**嘉士利集團有限公司**

**Jiashili Group Limited**

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

**(Stock Code: 1285)**

# ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2014

## FINANCIAL HIGHLIGHTS

| | Year ended December 31, | | |
|---|---|---|---|
| | **2014** | 2013 | **Increase/** |
| | ***(RMB'000)*** | *(RMB'000)* | **decrease** |
| Revenue | **840,058** | 747,771 | +12.3% |
| Gross profit | **268,501** | 225,651 | +19.0% |
| Profit before tax | **89,833** | 82,129 | +9.4% |
| Profit for the year from discontinued operation | **61** | 1,408 | -95.7% |
| Profit and total comprehensive income for the year attributable to the owners of the Company | **71,689** | 69,269 | +3.5% |
| Underlying profit* | **90,127** | 73,107 | +23.3% |
| Earnings per share | | | |
| From continuing and discontinued operations | | | |
| – Basic (RMB cents) | **22.82** | 28.86 | -20.9% |
| – Diluted (RMB cents) | **22.36** | 28.86 | -22.5% |
| From continuing operation | | | |
| – Basic (RMB cents) | **22.80** | 28.28 | -19.4% |
| – Diluted (RMB cents) | **22.34** | 28.28 | -21.0% |
| Net profit margin | **8.5%** | 9.3% | |
| Underlying profit margin | **10.7%** | 9.8% | |
| Proposed final dividend per share (HKD) | **0.06** | Nil | |

**Note:* Underlying profit is calculated as profit for the year from continuing operation excluding the listing expenses and fair value loss on convertible promissory note.

The board (the "**Board**") of directors (the "**Directors**") of Jiashili Group Limited (the "**Company**" or "**Jiashili**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended December 31, 2014 together with the comparative figures for 2013 as follows.

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

*For the year ended December 31, 2014*

| | *NOTES* | **2014** *RMB'000* | 2013 *RMB'000* |
|---|---|---|---|
| **CONTINUING OPERATION** | | | |
| Revenue | *4* | **840,058** | 747,771 |
| Cost of sales | | **(571,557)** | (522,120) |
| Gross profit | | **268,501** | 225,651 |
| Other income | *5* | **9,298** | 6,919 |
| Selling and distribution expenses | | **(101,688)** | (87,932) |
| Administrative expenses | | **(38,421)** | (29,595) |
| Finance costs | *6* | **(2,341)** | (2,448) |
| Other expenses | *7* | **(43,844)** | (30,238) |
| Other gain and losses | *8* | **(1,672)** | (228) |
| Profit before tax | | **89,833** | 82,129 |
| Income tax expense | *9* | **(18,205)** | (14,268) |
| Profit for the year from continuing operation | *10* | **71,628** | 67,861 |
| **DISCONTINUED OPERATION** | | | |
| Profit for the year from discontinued operation | *11* | **61** | 1,408 |
| Profit and total comprehensive income for the year attributable to the owners of the Company | | **71,689** | 69,269 |
| **Earnings per share** | *13* | | |
| From continuing and discontinued operations | | | |
| – Basic (RMB cents) | | **22.82** | 28.86 |
| – Diluted (RMB cents) | | **22.36** | 28.86 |
| From continuing operation | | | |
| – Basic (RMB cents) | | **22.80** | 28.28 |
| – Diluted (RMB cents) | | **22.34** | 28.28 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As At December 31, 2014*

| | *NOTES* | **2014** | 2013 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **202,993** | 207,084 |
| Prepaid lease payments | | **11,942** | 11,772 |
| Intangible asset | | **1,500** | 2,000 |
| Deposits for acquisition of property, plant and equipment and prepaid lease payments | | **262** | 12,924 |
| | | **216,697** | 233,780 |
| **CURRENT ASSETS** | | | |
| Inventories | | **44,711** | 43,443 |
| Prepaid lease payments | | **493** | 472 |
| Trade, bills and other receivables | *14* | **66,719** | 44,022 |
| Pledged bank deposits | | **1,927** | 10,845 |
| Income tax recoverable | | **2,114** | – |
| Bank balances and cash | | **298,198** | 69,908 |
| | | **414,162** | 168,690 |
| **CURRENT LIABILITIES** | | | |
| Trade, bills and other payables | *15* | **119,167** | 160,538 |
| Advances from customers | | **37,620** | 49,750 |
| Bank borrowings | | **–** | 35,300 |
| Income tax payables | | **2,475** | 1,957 |
| | | **159,262** | 247,545 |
| **NET CURRENT ASSETS (LIABILITIES)** | | **254,900** | (78,855) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **471,597** | 154,925 |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred income | | **2,000** | 4,390 |
| Deferred tax liabilities | | **1,712** | 133 |
| | | **3,712** | 4,523 |
| **NET ASSETS** | | **467,885** | 150,402 |
| **CAPITAL AND RESERVES** | | | |
| Share capital-ordinary share/paid-in capital | | **3,285** | 120,000 |
| Share capital-preferred shares | | **–** | – |
| Reserves | | **464,600** | 30,402 |
| **TOTAL EQUITY** | | **467,885** | 150,402 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended December 31, 2014*

## 1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Island on December 19, 2013. Its immediate and ultimate holding company is Kaiyuan Investments Limited 開元投資有限公司 ("**Kaiyuan**"). Its ultimate controlling shareholder is Mr. Huang Xianming 黃銑銘 ("**Mr. Huang**") and his family ("**Huang's Family**"). The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effect from September 25, 2014. The address of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The address of the principal place of business of the Company is Room 701A, East Ocean Center, 98 Granville Road, 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 biscuits in the Peoples' Republic of China (the "**PRC**" or "**China**").

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

## 2. BASIS OF PRESENTATION

Jiashili Limited ("**Jiashili BVI**") was incorporated in the British Virgin Island ("**BVI**") on December 6, 2013 with limited liability. On December 19, 2013, Jiashili BVI allotted one subscriber share to the Company, pursuant to which Jiashili BVI became a wholly-owned subsidiary of the Company.

Jiashili (Hong Kong) Limited ("**Jiashili HK**") was incorporated under the laws of Hong Kong on December 24, 2013 with limited liability. On the same day, Jiashili HK allotted one subscriber share to Jiashili BVI, pursuant to which Jiashili HK became a wholly-owned subsidiary of Jiashili BVI.

As part of the group reorganisation, on March 28, 2014, Jiashili HK entered into an equity transfer agreement with each of Guangdong Zhongchen Industrial Group Company Limited ("**Zhongchen**") and Prestige Choice Investments Limited ("**Prestige Choice**"), then shareholders of Guangdong Jiashili Food Group Co., Limited ("**Guangdong Jiashili**"), whereby Jiashili HK agreed to acquire 99% and 1% entire equity interest in Guangdong Jiashili from Zhongchen and Prestige Choice with the consideration of RMB224.7 million and RMB2.3 million, respectively, representing an aggregate amount of RMB227.0 million (the "**Guangdong Jiashili Acquisition**"). Based on subsequent approvals by the relevant government authorities, the Guangdong Jiashili Acquisition was completed on April 4, 2014, upon which Guangdong Jiashili became a wholly-owned subsidiary of Jiashili HK. Zhongchen and Prestige Choice are companies wholly owned by Huang's Family.

Pursuant to the group reorganisation as set out above which was completed on April 4, 2014 (the "**Group Reorganisation**"), the Company became the holding company of the subsidiaries now comprising the Group.

The Group Reorganisation mainly involved interspersing Kaiyuan, the Company, Jiashili BVI and Jiashili HK between the ultimate individual shareholders of Guangdong Jiashili and Guangdong Jiashili. The group resulting from the Group Reorganisation is regarded as a continuing entity.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the years ended December 31, 2014 and 2013 include the results of operations and cash flows of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the periods, or since their respective dates of incorporation or establishment when there is a shorter period (except for those dissolved or disposed of during the periods). The consolidated statement of financial position of the Group as at December 31, 2014 and 2013 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at December 31, 2013, taking into account the respective dates of incorporation or establishment (except for those dissolved or disposed of during the period).

## 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has not early applied the following new and amended IFRSs and International Accounting Standards ("**IASs**") that have been issued but are not yet effective.

| | |
|---|---|
| IFRS 9 | Financial Instruments[1] |
| IFRS 14 | Regulatory Deferral Accounts[2] |
| IFRS 15 | Revenue from Contracts with Customers[3] |
| Amendments to IFRS 11 | Accounting for Acquisitions of Interests in Joint Operations[5] |
| Amendments to IAS 1 | Disclosure Initiative[5] |
| Amendments to IAS 16 and IAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation[5] |
| Amendments to IAS 16 and IAS 41 | Agriculture: Bearer Plants[5] |
| Amendments to IAS 19 | Defined Benefit Plans: Employee Contributions[4] |
| Amendments to IAS 27 | Equity Method in Separate Financial Statements[5] |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5] |
| Amendments to IFRS 10, IFRS 12 and IAS 28 | Investment Entities: Applying Consolidated Exception[5] |
| Amendments to IFRSs | Annual Improvements to IFRSs 2010–2012 Cycle[6] |
| Amendments to IFRSs | Annual Improvements to IFRSs 2011–2013 Cycle[4] |
| Amendments to IFRSs | Annual Improvements to IFRSs 2012–2014 Cycle[5] |

1 Effective for annual periods beginning on or after January 1, 2018.
2 Effective for first annual IFRS financial statements beginning on or after January 1, 2016.
3 Effective for annual periods beginning on or after January 1, 2017.
4 Effective for annual periods beginning on or after July 1, 2014.
5 Effective for annual periods beginning on or after January 1, 2016.
6 Effective for annual periods beginning on or after July 1, 2014, with limited exceptions.

## 4. REVENUE AND SEGMENT INFORMATION

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

**Segment assets and liabilities**

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

In prior years, the Group was also involved in the pasta operation. That operation was discontinued with effect from March 28, 2014. Financial information of the pasta operation is disclosed in Note 11.

**Other segment information**

Amounts included in the measurement of segment results:

*Year ended December 31, 2014*

| | **Biscuits operation** *RMB'000* | **Unallocated** *RMB'000* | **Total** *RMB'000* |
|---|---|---|---|
| Depreciation of property, plant and equipment | **13,098** | **572** | **13,670** |
| Amortization of intangible asset | **500** | **–** | **500** |
| Release of prepaid lease payments | **472** | **–** | **472** |

*Year ended December 31, 2013*

| | Biscuits operation *RMB'000* | Unallocated *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| Depreciation of property, plant and equipment | 8,981 | 1,365 | 10,346 |
| Amortization of intangible asset | 500 | – | 500 |
| Release of prepaid lease payments | 434 | – | 434 |
| Impairment of inventories | 504 | – | 504 |

**Entity-wide disclosures**

*Revenue from major products*

The following is an analysis of the Group's revenue and gross profit from its major products (excluding discontinued operation):

| | **2014** | 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Revenue by products | | |
| Breakfast biscuits | **348,611** | 360,315 |
| Crisp biscuits | **196,009** | 171,596 |
| Sandwich biscuits | **125,690** | 52,955 |
| Wafers | **60,377** | 43,678 |
| Others* | **109,371** | 119,227 |
| | **840,058** | 747,771 |
| Gross profit by products | | |
| Breakfast biscuits | **113,114** | 111,759 |
| Crisp biscuits | **62,465** | 50,758 |
| Sandwich biscuits | **45,105** | 19,013 |
| Wafers | **17,554** | 11,755 |
| Others | **30,263** | 32,366 |
| | **268,501** | 225,651 |

* *Others included numerous products and no further analysis is disclosed.*

**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** | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| PRC | **838,561** | 746,628 | **216,677** | 233,780 |
| Others *(Note)* | **1,497** | 1,143 | **20** | – |
| | **840,058** | 747,771 | **216,697** | 233,780 |

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

**Information about major customers**

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

## 5. OTHER INCOME

| | **2014** | 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Bank interest income | **843** | 667 |
| Imputed interest income | **–** | 1,281 |
| Government grants | **7,906** | 4,282 |
| Other non-operating income | **549** | 689 |
| | **9,298** | 6,919 |

## 6. FINANCE COSTS

| | **2014** | 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest on bank borrowings wholly repayable within five years | **2,341** | 2,448 |

## 7. OTHER EXPENSES

| | **2014** | 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Research and development expenses | **27,287** | 24,372 |
| Donation expenses | **470** | 586 |
| Listing expenses | **15,820** | 5,246 |
| Other non-operating expenses | **267** | 34 |
| | **43,844** | 30,238 |

## 8. OTHER GAIN AND LOSSES

| | **2014** | 2013 |
|---|---|---|
| | *RMB'000* | ***RMB'000*** |
| Net exchange gain | **1,106** | – |
| Fair value loss on convertible promissory note | **(2,679)** | – |
| Loss on disposal of property, plant and equipment | **(99)** | (228) |
| | **(1,672)** | (228) |

## 9. INCOME TAX EXPENSE

| | **2014** | 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| PRC Enterprise Income Tax ("**EIT**") | | |
| – Current tax | **17,979** | 14,309 |
| – Overprovision in prior year | **(1,476)** | – |
| Deferred tax charge (credit) | **1,702** | (41) |
| | **18,205** | 14,268 |

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

Guangdon, Jiashili was accredited as a "High and New Technology Enterprise" by the Science and Technology Bureau of Guangdong Province and relevant authorities in the PRC with effect from January 2012 for a term of three years, and was registered with the local tax authority to be eligible to the reduced 15% enterprise income tax rate from 2012 to 2014.

For other subsidiaries, under the Law of the PRC on EIT (the "**EIT Law**") and Implementation Regulations of the EIT Law, the enterprise income tax rate of the PRC subsidiaries was 25% during the year.

According to a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui 2008 No.1, dividend distributed out of the profits generated since January 1, 2008 by the PRC entity to non-PRC tax resident shall be subject to PRC Enterprise Income Tax pursuant to Articles 3 and 27 of the Income Tax Law Concerning Foreign Investment Enterprises and Foreign Enterprises and Article 91 of the Detailed Rules for the Implementation of the Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises.

The Group's subsidiaries that are tax resident in the PRC are subject to the PRC dividend withholding tax of 10% for the non-PRC resident immediate holding company registered in Hong Kong when and if undistributed earnings are declared to be paid as dividends out of profits that arose on or after April 4, 2014, when the Group Reorganisation completed.

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

| | **2014** | 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Profit before tax | **89,833** | 82,129 |
| Tax at PRC Tax rate of 25% | **22,458** | 20,532 |
| Tax effect on concessionary tax rate | **(6,355)** | (6,024) |
| Tax effect on concessionary policy on research and development expenses *(Note a)* | **(2,672)** | (944) |
| Tax effect of income not taxable for tax purpose | **(277)** | – |
| Tax effect of expenses not deductible for tax purpose | **5,217** | 533 |
| Tax effect of 10% withholding tax on undistributed profits of the PRC subsidiaries | **1,712** | – |
| Overprovision in prior year *(Note b)* | **(1,476)** | – |
| Others | **(402)** | 171 |
| Income tax expense recognized in profit or loss | **18,205** | 14,268 |

*Note a:* It represents additional 50% tax deduction in respect of qualifying research and development expenses incurred for the year.

*Note b:* It mainly represents under-estimation of additional tax deduction in prior year in respect of qualifying research and development expenses.

## 10. PROFIT FOR THE YEAR

| | **2014** | 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Profit for the year from continuing operation has been arrived at after charging: | | |
| Directors' and chief executive's remuneration | **1,683** | 503 |
| Other staff costs: | | |
| Salaries and allowances | **94,423** | 76,812 |
| Contributions to retirement benefits scheme | **8,520** | 6,519 |
| Share-based compensations | **1,664** | – |
| Total staff costs | **106,290** | 83,834 |
| Depreciation of property, plant and equipment | **13,670** | 10,346 |
| Amortization of intangible asset (included in cost of sales) | **500** | 500 |
| Total depreciation and amortization | **14,170** | 10,846 |
| Provision for doubtful debts | **723** | – |
| Release of prepaid lease payments | **472** | 434 |
| Auditors' remuneration | **1,345** | 74 |
| Cost of inventories recognized as expenses | **571,557** | 522,120 |
| including impairment of inventories | **–** | 504 |

## 11. DISCONTINUED OPERATION

On March 24, 2014, the Group entered into an equity transfer agreement with Zhongchen, to dispose of its entire interest in Guangdong Kangli Food Company Limited ("**Guangdong Kangli**"), which carried out all of the Group's manufacture and sale of pasta products (the "**Pasta Operation**"), to Zhongchen at a consideration of RMB24,351,000, which was determined based on the valuation of the equity interest in Guangdong Kangli conducted by an independent valuer. The disposal was completed on March 28, 2014, on which date the control of Guangdong Kangli was passed to Zhongchen. Accordingly, the results of the Pasta Operation for the year ended December 31, 2013 and the period from January 1, 2014 to March 28, 2014 have been separately presented as discontinued operation in the consolidated statement of profit or loss and other comprehensive income.

Zhongchen is an immediate holding company of the Company and is currently owned as to 80% by Mr. Huang, the ultimate controlling shareholder of the Company.

The profit for the year from the discontinued operation is analyzed as follows:

| | **2014** | 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Profit of discontinued operation for the year | **61** | 1,408 |

The results of the discontinued operation for the years ended December 31, 2013 and the period from January 1, 2014 to March 28, 2014, which have been included in consolidated statements of profit or loss and other comprehensive income, were as follows:

| | **2014** | 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Revenue | **10,701** | 44,739 |
| Cost of sales | **(9,449)** | (37,537) |
| Gross profit | **1,252** | 7,202 |
| Other income | **6** | 297 |
| Selling and distribution expenses | **(507)** | (2,668) |
| Administrative expenses | **(663)** | (2,902) |
| Finance costs | **(7)** | (6) |
| Other expenses and losses | **–** | (3) |
| Profit before tax | **81** | 1,920 |
| Income tax expense | **(20)** | (512) |
| Profit from discontinued operation for the period/year | **61** | 1,408 |

Profit for the period/year from discontinued operation has been arrived at after charging (crediting):

| | **2014** | 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Directors' and chief executive's remuneration | **–** | – |
| Other staff costs: | | |
| – Salaries and allowances | **838** | 4,840 |
| – Contributions to retirement benefits scheme | **134** | 675 |
| Total staff costs | **972** | 5,515 |
| Depreciation on property, plant and equipment | **620** | 2,493 |
| Release of prepaid lease payments | **10** | 39 |
| Auditor's remuneration | **–** | 30 |
| Cost of inventories recognized as expenses | **9,449** | 37,537 |
| Loss on disposal of property, plant and equipment | **–** | 3 |
| Bank interest income | **(6)** | (39) |

## 12. DIVIDENDS

Guangdong Jiashili, a PRC subsidiary of the Company, declared a divided of approximately RMB90,740,000 to its equity owner during the year ended December 31, 2013 and declared a special divided of approximately RMB25,592,000 before completion of the Group Reorganisation to its equity owners during the year ended December 31, 2014.

A final dividend of HK6 cents (2013: Nil) per share, amounting to approximately HK$24,900,000 (equivalent to approximately RMB19,954,000), has been proposed by the directors of the Company on March 25, 2015 and is subject to the approval by the shareholders at the forthcoming Annual General Meeting of the Company.

## 13. EARNINGS PER SHARE

**From continuing and discontinued operations**

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

| | 2014 | 2013 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| *Earnings* | | |
| Profit for the year attributable to owners of the Company | **71,689** | 69,269 |
| Less: Undistributable earnings attributable to preferred shares | **(6,340)** | – |
| Earnings for the purpose of basic earnings per share | **65,349** | 69,269 |
| Add: Fair value loss on convertible promissory note | **2,679** | – |
| Undistributable earnings attributable to preferred shares | **6,340** | – |
| Less: Exchange gain on convertible promissory note | **(207)** | – |
| Earnings for the purpose of diluted earnings per share | **74,161** | 69,269 |

| *Number of shares* | 2014 | 2013 |
|---|---|---|
| | *'000* | *'000* |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **286,370** | 240,000 |
| Effect of dilutive potential ordinary shares: | | |
| – Preferred share *(Note a)* | **27,781** | – |
| – Convertible promissory note *(Note b)* | **17,521** | – |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **331,672** | 240,000 |
| Basic earnings per share from continuing and discontinued operations | **22.82** | 28.86 |
| Diluted earnings per share from continuing and discontinued operations | **22.36** | 28.86 |

The number of shares for the purpose of basic earnings per share for the year ended December 31, 2014 is based on the assumption that 240,000,000 shares (2013: 240,000,000 shares) of the Company are in issue and issuable, comprising an aggregate of 10,000 shares (2013: 10,000 shares) in issue and adjusted for the effect of the capitalisation issue of 239,990,000 shares (the "**Capitalisation**"), as if the Group Reorganisation was effective on January 1, 2013.

*Note a:* The computation on the effect of dilutive potential ordinary shares on preferred shares is adjusted for the weighted average number of shares for the period they were outstanding before conversion, taking into account the effect of the Capitalisation.

*Note b:* The computation on the effect of dilutive potential ordinary shares on convertible promissory note is adjusted for the weighted average number of shares for the period they were outstanding before redemption, taking into account the effect of the Capitalisation.

**From continuing operations**

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

Earnings figures are calculated as follows:

| | **2014** | 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| *Earnings* | | |
| Profit for the year attributable to owners of the Company | **71,689** | 69,269 |
| Less: Undistributable earnings attributable to preferred shares | **(6,340)** | – |
| | **65,349** | 69,269 |
| Profit for the year from discontinued operations | **(61)** | (1,408) |
| Earnings for the purpose of basic earnings per share from continuing operations | **65,288** | 67,861 |
| Add: Fair value loss on convertible promissory note | **2,679** | – |
| Undistributable earnings attributable to preferred shares | **6,340** | – |
| Less: Exchange gain on convertible promissory note | **(207)** | – |
| Earnings for the purpose of diluted earnings per share from continuing operations | **74,100** | 67,861 |
| Basic earnings per share from continuing operation | **22.80** | 28.28 |
| Diluted earnings per share from continuing operation | **22.34** | 28.28 |

The denominators used are the same as those detailed above for both basic and diluted earnings per share from continuing and discontinued operations.

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options because the exercise price of those options was higher than the average market price for 2014.

**From discontinued operations**

Basic earnings per share for the discontinued operations is RMB0.02 cents per share (2013: RMB0.59 cents per share) and diluted earnings per share for the discontinued operations is RMB0.02 cents per share (2013: RMB0.59 cents per share), based on the profit for the year from the discontinued operations of RMB61,000 (2013: RMB1,408,000) and the denominators detailed above for both basic and diluted earnings per share from continuing and discontinued operations.

## 14. TRADE, BILLS AND OTHER RECEIVABLES

| | **2014** | 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **13,007** | 8,873 |
| Less: Allowance for doubtful debts | **(761)** | (38) |
| Trade receivables, net | **12,246** | 8,835 |
| Bills receivables | **18,293** | 17,325 |
| Total trade and bills receivables | **30,539** | 26,160 |
| Prepayments for purchase of raw materials | **28,071** | 12,342 |
| Other prepayment | **6,198** | 1,647 |
| Other receivables | **1,911** | 2,856 |
| Input value-added-tax | **–** | 1,017 |
| | **66,719** | 44,022 |

**Trade and bills receivables**

The Group generally adopted a policy to require advance payment from majority of their customers before the delivery of goods. Advances received from customers amounted to approximately RMB37,620,000 (RMB49,750,000) as at December 31, 2014.

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

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

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

| | **2014** | 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 2 months | **6,228** | 7,721 |
| Over 2 months but within 3 months | **6,007** | 882 |
| Over 3 months but within 6 months | **10** | 62 |
| Over 6 months but within 1 year | **1** | 102 |
| Over 1 year | **–** | 68 |
| | **12,246** | 8,835 |

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of approximately RMB11,000 (2013: RMB2,390,000) as at December 31, 2014, which are past due at the end of the reporting period. Considering the high credibility of these customers, good track record with the Group and subsequent settlements, the management of the Group believes that no impairment allowance is necessary in respect of the remaining unsettled balances. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired:

| | **2014** | 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Over 1 month but within 3 months | **11** | 2,158 |
| Over 3 months but within 6 months | **–** | 62 |
| Over 6 months but within 1 year | **–** | 102 |
| Over 1 year | **–** | 68 |
| | **11** | 2,390 |

As at December 31, 2013, the Group has pledged the earnings from certain trade receivables having the carrying values of RMB5,304,000 as collateral to a bank to secure a bank borrowings of the Group pursuant to the assets' income right transfer agreement. The pledge was released upon the full settlement of the bank borrowings during the year ended December 31, 2014.

The following is an aged analysis of bills receivables presented based on the bills issue date at the end of the reporting period.

| | **2014** | 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 month | **4,470** | 4,550 |
| Over 1 month but within 3 months | **8,573** | 2,286 |
| Over 3 months but within 6 months | **5,250** | 10,489 |
| | **18,293** | 17,325 |

In determining the recoverability of bills receivables, the Group considers any change in the credit quality of the bills issuers from the date credit was initially granted up to the end of the reporting period. In the opinion of management of the Group, the bills receivables that are not past due nor impaired at the end of each reporting period are of good credit quality.

At December 31, 2014, the Group has pledged bills receivables of approximately RMB5,944,000 (2013: RMB3,360,000) for its bill payables facility.

Movements in the allowance for doubtful debts:

| | **2014** | 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| At beginning of year | **38** | 470 |
| Additions during the year | **723** | – |
| Write off during the year | **–** | (432) |
| At end of year | **761** | 38 |

Age of impaired receivables:

| | **2014** | 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 year | **723** | – |
| Over 3 years | **38** | 38 |
| | **761** | 38 |

**Other receivables**

Included in the Group's other receivables mainly represent (i) rental deposits made by the Group, (ii) advances to staff for business purposes and (iii) other miscellaneous receivables.

## 15. TRADE, BILLS AND OTHER PAYABLES

| | **2014** | 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade payables | **63,246** | 89,676 |
| Bills payables | **1,000** | 4,300 |
| Total trade and bills payables | **64,246** | 93,976 |
| Accrued expenses | **10,003** | 12,424 |
| Accrued listing expenses | **–** | 2,331 |
| Transportation fee payables | **14,342** | 14,899 |
| Payroll and welfare payables | **16,427** | 16,938 |
| Construction cost payable | **3,970** | 14,089 |
| Other payables | **2,977** | 2,113 |
| Output value-added-tax and other tax payables | **7,202** | 3,768 |
| | **119,167** | 160,538 |

**Trade and bills payables**

The credit period of trade payables and bills payables is normally within 7 days to 45 days from the invoice date and 3 to 6 months from the bills issue date, respectively. 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 aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

| | **2014** | 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 3 months | **62,112** | 84,972 |
| Over 3 months but within 6 months | **228** | 2,882 |
| Over 6 months but within 1 year | **104** | 474 |
| Over 1 year | **802** | 1,348 |
| | **63,246** | 89,676 |

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

| | **2014** | 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 3 months | **1,000** | 4,300 |

The bills payables are secured by the bills receivables and pledged bank deposits.

## MANAGEMENT DISCUSSION AND ANALYSIS

According to the data published by the National Bureau of Statistics, China recorded a gross domestic products growth of 7.4% in 2014, representing a year-on-year decrease of 0.4 percentage points. Total retail sales value of social consumer goods for the year posted an actual growth of 10.7%, representing a drop of 1.4 percentage points over that of the previous year. These numbers had hampered the overall performance of consumption market in China. Against such unfavourable backdrop and amid fierce competition, the Group, with its reputable brand of 58-year history, has continued to devote to innovation while strengthening its leading position. This allowed Jiashili to record remarkable performance in 2014 with revenue, net profit and underlying profit increased by 12.3%, 3.5% and 23.3% respectively, maintaining a leading position in the industry. On September 25, 2014, Jiashili was successfully listed (the "**IPO**") on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), which further solidified the dominating position of Jiashili's brand in China's biscuit industry.

## BUSINESS REVIEW

The Company has adopted a development strategy that places utmost emphasis on consumer preferences, product quality and marketing channels. Such strategy has paved way for Jiashili to be the leading domestic biscuit brand in China. Thanks to such strategy, the Group has continued to improve its product quality and brand images and has expanded its sales network and channels from a distribution network of 476 distributors as at December 31, 2013 to 578 distributors as at December 31, 2014, which together helped maintain its leading position in 2014.

### Marketing

During the year, through sales channels and network expansion, product optimisation, coupled with the implementation of a mass internal business data analysis system, the Group has successfully achieved outstanding results. All our seven major sales regions posted sales of over RMB50 million. In particular, four of these regions recorded outstanding performance with revenue surpassing RMB100 million.

1. *Product Strategy:*

   The Group has aimed to provide consumers with safe, quality, healthy and delicious biscuits in a consumer-oriented manner.

   (i) The breakfast and crisp biscuits series posted stable results and continued to be the major revenue contributor for the Group. During the year, the Group ceased the government project "nutrition breakfast (營養早餐系列)" for primary students, due to its relatively low gross profit margin, resulting in a slight decrease of revenue of the breakfast biscuits series of 3.3% from RMB360.3 million for the year ended December 31, 2013 to RMB348.6 million for the year ended December 31, 2014. On the contrary, the crisp biscuits series recorded solid growth in revenue of 14.2%

from RMB171.6 million for the year ended December 31, 2013 to RMB196.0 million for the year ended December 31, 2014, setting off the decrease in revenue of the breakfast biscuits series. The aggregate revenue of the breakfast and crisp biscuits series increased by RMB12.7 million or 2.4% for the year ended December 31, 2014.

(ii) The sandwich biscuits series (fruit jam series in particular) and the wafer series are becoming the key focus of the Group. We aim to further develop these two series and achieve market share expansion. During the year ended December 31, 2014, sandwich biscuits series posted a year-on-year growth in revenue 137.4% from RMB53.0 million to RMB125.7 million, and became the third product series of the Group to record an annual sales of over RMB100 million. The wafer series also delivered a substantial revenue growth of 38.2% from RMB43.7 million for the year ended December 31, 2013 to RMB60.4 million for the year ended December 31, 2014.

(iii) The Group continued to launch new products during the year. A particular product – the "Original Flavoured Crisp Biscuit" has received favorable responses from the market and become an important revenue contributor to the Group and is expected to display growth momentum in sales volume in future.

2. *Channel Strategy:*

The Group has aimed to further penetrate into mature regions and provinces while making precise use of online networks to nurture its core markets. The Group has also strengthened its business collaborations with its top 150 customers.

During the year, the Group has continued to achieve steady growth in sales in its mature sales regions such as Heilongjiang, Liaoning, Hunan, Hubei, Shaanxi and Jiangsu. In addition, the Group has replicated its successful operation models from the mature sales markets to peripheral regions and has also penetrated into developing regions, namely Jilin, Shanxi, Henan, Guangdong, Yunnan and Sichuan, whiling expanding its sales channel to county-level cities with tailor-made marketing approach, to boost the Group's total sales. Further, the Group has leveraged on its now enhanced brand image and reputation to expand to sales networks outside of mainland China, including the supermarket networks in Hong Kong, which drove up its export sales. The Group also established e-commerce platforms in Tmall, Yihaodian and Taobao which generated positive results to the Group during the year.

3. *Brand Strategy:*

The Group has been placing more and more resources to build its Jiashili's brand and enhance brand awareness through various marketing initiatives and ultimately driving sales growth. During the year, the Group has adopted the following brand strategies:

(i) placing more resources on various online advertising channels, such as regional satellite television, billboard, public transportation and newspaper to enhance brand image;

(ii) enhancing product display and improving display management and also hosting tasting promotion events on a regular basis in various regions; and

(iii) building flagship stores in county-level cities to serve as role models and marketing platforms for peripheral outlets.

**Research and Development ("R&D")**

Notwithstanding the positive development and progress in the Group's sales of hard biscuits, the Group has been seeking breakthroughs in traditional biscuits segment, such as wafers, sandwich biscuits, soda biscuits and chocolate biscuits. Following our success in breakfast and crisp biscuits series, the Group has aimed to replicate its successful experiences from the popular series to other biscuits series.

In particular, during the year, the Group has adopted the following approaches for product development and production innovation:

(i) collaborating with provincial technical R&D institutes to enhance research capability and leveraging on constant technological innovation and product development to maintain strong competitive advantages;

(ii) assembling a product development team with the R&D team of the Yihai Kerry Group ("益海嘉理"), a subsidiary of Wilmar International Ltd., which is one of the top 500 enterprises in the world and a leading agricultural goods and food products company, with cooperative focuses on raw material inspection, data analysis, application of new materials and craftsmanship improvement;

(iii) forming a product development team with the R&D group from Puratos, a Belgium enterprise with a 100-year history in bakery, with cooperative focuses on various areas such as fruit jam, chocolate and cake; and

(iv) adopting a globally leading practice for its new product development, focusing on consumer-driven product development which is expected to help improve the success rate of the Group's new product development.

**Supply Chain Management**

The Group created a consumer-driven supply chain to ensure profitability by reducing cost, improving product quality, minimising inventory and shortening delivery time, the specific measures undertaken by the Group are set out below.

(i) The Group's three production plants are strategically located in Guangdong, Jiangsu and Hebei, which allows the Group to cover markets in the Pearl River Delta, the Yangtze River Delta and the Bohai Economic Rim in a scientific and systematic manner. This strategic layout has effectively shortened delivery lead time and logistic costs.

(ii) Through data analysis, the Group managed to bulk purchase raw material at competitive prices. The Group used various payment method when dealing with quality suppliers, such as bank promissory notes and letters of credit, in order to obtain favorable prices hence achieving a win-win situation. Procurement costs were reduced, thanks to the overall reduction in the average purchase prices of the three major raw materials in 2014 attributable to a decrease of purchase price in sugar and palm oil, which is only slightly set off by a mild increase in flour cost. Overall raw material costs per tonne of product decreased moderately.

(iii) As disclosed in the paragraph headed "Research and Development" above, the Group established a strategic cooperating partnership with the Yihai Kerry Group. Leveraging the global R&D centre and quality raw materials of the Yihai Kerry Group, the Group maintained its competitive edges with respect to purchase costs, quality and application of raw material and food safety.

(iv) The marketing department utilised internal management system, such as ERP and OA, to generate monthly sales estimation, which has allowed the supply chain department to draft procurement plan, production plan and logistic plans to maintain inventory and wastage at a low level.

(v) The Group has enhanced its commitment to optimising internal management through the establishment of the internal control department. The Group consolidated and systemised its production cycle, and streamlined its production process, which have enhanced its overall operation efficiency, product quality and lower costs.

**Other Remarks**

(i) Prior to the IPO, share options for a total of 14,900,000 shares were granted to 38 core management members. This has helped improve team cohesion and devotion and further incentivised the team's enthusiasm.

(ii) The Group has successfully gained one invention patent, five utility patents, two high and new technology certificates, which demonstrated the Group's product innovation and technical advancement capability.

(iii) The Group was chosen to be one of the 100 demonstration enterprises of "Dual Integration" (information technology and industrialisation) in the Guangdong province and has worked on the national certification process of management system under Dual Integration. This has elevated the Group's knowledge and competitiveness in the information technology era.

## FINANCIAL REVIEW

### Revenue

The revenue of the Group increased to RMB840.1 million for the year ended December 31, 2014 from RMB747.8 million for the year ended December 31, 2013, representing an increase of approximately RMB92.3 million or 12.3%. Such increase in revenue was mainly driven by the increase in sales of our sandwich biscuits series and crisp biscuits series. Breakdown of the revenue and sales volume by category for the year ended December 31, 2014 and the comparative figures are set out as follows:

| | **Year ended December 31,** | | | | % of | % of |
|---|---|---|---|---|---|---|
| | **2014** | | 2013 | | changes in | changes in |
| Revenue/Sales Volume | **Tonne** | ***RMB (million)*** | Tonne | *RMB (million)* | sales volume | revenue |
| Breakfast biscuits series | **34,619** | **348.6** | 36,451 | 360.3 | –5.0% | –3.3% |
| Crisp biscuits series | **18,861** | **196.0** | 17,219 | 171.6 | +9.5% | +14.2% |
| Sandwich biscuits series | **8,796** | **125.7** | 3,883 | 53.0 | +126.5% | +137.4% |
| Wafers series | **4,108** | **60.4** | 2,970 | 43.7 | +38.3% | +38.2% |
| Others | **9,011** | **109.4** | 9,656 | 119.2 | –6.7% | –8.3% |
| Total | **75,395** | **840.1** | 70,179 | 747.8 | +7.4% | +12.3% |

*Breakfast biscuits series*

For the year ended December 31, 2014, the revenue and sales volume of our breakfast biscuits series dropped by 3.3% and 5.0% respectively, when compared to the previous year. Such reduction in sales is the result of a strategic adjustment on the product portfolio, to trim off the low margin products. In early 2014, the Company ceased part of the sales made under the government project "nutritious breakfast". In addition, our lower-margin 1kg package breakfast biscuits have been being steadily replaced by the newly launched 800g package. The table below summarises the net effect on the revenue changes due to the enhancement of product portfolio during the year ended December 31, 2014:

| | **Year ended December 31,** | | |
|---|---|---|---|
| | | | Changes in |
| | **2014** | 2013 | revenue |
| | ***RMB (million)*** | *RMB (million)* | *RMB (million)* |
| Nutritious breakfast | **0.7** | 7.8 | –7.1 |
| 1 kg package | **107.5** | 162.9 | –55.4 |
| 800g package | **62.6** | 22.4 | +40.2 |
| Total | **170.8** | 193.1 | –22.3 |

*Crisp biscuits series*

The revenue of crisp biscuits series for the year ended December 31, 2014 amounted to RMB196.0 million, representing a year-on-year increase of approximately RMB24.4 million or 14.2%, primarily due to the new product "香薄脆" being launched in the market, together with the successful development of new gift packaging.

*Sandwich biscuits series*

The revenue of our sandwich biscuits series for the year ended December 31, 2014 amounted to RMB125.7 million, representing a year-on-year increase of approximately RMB72.7 million or 137.4%. The tremendous boost in sales of the sandwich biscuits series was mainly driven by our popular product "fruit jam series (果樂果香)" which has been widely and well received by the consumers, particularly in Southern China. The success of this product is attributable to our effective marketing strategy, including the launch of television advertising and conducting a sample tasting campaign around China.

*Wafers series*

The revenue of the wafers series for the year ended December 31, 2014 amounted to RMB60.4 million, representing a year-on-year increase of approximately RMB16.7 million or 38.2%. During the year ended December 31, 2014, two new wafers series production lines were acquired. This made up for the production capacity deficiency in previous years and therefore, satisfied the strong consumer demand in our wafers series.

**Gross profit and gross profit margin**

Gross profit for the year ended December 31, 2014 amounted to approximately RMB268.5 million, representing a year-on-year increase of approximately RMB42.9 million, or 19.0%. Increase in gross profit was mainly the result of the increase in top line revenues. Gross profit margin for the year ended December 31, 2014 increased to 32.0% from 30.2% for the previous year and such growth was primarily the result of (i) improvement in product mix, and (ii) implementation of rigorous control in raw material costs.

**Other income**

Other income for the year ended December 31, 2014 increased to approximately RMB9.3 million from approximately RMB6.9 million for the previous year. Other income represents mainly the government grants and bank interest income.

**Selling and distribution expenses**

For the year ended December 31, 2014, the selling and distribution expenses amounted to approximately RMB101.7 million, representing a year-on-year increase of approximately RMB13.8 million, or 15.6%. Selling and distribution expenses consist primarily of advertising and promotion expenses, transportation expenses and salaries and benefits for our sales and marketing staff. The increase in selling and distribution expenses for the year is mainly due to (i) the increase in number of marketing events conducted during the year; (ii) the launch of television commercials; and (iii) the rise in transportation costs incurred as a result of growth in sales volume. Basically, the increase in selling and distribution expenses conforms to the increase in sales.

**Administrative expenses**

Administrative expenses for the year ended December 31, 2014 amounted to approximately RMB38.4 million, representing a year-on-year increase of approximately RMB8.8 million, or 29.8%. Administrative expenses consist primarily of staff costs, legal and professional fees and taxes. During the year, the IPO resulted in an increase in administrative staff costs of RMB5.2 million to RMB18.6 million. The extra staff costs consist of share-based payment expenses as a result of the adoption of a pre-IPO share option scheme, together with the salary paid to the new appointed Directors for the IPO.

**Finance costs**

Finance costs for the year ended December 31, 2014 amounted to approximately RMB2.3 million, represented by the interest paid for the bank borrowings. No significant of change in finance costs was recorded when compared to that for the previous year.

**Other expenses**

Other expenses consist primarily of listing expenses and research and development expenses. Our other expenses increased to approximately RMB43.8 million for the year ended December 31, 2014 by 45% from RMB30.2 million for the previous year primarily owing to (i) the increase in listing expenses of RMB10.6 million in relation to the IPO; (ii) the increase in research and development expenses of RMB2.9 million as a result of new products development.

**Other gain and losses**

Other gain and losses for the year ended December 31, 2014 amounted to a net loss of approximately RMB1.7 million, representing the amount of the net exchange gain which was offset by the fair value loss on convertible promissory note and loss on disposal of property, plant and equipment.

**Income tax expenses**

Income tax increased by RMB3.9 million, or approximately 27.6%, from RMB14.3 million for the year ended December 31, 2013 to RMB18.2 million for the year ended December 31, 2014. Such increase was primarily the result of (i) increase in profit before tax; (ii) increase in non-tax deductible expenses, and (iii) increase in withholding tax on undistributed profits of the PRC subsidiaries.

**Profit and total comprehensive income for the year attributable to the owners of the Company**

As a result of the foregoing factors, profit and total comprehensive income for the year attributable to the owners of the Company increased by 3.5% to RMB71.7 million for the year ended December 31, 2014 from RMB69.3 million for the year ended December 31, 2013, having taken into account the non-recurring listing expenses charged to income statement of approximately RMB15.8 million and fair value loss on convertible promissory note of approximately RMB2.7 million. Net profit margin decreased to 8.5% for the year ended December 31, 2014 from 9.3% for the year ended December 31, 2013.

**Financial position and liquidity**

As at December 31, 2014, the Group had cash and cash equivalents which amounted to approximately RMB298.2 million (2013: RMB69.9 million) while the net current assets was approximately RMB254.9 million (2013: net current liabilities of RMB78.9 million). The liquidity of the Group has strongly improved due to the injection of the net proceeds from the IPO. Daily operations of the Group have been well supported by credit facilities granted by financial institutions which amounted to approximately RMB230 million as at December 31, 2014, and pledge of such credit facilities was not required. As at December 31, 2014, the Group had no outstanding bank borrowings (2013: RMB35.3 million). Fixed deposits and bills receivables pledged for securing the bills payable facility amounted to approximately RMB1.9 million and RMB5.9 million respectively. Other than such, the Group did not have any charge on assets as at December 31, 2014.

As at December 31, 2014, the Group was in a net cash position (2013: net cash). As at December 31, 2014, the Group had capital commitment of approximately RMB1.0 million (2013: RMB18.2 million). Such amount of the capital commitment as at December 31, 2014 is for purchase of property, plant and equipment of approximately RMB1.0 million. As at December 31, 2014, the Group had no material investments and did not have future plans for material investments.

**Contingent liabilities and guarantees**

As at December 31, 2014, the Group did not provide any guarantees for any third parties and had no significant contingent liabilities.

**Material acquisitions and disposals**

Save for the Group Reorganisation for the purpose of the IPO, there were no acquisitions or disposals of subsidiaries or associated companies by the Group during the year ended December 31, 2014.

**Capital structure**

During the year ended December 31, 2014, the Group's operation was mainly financed by funds generated from its operation, borrowings and the IPO. As at December 31, 2014, the Group had no borrowings, while the cash and cash equivalents held by the Group were mainly denominated in Hong Kong dollars ("**HKD**") and Renminbi ("**RMB**"). All of the Group's borrowings were fixed rate borrowings and no hedging has been employed by the Group during the year ended December 31, 2014. The Group's revenue is mainly denominated in RMB, while its costs and expenses are mainly denominated HKD and RMB. A major portion of the Group's assets, liabilities, revenues and payments during the year ended December 31, 2014 were denominated in either HKD or RMB, therefore the Board considers that the risk from exposure to foreign exchange rate fluctuations is not significant. The Group does not have a formal hedging policy and has not entered into any material foreign currency exchange contracts or derivative transactions to hedge against its currency risks.

## Use of proceeds from the IPO

On September 25, 2014, the Company's shares were listed on the main board of the Stock Exchange. A total of 100,000,000 shares were issued at HK$3.70 per share for a total gross proceeds of approximately HK$370.0 million. On October 10, 2014, additional 15,000,000 shares were issued at HK$3.70 upon the exercise of the over-allotment option by the international underwriter, for a total of approximately HK$55.5 million.

The total net proceeds raised from the IPO of the Company were approximately HK$380 million after the deduction of related listing expenses. Up to the date of this announcement, approximately HK$134.5 million of the net proceeds has been used and all of such amount has been used in accordance with the manner set out in the prospectus of the Company. Of the net proceeds used, approximately HK$100 million was used to settle the convertible promissory note issued to Actis Investment Holdings No. 151 Limited (now known as Rich Tea Investments Limited).

## Human resources

As at December 31, 2014, the Group had a total of 1,451 full-time staff based in Hong Kong and the PRC. The Group's remuneration packages are generally structured with reference to market terms and individual merits. The Group operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries. The Group also made contributions to provident funds, elderly insurance, medical insurance, unemployment insurance and work-related injury insurance in accordance with appropriate laws and regulations in the PRC. The Group has also adopted a share option scheme to provide incentive or reward to eligible high-calibre employees and attract human resources that are valuable to the Group.

## SUBSEQUENT EVENTS

On February 17, 2015 the Board had resolved to grant share options to certain individuals to subscribe for an aggregate of 10,000,000 ordinary shares of HK$0.01 each in the share capital of the Company, subject to acceptance of the grantees, under the share option scheme adopted by the Company on August 21, 2014 and the payment of HK$1.00 upon acceptance of the options. The exercise price of the options is HK$4 per share, exercisable from February 17, 2015 to December 31, 2015. The Directors are still in the progress of accessing the fair value of the options and the financial impacts to the Group. Details of such event is set out in the announcement dated February 17, 2015.

## FUTURE PROSPECT

In 2015, it is widely anticipated that the domestic economy will continue its trend in 2014 to slow down moderately. Coupled with the effect of the quantitative monetary easing policies, the market competition will remain fierce. 2015 is the first fiscal year of the Company after the IPO and the Group will continue to build on its solid foundation, strong performance of 2014 and its dominating position to achieve greater growth in 2015. Looking forward, 2015 will also be a year where challenge meets opportunity. Jiashili will capitalise on the opportunities ahead by implementing our corporate strategies – consumer-oriented, quality-comes-first and continuous channel expansion. In light of the corporate strategies and proven operating strength that integrates 5 key elements – product, brand, channel, capital and human resources, the Group will continue to make progress in our business, striving to achieve further progress in product upgrade, brand building, and sales network and channel expansion. The Group will focus on manufacturing and selling of biscuits while continually searching for merger and acquisition opportunities to pursuit business diversification. With consistent and solid results, the Group is confident that such achievement would be recgonised by both the industry and the capital markets. The Group will make a strategic expansion to lease a piece of land with a site area of 80,000 square metres and manufacturing facilities with floor area of 80,000 square metres for 20 years to lay foundation for our future development. The Group also plans to develop a food production base in Anyang, Henan province, where lower level of capital is required. The project is in response to the need arising from rapid development in Northern China and the Bohai Economic Rim markets. Further, pursuant to the understanding as stated in the strategic supply and cooperation framework agreement entered into between the Group and the Yihai Kerry Group in November 2014, we will capitalise on the leading edge in the R&D and business platform of the Yihai Kerry Group to pursue continuous joint development of healthy and nutritious food products, The Group believes that these plans will lead Jiashili to a new chapter in our success story.

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance. Since the IPO date and up to the date of this announcement, the Company has complied with the code provisions under the Code, except for the deviation from the code provision A.2.1 which requires that the roles of chairman and chief executive officer to be separate and not performed by the same individual. Key corporate governance principles and practices of the Company as well as details relating to the foregoing deviation are summarised below.

Pursuant to code provision A.2.1 of the Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and chief executive officer and Mr. Huang Xianming currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the Code.

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

During the year, there was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries.

## AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established to review the Group's financial reporting, internal controls, corporate governance and risk management matters and to make relevant recommendations to the Board. The Audit Committee comprises all independent non-executive Directors, namely Mr. Kam Robert (being the chairman of the Audit Committee), Ms. Ho Man Kay, Mr. Wu Meng-Cher (appointed on November 13, 2014) and Mr. Wu I-ting (resigned on November 13, 2014). During the year, the Audit Committee held one meeting and has reviewed the Group's interim financial statements, compliance of the regulatory and statutory requirements, significant internal control and risk management, significant accounting and audit issues, the Group's connected transactions and overseeing and managing the relationship with external auditors.

The Audit Committee has reviewed the annual results for the year ended December 31, 2014 before the results were submitted to the Board for approval.

## ANNUAL GENERAL MEETING

The annual general meeting ("**2015 AGM**") of the Company will be held in Hong Kong on or about June 3, 2015. Notice of the 2015 AGM will be issued and disseminated to shareholders of the Company in due course.

## FINAL DIVIDEND

The Board has resolved to recommended the payment of a final dividend of HK6.00 cents per share for the year ended December 31, 2014 (2013: Nil), to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at June 11, 2015. Subject to the approval by the shareholders of the Company, the final dividend will be paid on or about June 16, 2015.

## CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2015 AGM, the register of members of the Company will be closed from June 1, 2015 to June 3, 2015 (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 2015 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on May 29, 2015. For determining the entitlement to receive the proposed final dividend, the register of members of the Company will be closed from June 9, 2015 to June 11, 2015 (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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on June 8, 2015.

## 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, 2014 as set out in this announcement have been agreed by the Group's auditor, Messers. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messers. 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 Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messers. Deloitte Touche Tohmatsu on this announcement.

## PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual 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, 2014 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*

Hong Kong, March 25, 2015

*As at the date of this announcement, the Board comprises Mr. Huang Xianming, Mr. Tan Chaojun, Mr. Chen Minghui and Mr. Lu Jianxiong as executive Directors; Mr. Lee Ping Nam and Mr. Lin Xiao as non-executive Directors; Mr. Kam Robert, Ms. Ho Man Kay and Mr. Wu Meng-cher as independent non-executive Directors.*