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, 2019

The board (the "**Board**") of directors (the "**Directors**") of Jiashili Group Limited (the "**Company**" or "**Jiashili**") is hereby to announce the consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**", "**we**" or "**our**") for the year ended December 31, 2019, together with the comparative figures for the year 2018 as follows:

FINANCIAL HIGHLIGHTS

	Year ended December 31,		
	2019	2018	
	(RMB'000)	*(RMB'000)*	Increase/Decrease
Revenue	**1,593,067**	1,449,288	↑9.9%
Gross profit	**538,865**	461,965	↑16.6%
Gross profit margin	**33.8%**	31.9%	↑1.9 percentage points
Profit for the year	**108,539**	86,176	↑26.0%
Profit for the year (exclude one-off impairment provision on prepayments)	**183,180**	86,176	↑112.6%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**223,001**	173,414	↑28.6%
Earnings per share — Basic and diluted *(RMB cents)*	**26.41**	20.84	↑26.7%
Net profit margin	**6.8%**	6.0%	↑0.8 percentage point
Proposed final dividend per share *(HKD)*	**0.05**	0.05	—

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

	NOTES	**2019** ***RMB'000***	2018 *RMB'000*
Revenue	3	**1,593,067**	1,449,288
Cost of sales		**(1,054,202)**	(987,323)
Gross profit		**538,865**	461,965
Other income	4	**48,322**	30,447
Selling and distribution expenses		**(219,046)**	(207,939)
Administrative expenses		**(75,844)**	(85,261)
Other expenses		**(56,193)**	(45,018)
Impairment losses reversed (recognised) under expected credit loss model, net	5	**5,030**	(12,404)
Other gains and losses	6	**(69,738)**	(3,190)
Share of results of associates		**(2,535)**	(162)
Share of results of a joint venture		**(1,420)**	(11,141)
Finance costs		**(20,046)**	(16,619)
Profit before tax		**147,395**	110,678
Income tax expense	7	**(38,856)**	(24,502)
Profit and total comprehensive income for the year	8	**108,539**	86,176
Profit (loss) and total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**109,584**	86,479
Non-controlling interests		**(1,045)**	(303)
		108,539	86,176
Earnings per share	10		
— Basic and diluted *(RMB cents)*		**26.41**	20.84

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2019

	NOTES	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**459,361**	458,167
Right-of-use assets		**98,440**	—
Prepaid lease payments		**—**	73,228
Investment property		**—**	9,600
Intangible assets		**41,650**	46,717
Goodwill	11	**27,449**	27,449
Interests in associates		**3,613**	1,120
Interests in joint ventures		**—**	23,850
Financial assets at fair value through profit or loss	12	**101,037**	—
Other receivables and deposits	14	**1,992**	2,073
		733,542	642,204
CURRENT ASSETS			
Inventories		**72,715**	89,569
Prepaid lease payments		**—**	1,698
Loan receivables	13	**97,281**	141,282
Trade, bills and other receivables	14	**189,541**	123,344
Amounts due from associates		**47,459**	19,445
Amount due from a non-controlling shareholder of a former subsidiary/ subsidiary		**4,200**	1,133
Amount due from a joint venture		**—**	100
Amount due from a related party		**9**	—
Loan to a related party		**—**	9,054
Income tax recoverable		**4,889**	—
Pledged bank deposits		**52,005**	31,728
Bank balances and cash		**432,113**	379,257
		900,212	796,610

	NOTES	2019 RMB'000	2018 RMB'000
CURRENT LIABILITIES			
Trade, bills and other payables	15	**260,252**	220,249
Contract liabilities		**82,733**	80,788
Income tax payables		**15,311**	11,183
Bank borrowings		**319,699**	263,751
Amount due to a non-controlling shareholder of subsidiaries		**11,501**	6,800
Amount due to a related party		**2,870**	—
Deferred income		**1,805**	2,371
Lease Liabilities	16	**3,835**	—
		698,006	585,142
NET CURRENT ASSETS		**202,206**	211,468
TOTAL ASSETS LESS CURRENT LIABILITIES		**935,748**	853,672
NON-CURRENT LIABILITIES			
Deferred income		**87,181**	39,926
Deferred tax liabilities		**12,445**	14,445
Bank borrowings		**59,000**	96,720
Lease liabilities	16	**2,298**	—
		160,924	151,091
NET ASSETS		**774,824**	702,581
CAPITAL AND RESERVES			
Share capital	17	**3,285**	3,285
Reserves		**760,887**	687,599
Equity attributable to the owners of the Company		**764,172**	690,884
Non-controlling interests		**10,652**	11,697
TOTAL EQUITY		**774,824**	702,581

1. GENERAL

Jiashili Group Limited (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 Flat 10A, 14/F, Splendid Centre, 100 Larch Street, Kowloon, Hong Kong.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the "**Group**") are manufacturing and sales of 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 AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by International Accounting Standards Board ("**IASB**") for the first time in the current year:

IFRS 16	Leases
IFRIC — Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* ("**IAS 17**"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after January 1, 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, January 1, 2019.

As at January 1, 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as opening leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
iii. elected not to recognise right-of-use assets and lease liabilities for lease term ends within 12 months of the date of initial application; and
iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.75%.

	At January 1, 2019 *RMB'000*
Operating lease commitments disclosed as at December 31, 2018	11,288
Lease liabilities discounted at relevant incremental borrowing rates	10,096
Less: recognition exemption — short-term leases	(117)
Lease liabilities relating to operating leases recognised upon application of IFRS 16 as at January 1, 2019	9,979
Analysed as:	
Current	3,847
Non-current	6,132
	9,979

The carrying amount of right-of-use assets as at January 1, 2019 comprises the following:

	Notes	**Right-of-use assets** *RMB'000*
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		9,979
Adjustments on rental deposits at January 1, 2019	(a)	147
Reclassified from prepaid lease payments	(b)	74,926
		85,052
By class:		
Leasehold lands		74,926
Land and building		9,866
Motor vehicle		260
		85,052

Notes:

(a) Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, RMB147,000 was adjusted to refundable rental deposits paid and right-of-use assets, respectively.

(b) Upfront payments for leasehold lands in the People's Republic of China (the "**PRC**") were classified as prepaid lease payments as at December 31, 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments, amounting to RMB1,698,000 and RMB73,228,000 respectively, were reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

The application of IFRS 16 as a lessor has no material impact on the consolidated financial statements of the Group as at January 1, 2019 and during the current year as the amounts involved are not material.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at January 1, 2019. Line items that were not affected by the changes have not been included.

	Notes	**Carrying amounts previously reported at December 31, 2018** *RMB'000*	**Adjustments** *RMB'000*	**Carrying amounts under IFRS 16 at January 1, 2019** *RMB'000*
Non-current assets				
Prepaid lease payments	(b)	73,228	(73,228)	—
Right-of-use assets		—	85,052	85,052
Other receivables and deposits	(a)	2,073	(147)	1,926
Current asset				
Prepaid lease payments	(b)	1,698	(1,698)	—
Current liability				
Lease liabilities		—	3,847	3,847
Non-current liability				
Lease liabilities		—	6,132	6,132

Note: For the purpose of reporting cash flows from operating activities and financing activities under indirect method for the year ended December 31, 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at January 1, 2019 as disclosed above.

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

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

Sales channels

	2019	2018
	RMB'000	*RMB'000*
Distributors	**1,562,791**	1,404,117
Supermarkets	**30,276**	45,171
	1,593,067	1,449,288

(ii) Performance obligations for contracts with customers

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

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

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

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31, 2019 and 2018 and the expected timing of recognising revenue are as follows:

	Sales of biscuit products	
	2019	2018
	RMB'000	*RMB'000*
Within one year	**82,733**	80,788

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 statement 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 operating and reportable segment is not presented.

Other segment information

Amounts included in the measurement of segment results:

Year ended December 31, 2019

	Biscuits operation *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
Depreciation of property, plant and equipment	36,962	7,480	44,442
Amortisation of intangible assets	5,067	—	5,067
Depreciation of right-of-use assets	6,051	—	6,051

Year ended December 31, 2018

	Biscuits operation *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
Depreciation of property, plant and equipment	35,161	7,115	42,276
Amortisation of intangible assets	3,841	—	3,841
Release of prepaid lease payments	1,698	—	1,698

Revenue from major products

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

	2019	2018
	RMB'000	*RMB'000*
Revenue by products		
Breakfast biscuits	**359,406**	360,902
Crisp biscuits	**292,834**	295,315
Sandwich biscuits	**438,079**	362,761
Wafers	**141,497**	135,385
Coarse grain biscuits	**165,717**	131,832
Others *(Note)*	**195,534**	163,093
	1,593,067	1,449,288
Gross profit by products		
Breakfast biscuits	**110,427**	103,442
Crisp biscuits	**90,824**	92,664
Sandwich biscuits	**164,675**	134,836
Wafers	**47,901**	42,295
Coarse grain biscuits	**60,452**	27,348
Others *(Note)*	**64,586**	61,380
	538,865	461,965

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	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The PRC (Country of domicile)	**1,590,933**	1,446,944	**733,541**	642,203
Others *(Note)*	**2,134**	2,344	**1**	1
	1,593,067	1,449,288	**733,542**	642,204

Note: Others represent export sales to locations other than the 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 INCOME

	2019	2018
	RMB'000	*RMB'000*
Government grants	**20,792**	12,927
Interest income on:		
— Bank deposits	**12,192**	7,899
— Loan receivables	**10,889**	7,232
Commission income	**2,427**	—
Sales of packaging materials	**1,015**	1,093
Rental income	**738**	750
Refund of handling charges from tax authority	**136**	—
Imputed interest income		
— Advances to staff	**76**	109
— Rental deposits	**55**	—
Other non-operating income	**2**	437
	48,322	30,447

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

	2019	2018
	RMB'000	*RMB'000*
Impairment losses recognised, net of reversal		
— loan receivables	**6,302**	(11,450)
— loan to a related party	**946**	(946)
— trade receivables	**(2,218)**	(8)
	5,030	(12,404)

6. OTHER GAINS AND LOSSES

	2019	2018
	RMB'000	*RMB'000*
Impairment loss on prepayments (Note)	**(74,641)**	—
Loss on disposal of a subsidiary	**(5,700)**	—
Fair value loss on financial assets at FVTPL	**(2,463)**	(75)
Net foreign exchange losses	**(637)**	(3,055)
Gain on disposal of a joint venture	**13,570**	—
Fair value gain on investment property	**300**	—
Loss on disposal of property, plant and equipment	**143**	(98)
Others	**(310)**	38
	(69,738)	(3,190)

Note: On February 1, 2019, Guangdong Jiashili Food Group Company Limited (廣東嘉士利食品集團有限公司) ("**Guangdong Jiashili**"), a wholly-owned subsidiary of the Group, entered into a strategic cooperative agreement with Guangdong Kailan Flour Company Limited (廣東開蘭麵粉有限公司) ("**Kailan**") for procurement of flour from February 1, 2019 to December 31, 2019, in return, Kailan shall supply flour to Guangdong Jiashili at a discounted price. Balance of the prepayment, if any, shall be returned to Guangdong Jiashili by the year end. Mr. Ye Runtang (葉潤棠) ("**Mr. Ye**") and Ms. Guan Peiling (關佩玲) ("**Ms. Guan**"), as the management of Kailan, shall provide joint and several guarantee for the obligations of Kailan under the strategic cooperative agreement. Pursuant to the strategic cooperative agreement, Guangdong Jiashili shall make a prepayment to Kailan in total amount of RMB100,000,000.

The Group has procured flour and related products from Kailan for over ten years. The current kind of purchase arrangement has commenced since 2015, as the Group considered such arrangement could secure stable supply of flour to the Group at a favourable price for use in the Group's ordinary course of business. Balance of the prepayment amount had been fully returned to the Group in the past years. For the year ended December 31, 2019, out of the total purchase price amounted to RMB38,327,000, RMB24,579,000 was net off with the prepayment made by the Group and RMB13,748,000 was purchased in January 2019 prior to the prepayments made and was settled by cash. Subsequently, Kailan suspended its operation due to financial problem, and therefore failed to observe its obligations under the strategic cooperative agreement and defaulted on the supply of flour and return the balance of the prepayment amount to Guangdong Jiashili.

On September 24, 2019, Guangdong Jiashili filed a claim with Guangdong Kaiping People's Court (廣東省開平市人民法院) against Kailan, Mr. Ye and Ms. Guan for breach of a strategic cooperation agreement. On December 26 2019, a judgment was made by Guangdong Kaiping People's Court (廣東省開平市人民法院) in favour of Guangdong Jiashili, pursuant to which, among other things, (i) Kailan shall pay RMB80,332,000, being the balance of the prepayment amount of RMB75,421,000 as well as a compensation charge of RMB4,911,000, to Guangdong Jiashili within ten days from the effective date of the judgment; and (ii) Guangdong Jiashili can enforce its rights against the collaterals provided by Kailan, including the flour and wheat in the warehouse of Kailan.

The Group evaluated the recoverable amount from the legal case with reference to the legal opinion from an independent lawyer. In accordance with the legal opinion, the Group has advance compensation priority on the stock of flour and wheat from Kailan, while as at the year ended December 31, 2019, the stock of flour and wheat has all been delivered out through normal transaction by Kailan and the expected value of the stock is Nil. Based on information available from the legal opinion and public search, majority of Kailan's lands and buildings, vehicles, production facilities and equipment have been pledged to its banks and creditors, while Mr. Ye has also pledged certain of his lands and buildings to his bank. With reference to the unpledged assets list of Kailan, Mr. Ye and Ms. Guan from the legal opinion and public search, the Group assessed that the expected recoverable amount of the prepayment from Kailan, Mr. Ye and Ms. Guan amounted to RMB780,000 and an impairment loss of RMB74,641,000 has been provided in respect of prepayment to Kailan during the year ended December 31, 2019.

7. INCOME TAX EXPENSE

	2019	2018
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("**EIT**")		
— Current tax	**38,968**	23,886
— Overprovision in prior year	**(383)**	(382)
	38,585	23,504
Deferred tax:	**271**	998
	38,856	24,502

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

On March 21, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Group‘s operating subsidiary, Guangdong Jiashili Food Group Company Limited ("**Guangdong 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 2018 for a term of three years, and was registered with the local tax authority to be eligible to the reduced 15% EIT rate for three years from 2018 to 2020.

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 the PRC Enterprise Income Tax pursuant to Articles 3 and 19 of the PRC Enterprise Income Tax Law.

The Group‘s subsidiaries that are the PRC tax resident are required to withhold the PRC withholding tax of 10% on dividend payment to their non-PRC resident immediate holding company on or after April 4, 2014, when the group reorganisation as set out in the Group‘s annual report for the year ended December 31, 2015 (the "**Group Reorganisation**") 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 (the "**PRC-HK DTA**").

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. Jiashili HK has completed the renewal and obtained the Hong Kong resident certificate on July 29, 2019 for the calendar year 2018 and was valid for three years ended December 31, 2020, which was issued by the Hong Kong Inland Revenue Department. Jiashili HK enjoys a reduced tax rate under Bulletin [2018] No. 9 (國家稅務總局公告2018年第9號) (e.g. beneficial ownership, shareholding percentage and holding period) of withholding tax rate of 5% on dividend income for the years ended December 31, 2019 and 2018, pursuant to the PRC-HK DTA.

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

	2019	2018
	RMB'000	*RMB'000*
Profit before tax	**147,395**	110,678
Tax at PRC Tax rate of 25% (2018: 25%)	**36,849**	27,670
Tax effect on concessionary tax rate	**(6,188)**	(10,154)
Tax effect on concessionary policy on research and development expenses *(Note)*	**(9,426)**	(8,004)
Tax effect of income not taxable for tax purpose	**(3,217)**	(77)
Tax effect of expenses not deductible for tax purpose	**5,596**	5,071
Tax effect of tax losses not recognised	**859**	1,866
Tax effect of deductible temporary difference not recognised	**11,890**	3,605
Tax effect on share of results of a joint venture	**355**	2,785
Tax effect on share of results of associates	**634**	40
Effect of different tax rates of a subsidiary operating in Hong Kong	**(91)**	(189)
Tax effect of 5% withholding tax on undistributed profits of the PRC subsidiaries	**1,978**	2,271
Overprovision in prior year	**(383)**	(382)
Income tax expense recognised in profit or loss	**38,856**	24,502

Note: It represents additional 75% (2018: 75%) tax deduction in respect of qualifying research and development expenses incurred for the year.

8. PROFIT FOR THE YEAR

	2019	2018
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Directors' and chief executive's remuneration	**3,087**	3,388
Other staff costs:		
Salaries and allowances	**175,296**	177,332
Contributions to retirement benefits scheme	**20,042**	19,385
Redundancy costs	**—**	8,640
Share-based compensations	**66**	846
Total staff costs	**198,491**	209,591
Depreciation of property, plant and equipment	**44,442**	42,276
Depreciation of right-of-use assets	**6,051**	—
Amortisation of intangible assets (included in cost of sales)	**5,067**	3,841
Total depreciation and amortisation	**55,560**	46,117
Auditors' remuneration	**2,044**	1,551
Cost of inventories recognised as expenses with no impairment of inventories recognised	**1,054,202**	987,323
Legal and professional fees (included in administrative expenses)	**11,775**	11,648
Release of prepaid lease payments	**—**	1,698
Expenses relating to short-term leases	**296**	—
Rental expense under operating lease in respect of land and buildings	**—**	4,543

9. DIVIDENDS

	2019	2018
	RMB'000	*RMB'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2018 Final — HK5 cents (2018: 2017 final dividend of HK15 cents) per share	**18,181**	52,035
2019 Interim — HK5 cents (2018: Nil) per share	**18,181**	—
	36,362	52,035

Subsequent to the end of the reporting period, final dividend of HK5 cents (2018: HK5 cents) per share, amounting to approximately HK$20,750,000 (equivalent to approximately RMB18,588,000) (2018: approximately HK$20,750,000 (equivalent to approximately RMB18,181,000)), has been proposed by the directors and is subject to the approval by the shareholders at the forthcoming Annual General Meeting of the Company.

10. 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:

	2019	2018
	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	**109,584**	86,479

	2019	2018
	'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)*	**26.41**	20.84

Note: The computation of diluted earnings per share for the years ended December 31, 2019 and 2018 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 2019 and 2018.

11. GOODWILL

The goodwill acquired in business combination during the year and December 31, 2018 was arising from acquisition of two subsidiaries in which the management considers as one business. For the purposes of impairment testing, goodwill with indefinite useful life have been allocated to an individual cash generating unit ("**CGU**"), comprising these two subsidiaries in the manufacturing, sales and distribution of biscuits products in the PRC.

The recoverable amount of CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 14.16% (2018: 11.57%), with reference to the valuation report prepared by an independent qualified professional valuer, Asset Appraisal, using the Capital Assets Pricing Model, for the CGU. The cash flows beyond the 5-year period are extrapolated using a steady 2% (2018: 2%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development. During the year ended December 31, 2019 and 2018, management of the Group determines that there is no impairment on the CGU. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

On June 26, 2019, an indirect wholly-owned subsidiary of the Group had entered into the limited partnership agreement for setting up an unlisted equity investment fund, 青島嘉匯股權投資基金合夥企業(有限合夥), with three independent third parties. Pursuant to the limited partnership agreement, RMB103.5 million is to be contributed by an indirect wholly-owned subsidiary of the Company as a limited partner. As at December 31, 2019, the unlisted equity investment fund is classified as non-current asset which consists of three years term to maturity with two extension options for additional one year term each. Management of the limited partnership joint venture shall be vested exclusively in the general partner. Limited partners shall have the exclusive authority to monitor and oversight the behavior of general partner and they did not manage daily operation of the limited partnership joint venture and are not allowed to act on behalf of the limited partnership joint venture externally. The unlisted equity investment fund is accounted for as financial assets at FVTPL. As at December 31, 2019, the unlisted equity investment fund is amounting to RMB101,037,000 with fair value loss recognised in profit or loss of RMB2,463,000. Details of the establishment of an unlisted equity investment fund are set out in the Company's announcement dated June 26, 2019.

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

13. LOAN RECEIVABLES

The amounts represent loans advanced to independent third parties with aggregated principal value of RMB105,740,000 (2018: RMB156,043,000). The amounts are unsecured, interest bearing at a rate ranging from 6.5% to 24% (2018: 6% to 17%) per annum. Based on the loans agreements, the amounts are repayable within one year.

As at December 31, 2019, the Group recognised an impairment allowance of RMB8,459,000 (2018: RMB14,761,000) on loan receivables. During the current year, a net reversal of impairment losses of RMB6,302,000 (2018: net impairment losses of RMB11,450,000) was recognised in the profit or loss.

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

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**24,983**	43,778
Less: Allowance for doubtful debts	**(2,414)**	(236)
Trade receivables, net	**22,569**	43,542
Bills receivables	**4,439**	1,287
Total trade and bills receivables	**27,008**	44,829
Prepayments for purchase of raw materials *(Note a)*	**99,115**	58,282
Other receivables *(Note b)*	**10,057**	9,886
Other prepayments *(Note c)*	**53,361**	11,120
Rental and utility deposits	**1,992**	1,300
	191,533	125,417
Less: Amount shown under current assets	**(189,541)**	(123,344)
Amount shown under non-current assets as other receivables and deposits *(Note d)*	**1,992**	2,073

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 receivables of these external customers based on bills issue date.

The following is an analysis of trade receivables by age, 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.

	2019	2018
	RMB'000	*RMB'000*
Within 2 months	**11,605**	35,694
Over 2 months but within 3 months	**326**	4,578
Over 3 months but within 6 months	**6,938**	3,270
Over 6 months but within 1 year	**3,700**	—
	22,569	43,542

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

	2019	2018
	RMB'000	*RMB'000*
Over 1 month but within 3 months	**2,540**	1,287
Over 3 months but within 6 months	**1,899**	—
	4,439	1,287

As at December 31, 2019, 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 the management of the Group, the bills receivables that were not past due nor impaired at the end of each reporting period were of good credit quality.

Prepayments, other receivables and deposits

Notes:

(a) Prepayments for purchase of raw materials mainly comprised prepayments for sugar, flour and oil, net of impairment of RMB77,381,000 (2018: RMB2,740,000).

(b) Other receivables represent advances to staff, interest receivables and prepaid expenses, which are unsecured, non-interest bearing and amounts of RMB692,000 (2018: RMB773,000) from advances to staff are repayable after one year and therefore classified as non-current.

The fair value of advances to staff are determined based on the present value of the estimated future cash flows and discounted using the prevailing market rate on initial recognition. The imputed interest income on the advances to staff is RMB76,000 (2018: RMB109,000). The effective interest rate is 4.75% to 4.9% (2018: 4.75% to 4.9%) per annum.

(c) Other prepayments represent prepaid logistic fee to logistics companies to maintain a long term cooperation relationship and enjoy preferential price offered by the suppliers.

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

15. TRADE, BILLS AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables	**137,119**	105,396
Bills payables	**24,000**	10,000
Total trade and bills payables	**161,119**	115,396
Accrued expenses	**27,145**	27,043
Transportation fee payables	**19,081**	25,111
Payroll and welfare payables	**28,825**	27,586
Construction costs payables	**3,318**	5,579
Receipts in advance (Note)	**5,283**	—
Other payables	**2,363**	4,539
Output value-added-tax and other tax payables	**13,118**	14,995
	260,252	220,249

Trade and bills payables

The credit period of trade payables and bills payables is normally within 7 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:

	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**136,651**	104,839
Over 3 months but within 6 months	**249**	—
Over 6 months but within 1 year	**55**	557
Over 1 year	**164**	—
	137,119	105,396

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

	2019	2018
	RMB'000	*RMB'000*
Over 3 months but within 6 months	**24,000**	10,000

Note: On August 2, 2019, the Group has entered into a memorandum of understanding with Guangdong Huasheng Yanshi Group Co., Ltd.* (廣東華盛禤氏集團有限公司) ("**Guangdong Huasheng**"), an independent third party, and received an advance payment of RMB5,283,000 for a property development cooperative project. The advance payment is unsecured, non-interest bearing and has no fixed repayment terms. Pursuant to the memorandum of understanding, the Group agreed to contribute the land located in Yunan held by Guangdong Jiashli Huangpi Industry (廣東嘉士利黃皮產業發展有限公司), a non-wholly owned subsidiary of the Group, and Guangdong Huasheng agreed to contribute cash to the cooperative project company. The percentage of the equity interest in the cooperative project company is based on the value of the land contributed by the Group and the cash consideration injected by Guangdong Huasheng.

The cooperative project company is not yet established and the finalised agreement has not been completed as at the date of this report.

16. LEASE LIABILITIES

	2019
	RMB'000
Lease liabilities payable:	
Within one year	**3,835**
Within a period of more than one year but not more than two years	**2,298**
	6,133
Less: amount due for settlement with 12 months shown under current liabilities	**(3,835)**
Amount due for settlement after 12 months shown under non-current liabilities	**2,298**

All lease obligations are denominated in the functional currencies of the relevant group entities.

17. 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, 2018, December 31, 2018 and December 31, 2019		
— Ordinary shares of HK$0.01 each	8,000,000,000	80,000,000
Issued and fully paid:		
At January 1, 2018, December 31, 2018 and December 31, 2019		
— Ordinary shares of HK$0.01 each	415,000,000	4,150,000

	At December 31, 2019 and 2018 *RMB'000*
Presented in the consolidated financial statements	**3,285**

MANAGEMENT DISCUSSION AND ANALYSIS

Industry review

According to the latest data released by the National Bureau of Statistics of China, in 2019 the gross domestic product ("**GDP**") exceeded RMB99 trillion, grew by 6.1% year-on-year indicating China's economy maintained its growth momentum despite on-going trade war with United States. However, this is the consecutive past three-year declining growth of GDP in China. Furthermore, the total retail sales of consumer goods exceeded RMB41 trillion, representing a year-on-year increase of 8.0%. The subsector of edible oil and foods consumption spending even grow by 10.2% year-on-year. The food and snack industry in China is still the biggest market with a lot of potentials amid competitions and challenges.

The continuous consumption upgrade and an increasing middle class in China have given the leisure foods and snack industry the drive to upgrade and optimize product structure, and the unfolding of the new consumption era is pushing leisure foods and snack industry players to meet consumers' increasing demand for healthy, readily accessible and personalized products. As such, high-end, healthy, diversified leisure foods and snack products have become growth engines of the industry, and leading players are resorting to developing new and high-quality leisure foods to seize market share. Biscuits and crackers is one of a type of leisure foods and snack to offer leisure for people in times of social gathering, to refuel their body and to kill their boredom.

Business review

Jiashili is one of the largest producer of quality biscuits and crackers in China more than 60 years, we market, sell and distribute our products under more than 10 brand names in approximately 31 Provinces and Municipalities with more than 550 stock keeping units ("**SKU**") offered to market in China. The operating environment in 2019 is expected to remain highly competitive. Nevertheless, the Group is ready to face them by maintaining and improving our quality coupled with more aggressive promotion planning.

2019 is a year for Jiashili mixed with challenges and opportunities, the Group recorded sales revenue of approximately RMB1,593 million (2018: approximately 1,449 million) increased by approximately 9.9% year-on-year. The increase in the Group's revenue was driven by three main categories: sandwiches biscuit, course grain biscuit and others. Being the major selling category, sandwiches and coarse grain biscuits series and others represents 50.2% of the Group's revenue. Consolidated sales volume increased by 6.0% year-on-year to 110,303 tonnes was mainly due to solid marketplace growth in select market segment. Gross profit margin increased by approximately 1.9 percentage points to 33.8% as compared with that of 2018 due to the decrease in both the cost of raw materials and packaging materials. We continue to focus on operational efficiency as we look to maintain or improve margins, the selling, distribution and administrative expenses ("**SDA**") were effectively controlled, the SDA expenses in 2019 was increased by 0.6% to approximately RMB294.9 million as compared with that of 2018 thanks to expenses savings program was effectively implemented. Group operating profit (earnings before interest and tax, EBIT) rose by 31.5% to approximately RMB167.4 million (2018: approximately RMB127.3 million). Profit attributable to owners of the Company increased by 26.7% to approximately RMB109.6 million as compared with that of 2018 mainly due to strong volume growth achieved in the year and the contribution from strategic acquisition of Silang in 2018. EBITDA increased by 28.6% to approximately RMB223.0 million, year-on-year, benefited by growth in gross profit margin, reversal of impairment provisions on loan receivables and increase in other income,

We are committed to innovation, the continuous pursuit of improvement and the maintenance of our efficient manufacturing capability. We aim to operate in a sustainable, ethical, efficient and safe manner. We have a strong culture of continuing operational improvement and focus on delivering exceptional quality and customer service. The group takes a long-term approach to investment and is committed to increasing shareholder value through sound commercial, responsible and sustainable business decisions that deliver steady growth in earnings and dividends.

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. 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. We believe, a high standard of good quality will give better assurance to our customers.

Innovation has always been a strong tradition at Jiashili. Today, our pace of innovation is faster than ever, and every year we bring new creations on to the market. To cater for constantly changing consumer demands, our product specialists work day after day to ensure that every new product has the potential to become a classic one day. In 2019, research and development expenses amounted to approximately RMB52.4 million increased by 18.4% year-on-year. Research and development expenses accounted for approximately 3.3% of total revenue in 2019 (2018: 3.0%).

In 2019, our Group has more than 2,000 distributors in China and has arranged more than 65,000 on-site tasting events. Jiashili is a consumer-led organisation. Our business model, structures and strategies continue to evolve, centred around a deep understanding of diverse local consumer preference. Jiashili continues to meet a wide range of rapidly evolving consumer preferences. Across different consumer landscape, today's most pronounced preferences include clean and cleaner label, convenience, nutrition & wellness, authenticity and premiumisation. These distinct preferences can mean different things to consumers in different parts of the world. Central to Jiashili's approach is the fundamental understanding of how to address these needs and support customers as they seek to innovate to win in today's marketplace. These ever-evolving consumer preferences are redefining consumption occasions right across end use markets and channels. Our customers is at the centre everything we do, we aims to adding value by offering so much more to distributors and our end customers

Our Group is undergoing consolidation in different distributor channels, aligning with different distributors through various channels such as supermarkets, shops, convenience stores and key accounts (KA) to fulfil our customers' needs. Some differentiated products are sold exclusive through specific channel to avoid possible conflicts among channels. We also strived for product differentiation in packaging and specifications among different channels and regions.

"Jiashili biscuits" has been present in the market for over 60 years and are well known and recognized by consumers with its established taste and quality. The Group had and would continuously improve its quality and expand the manufacturing capacities to support the market demand for this product. During the year, prevailing competition in the market remains keen, with consumers spoilt for choices amid intense price competition in the retail industry. Backed by strong brand names, high quality products and extensive distribution networks, the Group has endeavored to sustain the existing market share by stepping up promotional activities, through sampling and tasting activities together with increased block/shelf displays at strategic positions and crowded locations like super and hyper markets and mini markets. The Group continues to draw up programs for promotional activities starting off with bestselling and premium products. More emphasis will be given on sampling activities to create and maintain product awareness and to increase block/shelf displays, to build our brand and enhance the products exposure not only allowing more 90's generation to know about the Group's products, but also retaining the existing customers. These will enable the Group's sales team to actively promote products, increase distribution points and market shares to improve earnings. Our Group will continue and improve our product and diversification strategy and continue exploring different channels to meet the market demand.

To increase top-line every year, our Group has a policy and control on promoting our products and brandnames through discounts, tasting events, advertisement and media. During the year, selling, advertising and promotion expenses on our products accounted for 8.3% of the 2019 consolidated revenue (2018: 8.4%).

Prospect

We continue to perform well in 2019 in terms of sales revenue and volume growth. Our overall strategy remains dynamic and well implement, we have been able to take advantage of increased market opportunities from recent industry consolidation and strong customer demand, which has contributed to our rate of growth. We are in markets that are generally supportive and performing as we expected. Our product mix include different brand names provide a broad range of product portfolio serving different age groups prove to be successful during the year. Our unique taste and nutrition positioning, bakery expertise and deep understanding of the intersection of taste and nutrition were key drivers of increased innovation across a wide range of applications. Our objective is to deliver sustainable value and superior performance to distributors and end customers by extending our industry-leading position and delivering superior total returns for shareholders. We deliver the very best levels of customer service throughout our networks to enable that growth every day.

The Group is closely monitoring an outbreak of the COVID-19 caused by novel coronavirus since January 2020 in China, the COVID-19 has impacted a host of sectors within China including retail, manufacturing, travel and hospitality. We are taking steps to protect our employees, consumers and business. The COVID-19 temporary affects our local supply chain in February and up to early March 2020 and it was relieved after mid-March. All factories of the Group have resumed production in mid-February 2020, we will remain vigilant in the development of COVID-19 outbreak and closely evaluate the potential financial and business impacts.

Looking ahead to 2020, Jiashili continues to adapt to the rapidly changing market landscape, investing in and further developing the Jiashili business model to consistently outperform our markets and respond to evolving local consumer trends and customer requirements through industry leading innovation.

Over the year, the Group have been adhering to the business philosophy of "Jiashili, benefit the nation and benefit to all people嘉士利、利國家、利大家". We will keep on this Company's motto to drive the Company towards a higher level and to bring more returns to the shareholders of the Company.

FINANCIAL REVIEW

Revenue

In 2019, Group's revenue increased by approximately 9.9% to approximately RMB1,593 million with consolidated sales volume growth of 6.0%. Breakdown of the revenue and sales volume by product category for the year ended December 31, 2019 and the comparative figures for the year 2018 are as follows:

	2019			2018			Changes in	
			Revenue			Revenue	Sales	
	Tonne	**RMB**	**contribution**	Tonne	RMB	contribution	volume	Revenue
Sales volume/Revenue		***(million)***			*(million)*			
Breakfast biscuits series	**31,860**	**359.4**	**22.6%**	32,662	360.9	24.9%	-2.5%	-0.4%
Crisp biscuits series	**21,828**	**292.8**	**18.4%**	21,603	295.3	20.4%	1.0%	-0.8%
Sandwiches bisuits series	**25,789**	**438.1**	**27.5%**	21,827	362.8	25.0%	18.2%	20.8%
Wafer series	**8,478**	**141.5**	**8.9%**	8,278	135.4	9.3%	2.4%	4.5%
Coarse grain biscuits series	**9,710**	**165.7**	**10.4%**	6,490	131.8	9.1%	49.6%	25.7%
Others	**12,638**	**195.5**	**12.2%**	13,229	163.1	11.3%	-4.5%	19.9%
Total	**110,303**	**1,593**	**100.0%**	104,089	1,449.3	100.0%	6.0%	9.9%

Breakfast biscuits series

Sales revenue of breakfast biscuits segment slightly decreased by 0.4% from approximately RMB360.9 million in 2018 to approximately RMB359.4 million in 2019. The decline was mainly due to the change of the Group's marketing and product mix strategy.

Crisp biscuits series

In 2019, the revenue generated from crisp biscuits series was slightly declined by 0.8% to approximately RMB292.8 million (2018: approximately RMB295.3 million) as compared to the same period last year. The sales volume increased by 1.0% to 21,828 tonnes over the same period last year. The market landscape for crisp biscuits continued to be challenged in the period.

Sandwiches biscuits series

Sandwiches biscuits delivered strong growth since its launch in late 2012, market demand for sandwiches biscuits of the Group continued to be strong in this year. Benefited from our effective marketing efforts and its appealing market positioning and pricing strategy which strikes the right tone for the tastes and demand of youth and teenagers. During the year, the revenue of sandwiches biscuits rose by 20.8% to approximately RMB438.1 million (2018: approximately RMB362.8 million), sales volume reaches 25,789 tonnes representing an increase of 18.2% from last year. The revenue of sandwiches biscuits accounting for approximately 27.5% of the Group's total revenue, became the largest revenue performer with high growth potential. The increase was due to the continued increased acceptance by the youth customers group and introduction of different flavors on the products.

Wafer series

In 2019, the sales generated from wafer series amounted to approximately RMB141.5 million, an increase of 4.5% as compared with the corresponding period of last year (2018: approximately RMB135.4 million). Sales volume rose by 2.4% to 8,478 tonnes (2018: 8,278 tonnes).The results were primarily attributable to the success of the Group's marketing and favorable price/mix strategy and the wide market acceptance.

Coarse grain biscuits series

Domestic consumers aim at health accords with high healthy standards and will be very cautious in selecting healthy snacks. Coarse grains made biscuits have received much attention and acceptance by customers. We market and sell coarse grains made biscuits using the brand name of "Silang" since our acquisition the brands from April 2018. Sales revenue of coarse grain biscuit series was approximately RMB165.7 million, an increase of 25.7% year-on-year. Sales volume rose to 9,710 tonnes or up 49.6% year-on-year. Silang coarse grains products are always the good choice for customers who are aiming for nutrients and healthy snack.

Other series

It is the Group's policy of actively seeking to expand different mix of products with different brands and flavors to meet customer's demands. Other series include mainly Jiuzhou cookie (九洲曲奇), cream crackers, Ruishiyue products series (瑞士樂系列) and others. During the year, revenue from other series rose by 19.9% to approximately RMB195.5 million (2018: approximately RMB163.1 million) while sales volume decreased by 4.5% to 12,638 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:

	2019		2018		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	**110.4**	**30.7%**	103.4	28.7%	7.0	2.0%
Crisp biscuits series	**90.8**	**31.0%**	92.7	31.4%	-1.9	-0.4%
Sandwiches bisuits series	**164.7**	**37.6%**	134.8	37.2%	29.9	0.4%
Wafer series	**47.9**	**33.9%**	42.3	31.2%	5.6	2.7%
Coarse grain biscuits series	**60.5**	**36.5%**	27.3	20.7%	33.2	15.8%
Others	**64.6**	**33.0%**	61.4	37.6%	3.2	-4.6%
Overall	**538.9**	**33.8%**	461.9	31.9%	77.0	1.9%

In 2019, gross profit amounted to approximately RMB538.9 million (2018: approximately RMB461.9 million), representing a year-on-year increase of 16.6%. Gross profit margin rose to 33.8% in 2019, representing an increase of 1.9 percentage points from last year. The increase in gross profit margin was due to the stringent control on manufacturing costs and the reductions on cost of raw materials and packaging materials. The Group's primary cost of sales includes raw material costs (such as sugar, palm oil, and wheat flour), packaging materials costs and manufacturing costs (such as plant depreciation, amortization and utilities, labour wages and salaries). Among them, the raw material costs represented approximately 49.4% of total cost of sales and the packaging materials costs accounted for approximately 27.0%. In 2019, the price of sugar and palm oil has dropped by 6.2% and 3.9% respectively from last year, the costs of packaging material has also decreased by approximately 21.0% which altogether contributed to our gross profit margin expansion.

Selling and distribution expenses

The selling and distribution expenses rose by 5.3% from RMB207.9 million in 2018 to RMB219.0 million in 2019. We have a stringent control on the promotional expenditures, promotional activities includes tasting events, in-store display, price discounts. In 2019 selling expenses as a percentage of revenue was 8.3% (2018: 8.5%) which in line with Group's predetermined level. Logistics and transportation expenses as a percentage of revenue is 5.4% in 2019 (2018: 5.9%). To deliver our products timely within shortest distance to our distributors and our consumers is one of our paramount concerns.

Administrative expenses

During the year, Group's administrative expenses decreased by 11.1% to approximately RMB75.8 million from last year (2018: approximately RMB85.3 million). Benefited from the expenses savings program include savings from office and administration expenses and one-off reorganization redundancy expenses in 2018 not occurred during the year of 2019.

Other gains and losses

During the year, other losses were approximately RMB69.7 million, an increase of losses by approximately RMB66.5 million (2018: approximately RMB3.2 million losses) as compared with the corresponding period of last year. The increase of losses was mainly attributable to the impairment provisions on advanced payment amounted to approximately RMB74.6 million and fair value loss of our private equity fund amounted to approximately RMB2.5 million partial offset by the gains on disposal of joint venture amounted to approximately RMB13.6 million.

Inventories

Inventories as at December 31, 2019 was approximately RMB72.7 million, a decrease of approximately RMB16.8 million from approximately RMB89.5 million as at December 31, 2018, the decrease in inventory was mainly due to the early consumption of our finished goods at the year end because the Lunar Chinese New Year was in January 2020. As at December 31, 2019 Group's finished goods was approximately RMB20.3 million, a decrease of 40.8% year-on-year. As a result, the inventory turnover days decrease from 29.94 days in 2018 to 28.09 days in 2019.

Trade, bills and other receivables

The Group's trade, bills and other receivables increased by 53.7% from approximately RMB123.3 million as at December 31, 2018 to approximately RMB189.5 million as at December 31, 2019 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. Our Group maintained a tight credit control policy on credit facilities grant to customers, as a result the receivables turnover days for 2019 was 35.84 days, an increase of 8.9 days from 2018.

Working capital position

Our group believed that we are in a strong and healthy position and has sufficient resources to support our working capital requirement and meet our foreseeable capital expenditure. As at December 31, 2019, the Group's net current assets was approximately RMB202.2 million (2018: approximately RMB211.5 million). Current ratio of the Group as at December 31, 2019 was 1.29 (2018: 1.36).

Net Cash and liquidity position

The Group's net cash and liquidity position is illustrates as follows:

RMB (million)	**December 31, 2019**	December 31, 2018
Bank balances and cash	**432,113**	379,257
Bank borrowings — current	**(319,699)**	(263,751)
Bank borrowings — long term	**(59,000)**	(96,720)
Lease liabilities — current	**(3,835)**	—
Lease liabilities — long term	**(2,298)**	—
Total net cash	**47,281**	18,786

We finance our operations and capital expenditure primarily by internally generated cash flows as well as banking facilities provided by our principal bankers. As at December 31, 2019, the Group had bank balances and cash amounted to approximately RMB432.1 million (2018: approximately RMB379.3 million). Total bank borrowings as at December 31, 2019 amounted to approximately RMB378.7 million, an increase of 5.1% from corresponding period of last year as to finance our expansion and investment in 2019. As at December 31, 2019, the Group was in a net cash position (bank balances and cash less borrowings and lease liabilities) of approximately RMB47.3 million (2018: approximately RMB18.8 million). As at December 31, 2019, the gross gearing ratio (defined as total liabilities over total assets) was 52.6% (2018: 51.1%). We will from time to time adopt prudent financial management policy to address changing financial conditions.

OTHER INFORMATION

Human resources and remuneration of employees

Our average number of employees was approximately 2,956 in 2019. Our total staff costs in 2019 amounted to approximately RMB198.5 million, representing a decrease of 5.3% over the year of 2018. Such a decrease was mainly attributable to the one-off reorganization redundancy payment in 2018 was not occurred in 2019 anymore. The remuneration package of our employees includes fixed salary, commissions and allowances (where applicable), and performance based year-end bonuses having regard to the performance of the Group and individual.

CORPORATE GOVERNANCE PRACTICES

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

Code Provision A.6.7

As stipulated in the Code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors shall attend general meetings. One non-executive director and one independent non-executive director were unable to attend the annual general meeting of the Company held on June 5, 2019 due to prior or unexpected business engagements.

COMPLIANCE WITH MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the year ended December 31, 2019.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Mr. Kam Robert, Ms. Ho Man Kay and Mr. Ma Xiaoqiang. The annual results and the consolidated financial statements of the Group for the year ended December 31, 2019 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.

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, 2019 as set out in the preliminary results 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 results announcement.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2019.

ANNUAL GENERAL MEETING

The annual general meeting ("**2020 AGM**") of the Company will be held on Monday, June 29, 2020 and a notice convening the 2020 AGM will be published and despatched to shareholders of the Company in due course.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK5.00 cents per ordinary share for the year ended December 31, 2019 (2018: HK5.00 cents), to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at Wednesday, July 15, 2020. Subject to the approval by the shareholders of the Company, the final dividend will be payable on or about Thursday, August 13, 2020. Together with the interim dividend of HK5.00 cents per ordinary share, the total dividends per ordinary share for the financial year ended December 31,2019 are HK10.00 cents (2018: HK5.00 cents).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Tuesday, June 23, 2020 to Monday, June 29, 2020 (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 2020 AGM, all transfer of shares of the Company accompanied by the relevant share certificate(s) and appropriate transfer form(s) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, June 22, 2020. For determining the entitlement to receive the proposed final dividend, the register of members of the Company will be closed from Tuesday, July 14, 2020 to Wednesday, July 15, 2020 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to receive the proposed final dividend, all transfer of shares of the Company accompanied by the relevant share certificate(s) and appropriate transfer form(s) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than Hong Kong time 4:30 p.m. on Monday, July 13, 2020.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This preliminary results announcement is published on the Company's website (www.gdjsl.com) and the Stock Exchange's website (http://www.hkexnews.hk). The annual report for the year ended December 31, 2019 will be despatched to the shareholders of the Company and will be made available on the websites of the Company and the Stock Exchange in due course in accordance with the Listing Rules.

ACKNOWLEDGEMENT

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

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

Hong Kong, March 30, 2020

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