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嘉士利集團有限公司
Jiashili Group Limited



(incorporated in the Cayman Islands with limited liability)

(Stock code: 1285)

**ANNOUNCEMENT OF ANNUAL RESULTS FOR
 THE YEAR ENDED DECEMBER 31, 2022**

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, 2022, together with the comparative figures for the year 2021 as agreed with Messrs. Deloitte Touche Tohmatsu as follows:

FINANCIAL HIGHLIGHTS

	Year ended December 31,		
	2022 (RMB'000)	2021 (RMB'000)	Increase/Decrease
Revenue	1,664,360	1,597,132	↑4.2%
Gross profit	442,246	458,923	↓3.6%
Gross profit margin	26.6%	28.7%	↓2.1%
Profit for the year	55,004	108,305	↓49.2%
Earnings before interest, tax, depreciation and amortisation (EBITDA) ¹	172,870	238,275	↓27.4%
Operating profit (EBIT) ²	100,309	170,841	↓41.3%
Earnings per share — Basic and diluted (RMB cents)	13.73	27.81	↓50.6%
Net profit margin	3.3%	6.8%	↓3.5 percentage points
Proposed final dividend per share (HKD)	0.05	0.05	—

Notes:

1. include profit/loss before tax but excluding finance costs and total depreciation and amortisation
2. include profit/loss before tax but excluding finance costs

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2022

	<i>NOTES</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue	3	1,664,360	1,597,132
Cost of sales		<u>(1,222,114)</u>	<u>(1,138,209)</u>
Gross profit		442,246	458,923
Other income	5	43,851	39,990
Other gains and losses	6	3,149	82,486
Selling and distribution expenses		(219,411)	(216,351)
Administrative expenses		(83,226)	(78,354)
Other expenses	7	(59,788)	(69,113)
Impairment losses recognised under expected credit loss model, net	8	(21,367)	(35,334)
Share of results of associates		(6,738)	(4,726)
Share of results of a joint venture		1,593	(6,680)
Finance costs		<u>(30,886)</u>	<u>(30,972)</u>
Profit before tax		69,423	139,869
Income tax expense	9	<u>(14,419)</u>	<u>(31,564)</u>
Profit and total comprehensive income for the year	10	<u>55,004</u>	<u>108,305</u>
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		56,974	115,428
Non-controlling interests		<u>(1,970)</u>	<u>(7,123)</u>
		<u>55,004</u>	<u>108,305</u>
Earnings per share	12		
— Basic and diluted (<i>RMB cents</i>)		<u>13.73</u>	<u>27.81</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2022

	NOTES	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		448,795	490,849
Right-of-use assets		204,175	213,594
Investment property		10,603	—
Intangible assets		31,648	37,486
Goodwill		38,337	27,449
Interests in associates		21,788	20,863
Interest in a joint venture		4,634	3,041
Loans to a joint venture	13(a)	158,949	172,023
Loan to a non-controlling shareholder of a subsidiary	13(b)	—	10,714
Loans to an associate		—	5,667
Loan receivables	13(c)	32,168	14,403
Financial asset at fair value through profit or loss	14	107,131	104,168
Deferred tax assets		2,711	1,845
Other receivables and deposits	15	1,775	2,102
Deposits paid for acquisition of right-of-use assets and property, plant and equipment		12,000	12,520
Deposit paid for acquisition of a subsidiary		93,000	—
		<u>1,167,714</u>	<u>1,116,724</u>
CURRENT ASSETS			
Inventories		104,729	104,793
Trade, bills and other receivables	15	145,376	180,988
Loan receivables	16	143,125	100,102
Amounts due from associates		48,879	44,353
Amounts due from non-controlling shareholders of subsidiaries		—	11,531
Amounts due from a joint venture		175,594	123,974
Amount due from a related party		16	8
Loan to a non-controlling shareholder of a subsidiary		9,608	—
Loan to an associate		—	2,576
Income tax recoverable		1,855	3,588
Pledged/restricted bank deposits		99	21,044
Bank balances and cash		310,108	383,734
		<u>939,389</u>	<u>976,691</u>

	<i>NOTES</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
CURRENT LIABILITIES			
Trade, bills and other payables	17	267,269	371,306
Contract liabilities		92,092	59,350
Income tax payables		19,859	10,740
Bank borrowings		510,524	404,124
Amount due to a non-controlling shareholder of a subsidiary		—	1,123
Amounts due to related parties		226	—
Amount due to an associate		10	—
Deferred income		1,929	1,891
Lease liabilities		3,475	33,414
		<u>895,384</u>	<u>881,948</u>
NET CURRENT ASSETS		<u>44,005</u>	<u>94,743</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,211,719</u>	<u>1,211,467</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		8,388	10,694
Deferred income		44,289	49,224
Bank borrowings		87,190	116,014
Lease liabilities		50,393	53,707
		<u>190,260</u>	<u>229,639</u>
NET ASSETS		<u><u>1,021,459</u></u>	<u><u>981,828</u></u>
CAPITAL AND RESERVES			
Share capital		3,285	3,285
Reserves		987,052	947,896
Equity attributable to owners of the Company		<u>990,337</u>	<u>951,181</u>
Non-controlling interests		31,122	30,647
TOTAL EQUITY		<u><u>1,021,459</u></u>	<u><u>981,828</u></u>

1. GENERAL INFORMATION

Jiashili Group Limited (the “**Company**”) was incorporated as an exempted company with limited liability in the Cayman Islands on December 19, 2013. Its ultimate and immediate holding company is Great Logistics Global Limited and Kaiyuan Investments Limited, respectively. Its ultimate controlling shareholder is Mr. Huang Xianming and his family. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of the principal place of business of the Company is Flat A7, 5/F, Ngai Sheung Factory Building, 13 Elm Street, Kowloon, Hong Kong.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the “**Group**”) are manufacturing and sales of biscuit and other products in Mainland China (the “**PRC**”).

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

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“**IFRSs**”)

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by International Accounting Standards Board (“**IASB**”) for the first time, which are mandatorily effective for the Group’s annual period beginning on January 1, 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond June 30, 2021
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020

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

Impacts on application of Amendments to IFRS 3 Reference to the Conceptual Framework

The Group has applied the amendments to business combinations for which the acquisition date was on or after January 1, 2022. The amendments update a reference in IFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting* issued by IASB in March 2018 (the “**Conceptual Framework**”) instead of the International Accounting Standards Committee’s *Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting* issued in September 2010), add a requirement that, for transactions and events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, an acquirer applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments in the current year has had no impact on the Group’s consolidated financial statements.

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 note 4 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

	2022 <i>RMB’000</i>	2021 <i>RMB’000</i>
Distributors	1,661,978	1,595,576
Supermarkets	2,382	1,556
	<u>1,664,360</u>	<u>1,597,132</u>

(ii) Performance obligations for contracts with customers

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

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

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

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

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

All contracts for sale of biscuit and other products are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

4. SEGMENT INFORMATION

Information reported to the executive directors of the Group, being the chief operating decision maker (“**CODM**”), for the purpose of resource allocation and assessment of segment performance focuses on types of products manufactured and sold. The CODM reviews operating results and financial information on a product by product basis. Each individual type of product constitutes an operating segment. For operating segments that exhibit similar long-term financial performance as they have similar economic characteristics, and are using similar production processes to produce goods and distribute or sell to similar classes of customers, their segment results are aggregated into one reportable segment. The CODM assesses the performance of the operating segments based on a measure of segment profit or loss which represents the gross profit of each operation segment.

The Group has one reportable segment under IFRS 8 as biscuit products.

In addition to the above reportable segment, none of the other operating segments met the quantitative thresholds for the reportable segments in both current and prior year. Accordingly, these were grouped in “Others”.

Segment revenue and results

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

2022

	Biscuit products RMB'000	Others RMB'000	Total RMB'000
Revenue	<u>1,594,970</u>	<u>69,390</u>	<u>1,664,360</u>
Segment results	<u>426,995</u>	<u>15,251</u>	<u>442,246</u>
Other income			43,851
Other gains and losses			3,149
Selling and distribution expenses			(219,411)
Administrative expenses			(83,226)
Other expenses			(59,788)
Impairment losses recognised under expected credit loss model, net			(21,367)
Share of results of associates			(6,738)
Share of results of a joint venture			1,593
Finance costs			<u>(30,886)</u>
Profit before tax			<u><u>69,423</u></u>

2021

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

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

Segment assets and liabilities

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

Other segment information

Amounts included in the measurement of segment results:

Year ended December 31, 2022

	Biscuit products RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Depreciation of property, plant and equipment	52,876	3,372	227	56,475
Amortisation of intangible assets	5,067	771	—	5,838
Depreciation of right-of-use assets	8,616	960	—	9,576
Depreciation of investment property	—	672	—	672

Year ended December 31, 2021

	Biscuit products RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Depreciation of property, plant and equipment	46,259	3,073	1,022	50,354
Amortisation of intangible assets	5,092	681	—	5,773
Depreciation of right-of-use assets	9,958	1,349	—	11,307

Revenue from major products

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

	2022 RMB'000	2021 RMB'000
Revenue by products		
Sweet single piece biscuits	596,193	595,828
Salty single piece biscuits	56,496	54,263
Sandwich biscuits	525,647	463,370
Wafers	180,053	157,897
Coarse grain biscuits	83,474	103,858
Other biscuits	153,107	152,294
Others (<i>note</i>)	69,390	69,622
	<u>1,664,360</u>	<u>1,597,132</u>

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

Geographical information

All of the Group's operations are located in the PRC. Information about the Group's revenue from external customers by location of the relevant customers and non-current assets by location of assets is presented below:

	Revenue from external customers		Non-current assets (note a)	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
The PRC (country of domicile)	1,662,444	1,594,800	864,980	805,802
Others (note b)	1,916	2,332	—	—
	<u>1,664,360</u>	<u>1,597,132</u>	<u>864,980</u>	<u>805,802</u>

Notes:

- (a) Non-current assets excluded financial instruments and deferred tax assets.
- (b) Others represent export sales to locations other than the PRC.

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

5. OTHER INCOME

	2022 RMB'000	2021 RMB'000
Government grants	10,249	9,983
Interest income on:		
— bank balances and deposits	5,144	8,913
— loan receivables	16,595	7,829
— loans to a joint venture	7,447	8,340
— loan to a non-controlling shareholder of a subsidiary	674	1,354
Sales of packaging materials	2,657	2,146
Rental income	921	1,268
Others	164	157
	<u>43,851</u>	<u>39,990</u>

6. OTHER GAINS AND LOSSES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Allowance reversed (recognised) on inventories	110	(540)
Fair value gain on financial asset at FVTPL	2,963	3,477
Net foreign exchange gains	315	101
Reversal of impairment loss on prepayment (note)	—	74,641
Interest income from prepayment	—	4,749
Loss on deemed disposal of an associate	(240)	—
Gain on disposal of property, plant and equipment	1	58
	<u>3,149</u>	<u>82,486</u>

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

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

* *English name for identification purpose only.*

7. OTHER EXPENSES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Research expenses	59,135	64,712
Donation expenses	434	2,788
Other non-operating expenses	219	1,613
	<u>59,788</u>	<u>69,113</u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Impairment losses recognised (reversed) on:		
— loan receivables	1,016	6,558
— loan to a non-controlling shareholder of a subsidiary	1,106	7,286
— loans to an associate	—	7,757
— loan to a joint venture	4,988	652
— amount due from a non controlling shareholder of a subsidiary	5,037	10,823
— amount due from a joint venture	1,123	2,556
— trade receivables	3,765	(2,948)
— other receivables	4,332	2,650
	<u>21,367</u>	<u>35,334</u>

9. INCOME TAX EXPENSE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax:		
PRC Enterprise Income Tax (“EIT”)		
— Current year	16,518	13,441
— Underprovision in prior years	1,073	2,717
— PRC withholding tax	—	17,619
	<u>17,591</u>	<u>33,777</u>
Deferred tax:	<u>(3,172)</u>	<u>(2,213)</u>
	<u><u>14,419</u></u>	<u><u>31,564</u></u>

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

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

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

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

The Company’s subsidiaries that are PRC tax resident are required to withhold the PRC withholding EIT of 10% on dividend payment to their non-PRC resident immediate holding company.

* *English name for identification purpose only.*

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

	2022 RMB'000	2021 <i>RMB'000</i>
Profit before tax	<u>69,423</u>	<u>139,869</u>
Tax at PRC Tax rate of 25% (2021: 25%)	17,356	34,967
Tax effect on concessionary tax rate	(1,995)	(4,710)
Tax effect on concessionary policy on research and development expenses (<i>note</i>)	(12,131)	(14,513)
Tax effect of expenses not deductible for tax purpose	3,054	2,793
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	855	(353)
Tax effect of deductible temporary differences not recognised	3,116	6,298
Tax effect of tax losses not recognised	4,112	4,040
Utilisation of tax losses previously not recognised	(1,684)	(554)
Utilisation of deductible temporary differences previously not recognised	(27)	(19,592)
Tax effect on share of results of a joint venture	(398)	1,670
Tax effect on share of results of associates	1,685	1,182
Tax effect of withholding tax on distributed profits of the PRC subsidiaries	—	13,967
Tax effect of withholding tax on undistributed profits of the PRC subsidiaries	(597)	3,652
Underprovision in prior years	<u>1,073</u>	<u>2,717</u>
Income tax expense recognised in profit or loss	<u>14,419</u>	<u>31,564</u>

Note: It represents additional 100% (2021: 100%) tax deduction in respect of qualifying research and development expenses incurred for the year.

10. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Directors' and chief executive's remuneration	3,657	3,367
Other employee benefits expenses:		
Salaries and allowances	232,470	217,308
Contributions to retirement benefits scheme	22,708	22,020
	<hr/>	<hr/>
Total employee benefits expenses	258,835	242,695
	<hr/>	<hr/>
Depreciation of property, plant and equipment	56,475	50,354
Depreciation of right-of-use assets	9,576	11,307
Depreciation of investment property	672	—
Amortisation of intangible assets (included in cost of sales)	5,838	5,773
	<hr/>	<hr/>
Total depreciation and amortisation	72,561	67,434
	<hr/>	<hr/>
Auditors' remuneration	1,800	2,119
	<hr/>	<hr/>
Cost of inventories recognised as an expense (including reversal of allowance on inventories amounting to RMB110,000 (2021: allowance of RMB540,000))	1,222,114	1,138,209
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11. DIVIDENDS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2022 Interim — nil (2021: 2021 Interim — HK10 cents) per share	—	34,433
2021 Final — HK5 cents (2021: 2020 Final — HK5 cents) per share	<u>17,818</u>	<u>17,266</u>
	<u>17,818</u>	<u>51,699</u>

Subsequent to the end of the reporting period, a final dividend of HK5 cents (2021: HK5 cents) per share, amounting to approximately HK\$20,750,000 (equivalent to approximately RMB18,536,000) (2021: approximately HK\$20,750,000 (equivalent to approximately RMB16,965,000)), has been proposed by the directors of the Company and is subject to the approval by the shareholders at the forthcoming Annual General Meeting of the Company.

12. EARNINGS PER SHARE

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>56,974</u>	<u>115,428</u>
	2022 <i>'000</i>	2021 <i>'000</i>
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	<u>415,000</u>	<u>415,000</u>

No diluted earnings per share for both 2022 and 2021 were presented as there were no potential ordinary shares in issue for both 2022 and 2021.

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

(a) Loans to a joint venture

The amounts represent loans advanced to Fengjia, a joint venture, with an aggregated principal value of RMB150,000,000 (2021: RMB165,300,000) and accrued interest of RMB14,589,000 (2021: RMB7,375,000). During the year ended December 31, 2022, an impairment loss under ECL model of RMB4,988,000 (2021: RMB652,000) was recognised in the profit or loss for the loans to a joint venture. The loan amount of RMB150,000,000 (2021: RMB150,000,000) is non-trade in nature, secured by 100% interest of Kailan, the wholly-owned subsidiary of Fengjia, and interest bearing at 5% (2021: 5%) per annum. The remaining amount of RMB15,300,000 at December 31, 2021 is non-trade in nature, unsecured and interest bearing at 5% per annum which has been repaid in 2022. The Group expects the loan, including the accrued interest, would be recovered more than one year, therefore, the amounts are classified as non-current.

(b) Loan to a non-controlling shareholder of a subsidiary

The amount represents a loan advanced to a non-controlling shareholder of a subsidiary, with aggregated principal value of RMB18,000,000 (2021: RMB18,000,000). During the year ended December 31, 2022, an impairment loss under ECL model of RMB1,106,000 (2021: RMB7,286,000) was recognised in the profit or loss for the loan to a non-controlling shareholder of a subsidiary. The amount is non-trade in nature, secured with the non-controlling shareholder's equity interests in the subsidiary, 60% equity interest of the non-controlling shareholder and 5.17% equity interest of an entity in the PRC, and interest bearing at 8% per annum. The amount is repayable in 2023 and therefore classified as current.

(c) Loans to an associate

The amounts represent loans advanced to an associate, with aggregated principal value of RMB16,000,000 at December 31, 2021. During the year ended December 31, 2022, this associate became a wholly owned subsidiary of the Group, and these loans have been effectively settled accordingly. Before the acquisition, an impairment loss under ECL model of RMB7,757,000 was recognised in the profit or loss in 2021 for the loans to an associate. The amounts are non-trade in nature, non-interest bearing and guaranteed by the directors of the associate.

14. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group entered into a limited partnership agreement for setting up an unlisted equity investment fund, 青島嘉匯股權投資基金合夥企業(有限合夥) Tsingtao Jia Hui Equity Investment Fund (Limited Partnership) (“**Jia Hui LLP**”), with three independent third parties. Pursuant to the limited partnership agreement, RMB103,500,000 is to be contributed by the Group as a limited partner. Jia Hui LLP was set up on May 16, 2019. As at December 31, 2022 and 2021, the unlisted equity investment fund is classified as a non-current asset, of which Jia Hui LLP consists of six years term to maturity. Management of the Jia Hui LLP shall vest exclusively to the general partner of Jia Hui LLP (“**GP**”). Limited partners of Jia Hui LLP (“**LPs**”) shall have the exclusive authority to monitor and oversight the behavior of the GP and they shall not involve in the daily operation and are not allowed to act on behalf of the Jia Hui LLP externally. Jia Hui LLP is accounted for as a financial asset at FVTPL. As at December 31, 2022, the fair value of Jia Hui LLP is amounting to RMB107,131,000 (2021: RMB104,168,000) with a fair value gain recognised in profit or loss of RMB2,963,000 (2021: RMB3,477,000) for the year ended December 31, 2022.

The fair value of the Group’s unlisted equity investment fund at December 31, 2022 and 2021 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.

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade and bills receivables	37,791	24,455
Less: allowance for ECL	<u>(5,461)</u>	<u>(3,182)</u>
Total trade and bills receivables, net	32,330	21,273
Prepayments for purchase of raw materials (note a)	29,625	74,108
Other receivables, net of allowance (note b)	32,126	30,178
Other prepayments (note c)	51,303	55,598
Rental and utility deposits	<u>1,767</u>	<u>1,933</u>
	147,151	183,090
Less: amount shown under current assets	<u>(145,376)</u>	<u>(180,988)</u>
Amount shown under non-current assets as other receivables and deposits (note d)	<u><u>1,775</u></u>	<u><u>2,102</u></u>

Trade and bills receivables

As at January 1, 2021, trade and bills receivables amounting to RMB20,995,000.

The following is an analysis of trade and bills receivables by age, net of allowance for ECL, presented based on the delivery of goods or the receipt date of bills receivables, which approximated the respective revenue recognition dates at the end of the reporting period.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 2 months	15,846	14,626
Over 2 months but within 3 months	1,429	1,202
Over 3 months but within 6 months	15,055	2,980
Over 6 months but within 1 year	<u>—</u>	<u>2,465</u>
	<u><u>32,330</u></u>	<u><u>21,273</u></u>

As at December 31, 2022, total bills are amounting to RMB6,208,000 (2021: RMB8,471,000) with a maturity period of less than one year held by the Group.

As at December 31, 2022, included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of RMB14,911,000 (2021: RMB5,337,000) which are past due as at the reporting date. Out of the past due balances, RMB2,837,000 (2021: RMB3,027,000) has been past due 90 days or more and are considered as in default.

The Group does not hold any collateral over trade and bills receivables.

Notes:

- (a) Prepayments for purchase of raw materials mainly comprised of prepayments for packaging materials.
- (b) Other receivables net of allowance represent value added tax deductible to be certified, advances to staff and other miscellaneous deposits, which are unsecured and non-interest bearing.

During the year, the Group has recognised an impairment loss of RMB4,332,000 (2021: RMB2,650,000) on other receivables in the profit or loss.

- (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, ii) advances to staff due after one year and iii) advances to other company due after one year and therefore, classified as non-current.

16. LOAN RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Fixed-rate loan receivables	185,616	123,812
Less: allowance for ECL	<u>(10,323)</u>	<u>(9,307)</u>
	<u>175,293</u>	<u>114,505</u>
Analysed as		
Current	143,125	100,102
Non-current	<u>32,168</u>	<u>14,403</u>
	<u>175,293</u>	<u>114,505</u>

The effective interest rate of the loan receivables is ranged from 0.0% to 18.0% (2021: 6.0% to 18.0%) per annum.

As at December 31, 2022, included in the Group's loan receivables balance are debtors with aggregate carrying amount of RMB31,512,000 (2021: RMB31,512,000) which are past due 90 days or more. The directors of the Company consider credit risks have increased significantly and those past due more than 90 days are considered as credit-impaired.

As at December 31, 2022, the carrying amount of loan receivables amounting to RMB29,512,000 (2021: RMB29,512,000) are secured by collaterals such as land, retail stores, manufacturing plant and residential building (2021: land, retail stores, manufacturing plant and residential building). The Group is not permitted to sell or repledge the collaterals in the absence of default by the borrower. There has not been any significant changes in the quality of the collateral held for the loan receivables. The Group has not recognised a loss allowance for the loan receivables as a result of these collaterals.

Included in the carrying amount of loan receivables as at December 31, 2022 is accumulated impairment losses of RMB10,323,000 (2021: RMB9,307,000).

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Fixed-rate loan receivables		
Within one year	151,316	107,512
In more than one year but not more than two years	34,300	11,000
In more than two years but not more than five years	<u>—</u>	<u>5,300</u>
	<u>185,616</u>	<u>123,812</u>

17. TRADE, BILLS AND OTHER PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	156,930	152,867
Bills payables	<u>6,080</u>	<u>97,100</u>
Total trade and bills payables	163,010	249,967
Transportation fee payables	20,955	24,705
Payroll and welfare payables	35,730	36,168
Accrued expenses	26,673	38,629
Other payables	3,863	3,367
Other tax payables	<u>17,038</u>	<u>18,470</u>
	<u>267,269</u>	<u>371,306</u>

Trade and bills payables

The credit period on purchase of goods is ranged from 7 to 45 days from the invoice date. The Group has financial risk management policies in place to ensure that all payables are settled within the credit limit frame.

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 3 months	150,739	152,177
Over 3 months but within 6 months	5,569	518
Over 6 months but within 1 year	259	52
Over 1 year	363	120
	<u>156,930</u>	<u>152,867</u>

All bills payables are due within one year. The following is an analysis of bills payables by maturity date at the end of each reporting period:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 3 months	6,080	76,070
Over 3 months but within 6 months	—	21,030
	<u>6,080</u>	<u>97,100</u>

18. EVENT AFTER THE REPORT PERIOD

On January 18, 2023, the Group entered into an agreement with an independent third party pursuant to which the Group has agreed to acquire a property situated at Kaiping, Guangdong Province, the PRC for a cash consideration of RMB100,000,000. Details are set out in the Company's announcement dated January 18, 2023. The acquisition is not yet completed as of the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Invested in our future

Jiashili is one of the largest producer of quality biscuits and crackers in China more than 66 years since 1956, we market, sell and distribute our products under more than 10 brand names in approximately 31 Provinces and Municipalities and 310 prefecture-level cities with more than 660 stock keeping units offered to market in China. At Jiashili, serving customers means more than selling food. It means acting as a responsible and sustainable business for all our stakeholders — customers, colleagues, suppliers and shareholders — and providing safe, nutritious and affordable biscuits, that is great value for money. It is now more than three years since the beginning of the COVID-19 pandemic which has had such a profound impact on our business. The year of 2022 is a year full of challenges and uncertainties, this year has continued to be challenging with continuing reverberations from the pandemic, significant economic uncertainty, accelerating inflationary pressures and the conflict in Ukraine. Manufacturing cost was elevated and among them palm oil prices have increased on average by about 15.4% from preceding year, flour by about 18.3%, sugar by about 5.7%. The Board understand that under the impact of the pandemic, both the consumer and businesses have been severely challenged, therefore, during this extraordinary and difficult period, the Group has increased selling price in certain products in order to recover significant input cost inflation effective on the first half of 2022. Although hard work has successfully recovered much of this cost inflation, more remains to be done. During this pandemic period we saw the quality of our leadership team and the dedication of our team members who have continued to provide an outstanding level of service to our customers and our wider stakeholder base. Jiashili is a business full of people who truly care about what we do. The Group continues to face considerable headwinds from high inflation, particularly in energy costs, volatile and uncertain business environment and pressure on consumer discretionary spending. However, we remain confident that the Group has the business model necessary to deliver a year of resilient performance with further growth in sales.

Performance Review

Although COVID-19 has influenced the Group's short-term planning and actions, our strategy remains unchanged with long-term growth being driven by organic investment and supplemented by acquisitions. Our financial performance this year more than ever demonstrates the resilience of the Group. This comes from the strength of our brands, the diversity of our products and markets, our geographic spread, conservative financing and an organisation design that permits fast and flexible decision-taking. The Group's revenue has increased by approximately RMB67.2 million or 4.2% to approximately RMB1,664.4 million in 2022. Gross profit decreased by approximately RMB16.7 million to approximately RMB442.2 million from approximately RMB458.9 million in the same period of 2021, representing a year-on-year decline of 3.6%, the reduction was mainly due to the increase in our cost of raw materials (particularly the palm oil and flour). Then, gross profit margin decreased by approximately 2.1 percentage points to 26.6% as compared with that of 2021.

Profit for the year decreased by 49.2% or approximately RMB53.3 million in 2022 to approximately RMB55.0 million from approximately RMB108.3 million of 2021. The decrease was mainly attributable to the followings: i) a substantial increase in the production costs as a result of the rising costs of our raw materials (include palm oil, flour and sugar) in 2022. Although the Group has adopted the strategies for raising prices for its products, the price increase in some products cannot fully compensate the rise in input costs of raw materials, which as a result lead to a decline in gross profit; ii) a non-recurring reversal gain on impairment loss on prepayment of approximately RMB75 million was recorded for the year ended 31 December 2021; and iii) an increase in impairment provision on the Group's certain loans and receivables of approximately RMB21.4 million under expected credit loss model for the year ended 31 December 2022 due to unfavourable economic conditions in China. The pandemic triggered sharp fluctuations in the markets for raw materials. This volatility hit many industries hard and led to disruptions and even production interruptions. Despite this volatility, Jiashili succeeded in securing the supply of raw and packaging materials to most of its production sites in 2022, thanks to forward planning coupled with the ability to adapt quickly. Enhancement of product quality and raw material supplies are our Group strives for best quality with competitive prices, and zero customers complaints. This could be achieved by improved quality and supplies management and production and packaging processes. Through straight and stringent control on product safety, quality check and review will be implemented on each stages of production leads to costs reduction and enhancement of production efficiency.

During the long and successful history of Jiashili, we have mastered many crises and once again we have proven that our company is up to the local challenges. Our objectives are to produce quality, popular and preferred biscuits and leisure snack products where you can share anytime, anywhere. Over the year, we have been adhering to the business philosophy of “Jiashili, benefit the nation and benefit to all people 嘉士利、利國家、利大家” to provide delicious and high quality biscuits to the customers in China.

Marketing and promotion

Innovation has always been a strong tradition at Jiashili. Today, our pace of innovation is faster than ever, and every year we bring new creations on to the market. To cater for constantly changing consumer demands, our product specialists work day after day to ensure that every new product has the potential to become a classic one day. In 2022, research expenses amounted to approximately RMB59.1 million slightly decreased by 8.6% year-on-year. Research expenses accounted for approximately 3.6% of the total revenue in 2022 (2021: 4.1%). In 2022, our Group has more than 2,120 distributors in China, Jiashili is a consumer-led and market-driven organization. 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 market segment of the industry. Central to Jiashili’s approach is the fundamental understanding of how to address these needs and support customers as they seek to innovate to win in today’s marketplace. These ever-evolving consumer preferences are redefining consumption occasions right across end use markets and channels. Our customers is at the centre everything we do, we aims to adding value by offering so much more to distributors and our end customers. Our Group is undergoing consolidation in different distributor channels, aligning with different distributors through various channels such as supermarkets, shops, convenience stores and key accounts (KA) to fulfil our customers’ needs. Some differentiated products are sold exclusive through specific channel to avoid possible conflicts among channels. We also strived for product differentiation in packaging and specifications among different channels and regions.

To promote our products our Group has a policy and control on promoting our products and brand names through discounts, promotion events and others. Selling, advertising and promotion expenses accounted for 8.3% of revenue of 2022. (2021: 8.8%). Jiashili is a highly diversified group with a wide range of biscuits and leisure snack products, comprises of more than 12 well-known grocery brands, and our flagship retail brand, “Jiashili”. We have a strong social purpose: to provide safe, nutritious and affordable food that is great value for money.

FINANCIAL REVIEW

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

During the year ended December 31, 2022 Group's revenue rose by 4.2% year-on-year to approximately RMB1,664.4 million. The promising revenue performance was due to the rising prices on our certain products together with strong domestic demands in the improving second half year of 2022 particularly in the fourth-quarter. Breakdown of revenue by product in 2022 and the comparative figures for the same period last year are as follows:

Revenue	2022		2021		Increase/Decrease	
	RMB (million)	Revenue contribution	RMB (million)	Revenue contribution	RMB (million)	%
Sweet Single piece biscuits	596.2	35.8%	595.8	37.3%	0.4	0.07%
Salty Single piece biscuits	56.5	3.4%	54.3	3.4%	2.2	4.05%
Sandwich biscuits	525.7	31.6%	463.4	29.0%	62.3	13.44%
Wafers	180.0	10.8%	157.9	9.9%	22.1	14.00%
Coarse grain biscuits	83.5	5.0%	103.8	6.5%	-20.3	-19.56%
Other biscuits	153.1	9.2%	152.3	9.5%	0.8	0.53%
Others	69.4	4.2%	69.6	4.4%	-0.2	-0.29%
Total	<u>1,664.4</u>	<u>100.0%</u>	<u>1,597.1</u>	<u>100.0%</u>	<u>67.3</u>	<u>4.21%</u>

Breakdown of revenue by products

Sweet single piece biscuits

For the year ended December 31, 2022, revenue from sweet single piece biscuits recorded a slight increase of 0.07% or approximately RMB0.4 million to approximately RMB596.2 million as compared with the same period last year. The increase was mainly driven by consumers' preference on the tastes and textures of our products even under COVID-19 pandemic environment.

Salty single piece biscuits

In 2022, the revenue generated from salty single piece biscuits increased by approximately RMB2.2 million representing an increase of 4.1% ahead of corresponding period last year to approximately RMB56.5 million. It was mainly driven by our Group strong brand name and effective pricing and promotion strategy.

Sandwiches biscuits

Turning to sandwiches biscuits, mainly fruit jam sandwiches biscuits (果樂果香), in 2022 the revenue generated from sandwich biscuits series rose by 13.4%, or approximately 62.3 million year-on-year to approximately RMB525.7 million. The reason for the increase was mainly attributable as follows: (i) the rapid recovery of China domestic retail consumption particularly in the second half of 2022 and the relaxation of social distancing and shops closedowns rules near the end of 2022; and (ii) the online product promotion via Tik Tok (抖音) was proved to be effective as most of our target consumers are mostly university students; youngsters and teenagers, their acknowledgment and acceptance on on-line social media was exceptionally high.

Wafers

In 2022, the revenue generated from wafers amounted to approximately RMB180.0 million, representing an increase of 14.0% or approximately RMB22.1 million ahead of corresponding period last year. The increase was mainly driven by consumers' preference on the tastes and textures of our products

Coarse grain biscuits

In 2022, revenue of coarse grain biscuit amounted to approximately RMB83.5 million, representing a decline of 19.6% or approximately RMB20.3 million as compared with the same period last year. Market repositioning and marketing channel restructuring is underway for coarse grain biscuits.

Other biscuits

Other biscuits include mainly Jiuzhou cookie (九洲曲奇), cream crackers, and others. During the year ended December 31, 2022, revenue from other biscuits has increased by 0.5% or approximately RMB0.8 million to approximately RMB153.1 million as compared with the same period last year.

Others

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. Others represents miscellaneous products other than biscuits, such as bread, mooncake, candies and soymilk. For the year ended December 31, 2022, revenue from others was slightly drop by 0.29% to approximately RMB69.4 million as compared with the same period last year. In which revenue from short shelf-life bread amounted to approximately RMB28.4 million for the year ended December 31, 2022. Short-shelf life bread has received much market acceptance. Revenue from moon cakes in 2022 amounted to approximately RMB37.1 million.

Gross profit and Gross profit margin

Overall gross profit margin decreased mainly due to price inflation of costs of raw materials particularly palm oil and flour. In 2022, gross profit amounted to approximately RMB442.2 million (2021: approximately RMB458.9 million), representing a year-on-year decrease of 3.6%. Gross profit margin decreased to 26.6% (2021: 28.7%) in 2022, representing a drop of 2.1 percentage points from last year. The decrease in both gross profit and gross profit margin was due to the escalating costs of our raw materials (mainly palm oil and flour). In 2022, manufacturing costs of palm oil have increased on average by about 15.4% from preceding year, flour by about 18.3%, and sugar by about 5.7% from last year. The Group will further imposed stringent measures and controls to keep our production and manufacturing cost remain competitive.

Other income

Other income for the year of 2022 has increased by approximately 9.7% to approximately RMB43.9 million compared with 2021. The increase was primarily due to interests income earned on loan receivables and sale of packaging materials in 2022 is higher than that of the corresponding period of last year.

Selling and distribution expenses

Selling and distribution expenses comprise mainly the advertising and promotion expenses, delivery and transportation expenses and selling administration expenses. Such expenses remained roughly the same in 2022 as compared with 2021. The selling and distribution expenses has rose by 1.4% from approximately RMB216.4 million in 2021 to approximately RMB219.4 million in 2022. In 2022 the selling administration and advertising and promotion expenses were approximately RMB137.7 million (2021: approximately RMB140.5 million). Selling administration and advertising and promotion expenses as a percentage of revenue was 8.3% (2021: 8.8%) which was in line with Group's policy to expand and broaden our consumer base. Delivery and transportation expenses in 2022 were approximately RMB81.8 million (2021: approximately RMB75.9 million). Delivery and

transportation expenses as a percentage of revenue is 4.9% in 2022 (2021: 4.8%), The increased in delivery and transportation expenses indicates the persistent recovery of economic activities since the second half of 2022. The Company strive for efficient distribution strategy to save cost while at the same time meet customer demand in quicker delivery.

Administrative expenses

Administrative expenses are mainly consists of staff costs and welfare, office expenses and entertainment expenses, legal and professional fees, other tax expenses and rental expenses. For the year ended December 31, 2022, administrative expenses amounted to approximately RMB83.2 million, representing an increase of approximately RMB4.9 million or 6.2% year-on-year. The increase in administrative expenses was mainly attributable to increase in compensations on staff costs and welfare during pandemic and other consumables and office expenses.

Other gains and losses

During the year, other gains was approximately RMB3.1 million, a decrease of gains by approximately RMB79.3 million (2021: approximately RMB82.5 million gains) as compared with the corresponding period of last year. The decrease in other gains for the year ended December 31, 2022 was mainly due to non-recurring gains on reversal of impairment on prepayment amounts to approximately RMB75 million in 2021 no longer exist in 2022.

Inventories

Group's inventories consist mainly of raw materials, packaging materials and finished goods. The Group's inventories as at December 31, 2022 was approximately RMB104.7 million similar to that of corresponding period of last year of approximately RMB104.8 million. The inventory turnover days has decreased from 32.43 days in 2021 to 31.29 days in 2022.

Trade, bills and other receivables

The Group's trade, bills and other receivables refer to the Group's trade receivable balance from its customers, primarily including distributors and KA together with other deposits and prepayments. The amounts of trade, bills and other receivables has declined by 19.7% from approximately RMB181.0 million in 2021 to approximately RMB145.4 million in 2022. Thus, the trade, bills and other receivables turnover days has decreased from 41.36 days in 2021 to 35.79 days in 2022 due to tighter control on credit policy.

Working capital position

To preserve and maintain a stable cash flow is very important. Measures to mitigate the cash outflow included cutting back on discretionary spending and non-essential capital expenditure across the Group was implemented. As at December 31, 2022, the Group's net current assets was approximately RMB44.0 million (2021: approximately RMB94.7 million). Current ratio of the Group as at December 31, 2022 was 1.05 (2021: 1.11). We believed our Group is in the healthy state of operating situation with adequate source of resources to meet our short-term debt.

Financial position and liquidity

We finance our operations and capital expenditure primarily by internally generated cash flows as well as banking facilities provided by our principal bankers. As at December 31, 2022, the Group had bank balances and cash amounted to approximately RMB310.1 million (2021: approximately RMB383.7 million). We are from time to time adopt prudent financial management policy to maintain sufficient cash to meet our cash flow needs. Total bank borrowings as at December 31, 2022 amounted to approximately RMB597.7 million, increased by approximately RMB77.6 million, or 14.9% from corresponding period of last year. All of our bank borrowings are unsecured. The increase was due to the financing needs for the expansion of the business and also for our marketing and promotion strategies. As at December 31, 2022, the Group was in a net debt position (defined as bank balances and cash less total bank borrowings, but exclude lease liability) of approximately RMB287.6 million (2021: net debt position of approximately RMB136.4 million). As at December 31, 2022, the gross gearing ratio (defined as total liabilities over total assets) was 51.5% (2021: 53.1%). Total equity as at December 31, 2022 was approximately RMB1,021.5 million, an increase of 4.0% from approximately RMB981.8 million as at December 31, 2021. We assess our liquidity in terms of our ability to generate cash to fund our operating, investing and financing activities. Significant factors affecting liquidity include cash flows generated from operating activities, future capital expenditures, acquisitions, dividends, the adequacy of available bank loans, and the ability to attract long-term capital with satisfactory terms. The Directors believed that the Group is in a strong and healthy financial position generate substantial amounts of cash from operations with sufficient liquidity available for its working capital requirements, foreseeable capital expenditures and the payment of dividends.

Contingent liabilities and guarantees

As at December 31, 2022, the Group did not provide any guarantees for any third party and had no significant contingent liabilities.

OUTLOOK

Over the past few years, despite a very volatile environment, we have succeeded in steadily and successfully expanding our business. Jiashili has adapted itself to all different challenges of the markets in an agile and efficient manner and mastered them in cooperation with our partners and customers. We are preparing for the fact that the current economic conditions — characterized by high inflation and high volatility — will continue in the year of 2023. We are determined to remain committed to our long-term strategy in this environment. Thanks to continued high investment in advertising, new products, high quality, and our well positioning in the leisure snack food industry, as well as our in-depth knowledge of consumer needs, we are confident that we will be able to successfully overcome these challenges.

OTHER INFORMATION

Human resources and remuneration of employees

As at December 31, 2022 the Group had a total of 2,453 employees. (December 31, 2021: 3,655) The Group's employees are remunerated with reference to their positions, performance, experience and prevailing salary trends in the market. The remuneration package of our employees includes fixed salary, commissions and allowances (where applicable), and performance based year-end bonuses having regard to the performance of the Group and individual. For year ended December 31, 2022, the total employee benefits expenses (including Directors' and executive's remuneration) were approximately RMB258.8 million (2021: approximately RMB242.7 million).

CORPORATE GOVERNANCE PRACTICES

The Group's long-term success depends on our commitment to exceptional corporate governance standards, which underpin the confident delivery of our business. We do not see governance as something we do because we have to. We see it as something that should be ingrained in the way we behave, how we make decisions, how we run our business and, ultimately, how we build trust. In the opinion of the Directors, the Company has adopted the principles and applicable code provisions of Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong (the "**Listing Rules**") as its own code of corporate governance. Since the date of its listing and up to the date of this announcement, the Company has complied with the code provisions under the CG Code except for deviation during the year which is summarised as below.

Code Provision A.2.1

As stipulated in the Code provision A.2.1 of the Code, the role of chairman and chief executive officer should be separated and should not be performed by the same individual. As the duties of chairman and chief executive officer of the Company are performed by Mr. Huang Xianming (“**Mr. Huang**”), the Company has deviated from the Code provision A.2.1 of the CG Code. As all major decisions are made in consultation with all members of the Board, and currently there are three independent non-executive Directors on the Board offering independent advises and providing fresh perspectives to the Company. In regard of this, the Board is of the view that it is appropriate this management structure is effective for the Group’s operations and sufficient checks and balances are in place and in the best interests of the Company for Mr. Huang to hold both positions as it helps to maintain the continuity of the policies and the stability of the operations of the Group. The Board will also continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

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, 2022.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive Directors, namely Mr. Kam Robert, Ms. Ho Man Kay and Mr. Ma Xiaoqiang. The audit committee together with the management, has reviewed constantly the accounting principles and practices adopted by the Group, discussed auditing, internal control and financial reporting matters and reviewed the financial results of the Group. The audit committee has reviewed and discussed the annual results of the Group for the year ended December 31, 2022. The audit committee has no disagreement with the accounting treatment adopted by the Company.

SCOPE OF WORK OF MESSERS DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagement or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2022.

ANNUAL GENERAL MEETING

The annual general meeting ("2023 AGM") of the Company will be held on Friday, June 30, 2023 and a notice convening the 2023 AGM will be published and despatched to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Monday, June 26, 2023 to Friday, June 30, 2023 (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 2023 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 17 Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, June 23, 2023. For determining the entitlement to receive the proposed final dividend, the register of members of the Company will be closed from Thursday, July 20, 2023 to Friday, July 21, 2023 (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 17 Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than Hong Kong time 4:30 p.m. on Wednesday, July 19, 2023.

PROPOSED FINAL DIVIDEND

The Board has resolved to recommended the payment of a final dividend of HK5.00 cents per ordinary share for the year ended December 31, 2022 (2021: HK5.00 cents), to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at Friday, July 21, 2023. Subject to the approval by the shareholders of the Company, the payment date of the proposed final dividend is expected to be on Friday, August 18, 2023. The dividend per ordinary share for the year ended December 31, 2022 is HK\$5.00 cents. (2021: HK\$15.00 cents)

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This preliminary results announcement is published on the Company's website (www.gdjsl.com) and the Stock Exchange's website (<http://www.hkexnews.hk>). The annual report for the year ended December 31, 2022 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, 2023

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