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, 2017

The board (the "**Board**") of directors (the "**Directors**") of Jiashili Group Limited (the "**Company**") is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2017, together with the comparative figures for the year 2016 as follows:

FINANCIAL HIGHLIGHTS

	Year ended December 31,		
	2017	2016	
	(RMB'000)	*(RMB'000)*	Increase/decrease
Revenue	**1,174,977**	1,105,771	↑ 6.3%
Gross profit	**356,403**	379,389	↓ 6.1%
Gross profit margin	**30.3%**	34.3%	↓ 4.0 percentage points
Profit for the year	**106,566**	89,637	↑ 18.9%
Profit and total comprehensive income for the year attributable to the owners of the Company	**106,566**	87,248	↑ 22.1%
Earnings before interest, tax, depreciation and amortisation	**166,800**	139,004	↑ 20.0%
Earnings per share — Basic and diluted *(RMB cents)*	**25.68**	21.60	↑ 18.9%
Net profit margin	**9.1%**	8.1%	↑ 1.0 percentage point
Proposed final dividend per share *(HKD)*	**0.15**	0.15	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2017

	NOTES	2017 RMB'000	2016 RMB'000
Revenue	3	**1,174,977**	1,105,771
Cost of sales		**(818,574)**	(726,382)
Gross profit		**356,403**	379,389
Other income		**21,078**	14,703
Selling and distribution expenses		**(154,798)**	(167,717)
Administrative expenses		**(60,374)**	(64,197)
Other expenses		**(41,525)**	(38,164)
Other gains and losses	4	**14,506**	(8,920)
Share of results of a joint venture		**(9)**	—
Finance costs		**(7,680)**	—
Profit before tax		**127,601**	115,094
Income tax expense	5	**(21,035)**	(25,457)
Profit for the year	6	**106,566**	89,637
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Decrease in fair value of available-for-sale investment		**—**	(854)
Cumulative gain reclassified to profit or loss on sale of available-for-sale investment upon disposal		**—**	(1,535)
Other comprehensive expense for the year		**—**	(2,389)
Total comprehensive income for the year attributable to the owners of the Company		**106,566**	87,248
Earnings per share	8		
— Basic and diluted *(RMB cents)*		**25.68**	21.60

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2017

	NOTES	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**364,980**	326,322
Prepaid lease payments		**37,824**	36,970
Intangible asset		**—**	500
Interests in associates	9	**—**	—
Interests in joint ventures	10	**34,991**	—
Other receivables and deposits	12	**15,975**	7,624
		453,770	371,416
CURRENT ASSETS			
Inventories		**72,437**	47,578
Prepaid lease payments		**1,140**	1,099
Loan receivables	11	**35,000**	—
Trade, bills and other receivables	12	**90,581**	53,192
Amount due from an associate		**34,258**	—
Amount due from a joint venture		**100**	—
Income tax recoverable		**99**	482
Financial assets designated as at fair value through profit or loss		**185**	—
Pledged bank deposits	13	**19,523**	3,623
Bank balances and cash	13	**419,133**	428,027
		672,456	534,001
CURRENT LIABILITIES			
Trade, bills and other payables	14	**179,541**	169,300
Advances from customers		**75,745**	112,640
Income tax payables		**8,107**	4,931
Borrowings	15	**190,762**	—
		454,155	286,871
NET CURRENT ASSETS		**218,301**	247,130
TOTAL ASSETS LESS CURRENT LIABILITIES		**672,071**	618,546
NON-CURRENT LIABILITIES			
Deferred income		**11,163**	11,708
Deferred tax liability		**2,143**	2,135
		13,306	13,843
NET ASSETS		**658,765**	604,703
CAPITAL AND RESERVES			
Share capital	16	**3,285**	3,285
Reserves		**655,480**	601,418
TOTAL EQUITY		**658,765**	604,703

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

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 Investment Limited. 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, 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 People's Republic of China (the "PRC") and Hong Kong.

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

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

Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to IFRSs for the first time in the current year:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRSs 2014–2016 Cycle

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 performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to IAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note to the consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note to the consolidated financial statements, the application of these amendments has had no impact on the Group's consolidated financial statements.

3. 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 operating segments 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.

The accounting policies of the reportable segment are the same as the Group's accounting policies described in note to the consolidated financial statements.

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.

Other segment information

Amounts included in the measurement of segment results:

Year ended December 31, 2017

	Biscuits operation *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
Depreciation of property, plant and equipment	**27,139**	**3,880**	**31,019**
Amortisation of intangible asset	**500**	**—**	**500**
Release of prepaid lease payments	**1,140**	**—**	**1,140**

Year ended December 31, 2016

	Biscuits operation *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Depreciation of property, plant and equipment	20,950	2,460	23,410
Amortisation of intangible asset	500	—	500
Release of prepaid lease payments	544	—	544

Revenue from major products

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

	2017	2016
	RMB'000	*RMB'000*
Revenue by products		
Breakfast biscuits	**347,870**	357,919
Crisp biscuits	**275,388**	289,468
Sandwich biscuits	**276,153**	233,485
Wafers	**116,063**	94,460
Others *(Note)*	**159,503**	130,439
	1,174,977	1,105,771
Gross profit by products		
Breakfast biscuits	**101,357**	121,152
Crisp biscuits	**80,279**	97,340
Sandwich biscuits	**96,056**	90,515
Wafers	**32,582**	28,831
Others *(Note)*	**46,129**	41,551
	356,403	379,389

Note: Others included numerous products, none of which alone accounted for a material portion as a reportable product category and therefore, 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**	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC	**1,173,024**	1,104,322	**453,769**	371,411
Others *(Note)*	**1,953**	1,449	**1**	5
	1,174,977	1,105,771	**453,770**	371,416

Note: Others represent export sales to locations other than PRC and none of such locations alone accounted for a material portion as a reportable geographic segment.

Information about major customers

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

4. OTHER GAINS AND LOSSES

	2017	2016
	RMB'000	*RMB'000*
Reversal of impairment loss on amount due from a former associate	**12,250**	—
Fair value gain on structured deposits	**1,734**	3,264
Net foreign exchange gains	**1,125**	273
Loss on disposal of property, plant and equipment	**(439)**	(499)
Fair value loss on financial assets designated as at fair value through profit or loss	**(164)**	—
Impairment loss on amount due from an associate	**—**	(12,250)
Fair value loss on modified convertible redeemable bond	**—**	(6,920)
Reversal of provision for relocation expenses	**—**	4,950
Gain on disposal of available-for-sale investment	**—**	1,535
Gain on early redemption of modified convertible redeemable bond	**—**	727
	14,506	(8,920)

5. INCOME TAX EXPENSE

	2017	2016
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")		
— Current tax	**18,908**	22,972
— (Over)underprovision in prior year	**(16)**	350
	18,892	23,322
Deferred tax:		
PRC withholding tax	**2,143**	2,135
	21,035	25,457

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

The Group's operating subsidiary, Guangdong Jiashili Food Group Company Limited 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 2015 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 for three years from 2015 to 2017.

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 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 the PRC entity to non-PRC tax resident shall be subject to PRC Enterprise Income Tax pursuant to Articles 3 and 19 of the PRC Enterprise Income Tax Law.

The Group's subsidiaries that are PRC tax resident are required to withhold the PRC withholding tax of 10% on dividend payment to their 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 as set out in Group's annual report for the year ended December 31, 2015 completed, 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 ("PRC-HK DTA").

In the opinion of the directors, Jiashili (Hong Kong) Limited ("Jiashili HK"), which was incorporated on December 24, 2013 in Hong Kong, was managed and controlled in Hong Kong and is qualified as a Hong Kong tax resident. The application of Hong Kong resident certificate has been prepared and submitted in January 2018. On the basis that Jiashili HK also meets the requirement of enjoying 5% reduced tax rate under Bulletin [2015] No.60（國家稅務總局公告2015年第60號）(e.g. beneficial ownership, shareholding percentage and holding period), hence, it should be qualified to enjoy a reduced withholding tax rate of 5% on dividend income for the whole years 2016 and 2017 pursuant to PRC-HK DTA.

6. PROFIT FOR THE YEAR

	2017	2016
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' and chief executive's remuneration	**3,569**	5,557
Other staff costs:		
Salaries and allowances	**145,264**	137,205
Contributions to retirement benefits scheme	**15,510**	12,938
Share-based compensations	**2,162**	3,933
Total staff costs	**166,505**	159,633
Depreciation of property, plant and equipment	**31,019**	23,410
Amortisation of intangible asset (included in cost of sales)	**500**	500
Total depreciation and amortisation	**31,519**	23,910
Allowance for (reversal of) doubtful debts	**93**	(53)
Impairment loss recognised in respect of prepayment	**2,740**	—
Release of prepaid lease payments	**1,140**	544
Auditors' remuneration	**1,593**	1,507
Cost of inventories recognised as expenses with no impairment of inventories recognised	**818,574**	726,382
Legal and professional fees (included in administrative expenses)	**6,176**	3,140
Legal and professional fees (included in other expenses)	**—**	86
Total legal and professional fees	**6,176**	3,226
Rental expense under operating lease in respect of land and buildings	**4,125**	4,868

7. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Dividend for ordinary shareholders of the Company recognised as distribution during the year:		
2016 Final — HK15 cents (2016: 2015 final dividend of HK15 cents) per share	**55,050**	52,678

Subsequent to the end of the reporting period, final dividend of HK15 cents (2016: HK15 cents) per share, amounting to approximately HK$62,250,000 (equivalent to approximately RMB52,035,000) (2016: approximately HK$62,250,000 (equivalent to approximately RMB55,050,000)), has been proposed by the directors and is subject to the approval by the shareholders at the forthcoming Annual General Meeting of the Company.

8. 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:

	2017	2016
	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	**106,566**	89,637

	2017	2016
	'000	*'000*
Number of shares		
Number of ordinary shares for the purposes of basic and diluted earnings per share *(Note)*	**415,000**	415,000
Basic and diluted earnings per share *(RMB cents)*	**25.68**	21.60

Note: The computation of diluted earnings per share for the year ended December 31, 2017 and December 31, 2016 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 2017 and 2016.

9. INTERESTS IN ASSOCIATES

	2017	2016
	RMB'000	*RMB'000*
Cost of investments in associates — unlisted	**—**	—
Share of results of associates	**—**	—
	—	—

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

Name of associate	**Place of incorporation/ registration/principal place of business**	**Proportion of ownership interest held by the Group**		**Proportion of voting rights held by the Group**		**Principal activity**
		2017	2016	**2017**	2016	
Fujian Lidajia Food Company Limited* 福建利大家食品有限公司 *(Note a)*	PRC	**N/A**	49%	**N/A**	33.33%	Inactive
Hong Kong Ruishiyue (International) Food Co., Limited* ("Hong Kong Ruishiyue") 香港瑞士樂(國際)食品有限公司 *(Note b)*	Hong Kong	**5%**	N/A	**50%**	N/A	Investment holding and manufacture and sale of biscuits

* *English name for identification purpose only.*

Notes:

(a) During the year ended December 31, 2016, a subsidiary of the Group had established an associate with an independent third party, 好鄰居股份有限公司. Pursuant to the articles of association, the registered capital is RMB10 million, among which, RMB5.1 million and RMB4.9 million are to be contributed by 好鄰居股份有限公司 and a subsidiary of the Group, respectively. As at December 31, 2016, the associate remained inactive and both parties had not yet injected investment capital into the associate, details of the capital commitment are set out in note to the consolidated financial statements. During the year ended December 31, 2017, the Group entered into a share transfer agreement with 好鄰居股份有限公司 for transferring its entire ownership interests in Fujian Lidajia Food Company Limited to 好鄰居股份有限公司 with nil consideration. The legal procedures of such transfer of ownership interests has been completed on February 16, 2017.

(b) During the year ended December 31, 2017, a subsidiary of the Group had established an associate with two independent third parties. Pursuant to the articles of association, the registered capital is US dollar ("US$") 3.7 million (approximately RMB25.2 million), among which, US$187,500 (approximately RMB1.3 million) to be contributed by a subsidiary of the Group. The board composition of the associate comprised of 4 directors, in which 2 of the directors were appointed by the Group and the remaining 2 directors were appointed by each of the two independent third parties, as such, the Group exercises significant influence in deciding the associate's financial and operating policy, the resolution of which required approval by simple majority of the board and accordingly accounts for its interest in Hong Kong Ruishiyue as an associate. During the year ended December 31, 2017, Hong Kong Ruishiyue incorporated a wholly foreign owned subsidiary, Guangdong Ruishiyue Food Co., Limited ("Guangdong Ruishiyue"), in the PRC (collectively referred to as "Hong Kong Ruishiyue Group"). As at December 31, 2017, all parties had not yet injected investment capital in the associate, details of the capital commitment are set out in note to the consolidated financial statements.

Summarised financial information of a material associate

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs. The associate is accounted for using the equity method in these consolidated financial statements.

Hong Kong Ruishiyue Group

	2017	2016
	RMB'000	*RMB'000*
Current assets	**41,169**	—
Non-current assets	**3,895**	—
Current liabilities	**(46,065)**	—

	2017	2016
	RMB'000	*RMB'000*
Revenue	**5,192**	—
Loss for the year	**(872)**	—
Other comprehensive expense for the year	**(129)**	—
Loss and total comprehensive expense for the year	**(1,001)**	—

Reconciliation of the above summarised financial information to the carrying amount of the Group's interest in Hong Kong Ruishiyue Group recognised in the consolidated financial statements:

	2017	2016
	RMB'000	*RMB'000*
Net assets of Hong Kong Ruishiyue Group	**(1,001)**	—
Proportion of the Group's ownership interest in Hong Kong Ruishiyue Group	**5%**	—
	(50)	—
Loss and total comprehensive expense from Hong Kong Ruishiyue Group yet to be recognised	**50**	—
Carrying amount of the Group's interest in Hong Kong Ruishiyue Group	**—**	—

	2017	2016
	RMB'000	*RMB'000*
The unrecognised share of loss and total comprehensive expense of Hong Kong Ruishiyue Group for the year	**(50)**	—

	2017	2016
	RMB'000	*RMB'000*
Cumulative share of loss and total comprehensive expense of Hong Kong Ruishiyue Group	**(50)**	—

10. INTERESTS IN JOINT VENTURES

	2017 RMB'000	2016 RMB'000
Cost of investments in joint ventures	**35,000**	—
Share of results of a joint venture	**(9)**	—
	34,991	—

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

Name of joint ventures	Place of incorporation/ registration/principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
		2017	2016	**2017**	2016	
深圳前海星旻利股權投資合伙企業（有限合伙）*(Note a)*	PRC	**89.1%**	89.1%	**33.33%**	33.33%	Inactive
江門建粵利嘉產業投資合伙企業（有限合伙）("江門建粵利嘉") *(Note b)*	PRC	**34.98%**	N/A	**33.33%**	N/A	Investment holding

Notes:

(a) During the year ended December 31, 2016, a subsidiary of the Group had established a joint venture together with two independent third parties, 亞東複嘉食品投資中心(有限合夥) and 杭州浙商成長股權投資基金合夥企業(有限合夥). Pursuant to the joint venture agreement, the total registered capital is RMB150 million, among which, RMB1.5 million is to be contributed by 亞東複嘉食品投資中心(有限合夥) as the general partner, RMB133.65 million and RMB14.85 million are to be contributed by a subsidiary of the Group and 杭州浙商成長股權投資基金合夥企業(有限合夥), respectively, as the limited partner. Each party to the joint venture can appoint one director to the Board and all the relevant activities require unanimous consent of the directors in board of directors meeting, and accordingly the Group concluded that it had joint control in 深圳前海星旻利股權投資合伙企業(有限合夥) and accounted for its interest in 深圳前海星旻利股權投資合伙企業(有限合夥) as a joint venture. As at year ended December 31, 2017, the joint venture remained inactive with nil carrying amount on the balance sheet, all parties had not yet injected investment capital in the joint venture, details of the capital commitment are set out in note to the consolidated financial statements.

(b) In June 2017, a subsidiary of the Group has entered into a partnership agreement ("Partnership Agreement") with two independent corporate partners to form a joint venture in the PRC with the principal business activity of investment in a specific company established in the PRC principally engaged in production and distribution of food products, namely 嘉士柏股份有限公司（"嘉士柏"）. Pursuant to the Partnership Agreement, a subsidiary of the Group has injected capital amounting to RMB35 million as limited partner. As all the relevant activities require unanimous consent of all partners of the partnership, the Group concluded that it had joint control in 江門建粵利嘉 and accounted for its interest in 江門建粵利嘉 as a joint venture. During the year ended December 31, 2017, 江門建粵利嘉 injected investing capital into 嘉士柏 and accounted for its interest in 嘉士柏 as an associate.

Summarised financial information of an material joint venture

Summarised financial information in respect of the Group's material joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs. The joint venture is accounted for using the equity method in these consolidated financial statements.

江門建粵利嘉

	2017
	RMB'000
Current asset	**137**
Non-current asset	**100,000**
Current liability	**(106)**

The above amounts of assets and liabilities include the followings:

	2017
	RMB'000
Cash and cash equivalents	**137**

	2017
	RMB'000
Revenue	**16**
Loss and total comprehensive expense for the year	**(27)**

Reconciliation of the above summarised financial information to the carrying amount of the Group's interest in 江門建粵利嘉 recognised in the consolidated financial statements:

	2017
	RMB'000
Net assets of 江門建粵利嘉	**100,031**
Proportion of the Group's ownership interest in 江門建粵利嘉	**34.98%**
Carrying amount of the Group's interest in 江門建粵利嘉	**34,991**

11. LOAN RECEIVABLES

As at December 31, 2017, the amounts represent loans advanced to independent third parties with aggregated principal value of RMB35,000,000 (2016: Nil). The amounts are unsecured, interest bearing at 16% per annum and guaranteed by other independent third parties. The amounts are repayable within one year.

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

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**25,713**	22,114
Less: Allowance for doubtful debts	**(228)**	(135)
Trade receivables, net	**25,485**	21,979
Bills receivables	**12,392**	2,178
Total trade and bills receivables	**37,877**	24,157
Prepayments for purchase of raw materials *(Note)*	**41,901**	24,115
Other receivables	**6,949**	5,319
Other prepayments	**5,360**	1,824
Rental and utility deposits	**1,300**	1,300
Deposit for acquisition of an investment	**3,000**	—
Deposit for acquisition of property, plant and equipment	**8,920**	741
Deposit for acquisition of a land use right	**1,249**	360
Earnest money to a potential investee	**—**	3,000
	106,556	60,816
Less: Amount shown under current assets	**(90,581)**	(53,192)
Amount shown under non-current assets as other receivables and deposits	**15,975**	7,624

Note: Prepayments for purchase of raw materials mainly comprised prepayments for sugar, flour and oil, net of impairment of RMB2,740,000 (2016: Nil).

Trade and bills receivables

The Group generally adopted a policy to require advance payment from majority of their customers before the delivery of goods.

Before accepting any new customers, the Group assesses the potential customers' credit quality and defines their 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 represents credit sales to certain customers. The Group generally allows a credit period of 30 to 180 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 analysis of trade receivables by aged, net of allowance for doubtful debts, presented based on the invoice date, which approximated the respective revenue recognition dates at the end of the reporting period.

	2017	2016
	RMB'000	*RMB'000*
Within 2 months	**17,489**	16,937
Over 2 months but within 3 months	**5,979**	3,715
Over 3 months but within 6 months	**2,017**	1,327
	25,485	21,979

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of approximately RMB273,000 (2016: RMB144,000), 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:

	2017	2016
	RMB'000	*RMB'000*
Over 1 month but within 3 months	**273**	144

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

	2017	2016
	RMB'000	*RMB'000*
Over 1 month but within 3 months	**6,200**	688
Over 3 months but within 6 months	**6,192**	1,490
	12,392	2,178

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.

Movements in the allowance for doubtful debts:

	2017	2016
	RMB'000	*RMB'000*
At beginning of year	**135**	188
Impairment loss recognised on receivables	**93**	—
Impairment loss reversed	**—**	(53)
At end of year	**228**	135

Other receivables and deposits

Other receivables represent advances to staff, which are unsecured, non-interest bearing and amounts are repayable ranging from three to seven years of RMB1,506,000 (2016: RMB2,223,000) 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 RMB141,000 (2016: RMB123,000). The effective interest rate is ranging from 4.75% to 4.9% (2016: 4.75% to 4.9%) per annum.

Deposits represent i) rental and utility deposits due after one year; ii) a deposit paid by the Group as upfront payment for an investment; and iii) deposits for acquisition of property, plant and equipment; and iv) deposit for acquisition of a land use right.

13. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

At December 31, 2017, pledged bank deposit of RMB19,523,000 (December 31, 2016: pledged bank deposit and bank balances of RMB3,623,000) carry fixed interest rates ranged from 0.70% to 1.21% per annum.

Bank balances of RMB419,133,000 (December 31, 2016: RMB428,027,000) carry interest at floating interest rates per annum as follows:

	Bank balances
At December 31, 2016	0.01%–0.35%
At December 31, 2017	0.01%–2.09%

Pledged bank deposits/bank balances and cash are denominated in the following currencies:

	2017	2016
	RMB'000	*RMB'000*
RMB	**417,154**	402,652
Hong Kong Dollars *("HK$")*	**7,961**	28,313
US Dollars *("US$")*	**13,541**	685
	438,656	431,650

RMB is not freely convertible currency in the PRC and the remittance of funds out of the PRC is subject to foreign exchange restrictions imposed by the PRC government.

Pledged bank deposits represent deposits pledged to banks to secure the banking facilities and bills payable issued to suppliers of the Group for the purchase of raw materials.

14. TRADE, BILLS AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**80,117**	63,483
Bills payables	**15,000**	22,000
Total trade and bills payables	**95,117**	85,483
Accrued expenses	**16,453**	25,266
Transportation fee payables	**22,630**	18,639
Payroll and welfare payables	**21,052**	20,758
Construction costs payables	**3,373**	5,676
Other payables	**13,021**	2,996
Output value-added-tax and other tax payables	**7,895**	10,482
	179,541	169,300

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

	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**79,527**	63,167
Over 3 months but within 6 months	**305**	111
Over 6 months but within 1 year	**159**	205
Over 1 year	**126**	—
	80,117	63,483

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

	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**—**	22,000
Over 3 months but within 6 months	**15,000**	—
	15,000	22,000

The bills payables are secured by pledged bank deposits as disclosed in note 13.

15. BORROWINGS

	2017	2016
	RMB'000	*RMB'000*
Bank borrowings — unsecured	**190,762**	—
The carrying amounts of the above borrowings are repayable within one year*:	**138,100**	—
The carrying amounts of bank loans that contain a repayment on demand clause (shown under current liabilities) but repayable within one year:	**52,662**	—
	190,762	—

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The exposure of the Group's borrowings are as follows:

	2017	2016
	RMB'000	*RMB'000*
Fixed-rate borrowings	**190,662**	—
Variable-rate borrowings	**100**	—
	190,762	—

The Group's variable-rate borrowing carry interest at PRC Loan Prime Rate ("LPR") +0.398%.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	Year ended 2017	Year ended 2016
Effective interest rate:		
Fixed-rate borrowings	**1.57% to 4.35%**	N/A
Variable-rate borrowings	**4.698%**	N/A

The Group's borrowings that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	HK$ *RMB'000*
As at December 31, 2017	52,662
As at December 31, 2016	—

16. SHARE CAPITAL

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

	Number of shares	**Share capital** *HK$*
Authorised:		
At January 1, 2016, December 31, 2016 and December 31, 2017 — Ordinary shares of HK$0.01 each	8,000,000,000	80,000,000
Issued and fully paid:		
At January 1, 2016, December 31, 2016 and December 31, 2017 — Ordinary shares of HK$0.01 each	415,000,000	4,150,000

	At December 31, 2017 and 2016 *RMB'000*
Presented in the consolidated financial statements	3,285

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is one of the largest local biscuit manufacturers in PRC with long history of famous brand name "JIASHILI嘉士利" for more than 60 years. Our Group offers mainly four biscuits series including breakfast biscuits series, crisp biscuits series, sandwiches biscuits series and wafer series. Over the year, the Group have been adhering to the business philosophy of "JIASHILI-benefit thousands of families and benefit to all people嘉士利、利萬家、利大家" to provide delicious and high quality biscuits to the customers in the PRC.

2017 is a year that is full of challenging, biscuits have flooded every corner of PRC people's life. Mostly they are regarded as snacks to offer the leisure when people read books or watch movies. They also serve as the breakfast in the morning to provide people with the energy for a whole day. There exist plenty of categories of biscuits with different flavors in the PRC market. Despite being affected by a general slowdown in consumer market, the market demand for the Group's main product categories still maintained stable growth.

In 2017, the Group's revenue increased by approximately 6.3% year-on-year to approximately RMB1,175 million. Gross profit margin decreased by approximately 4.0 percentage points to 30.3% as compared with that of 2016 due to the increase in cost of raw materials and packaging materials. The operating expenses (selling and distribution expenses and administrative expenses) were well controlled, which decreased by 7.2% to approximately RMB215.2 million as compared with that of 2016. Profit and total comprehensive income for the year attributable to the owners of the Company increased by 22.1% to approximately RMB106.6 million as compared with that of 2016 with a net profit margin of 9.1%. Earnings before interest, income tax, depreciation and amortization (EBITDA) grew by 20% to approximately RMB166.8 million over that of 2016.

During the year, the Group has invested in an associated company (note 9), Hong Kong Ruishiyue, which is engaged in manufacturing and selling of candy bars and chocolate biscuits with target markets for those teenagers and youth. Adherence to our Group diversification strategy, we aim to develop markets and promoting leisure biscuits for more younger generation. In addition, a joint venture has been set up with 江門建粵利嘉 (note 10) mainly investing in food products in PRC. Our Group believed that both investments were still in their initial stage and need time for growth and development. Looking forward, we will keep close monitor on the future progress of these investments.

Our Group adopted business strategy of "JIASHILI, diversified product category" aiming at providing different biscuits categories with different flavors to customers in the PRC market. Dare to accept innovative idea and product development are the driving force for the Group's continuous development.

The Group's key efforts during the year are outlined below:

Production and supply chain

Enhancement of product quality, our Group strives for best quality with competitive prices, and zero customers complaints. This could be achieved by improved quality 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 total customers' complaints were reduced by 5.8% in 2017.

The Group has obtained a number of certification on ISO9001, ISO22000, ISO14000. Close supervision and monitoring on the quality of raw materials and packaging materials to ensure product safety at source. Our Group has a high quality review checks on our suppliers in order to ensure the sustainability of their business and also to ensure they can offer reliable supply to us. In 2017, the pass rate of raw materials has increased to 99.56% and the pass rate of packaging materials rose up to 99.91%. We believe, a high standard of good quality will give better assurance to our customers.

Our new production plant in Tangyin, Henan Province has launched production in 2017, the results was promising and meet our expectations in the first year of operation. The Tangyin factory has recorded sales of 15,448 tonnes of biscuits in 2017 accounted for approximately 17.8% of the total sales tonnes. Our Group will constantly review our production operations in different regions in order to fulfil customers demand in PRC market. In addition, the new production line of cake series has also been successfully launched in the second half of 2017 it represents our Group's expansion and diversification strategy for providing different categories of products to our customers.

Currently, our Group has obtained 31 patents on advanced technical improvements and production processes in biscuits, it indicates our Group's solid foundations on research and development and ongoing innovation and progress to meet customers needs. In 2017, research and development expenses amounted to approximately RMB 38.5 million increased by approximately 6.2% from last year. Research and development expenses accounted for approximately 3.3% of the total revenue.

Promotion and marketing strategy

In 2017, our Group has more than 1,100 distributors, the north china, the north east and the central China accounted for approximately 19%, 15% and 13% respectively.

Our Group adopted mainly with single brand of "JIASHILI嘉士利" with different products for different ages and varied consumption pattern with different preferences. In response to new China economic growth and fast changing market environment, the Group continued to adopt product perfection, tasty with different flavors and serve as a good companion in luxury and free time.

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.

In terms of geographical revenue distribution, the north China accounted for approximately 14% of the 2017 revenue (2016: approximately 12.5%) representing of an increase of 1.5 percentage points from last year. While the South China accounted for approximately 10.5% of the 2017 revenue (2016: approximately 9.4%) an increase of 1.1 percentage points from last year. The South West China represents of approximately 7.5% of the 2017 revenue (2016: approximately 6.8%) an increase of 0.7 percentage point from last year. Our Group will continue and improve our product and diversification strategy and continue exploring different channels to meet the market demand.

FUTURE PROSPECT

2017 is a year full of challenging, and instability of industry environment, according to the Statistical Bulletin released by the National Bureau of Statistics of the PRC the annual growth rate of the society retail sales of consumer goods for 2017 was 10.2%, a decrease of 0.2 percentage point from 2016. According to the market survey report from AC Nelson, the second quarter of 2017, the retail sales amounts of biscuits in PRC recorded a year-on-year increase of 1.1% but a drop of 2.4% in sales volume year-on-year from last year of 2016. The consumption preferences of consumers were changing rapidly. The products in our industry became increasingly diversified. More intense competition among various biscuits manufacturers and increased sales promotions and discounts were allowed in the industry. Despite a slowdown in macroeconomic growth and the various challenges brought by other outside factors, our Group's sandwiches and wafer series have recorded a double-digit growth. Our breakfast series has recorded a slight decline by only 2.8% year-on-year from last year due to our product repositioning strategy.

The PRC's economy is expected to continue to slow down in 2018, while the GDP growth remains moderate. Raw materials and packaging material costs are continue to rise, biscuits and cake market will continue industry structural adjustment. The Group is optimistic about the development in 2018 and expects the economy will grow steadily. The Group will focus on its core competitiveness and leverage on its organizational abilities in innovation to grasp the market trend and consumers' preference, and to continue developing high-quality innovative products. It will also facilitate sales channel reform and create reasonable returns for all shareholders.

Following the increase in average national income level and spending power, consumers will aim at diet health accords with high health standards and will be very cautious in selecting healthy products, our Group adopts a high level quality review and control program to oversight the whole production process ensure from the purchase of raw materials till the end of packaging are in the stringent control and meet health standards.

Our Group will further enhance our distribution advantages in traditional channels in PRC to improve the comprehensive distributor management level and the direct control of the Group over retail terminals of retail shops, supermarkets, convenience stores. We will also explore e-commerce food distribution especially to cater for the needs of those youth generations who loves fast distribution and online consumptions experience. Currently, our Group already have agreement with "Taobao.com", "JD.com", "Tmall.com" and "yhd.com" to distribute our products and it has received well responses from customers. We will make more efforts on e-commerce platforms and endeavor to improve the sales network to lead the market development.

Our Group will continue to expand our business through product expansion in terms of variety of categories, products flavors and even in packaging design. In the future, we will have more co-operations and make mergers and acquisitions if the right time and opportunities exists so as to enhance corporate strength and actively explore overseas markets while consistently consolidating our leadership position in the PRC market. Our Group will persistently adhere our corporate philosophy of "JIASHILI-benefit thousands of families and benefit to all people嘉士利、利萬家、利大家" for making every success and further advancement, as well as performing more efficient work in order to drive the Group towards a higher level.

FINANCIAL REVIEW

Revenue

In 2017, the Group's revenue increased by approximately 6.3% to RMB1,175 million. Breakdown of the revenue and sales volume by product category for the year ended December 31, 2017 and the comparative figures for the year 2016 are as follows:

Sales volume/Revenue	2017 Tonne	2017 RMB (million)	2017 Revenue contribution	2016 Tonne	2016 RMB (million)	2016 Revenue contribution	Changes in Sales volume	Changes in Revenue
Breakfast biscuits series	**31,958**	**347.9**	**29.6%**	34,377	357.9	32.4%	**−7.0%**	**−2.8%**
Crisp biscuits series	**20,490**	**275.4**	**23.4%**	23,019	289.5	26.2%	**−11.0%**	**−4.9%**
Sandwiches biscuits series	**16,780**	**276.2**	**23.5%**	15,067	233.5	21.1%	**+11.4%**	**+18.3%**
Wafer series	**6,953**	**116.1**	**9.9%**	6,625	94.5	8.5%	**+5.0%**	**+22.9%**
Others	**10,509**	**159.4**	**13.6%**	9,876	130.4	11.8%	**+6.4%**	**+22.2%**
Total	**86,690**	**1,175.0**	**100.0%**	88,964	1,105.8	100.0%	**−2.6%**	**+6.3%**

Breakfast biscuits series

The revenue generated from breakfast biscuits series accounted for approximately 29.6% of the Group's total turnover, representing a small drop from last year to approximately RMB347.9 million (2016: RMB357.9 million, representing approximately 32.4% of the Group's total turnover). The result was due to the change of the Group's product mix strategy and the change of customer's preference on breakfast biscuits, especially in the Southern regions of the PRC.

Crisp biscuits series

Sales of crisp biscuits series experiencing a first slid down, decreased by 4.9% to approximately RMB275.4 million (2016: approximately RMB289.5 million) as compared to the same period last year, which was mainly due to the keen competition and changing customers tastes.

Sandwiches biscuits series

Demand for sandwiches biscuits series of the Group remains strong. During the year, the revenue of sandwiches biscuits rose by 18.3% to approximately RMB276.2 million (2016: approximately RMB233.5 million), the sales volume reaches 16,780 tonnes representing an increase of 11.4% from last year. The revenue of sandwiches biscuits accounting for approximately 23.5% of the Group's total turnover, which became the second largest revenue driver product with high growth potential under the Group. The increase was due to the continued increased acceptance by the youth customers group and the introduction of different flavors on the products. Sandwiches biscuits series products will certainly become a new growth point and the Group will constantly improve the quality on that with an aims for gaining more market share.

Wafer series

During reporting period, the sales generated from wafer series amounted to approximately RMB116.1 million, an increase of 22.9% as compared with the corresponding period of last year (2016: approximately RMB94.5 million). Growth in sales volume rose by approximately 5% to 6,953 tonnes (2016: 6,625 tonnes).The results were primarily attributable to the success of the Group's marketing and pricing strategy and the wide market acceptance.

Other biscuits series

It is the Group's policy of actively seeking to expand the range of products with different quality and flavors to meet customer's expectations. During the year, revenue from other biscuits series rose by 22.2% to approximately RMB159.4 million (2016: approximately RMB130.4 million) while sales volume increased by approximately 6.4% to 10,509 tonnes (2016:9,876 tonnes). The success of the product images and famous brandname of Jiashili were the reasons for the increase.

Gross profit and gross profit margin

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

	2017		2016		**Changes in**	
	Gross profit ***RMB (million)***	**Gross profit margin**	Gross profit *RMB (million)*	Gross profit margin	**Gross profit** ***RMB (million)***	**Gross profit margin** ***(percentage points)***
Breakfast biscuits series	**101.4**	**29.1%**	121.2	33.9%	**−19.8**	**−4.8%**
Crisp biscuits series	**80.3**	**29.2%**	97.3	33.6%	**−17.0**	**−4.4%**
Sandwiches biscuits series	**96.0**	**34.8%**	90.5	38.8%	**5.5**	**−4.0%**
Wafer series	**32.6**	**28.1%**	28.8	30.5%	**3.8**	**−2.4%**
Others	**46.1**	**28.9%**	41.6	31.9%	**4.5**	**−3.0%**
Overall	**356.4**	**30.3%**	379.4	34.3%	**−23**	**−4.0%**

In 2017, gross profit amounted to approximately RMB356.4 million (2016: approximately RMB379.4 million), representing a year-on-year decrease of 6.1%. Gross profit margin has reduced to 30.3% in 2017, representing a decrease of 4.0 percentage points from last year. The decrease in gross profit margin was due to the increase in costs of raw materials and packaging materials.

The Group's primary cost of sales include raw material costs (such as sugar, palm oil, and wheat flour), packaging materials costs, manufacturing costs (such as depreciation, amortization and utilities), wages and salaries. Among them, the raw material costs represented approximately 51.8% of total cost of sales and the packaging materials costs represented approximately 24.6% of total cost of sales. In 2017, the costs of sugar and palm oil has increased by 18.2% and 9.2% respectively, while the costs of packaging material has tremendously increased by approximately 55% which deteriorate our gross profit margin. In response to the change in the prices of raw materials and packaging materials, Our Group will take proactive measures such as purchasing in advance, we will further strengthen on cost control, reasonably adjust prices according to the market condition, optimize the product structure, and continue to launch more high-margin products.

Other income

Other income for the year ended December 31, 2017 increased by approximately 43.4% to approximately RMB21.1 million from last year. The increase was primarily due to the increase in Government grants of approximately RMB3.1 million and increase in interest income on deposits and loans receivable approximately RMB3.2 million.

Selling and distribution expenses

The selling and distribution expenses decreased by approximately 7.7% from RMB 167.7 million in 2016 to RMB154.8 million in 2017. The Group's selling expenses as a percentage of revenue decreased by 1.4 percentage points to 7.58% as compared with that of 2016. Distribution costs as a percentage of revenue decreased by 0.59 percentage point to 5.59% as compared with that of 2016.

Administrative expenses

During the year, the Group's administrative expenses decreased by approximately 5.9% to approximately RMB 60.4 million from last year (2016: approximately RMB64.2 million). The decline was mainly due to the Group's stringent cost control and increased in operating efficiency.

Other gains and losses

During the year, other gains was approximately RMB14.5 million, an increase of gains by approximately RMB23.4 million (2016: approximately RMB8.9 million losses) as compared with the corresponding period of last year. This is mainly attributable to the reversal of impairment loss from associate company provided in last year amounted to approximately RMB 12.2 million, also the fair value gains on both structured deposits and realized gains on disposal of financial assets amounted approximately RMB2.4 million and the foreign exchange gain increased by approximately 0.85 million.

Income tax expenses

The Group's income tax expense decreased from approximately RMB25.5 million in 2016 to approximately RMB21.0 million in 2017 while the effective income tax rate (income tax divided by profit before tax) decreased by 5.6 percentage points from 22.1% in 2016 to 16.5% in 2017.

Profit and total comprehensive income attributable to the owners of the Company

Profit and total comprehensive income attributable to the owners of the Company increased by 22.1% from approximately RMB87.2 million in 2016 to approximately RMB106.6 million in 2017 benefiting from the stringent control on operating costs and increase of operating efficiency.

Inventories

Inventories as at December 31 2017 was approximately RMB72.4 million, an increase of approximately RMB24.8 million from approximately RMB47.6 million as at December 31, 2016 while the total amounts of raw materials and packaging materials accounted for approximately 62.8% of the total inventories. The increase as at the end of the year was mainly attributable to the purchases of raw materials and packaging materials in anticipation of an increase of their future prices and finished goods keeping to meet the demand from the Lunar Chinese New year in 2018.

Trade, bills and other receivables

The Group's trade, bills and other receivables increased by 70.3% from RMB53.2 million as at December 31, 2016 to RMB90.6 million as at December 31, 2017 primarily due to a growth of revenue from our major distributors and e-commerce and higher credit facilities offered to a few long-term high-performing distributors which led to an increase of receivables. The Group maintained a tight credit control policy on credit facilities grant to customers, in 2017 the trade, bills and other receivables turnover days was nearly the same from last year, a slight decrease from 23.68 days in 2016 to 22.33 days in 2017.

Financial position and liquidity

We finance our operations and capital expenditure primarily by internally generated cash flows as well as banking facilities provided by principal bankers. The cash position of the Group was strong during the year. As at December 31, 2017, the Group had cash and cash equivalents amounted to approximately RMB419.1 million (2016: approximately RMB428.0 million). The banking facilities provided by bankers were secured by the pledge of our bank deposits. As at December 31, 2017, the pledged bank deposits were approximately RMB19.5 million (2016: approximately RMB3.6 million).

The Directors believed that the Group will be in a strong and healthy position and has sufficient resources in support of its working capital requirement and meet its foreseeable capital expenditure. As at December 31, 2017, the Group's net current assets was approximately RMB218.3 million (2016: approximately RMB247.1 million). The current ratio of the Group as at December 31, 2017 was 1.48 (2016: 1.86). Total equity as at December 31, 2017 was approximately RMB658.8 million, an increase of 8.9% from approximately RMB604.7 million as at December 31, 2016.

Bank borrowings and gearing

As at December 31, 2017, the Group had bank borrowings of approximately RMB190.8 million with fixed-rate borrowings of approximately of RMB190.7 million (2016: Nil) and variable rate borrowings of approximately RMB0.1 million (2016: Nil). During the period, the interest rates on fixed rate bank borrowings was ranging from 1.57% to 4.35% while the interest rate on variable rate borrowings was 4.698%.

As at December 31, 2017, the Group was in a net cash position (cash and cash equivalents less borrowings) of approximately RMB228.4 million (2016: approximately RMB428.0 million). As at December 31, 2017, the gross gearing ratio (defined as total liabilities over total assets) was approximately 41.5% (2016: approximately 33.2%). Our net gearing ratio (borrowings net of cash and cash equivalents as a percentage of total equity) as at December 31 2017 was -0.35 time (2016: -0.71 time). The management will from time to time adopt prudent financial management policy to address changing financial conditions.

Capital expenditure

During the period, the Group acquired property, plant and equipment of approximately RMB70.1 million (2016: approximately RMB 126.8 million) in line with a series of expansion of production facilities and upgrade of some of the old plant and production transformation by the Group.

Use of proceeds from the Listing

The total net proceeds raised from the IPO of the Company were approximately HK$380 million after deduction of related listing expenses. The use of IPO proceeds has been consistent with the disclosure in the prospectus of the Company dated September 15, 2014. Up to the date of this announcement, the respective use of the net IPO proceeds is as follows:

	Net proceeds from IPO		
	Available	**Used**	**Unused**
	HK$ million	*HK$ million*	*HK$ million*
Increasing the recognition and awareness of our brands and expansion of our distribution and sales network	167.40	147.3	20.1
Infrastructure investment in respect of the purchase and installation of more advanced and automated machineries and the upgrading of our existing production facilities in our production plants	38.60	38.6	—
Research and development activities in order to refine our existing product offerings and develop new products	36.0	36.0	—
Repayment of the principal amount and the accrued interest under the convertible promissory note issued to Actis Investment Holdings No. 151 Limited (now known as Rich Tea Investments Limited)	100.0	100.0	—
Working capital and other general corporate purpose	38.0	38.0	—
	380.0	359.9	20.1

Human resources and remuneration of employees

Our average number of employees was approximately 2,863 in 2017. Our total remuneration expenses in 2017 amounted to approximately RMB166.5 million, representing a increase of approximately 4.3% over the year 2016. 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 the individual.

CODE OF CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of its 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 ("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 Code.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

Our Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules regarding directors' securities transactions. Specific enquiries have been made with our Directors and all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended December 31, 2017.

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, 2017.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Mr. Kam Robert, Ms. Ho Man Kay and Mr. Mr. Ma Xiaoqiang.

The annual results and the consolidated financial statements of the Group for the year ended December 31, 2017 have been reviewed by the Audit Committee of the Company. The Audit Committee is of the opinion that such financial statements comply with the applicable accounting standards, the Listing Rules and all other applicable legal requirements.

ANNUAL GENERAL MEETING

The annual general meeting ("2017 AGM") of the Company will be held in Hong Kong on or before June 15, 2018. Notice of the 2017 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 HK15.00 cents per share for the year ended December 31, 2017 (2016: HK15.00 cents), to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at June 25, 2018. Subject to the approval by the shareholders of the Company, the final dividend will be paid on or about July 5,2018.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2017 AGM, the register of members of the Company will be closed from June 12, 2018 to June 15, 2018 (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 2017 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 4:30 p.m. on June 11, 2018. For determining the entitlement to receive the proposed final dividend, the register of members of the Company will be closed from June 22, 2018 to June 25, 2018 (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 Hong Kong time 4:30 p.m. on June 21, 2018.

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, 2017 as set out in the preliminary 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 Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messers. Deloitte Touche Tohmatsu on the preliminary 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, 2017 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 29, 2018

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