021

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, 2021, together with the comparative figures for the year 2020 as agreed with Messrs. Deloitte Touche Tohmatsu as follows:

FINANCIAL HIGHLIGHTS

	Year ended December 31,		
	2021 (RMB'000)	2020 (RMB'000)	Increase/Decrease
Revenue	1,597,132	1,518,545	↑5.2%
Gross profit	458,923	510,988	↓10.2%
Gross profit margin	28.7%	33.6%	↓4.9 percentage points
Profit for the year	108,305	145,265	↓25.4%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	238,275	250,296	↓4.8%
Operating profit (EBIT)	170,841	191,385	↓10.7%
Earnings per share	27.81	34.38	↓19.1%
— Basic and diluted (RMB cents)			
Net profit margin	6.8%	9.6%	↓2.8 percentage points
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, 2021

	<i>NOTES</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue	3	1,597,132	1,518,545
Cost of sales		<u>(1,138,209)</u>	<u>(1,007,557)</u>
Gross profit		458,923	510,988
Other income	4	39,990	47,535
Other gains and losses	5	82,486	(409)
Selling and distribution expenses		(216,351)	(223,045)
Administrative expenses		(78,354)	(76,396)
Other expenses	6	(69,113)	(64,079)
Impairment losses recognised under expected credit loss model, net	7	(35,334)	(820)
Share of results of associates		(4,726)	(1,910)
Share of results of a joint venture		(6,680)	(479)
Finance costs		<u>(30,972)</u>	<u>(22,232)</u>
Profit before tax		139,869	169,153
Income tax expense	8	<u>(31,564)</u>	<u>(23,888)</u>
Profit and total comprehensive income for the year	9	<u>108,305</u>	<u>145,265</u>
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		115,428	142,669
Non-controlling interests		<u>(7,123)</u>	<u>2,596</u>
		<u>108,305</u>	<u>145,265</u>
Earnings per share	11		
— Basic and diluted (<i>RMB cents</i>)		<u>27.81</u>	<u>34.38</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2021

	<i>NOTES</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		490,849	495,244
Right-of-use assets		213,594	98,034
Intangible assets		37,486	43,259
Goodwill		27,449	27,449
Interests in associates		20,863	25,624
Interest in a joint venture		3,041	9,721
Loans to a joint venture	12(a)	172,023	—
Loan to a non-controlling shareholder of a subsidiary	12(b)	10,714	18,000
Loans to an associate	12(c)	5,667	—
Loan receivables		14,403	—
Financial asset at fair value through profit or loss (“FVTPL”)	13	104,168	100,691
Deferred tax assets		1,845	—
Other receivables and deposits	14	2,102	1,587
Deposits paid for acquisition of right-of-use assets and property, plant and equipment		12,520	60,520
		<hr/> 1,116,724 <hr/>	<hr/> 880,129 <hr/>
CURRENT ASSETS			
Inventories		104,793	97,481
Trade, bills and other receivables	14	180,988	181,011
Loan receivables	15	100,102	47,575
Amounts due from associates		44,353	46,954
Amounts due from non-controlling shareholders of subsidiaries		11,531	11,197
Amounts due from a joint venture		123,974	—
Amount due from a related party		8	6
Loans to a joint venture	12(a)	—	18,000
Loan to an associate		2,576	—
Income tax recoverable		3,588	401
Pledged bank deposits		21,044	239
Bank balances and cash		383,734	490,225
		<hr/> 976,691 <hr/>	<hr/> 893,089 <hr/>

	<i>NOTES</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
CURRENT LIABILITIES			
Trade, bills and other payables	16	371,306	310,592
Contract liabilities		59,350	131,101
Income tax payables		10,740	4,119
Bank borrowings		404,124	309,000
Amount due to a non-controlling shareholder of a subsidiary		1,123	4,567
Amount due to a related party		—	46
Amount due to a joint venture		—	23,660
Deferred income		1,891	1,804
Lease liabilities		33,414	3,410
		881,948	788,299
NET CURRENT ASSETS			
		94,743	104,790
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,211,467	984,919
NON-CURRENT LIABILITIES			
Deferred tax liabilities		10,694	11,062
Deferred income		49,224	53,886
Bank borrowings		116,014	—
Lease liabilities		53,707	3,043
		229,639	67,991
NET ASSETS			
		981,828	916,928
CAPITAL AND RESERVES			
Share capital		3,285	3,285
Reserves		947,896	884,167
Equity attributable to owners of the Company			
		951,181	887,452
Non-controlling interests		30,647	29,476
TOTAL EQUITY			
		981,828	916,928

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 A7, 5/F, Ngai Sheung Factory Building, 13 Elm 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 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, 2021 for the preparation of the consolidated financial statements:

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

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “**Committee**”) of the IASB issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

Except as described below, the application of 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.

Impacts on application of the agenda decision of the Committee — Cost necessary to sell inventories (IAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group’s accounting policy prior to the Committee’s agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee’s agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee’s agenda decision has had no material impact on the Group’s financial positions and performance.

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 in this note 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

	2021 <i>RMB’000</i>	2020 <i>RMB’000</i>
Distributors	1,595,576	1,516,382
Supermarkets	1,556	2,163
	<u>1,597,132</u>	<u>1,518,545</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). Transportation and handling activities that occur before customers obtain control are considered as fulfilment activities. 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 from 30 to 180 days upon delivery.

Certain distributors would be offered discount or rebate if sales target is achieved in a specific period. The Group uses its accumulated historical experience to estimate the amount of discount or rebate using the expected value method. Revenue is reversed for sales which are considered highly probable that such discount or rebate will occur.

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, 2021 and 2020 and the expected timing of recognising revenue are as follows:

	Sales of biscuit and other products	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	<u>59,350</u>	<u>131,101</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 revenue and results

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

2021

	Biscuit products RMB'000	Others RMB'000	Total RMB'000
Revenue	<u>1,527,510</u>	<u>69,622</u>	<u>1,597,132</u>
Segment results	<u>451,440</u>	<u>7,483</u>	<u>458,923</u>
Other income			39,990
Other gains and losses			82,486
Selling and distribution expenses			(216,351)
Administrative expenses			(78,354)
Other expenses			(69,113)
Impairment losses recognised under expected credit loss model, net			(35,334)
Share of results of associates			(4,726)
Share of results of a joint venture			(6,680)
Finance costs			<u>(30,972)</u>
Profit before tax			<u>139,869</u>

2020

	Biscuit products <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue	<u>1,476,834</u>	<u>41,711</u>	<u>1,518,545</u>
Segment results	<u>498,981</u>	<u>12,007</u>	<u>510,988</u>
Other income			47,535
Other gains and losses			(409)
Selling and distribution expenses			(223,045)
Administrative expenses			(76,396)
Other expenses			(64,079)
Impairment losses recognised under expected credit loss model, net			(820)
Share of results of associates			(1,910)
Share of results of a joint venture			(479)
Finance costs			<u>(22,232)</u>
Profit before tax			<u>169,153</u>

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies.

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.

Other segment information

Amounts included in the measurement of segment results:

Year ended December 31, 2021

	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	39,090	437	10,827	50,354
Amortisation of intangible assets	5,092	681	—	5,773
Depreciation of right-of-use assets	9,549	827	931	11,307

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	6,096	551	495	7,142

Revenue from major products

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue by products		
Breakfast biscuits	342,816	363,862
Crisp biscuits	277,227	253,411
Sandwich biscuits	463,370	410,039
Wafers	157,897	162,258
Coarse grain biscuits	103,858	111,429
Other biscuits	182,342	175,835
Others (<i>note</i>)	69,622	41,711
	<u>1,597,132</u>	<u>1,518,545</u>
Gross profit by products		
Breakfast biscuits	90,314	108,535
Crisp biscuits	74,086	76,439
Sandwich biscuits	162,393	154,904
Wafers	49,319	56,507
Coarse grain biscuits	30,937	39,780
Other biscuits	44,391	62,816
Others (<i>note</i>)	7,483	12,007
	<u>458,923</u>	<u>510,988</u>

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

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 (note a)	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
The PRC (country of domicile)	1,594,800	1,516,149	781,898	880,129
Others (note b)	2,332	2,396	—	—
	<u>1,597,132</u>	<u>1,518,545</u>	<u>781,898</u>	<u>880,129</u>

Notes:

- (a) Non-current assets represent property, plant and equipment, right-of-use assets, intangible assets, goodwill and deposit paid for acquisition of right-of-use assets and property, plant and equipment.
- (b) 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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Government grants	9,983	12,701
Interest income on:		
— bank balances and deposits	8,913	13,284
— loan receivables (<i>note 15</i>)	7,829	12,914
— loans to a joint venture	8,340	—
— loan to a non-controlling shareholder of a subsidiary	1,354	840
Sales of packaging materials	2,146	1,308
Rental income	1,268	1,071
Other income related to early termination of property development cooperative project (<i>note</i>)	—	5,283
Others	157	134
	<u>39,990</u>	<u>47,535</u>

Note: On August 2, 2019, the Group has entered into a memorandum of understanding with Guangdong Huasheng Yanshi Group Co., Limited.* 廣東華盛瀚氏集團有限公司 (“**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 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. The advance payment received was recognised as other income.

* *English name for identification purpose only.*

5. OTHER GAINS AND LOSSES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Reversal of impairment loss on prepayment (<i>note</i>)	74,641	—
Interest income from prepayment (<i>note</i>)	4,749	—
Allowance on inventories	(540)	—
Fair value gain (loss) on financial asset at FVTPL	3,477	(346)
Net foreign exchange gains (losses)	101	(75)
Gain on disposal of property, plant and equipment	58	12
	<u>82,486</u>	<u>(409)</u>

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

The acquisition of Kailan by Fengjia was completed on January 25, 2021. The Group shall be entitled to recover approximately RMB80,474,000, including the unutilised prepayment balance and interest, from Kailan as stipulated under the restructuring of Kailan. During the year ended December 31, 2021, the Group has recovered the unutilised prepayment balance of RMB75,421,000 from Kailan, plus interest income of RMB4,749,000, net of value added tax of RMB304,000. As such, a reversal of impairment loss of RMB74,641,000 on prepayment is recognised in the current year.

* English name for identification purpose only.

6. OTHER EXPENSES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Research expenses	64,712	59,863
Donation expenses	2,788	3,217
Other non-operating expenses	1,613	999
	<u>69,113</u>	<u>64,079</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Impairment losses recognised, net of reversal		
— loan receivables	6,558	(5,710)
— loan to a non-controlling shareholder of a subsidiary	7,286	—
— loans to an associate	7,757	—
— loan to a joint venture	652	—
— amount due from a non-controlling shareholder of a subsidiary	10,823	—
— amount due from a joint venture	2,556	—
— trade receivables	(2,948)	4,980
— other receivables	2,650	1,550
	<u>35,334</u>	<u>820</u>

8. INCOME TAX EXPENSE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax:		
PRC Enterprise Income Tax (“EIT”)		
— Current tax	13,441	26,085
— Underprovision (overprovision) in prior years	2,717	(3,125)
— PRC withholding tax	17,619	2,311
	<u>33,777</u>	<u>25,271</u>
Deferred tax	(2,213)	(1,383)
	<u>31,564</u>	<u>23,888</u>

No provision for Hong Kong Profits Tax has been made for both years as the Group has no assessable profits arising in Hong Kong.

Guangdong Jiashili Food Group Co., Limited* 廣東嘉士利食品集團有限公司 (“**Guangdong Jiashili**”) was accredited as a High-New Technology Enterprise by the Science and Technology Bureau of Guangdong Province (廣東省科學技術廳) and relevant authorities in the PRC with effect from January 2021 for a term of three years. Guangdong Jiashili was registered with the local tax authority to be eligible to the reduced 15% EIT rate for three years from 2021 to 2023.

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

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

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

Jiashili (Hong Kong) Limited (“**Jiashili HK**”) was qualified as a Hong Kong tax resident. Jiashili HK has obtained the Hong Kong resident certificate for the calendar year 2018 and was valid for three years ended December 31, 2020. The directors of the Company consider that it is unlikely to renew the certificate before the date of tax filing. As such, Jiashili HK enjoys a reduced tax rate under Bulletin [2018] No. 9 (國家稅務總局公告2018年第9號) (e.g. beneficial ownership, shareholding percentage and holding period) of withholding EIT rate of 5% on dividend income only for the year ended December 31, 2020, pursuant to the PRC-HK DTA.

* English name for identification purpose only.

The income tax expense during the year can be reconciled to the profit before tax per consolidated statement of profit or loss and other comprehensive income as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit before tax	139,869	169,153
Tax at PRC Tax rate of 25% (2020: 25%)	34,967	42,288
Tax effect on concessionary tax rate	(4,710)	(10,636)
Tax effect on concessionary policy on research and development expenses (<i>note</i>)	(14,513)	(10,790)
Tax effect of expenses not deductible for tax purpose	2,440	4,434
Tax effect of deductible temporary differences not recognised	6,298	1,367
Tax effect of tax losses not recognised	4,040	2,057
Utilisation of tax losses previously not recognised	(554)	(1,409)
Utilisation of deductible temporary differences previously not recognised	(19,592)	(3,206)
Tax effect on share of results of a joint venture	1,670	120
Tax effect on share of results of associates	1,182	477
Tax effect of withholding tax on distributed profits of the PRC subsidiaries	13,967	—
Tax effect of withholding tax on undistributed profits of the PRC subsidiaries	3,652	2,311
Underprovision (overprovision) in prior years	2,717	(3,125)
Income tax expense recognised in profit or loss	31,564	23,888

Note: It represents additional 100% (2020: 75%) tax deduction in respect of qualifying research and development expenses incurred for the year.

9. PROFIT FOR THE YEAR

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit for the year has been arrived at after charging:		
Directors' and chief executive's remuneration	3,367	3,073
Other employee benefits expenses:		
Salaries and allowances	217,296	199,134
Contributions to retirement benefits scheme (<i>note</i>)	<u>22,032</u>	<u>12,648</u>
Total employee benefits expenses	<u>242,695</u>	<u>214,855</u>
Depreciation of property, plant and equipment	50,354	46,290
Depreciation of right-of-use assets	11,307	7,142
Amortisation of intangible assets (included in cost of sales)	<u>5,773</u>	<u>5,479</u>
Total depreciation and amortisation	<u>67,434</u>	<u>58,911</u>
Auditors' remuneration	2,119	2,459
Cost of inventories recognised as expenses with allowance of RMB540,000 (2020: nil) recognised	<u>1,138,749</u>	<u>1,007,557</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 2020 to December 2020.

10. DIVIDENDS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2021 Interim — HK10 cents (2020: 2020 Interim — nil cents) per share	34,433	—
2020 Final — HK5 cents (2020: 2019 Final — HK5 cents) per share	<u>17,266</u>	<u>18,587</u>
	<u>51,699</u>	<u>18,587</u>

Subsequent to the end of the reporting period, final dividend of HK5 cents (2020: HK5 cents) per share, amounting to approximately HK\$20,750,000 (equivalent to approximately RMB16,965,000) (2020: approximately HK\$20,750,000 (equivalent to approximately RMB17,585,000)), has been proposed by the directors of the Company 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:

	2021	2020
	RMB'000	RMB'000
Earnings		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	<u>115,428</u>	<u>142,669</u>
	2021	2020
	'000	'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 year ended December 31, 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 year ended December 31, 2020.

12. LOANS TO A JOINT VENTURE AND A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY AND AN ASSOCIATE

(a) Loans to a joint venture

The amounts represent loans advanced to Fengjia, a joint venture, with an aggregated principal value of RMB165,300,000 (2020: RMB18,000,000) and accrued interest of RMB7,375,000 (2020: nil). During the year ended December 31, 2021, an impairment loss under ECL model of RMB652,000 (2020: nil) was recognised in the profit or loss for the loans to a joint venture. The loan amount of RMB150,000,000 is non-trade in nature, secured by 100% interest of Kailan, the wholly-owned subsidiary of Fengjia, and interest bearing at 5% (2020: nil) per annum. The remaining amount of RMB15,300,000 is non-trade in nature, unsecured and interest bearing at 5% per annum. Subsequent to the year ended December 31, 2021, the Group extended the repayment term of the loans, including the accrued interest, with Fengjia to December 31, 2023. The Group expects the loans would be recovered more than one year, therefore, the amounts are classified as non-current.

(b) 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 (2020: RMB18,000,000). During the year ended December 31, 2021, an impairment loss under ECL model of RMB7,286,000 (2020: nil) was recognised in the profit or loss for the loan to a non-controlling shareholder of a subsidiary. The amount is non-trade in nature, secured with the non-controlling shareholder's equity interests in the subsidiary, 60% interest of the non-controlling shareholder and 5.17% interest of a third party, and interest bearing at 8% per annum. The amount is repayable in 2023 and therefore classified as non-current.

(c) Loans to an associate

The amounts represent loans advanced to an associate, with aggregated principal value of RMB16,000,000 (2020: nil). During the year ended December 31, 2021, an impairment loss under ECL model of RMB7,757,000 (2020: nil) was recognised in the profit or loss for the loans to an associate. The amounts are non-trade in nature, non-interest bearing and guaranteed by the directors of the associate. The amount of RMB5,000,000 is repayable in 2022 and therefore classified as current. The remaining amount of RMB11,000,000 is repayable in 2023 and therefore classified as non-current.

13. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

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, RMB103,500,000 is to be contributed by the Group as a limited partner. As at December 31, 2021 and 2020, 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. As at December 31, 2021, the Group estimates the term of Jia Hui LLP would extent additional one year at least. 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, 2021, the fair value of Jia Hui LLP is amounting to RMB104,168,000 (2020: RMB100,691,000) with a fair value gain recognised in profit or loss of RMB3,477,000 for the year ended December 31, 2021 (2020: a fair value loss of RMB346,000).

The fair value of the Group’s unlisted equity investment fund at December 31, 2021 and 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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade and bills receivables	24,455	28,267
Less: allowance for ECL	<u>(3,182)</u>	<u>(7,272)</u>
Total trade and bills receivables, net	21,273	20,995
Prepayments for purchase of raw materials (<i>note a</i>)	74,108	89,125
Other receivables, net of allowance (<i>note b</i>)	30,178	15,307
Other prepayments (<i>note c</i>)	55,598	56,035
Rental and utility deposits	<u>1,933</u>	<u>1,136</u>
	183,090	182,598
Less: Amount shown under current assets	<u>(180,988)</u>	<u>(181,011)</u>
Amount shown under non-current assets as other receivables and deposits (<i>note d</i>)	<u><u>2,102</u></u>	<u><u>1,587</u></u>

Trade and bills receivables

As at January 1, 2020, trade and bills receivables amount to RMB27,008,000.

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.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 2 months	14,626	13,161
Over 2 months but within 3 months	1,202	3,294
Over 3 months but within 6 months	2,980	4,540
Over 6 months but within 1 year	<u>2,465</u>	<u>—</u>
	<u><u>21,273</u></u>	<u><u>20,995</u></u>

As at December 31, 2021, the Group consists of bills receivables amounting to RMB8,471,000 (2020: RMB5,533,000) with a maturity period of less than one year.

As at December 31, 2021, included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of RMB5,337,000 (2020: RMB9,910,000) which are past due as at the reporting date. Out of the past due balances, RMB3,027,000 (2020: RMB7,243,000) has been past due 90 days or more and are considered as in default.

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

Prepayments, other receivables and deposits

Notes:

- (a) Prepayments for purchase of raw materials mainly comprised prepayments for packaging materials.
- (b) Other receivables net of allowance represent input tax to be certified, advances to staff and other miscellaneous deposits, which are unsecured, non-interest bearing and amounts of RMB170,000 (2020: RMB451,000) 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 RMB33,000 (2020: RMB50,000). The effective interest rate is 4.75% to 4.9% (2020: 4.75% to 4.9%) per annum.

During the year, the Group has provided an impairment loss of RMB2,650,000 (2020: RMB1,550,000) 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 and therefore, classified as non-current.

15. LOAN RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Fixed-rate loan receivables	123,812	50,324
Less: allowance for ECL	(9,307)	(2,749)
	<u>114,505</u>	<u>47,575</u>
Analysed as		
Current	100,102	47,575
Non-current	14,403	—
	<u>114,505</u>	<u>47,575</u>

The effective interest rate of the loan receivable is ranged from 6.0% to 18.0% (2020: 6.5% to 24.0%) per annum.

As at December 31, 2021, included in the Group's loan receivables balance are debtors with aggregate carrying amount of RMB31,511,700 (2020: RMB45,324,000) which are past due 90 days or more. 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, 2021, the carrying amount of loan receivables amounting to RMB29,511,700 (2020: RMB43,324,000) are secured by collaterals such as land, retail stores, manufacturing plant and residential building (2020: 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, 2021 is accumulated impairment losses of RMB9,307,000 (2020: RMB2,749,000).

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Fixed-rate loan receivables		
Within one year	107,512	50,324
In more than one year but not more than two years	11,000	—
In more than two years but not more than five years	5,300	—
	<u>123,812</u>	<u>50,324</u>

16. TRADE, BILLS AND OTHER PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	152,867	124,432
Bills payables	97,100	62,327
	<u>249,967</u>	<u>186,759</u>
Total trade and bills payables	249,967	186,759
Transportation fee payables	24,705	20,164
Payroll and welfare payables	36,168	32,736
Accrued expenses	38,629	49,595
Other payables	3,367	6,539
Other tax payables	18,470	14,799
	<u>371,306</u>	<u>310,592</u>

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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 3 months	152,177	124,104
Over 3 months but within 6 months	518	31
Over 6 months but within 1 year	52	221
Over 1 year	120	76
	<u>152,867</u>	<u>124,432</u>

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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 3 months	76,070	33,677
Over 3 months but within 6 months	21,030	18,250
Over 6 months but within 1 year	—	10,400
	<u>97,100</u>	<u>62,327</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Resilience and Dedication

Jiashili is one of the largest producer of quality biscuits and crackers in China more than 65 years since 1956, we market, sell and distribute our products under more than 10 brand names in approximately 31 Provinces and Municipalities and 310 prefecture-level cities with more than 660 stock keeping units offered to market in China. At Jiashili, serving customers means more than selling food. It means acting as a responsible and sustainable business for all our stakeholders — customers, colleagues, suppliers and shareholders — and providing affordable, healthy and sustainable biscuits and snack for all. It is now more than two years since the beginning of the global novel coronavirus (COVID-19) pandemic which has had such a profound impact on our business. During this pandemic period we saw the quality of our leadership team and the dedication of our team members who have continued to provide an outstanding level of service to our customers and our wider stakeholder base. Jiashili is a business full of people who truly care about what they do. The warmth and passion from people across the business has been inspiring. Throughout the pandemic we have strengthened our relationships with customers and suppliers, ensuring that together we could respond with agility to the changing market circumstances. We continue to support our customers by delivering exceptional service levels and we stepped up our community efforts during the pandemic. Our response to COVID-19 including 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 are uncertain and rapidly changing. The Company is actively monitoring the pandemic and related governmental actions as they continue to develop and evolve. We will actively monitor our strategies as necessary to address any changing health, operational or financial risks that may arise.

The operating environment in 2021 remain highly competitive and uncertain. China saw a rapid recovery in 2021 due to the success of Chinese Government's measures in combating virus lead to relaxation of restriction orders and valiant recovery by private consumption. The 2021 Gross Domestic Product according to the data released by the National Bureau of Statistics of China exceeded RMB114 trillion, grew by 8.1% year-on-year amidst the COVID-19 pandemic. The 2021 China society total retail sales of consumer goods exceeded RMB44.1 trillion increased by 12.5% year-on-year showing a steady recovery of private consumption spending in China. In addition, the China society total retail sales of consumer goods (excluding automobiles) for the first two-months of 2022 exceeded RMB6.7 trillion, rose by 7.0% annually. 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 increased by approximately RMB78.6 million or 5.2% to approximately RMB1,597.1 million in 2021. On product mix, breakfast biscuits, crisp biscuits and sandwich biscuits are being the dominant range represent about 67.8% (2020 : 67.7%) of the total revenue, while coarse grain biscuits, wafer and other biscuits products make up the balance. Gross profit decreased by approximately RMB52.1 million to approximately RMB458.9 million from approximately RMB511 million in the same period of 2020, representing a year-on-year decline of 10.2%, the reduction was mainly due to the increase in our cost of raw materials (particularly the palm oil and flour). Then, gross profit margin decreased by approximately 4.9 percentage points to 28.7% as compared with that of 2020.

Profit for the year decreased by 25.4% or approximately RMB37.0 million in 2021 to approximately RMB108.3 million from approximately RMB145.3 million of 2020. The decrease was mainly attributable to the acceleration of raw materials cost inflation (particularly the rising prices of palm oil together with flour) together with an increase in current year provisions due to additional credit risks on loans under expected credit loss model. The pandemic triggered sharp fluctuations in the markets for raw materials and packaging materials. This volatility hit many industries hard and led to disruptions and even production interruptions. Despite this volatility, Jiashili succeeded in securing the supply of raw and packaging materials to most of its production sites in 2021, thanks to forward planning coupled with the ability to adapt quickly. 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.

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" 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 China.

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 2021, research expenses amounted to approximately RMB64.7 million increased by 8.1% year-on-year. Research expenses accounted for approximately 4.1% of total revenue in 2021 (2020: 3.9%).

In 2021, our Group has more than 2,050 distributors in China, 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 customers. 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. Selling, advertising and promotion expenses accounted for 8.8% of revenue of 2021. (2020: 9.4%). Jiashili is a highly diversified group with a wide range of biscuits and leisure snack products, more than 10 well-known grocery brands, and our flagship retail brand, "Jiashili". We have a strong social purpose: to provide safe, nutritious and affordable food that is great value for money.

FINANCIAL REVIEW

Our focus on looking after customers in these challenging times has enabled us to build a strong business for all stakeholders. We are in good shape to keep building on this momentum in the current year. The COVID-19 crisis has had a significant effect on our financial results including substantial incremental raw materials costs. Our strategy remains consistent and is delivering results. This year we have focused on our operational efficiency, continued to invest in different business and technology, made progress on our competitiveness and accelerated our sustainability agenda.

During the year ended December 31, 2021 Group's revenue rose by 5.2% year-on-year to approximately RMB1,597.1 million while the aggregate sales volume reached 101,101 tonnes, a 3.7 % decreased of the same period last year. The promising revenue performance was due to the strong domestic demands in the improving second half year of 2021 particularly in the fourth-quarter. Breakdown of the revenue and sales volume by product category in 2021 and the comparative figures for the same period last year are as follows:

Sales volume/Revenue	Tonne	2021		Tonne	2020		Changes in	
		RMB (million)	Revenue contribution		RMB (million)	Revenue contribution	Sales volume	Revenue
Breakfast biscuits	29,170	342.8	21.5%	32,412	363.9	24.0%	-10.0%	-5.8%
Crisp biscuits	20,245	277.2	17.4%	19,619	253.4	16.7%	3.2%	9.4%
Sandwiches biscuits	25,886	463.4	29.0%	24,741	410.0	27.0%	4.6%	13.0%
Wafers	8,915	157.9	9.9%	9,757	162.2	10.7%	-8.6%	-2.7%
Coarse grain biscuits	6,230	103.9	6.5%	7,239	111.4	7.3%	-13.9%	-6.7%
Other biscuits	10,656	182.3	11.4%	11,192	175.9	11.6%	-4.8%	3.6%
Others	—	69.6	4.3%	—	41.7	2.7%	—	66.9%
Total	101,101	1,597.1	100.0%	104,960	1,518.5	100.0%	-3.7%	5.2%

Breakfast biscuits

Under COVID-19 pandemic level, our traditional breakfast biscuits delivered a decrease in reported sales, In 2021 the revenue generated from breakfast biscuits decreased by approximately RMB21.1 million, or 5.8% to approximately RMB342.8 million and sales volume decreased by 10.0% to 29,170 tonnes over the same period last year.

Crisp biscuits

In 2021, the revenue generated from crisp biscuits increased by approximately RMB23.8 million to approximately RMB277.2 million and sales volume increased by 3.2% to 20,245 tonnes over the same period last year. 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 2021, the revenue generated from sandwich biscuits series rose by 13.0%, or approximately 53.4 million year-on-year to approximately RMB463.4 million. Sales volume increased by 4.6% to 25,886 tonnes over the same period last year. The reason for the increase was mainly attributable as follows: (i) the rapid recovery of China domestic retail consumption and the relaxation of social distancing and shops closedowns rules; and (ii) the online product promotion mainly via TikTok (抖音) 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

In 2021, the revenue generated from wafers amounted to approximately RMB157.9 million, a decline of 2.7% as compared with the corresponding period of last year. Sales volume fell by 8.6% to 8,915 tonnes.

Coarse grain biscuits

The revenue from coarse grain biscuits amounted to approximately RMB103.9 million, representing a decline of 6.7% or approximately RMB7.5 million as compared with the same period last year. Sales volume reached 6,230 tonnes representing a decrease of 13.9% from the same period last year. Product 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 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 2021, the revenue of other biscuits amounted to approximately RMB182.3 million, representing an increase of 3.6% or approximately RMB6.4 million as compared with the same period last year. Sales volume fell by 4.8% to 10,656 tonnes.

Others

Others represent mainly consists of short shelf-life bread, mooncakes and other miscellaneous snack products in 2021. The revenue of others amounted to approximately RMB69.6 million, representing an increase of 66.9% or approximately RMB27.9 million as compared with the same period last year.

Gross profit and Gross profit margin

Overall gross profit margin decreased mainly due to price inflation of costs of raw materials particularly palm oil and flour. In 2021, gross profit amounted to approximately RMB458.9 million (2020: approximately RMB511.0 million), representing a year-on-year decrease of 10.2%. Gross profit margin decreased to 28.7% (2020: 33.6%) in 2021, representing a drop of 4.9 percentage points from last year. The decrease in both gross profit and gross profit margin was due to the escalating costs of our raw materials (mainly palm oil and flour). In 2021, the cost of palm oil and flour has increased by 46.8% and 4.8% 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 for the year of 2021 has decreased by approximately 15.9% to approximately RMB40.0 million compared with 2020. The decrease was primarily due to the recognition of government grants in current year is slightly lesser than the corresponding period of last year. However, the reduction of government grants income was partially offset by increase in interest income earned on loan receivables.

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 roughly the same in 2021 as compared with 2020. The selling and distribution expenses has fell by 3.0% from approximately RMB223.0 million in 2020 to approximately RMB216.4 million in 2021. In 2021 the selling administration and advertising and promotion expenses were approximately RMB140.5 million (2020: approximately RMB142.3 million). Selling and advertising and promotion expenses as a percentage of revenue was 8.8% (2020: 9.4%) which was in line with Group's policy to expand and broaden our consumer base. Delivery and transportation expenses were approximately RMB75.9 million (2020: approximately RMB80.7 million). Delivery and transportation expenses as a percentage of revenue is 4.8% in 2021 (2020: 5.3%), The Company strive for efficient distribution strategy to save cost while at the same time meet customer demand in quicker delivery.

Administrative expenses

Administrative expenses remained the same in 2021 compared with 2020, For the year ended December 31, 2021, the administrative expenses amounted to approximately RMB78.4 million, representing an increase of approximately RMB2.0 million or 2.6% year-on-year, 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 gains was approximately RMB82.5 million, a decrease of losses by approximately RMB82.9 million (2020: approximately RMB0.4 million losses) as compared with the corresponding period of last year. Other gains in current year was mainly attributable to the reversal and wrote back of impairment provision on prepayments which had been made in 2019.

Inventories

The Group's inventories consist of raw materials, packaging materials and, finished goods. The Group's inventories as at December 31, 2021 was approximately RMB104.8 million, increased by 7.5% from approximately RMB97.5 million as at December 31, 2020. The reason for the increase in inventories at the year end of 2021 was primarily due to the 2022 Lunar Chinese New Year is near the end of January 2022 leading to pile up of more inventories as at December 31, 2021. Thus, the inventory turnover days has increased from 30.83 days in 2020 to 32.43 days in 2021.

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 2021 as compared with 2020. The amounts of trade, bills and other receivables as at December 31, 2021 was approximately RMB181.0 million, which was the same as last year as at December 31, 2020. Thus, the trade, bills and other receivables turnover days has decreased from 44.53 days in 2020 to 41.36 days in 2021 due to tighter control on credit policy.

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 spending and non-essential capital expenditure across the group was implemented. As at December 31, 2021, the Group's net current assets was approximately RMB94.7 million (2020: approximately RMB104.8 million). Current ratio of the Group as

at December 31, 2021 was 1.11 (2020: 1.13). We believed our Group is in the healthy state of operating situation with adequate source of resources to meet our short-term debt.

Financial position and liquidity

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, 2021, the Group had bank balances and cash amounted to approximately RMB383.7 million (2020: approximately RMB490.2 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, 2021 amounted to approximately RMB520.1 million, increased by approximately RMB211.1 million, or 68.3% from corresponding period of last year. All of our bank borrowings are unguaranteed and unsecured. The increase was due to the finance needs for the expansion of the business and also for marketing and promotion strategies. As at December 31, 2021, the Group was in a net debt position (defined as bank balances and cash less total bank borrowings, but exclude lease liability) of approximately RMB136.4 million (2020: net cash position of approximately RMB181.2 million). As at December 31, 2021, the gross gearing ratio (defined as total liabilities over total assets) was 59.1% (2020: 48.3%). Total equity as at December 31, 2021 was approximately RMB981.8 million, an increase of 7.1% from approximately RMB916.9 million as at December 31, 2020. We assess our liquidity in terms of our ability to generate cash to fund our operating, investing and financing activities. Significant factors affecting liquidity include cash flows generated from operating activities, future capital expenditures, acquisitions, dividends, the adequacy of available bank loans, and the ability to attract long-term capital with satisfactory terms. The Directors believed that the Group is in a strong and healthy financial position generate substantial amounts of cash from operations with sufficient liquidity available for its working capital requirements, foreseeable capital expenditures and the payment of dividends.

Contingent liabilities and guarantees

As at December 31, 2021, the Group did not provide any guarantees for any third party and had no significant contingent liabilities.

OUTLOOK

Notwithstanding the challenging operating conditions we are currently experiencing, the Board is encouraged by the continued strategic and commercial progress of the business. Our outlook for 2022 is positive based on the rapid economic recovery of China and the rest of the world and we have a solid platform from which to continue Jiashili's successful long-term development.

OTHER INFORMATION

Human resources and remuneration of employees

As at December 31, 2021 the Group had a total of 3,655 employees. (December 31, 2020: 3,044) 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, 2021, the total employee benefits expenses (including Directors' and chief executive's remuneration) were approximately RMB242.7 million (2020: approximately RMB214.9 million).

CORPORATE GOVERNANCE PRACTICES

The Group's long-term success depends on our commitment to exceptional corporate governance standards, which underpin the confident delivery of our business. We do not see governance as something we do because we have to. We see it as something that should be ingrained in the way we behave, how we make decisions, how we run our business and, ultimately, how we build trust. 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 officer should be separated and should not be performed by the same individual. As the duties of chairman and chief executive officer 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 Group. 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 28, 2021 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, 2021.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive Directors, namely Mr. Kam Robert, Ms. Ho Man Kay and Mr. Ma Xiaoliang. 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, 2021. The audit committee has no disagreement with the accounting treatment adopted by the Company.

SCOPE OF WORK OF MESSERS 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, 2021 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, 2021.

ANNUAL GENERAL MEETING

The annual general meeting ("2022 AGM") of the Company will be held on Tuesday, June 28, 2022 and a notice convening the 2022 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 2022 AGM, the register of members of the Company will be closed from Wednesday, June 22, 2022 to Tuesday, June 28, 2022 (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 2022 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 Tuesday, June 21, 2022. For determining the entitlement to receive the proposed final dividend, the register of members of the Company will be closed from Thursday, July 14, 2022 to Friday, July 15, 2022 (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 Wednesday, July 13, 2022.

PROPOSED FINAL DIVIDEND

The Board has resolved to recommended the payment of a final dividend of HK5.00 cents per ordinary share for the year ended December 31, 2021 (2020: HK5.00 cents), to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at Friday, July 15, 2022. 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 5, 2022. Together with the interim dividend of HK10.00 cents per ordinary share, the total dividends per ordinary share for the year ended December 31, 2021 are HK15.00 cents (2020: HK5.00 cents).

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, 2021 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, 2022

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