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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, 2023**

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, 2023, together with the comparative figures for the year 2022 as agreed with Messrs. Deloitte Touche Tohmatsu as follows:

FINANCIAL HIGHLIGHTS

	Year ended December 31,		
	2023 (RMB'000)	2022 (RMB'000) (restated)	Increase/Decrease
Revenue	1,686,182	1,763,996	↓4.4%
Gross profit	502,883	462,043	↑8.8%
Gross profit margin	29.8%	26.2%	↑3.6 percentage points
Profit for the year	61,130	62,224	↓1.8%
Earnings before interest, tax, depreciation and amortisation (EBITDA) ¹	209,072	187,502	↑11.5%
Operating profit (EBIT) ²	119,318	108,484	↑10.0%
Earnings per share — Basic and diluted (RMB cents)	15.40	15.57	↓1.1%
Net profit margin	3.6%	3.5%	↑0.1%
Proposed final dividend per share (HKD)	0.1	0.05	↑100%

Notes:

- include profit before tax but excluding finance costs and total depreciation and amortisation
- include profit before tax but excluding finance costs

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
FOR THE YEAR ENDED DECEMBER 31, 2023

	<i>NOTES</i>	2023 RMB'000	2022 RMB'000 (restated)
Revenue	4	1,686,182	1,763,996
Cost of sales		(1,183,299)	(1,301,953)
Gross profit		502,883	462,043
Other income	6	62,816	59,756
Other gains and losses	7	(2,102)	3,130
Selling and distribution expenses		(212,007)	(225,804)
Administrative expenses		(102,241)	(87,606)
Other expenses	8	(80,399)	(76,207)
Impairment losses recognised under expected credit loss (“ECL”) model, net	9	(45,138)	(21,683)
Share of results of associates		(1,032)	(6,738)
Share of results of a joint venture		(3,462)	1,593
Finance costs	10	(29,153)	(31,115)
Profit before tax		90,165	77,369
Income tax expense	11	(29,035)	(15,145)
Profit for the year	12	61,130	62,224
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on the translation of foreign operations		(898)	—
Total comprehensive income for the year		60,232	62,224
Profit (loss) for the year attributable to:			
Owners of the Company		63,918	64,624
Non-controlling interests		(2,788)	(2,400)
		61,130	62,224
Total comprehensive income (expense) attributable to:			
Owners of the Company		63,020	64,624
Non-controlling interests		(2,788)	(2,400)
		60,232	62,224
Earnings per share	14		
— Basic (<i>RMB cents</i>)		15.40	15.57

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2023

	NOTES	2023 RMB'000	2022 RMB'000 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment		696,891	504,871
Right-of-use assets		257,328	212,629
Investment properties		30,083	16,290
Intangible assets		97,288	31,648
Goodwill		65,085	38,337
Interests in associates		20,775	21,788
Interest in a joint venture		—	4,634
Loan to a joint venture		—	158,949
Loan to a non-controlling shareholder of a subsidiary		—	4,947
Loan receivables	17	789	27,221
Financial asset at fair value through profit or loss (“FVTPL”)	15	93,666	107,131
Deferred tax assets		4,276	2,711
Other receivables and deposits	16	2,899	1,775
Deposits paid for acquisition of right-of-use assets and property, plant and equipment		2,156	12,586
		<u>1,271,236</u>	<u>1,145,517</u>
CURRENT ASSETS			
Inventories		172,779	114,546
Trade, bills and other receivables	16	226,680	158,369
Loan receivables	17	151,622	143,125
Amounts due from associates		46,137	48,879
Amounts due from non-controlling shareholders of subsidiaries		6,909	2,866
Amounts due from a joint venture		—	175,594
Amounts due from related parties		45	16
Loans to non-controlling shareholders of subsidiaries		6,879	9,608
Income tax recoverable		5,269	1,855
Pledged/restricted bank deposits		3,150	99
Cash and cash equivalents		290,086	320,301
		<u>909,556</u>	<u>975,258</u>

	<i>NOTES</i>	2023 RMB'000	2022 RMB'000 (restated)
CURRENT LIABILITIES			
Trade, bills and other payables	18	262,062	276,945
Contract liabilities		90,264	100,070
Income tax payables		18,765	20,437
Bank borrowings		503,248	510,524
Other borrowing		934	—
Amount due to a non-controlling shareholder of a subsidiary		9	6
Amounts due to a related party		63	18
Amounts due to associates		127	10
Amount due to a director		—	3,000
Amounts due to a joint venture		—	4,734
Deferred income		2,071	1,929
Lease liabilities		3,599	3,475
		881,142	921,148
NET CURRENT ASSETS		28,414	54,110
TOTAL ASSETS LESS CURRENT LIABILITIES		1,299,650	1,199,627
NON-CURRENT LIABILITIES			
Deferred tax liabilities		8,410	8,664
Deferred income		44,846	44,289
Bank borrowings		192,912	92,690
Other borrowing		1,640	—
Lease liabilities		47,829	50,393
		295,637	196,036
NET ASSETS		1,004,013	1,003,591
CAPITAL AND RESERVES			
Share capital		3,285	3,285
Reserves		964,094	961,284
Equity attributable to owners of the Company		967,379	964,569
Non-controlling interests		36,634	39,022
TOTAL EQUITY		1,004,013	1,003,591

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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 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

In 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, which are mandatorily effective for the Group’s annual period beginning on January 1, 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform — Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and by the Hong Kong Companies Ordinance.

3.2 Restatements

The Group accounts for all its business combinations involving entities under common control using the principles of merger accounting. The material accounting policy information about the merger accounting for business combination involving business under common control is set out in note 3.3.

In the current year, the Company acquired 100% equity interests in Guangdong Kangli Food Co. Limited* 廣東康力食品有限公司 (“**Kangli**”) from Koni (Hong Kong) Food Investment Limited with a total cash consideration of RMB135,000,000 (the “**Acquisition**”). The Company acquired control over Kangli and its subsidiary (collectively “**Kangli Group**”) on April 19, 2023. Kangli Group is engaged in the manufacturing and sales of pasta.

The Company and Kangli are under common control of Mr. Huang Xianming before and after the Acquisition. Therefore, it was regarded as a common control combination and accounted for using the principles of merger accounting. The financial statements of Kangli Group are included in the Group’s consolidated financial statements as if the Acquisition had occurred from the date when the ultimate controlling shareholder first obtained control. Therefore, the comparative figures of the consolidated financial statements of the Group as at December 31, 2022 and for the year ended December 31, 2022 have been restated.

* *English name for identification purpose only.*

The summarised effect of restatements on the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2022 in applying the principles of merger accounting is as follows:

	The Group (as previously reported) RMB'000	Kangli Group RMB'000	Adjustments for business combination under common control RMB'000	The Group (restated) RMB'000
Revenue	1,664,360	100,702	(1,066)	1,763,996
Cost of sales	(1,222,114)	(80,905)	1,066	(1,301,953)
Gross profit	442,246	19,797	—	462,043
Other income	43,851	15,905	—	59,756
Other gains and losses	3,149	(19)	—	3,130
Selling and distribution expenses	(219,411)	(6,393)	—	(225,804)
Administrative expenses	(83,226)	(4,380)	—	(87,606)
Other expenses	(59,788)	(16,419)	—	(76,207)
Impairment losses recognised under ECL model, net	(21,367)	(316)	—	(21,683)
Share of results of associates	(6,738)	—	—	(6,738)
Share of results of a joint venture	1,593	—	—	1,593
Finance costs	(30,886)	(229)	—	(31,115)
Profit before tax	69,423	7,946	—	77,369
Income tax expense	(14,419)	(726)	—	(15,145)
Profit and total comprehensive income for the year	<u>55,004</u>	<u>7,220</u>	<u>—</u>	<u>62,224</u>
Profit (loss) and total comprehensive income (expense) for the year attributable to:				
Owners of the Company	56,974	7,650	—	64,624
Non-controlling interests	(1,970)	(430)	—	(2,400)
	<u><u>55,004</u></u>	<u><u>7,220</u></u>	<u><u>—</u></u>	<u><u>62,224</u></u>

The summarised effect of restatements on the consolidated statement of financial position as at December 31, 2022 in applying the principles of merger accounting is as follows:

	The Group (as previously reported) RMB'000	Kangli Group RMB'000	Adjustments for business combination under common control RMB'000	The Group (restated) RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	448,795	56,076	—	504,871
Right-of-use assets	204,175	8,454	—	212,629
Investment properties	10,603	5,687	—	16,290
Intangible assets	31,648	—	—	31,648
Goodwill	38,337	—	—	38,337
Interests in associates	21,788	—	—	21,788
Interest in a joint venture	4,634	—	—	4,634
Financial assets at FVTPL	107,131	—	—	107,131
Loan to a joint venture	158,949	—	—	158,949
Loan to a non-controlling shareholder of a subsidiary	—	—	4,947	4,947
Loan receivables	32,168	—	(4,947)	27,221
Deferred tax assets	2,711	—	—	2,711
Other receivables and deposits	1,775	—	—	1,775
Deposits paid for acquisition of right-of-use assets and property, plant and equipment	12,000	586	—	12,586
Deposit paid for acquisition of a subsidiary	93,000	—	(93,000)	—
	<u>1,167,714</u>	<u>70,803</u>	<u>(93,000)</u>	<u>1,145,517</u>
CURRENT ASSETS				
Inventories	104,729	9,817	—	114,546
Trade, bills and other receivables	145,376	12,993	—	158,369
Loan receivables	143,125	—	—	143,125
Amounts due from associates	48,879	—	—	48,879
Amounts due from non- controlling shareholders of subsidiaries	—	2,866	—	2,866
Amounts due from a joint venture	175,594	—	—	175,594
Amount due from a related party	16	208	(208)	16
Loan to a non-controlling shareholder of a subsidiary	9,608	—	—	9,608
Income tax recoverable	1,855	—	—	1,855
Pledged/restricted bank deposits	99	—	—	99
Cash and cash equivalents	310,108	10,193	—	320,301
	<u>939,389</u>	<u>36,077</u>	<u>(208)</u>	<u>975,258</u>

	The Group (as previously reported) RMB'000	Kangli Group RMB'000	Adjustments for business combination under common control RMB'000	The Group (restated) RMB'000
CURRENT LIABILITIES				
Trade, bills and other payables	267,269	9,676	—	276,945
Contract liabilities	92,092	7,978	—	100,070
Income tax payables	19,859	578	—	20,437
Bank borrowings	510,524	—	—	510,524
Amount due to a non-controlling shareholder of a subsidiary	—	6	—	6
Amounts due to related parties	226	—	(208)	18
Amount due to an associate	10	—	—	10
Amount due to a director	—	3,000	—	3,000
Amounts due to a joint venture	—	4,734	—	4,734
Deferred income	1,929	—	—	1,929
Lease liabilities	3,475	—	—	3,475
	<u>895,384</u>	<u>25,972</u>	<u>(208)</u>	<u>921,148</u>
NET CURRENT ASSETS	<u>44,005</u>	<u>10,105</u>	<u>—</u>	<u>54,110</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,211,719</u>	<u>80,908</u>	<u>(93,000)</u>	<u>1,199,627</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities	8,388	276	—	8,664
Deferred income	44,289	—	—	44,289
Bank borrowings	87,190	5,500	—	92,690
Lease liabilities	50,393	—	—	50,393
	<u>190,260</u>	<u>5,776</u>	<u>—</u>	<u>196,036</u>
NET ASSETS	<u><u>1,021,459</u></u>	<u><u>75,132</u></u>	<u><u>(93,000)</u></u>	<u><u>1,003,591</u></u>
CAPITAL AND RESERVES				
Share capital	3,285	52,000	(52,000)	3,285
Reserves	987,052	15,232	(41,000)	961,284
Equity attributable to owners of the Company	990,337	67,232	(93,000)	964,569
Non-controlling interests	31,122	7,900	—	39,022
TOTAL EQUITY	<u><u>1,021,459</u></u>	<u><u>75,132</u></u>	<u><u>(93,000)</u></u>	<u><u>1,003,591</u></u>

4. REVENUE

(i) Disaggregation of revenue from contracts with customers

An analysis of the Group's revenue from major products and service and revenue by geographical locations is set out in note 5 as such analysis form part of the segment information reported to the management of the Group. The Group's food products revenue and service revenue are recognised at a point in time and over time, respectively.

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Sales channels		
Distributors	1,658,676	1,759,171
Supermarkets	3,310	2,382
Retail customers	24,196	2,443
	<u>1,686,182</u>	<u>1,763,996</u>
Timing of revenue recognition		
A point in time	1,680,654	1,763,996
Over time	5,528	—
	<u>1,686,182</u>	<u>1,763,996</u>

(ii) Performance obligations for contracts with customers and revenue recognition policies

Sales of food products

The Group sells biscuit and other products to distributors, supermarkets and retail customers 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 limited 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 and retail customers, 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. Such discount or rebate is included when the specific period expired.

Hotel services

The Group provides hotel services to retail customers in Kaiping City, Guangdong Province. Hotel revenue from room rental is recognised over time during the period of stay for the hotel guests. Revenue from other ancillary services is generally recognised at the point in time when the services are rendered.

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

All contracts for sale of biscuit and other products and hotel service of room rental are for periods of one year or less. As permitted under IFRS 15 *Revenue from Contracts with Customers*, the transaction price allocated to these unsatisfied contracts is not disclosed.

5. 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 goods or services delivered or provided.

During the current year, the Group commenced the business engaging in pasta products along with the acquisition of Kangli (as detailed in note 3.2) and flour products along with the acquisition of Guangdong Fengjia Food Co. Limited* 廣東豐嘉食品有限公司 (“**Fengjia**”), and they are considered as new operating and reportable segments by the CODM.

The CODM reviews operating results and financial information on a product category by product category basis. 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.

* *English name for identification purpose only.*

Specifically, the Group's reportable segments under IFRS 8 *Operating Segments* are as follows:

1. Biscuit products
2. Pasta products
3. Flour products

In addition to the above reportable segments, 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.

2023

	Biscuit products RMB'000	Pasta products RMB'000	Flour products RMB'000	Others RMB'000	Total RMB'000
Segment revenue					
External sales	1,372,622	128,063	81,160	104,337	1,686,182
Inter-segment sales	2,798	1,820	38,327	2,873	45,818
	<u>1,375,420</u>	<u>129,883</u>	<u>119,487</u>	<u>107,210</u>	<u>1,732,000</u>
Segment results	<u>448,411</u>	<u>22,962</u>	<u>7,240</u>	<u>24,270</u>	<u>502,883</u>
Other income					62,816
Other gains and losses					(2,102)
Selling and distribution expenses					(212,007)
Administrative expenses					(102,241)
Other expenses					(80,399)
Impairment losses recognised under ECL model, net					(45,138)
Share of results of associates					(1,032)
Share of results of a joint venture					(3,462)
Finance costs					<u>(29,153)</u>
Profit before tax					<u>90,165</u>

2022

	Biscuit products <i>RMB'000</i>	Pasta products <i>RMB'000</i> (restated)	Others <i>RMB'000</i>	Total <i>RMB'000</i> (restated)
Segment revenue				
External sales	1,594,970	99,636	69,390	1,763,996
Inter-segment sales	2,495	1,066	—	3,561
	<u>1,597,465</u>	<u>100,702</u>	<u>69,390</u>	<u>1,767,557</u>
Segment results	<u>426,995</u>	<u>19,797</u>	<u>15,251</u>	<u>462,043</u>
Other income				59,756
Other gains and losses				3,130
Selling and distribution expenses				(225,804)
Administrative expenses				(87,606)
Other expenses				(76,207)
Impairment losses recognised under ECL model, net				(21,683)
Share of results of associates				(6,738)
Share of results of a joint venture				1,593
Finance costs				<u>(31,115)</u>
Profit before tax				<u><u>77,369</u></u>

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, 2023

	Biscuit products <i>RMB'000</i>	Pasta products <i>RMB'000</i>	Flour products <i>RMB'000</i>	Others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Depreciation of property, plant and equipment	54,371	7,460	1,715	5,135	—	68,681
Amortisation of intangible assets	5,066	—	2,981	858	—	8,905
Depreciation of right-of-use assets	8,804	182	244	1,272	—	10,502
Depreciation of investment properties	—	280	—	1,386	—	1,666

Year ended December 31, 2022

	Biscuit products <i>RMB'000</i>	Pasta products <i>RMB'000</i> (restated)	Others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i> (restated)
Depreciation of property, plant and equipment	52,876	5,995	3,372	227	62,470
Amortisation of intangible assets	5,067	—	771	—	5,838
Depreciation of right-of-use assets	8,616	182	960	—	9,758
Depreciation of investment properties	—	280	672	—	952

Revenue from major products

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Revenue by products		
Biscuit		
— Sweet single piece biscuits	514,034	596,193
— Salty single piece biscuits	48,456	56,496
— Sandwich biscuits	415,602	525,647
— Wafers	159,346	180,053
— Coarse grain biscuits	55,341	83,474
— Other biscuits	179,843	153,107
	1,372,622	1,594,970
Pasta	128,063	99,636
Flour	81,160	—
Others (<i>note</i>)	98,809	69,390
	1,680,654	1,763,996
Revenue by service		
Hotel services	5,528	—
Total	1,686,182	1,763,996

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 People's Republic of China (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 <i>(note a)</i>	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
The PRC (country of domicile)	1,683,322	1,762,080	1,169,606	842,783
Others (<i>note b</i>)	2,860	1,916	—	—
	1,686,182	1,763,996	1,169,606	842,783

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.

6. OTHER INCOME

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Government grants	12,420	10,309
Interest income on:		
— bank balances and deposits	3,920	5,170
— loan receivables	9,931	16,152
— loan to a joint venture	4,717	7,447
— loans to non-controlling shareholders of subsidiaries	406	1,117
— advance to a related party	4,739	—
Sales of scrap and packaging materials	22,081	17,205
Rental income	4,102	2,184
Others	500	172
	62,816	59,756

7. OTHER GAINS AND LOSSES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Fair value (loss) gain on financial asset at FVTPL	(13,465)	2,963
Net foreign exchange gains	12	315
Gains (losses) on disposal of property, plant and equipment	84	(18)
Gain on deemed disposal of a joint venture	12,840	—
Loss on deemed disposal of an associate	—	(240)
Allowance (recognised) reversed on inventories	(1,573)	110
	(2,102)	3,130

8. OTHER EXPENSES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Research expenses	57,057	59,135
Donation expenses	2,012	434
Cost of scrap and packaging materials sold	18,029	15,309
Building lease expenses	2,175	952
Other non-operating expenses	1,126	377
	80,399	76,207

9. IMPAIRMENT LOSSES RECOGNISED UNDER ECL MODEL, NET

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Impairment losses recognised on:		
— loan receivables	28,313	1,756
— loans to non-controlling shareholders of subsidiaries	7,676	2,050
— loan to a joint venture	4,759	4,988
— amounts due from non-controlling shareholders of subsidiaries	1,645	3,556
— amounts due from a joint venture	—	1,123
— trade receivables	1,414	3,878
— other receivables	1,331	4,332
	45,138	21,683

10. FINANCE COSTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Interest expenses on		
— bank borrowings	26,463	26,982
— other borrowing	189	—
— lease liabilities	2,501	4,133
	29,153	31,115

11. INCOME TAX EXPENSE

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Current tax:		
PRC Enterprise Income Tax (“EIT”)		
— Current year	30,073	17,097
— Underprovision in prior years	781	1,073
	<u>30,854</u>	<u>18,170</u>
Deferred tax:	<u>(1,819)</u>	<u>(3,025)</u>
	<u><u>29,035</u></u>	<u><u>15,145</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 Department of Science and Technology 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.

Guangdong Kailan Flour Co. Limited* 廣東開蘭麵粉有限公司 (“**Kailan Flour**”) engages in manufacture and sale of flour. According to Cai Shui 2008 No. 149, a joint circular of Ministry of Finance and State Administration of Taxation, wheat preliminary processing for flour is in the scope of EIT exemption. Kailan Flour is registered with Kaiping Administration for Market Regulation to be eligible to grain processing.

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.

* English name for identification purpose only.

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.

The Group is yet to apply the temporary exception during the current year because the Group's entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements when the Pillar Two legislation is enacted or substantially enacted and will disclose separately current tax expense related to Pillar Two income taxes when it is in effect.

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:

	2023 RMB'000	2022 RMB'000 (restated)
Profit before tax	90,165	77,369
Tax at PRC Tax rate of 25% (2022: 25%)	22,541	19,342
Tax effect on concessionary tax rate	(4,200)	(1,995)
Tax effect on concessionary policy on research and development expenses (<i>note</i>)	(10,690)	(12,131)
Tax effect of expenses not deductible for tax purpose	3,046	3,132
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	1,104	855
Tax effect of deductible temporary differences not recognised	13,916	3,283
Tax effect of tax losses not recognised	6,499	4,286
Utilisation of tax losses previously not recognised	(2,796)	(3,511)
Utilisation of deductible temporary differences previously not recognised	(534)	(27)
Tax effect on share of results of a joint venture	866	(398)
Tax effect on share of results of associates	258	1,685
Tax effect of withholding tax on undistributed profits of the PRC subsidiaries	1,454	(450)
Underprovision in prior years	781	1,074
Others	(3,210)	—
Income tax expense recognised in profit or loss	29,035	15,145

Note: It represents additional 100% (2022: 100%) tax deduction in respect of qualifying research and development expenses incurred for the year.

In addition to the amount charged to profit or loss, no amount relating to tax has been recognised in other comprehensive income or directly in equity.

12. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Directors' and chief executive's remuneration	4,716	3,657
Other employee benefits expenses:		
Salaries and allowances	227,495	241,756
Contributions to retirement benefits scheme	25,857	23,342
Total employee benefits expenses	<u>258,068</u>	<u>268,755</u>
Depreciation of property, plant and equipment	68,681	62,470
Depreciation of right-of-use assets	10,502	9,758
Depreciation of investment properties	1,666	952
Amortisation of intangible assets (included in cost of sales)	8,905	5,838
Total depreciation and amortisation	<u>89,754</u>	<u>79,018</u>
Auditors' remuneration	1,835	1,800
Cost of inventories recognised as an expense (including recognition of allowance on inventories amounting to RMB1,573,000 (2022: reversal of RMB110,000))	<u>1,182,138</u>	<u>1,301,953</u>

13. DIVIDENDS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2022 Final — HK5 cents (2022: 2021 Final — HK5 cents) per share	<u>18,210</u>	<u>17,818</u>

Subsequent to the end of the reporting period, a final dividend of HK10 cents (2022: HK5 cents) per share, amounting to approximately HK\$41,500,000 (equivalent to approximately RMB37,644,000) (2022: approximately HK\$20,750,000 (equivalent to approximately RMB18,210,000)), 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.

14. EARNINGS PER SHARE

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>63,918</u>	<u>64,624</u>
	2023 <i>'000</i>	2022 <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 2023 and 2022 were presented as there were no potential ordinary shares in issue for both 2023 and 2022.

15. 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, 2023 and 2022, 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, 2023, the fair value of Jia Hui LLP is amounting to RMB93,666,000 (2022: RMB107,131,000) with a fair value loss recognised in profit or loss of RMB13,465,000 (2022: gain of RMB2,963,000) for the year ended December 31, 2023.

The fair value of the Group's unlisted equity investment fund at December 31, 2023 and 2022 has been arrived at on the basis of valuation carried out by Asset Appraisal Limited ("Asset Appraisal") (2022: 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.

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Trade and bills receivables	63,124	46,077
Less: allowance for ECL	<u>(7,884)</u>	<u>(6,470)</u>
Total trade and bills receivables, net	55,240	39,607
Prepayments for purchase of raw materials (<i>note a</i>)	55,323	31,661
Other tax recoverable (<i>note b</i>)	37,290	18,610
Other receivables, net of allowance (<i>note c</i>)	25,385	13,706
Other prepayments (<i>note d</i>)	46,050	51,303
Temporary payment on behalf of bakery stores	8,642	3,490
Rental and utility deposits	<u>1,649</u>	<u>1,767</u>
	229,579	160,144
Less: amount shown under current assets	<u>(226,680)</u>	<u>(158,369)</u>
Amount shown under non-current assets as other receivables and deposits (<i>note e</i>)	<u><u>2,899</u></u>	<u><u>1,775</u></u>

Trade and bills receivables

As at January 1, 2021, trade and bills receivables amounting to RMB23,642,000 (restated).

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Within 2 months	40,199	22,757
Over 2 months but within 3 months	11,143	1,546
Over 3 months but within 6 months	3,898	15,304
	55,240	39,607

As at December 31, 2023, total bills receivables are amounting to RMB230,000 (2022: RMB6,208,000) with a maturity period of less than one year held by the Group.

As at December 31, 2023, included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of RMB9,051,000 (2022: RMB20,169,000 (restated)) which are past due as at the reporting date. Out of the past due balances, nil (2022: nil) has been past due 90 days or more and is not considered as in default.

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

Prepayments, other receivables and deposits

Notes:

- (a) Prepayments for purchase of raw materials mainly comprised of prepayments for packaging materials.
- (b) The amount mainly comprised of value added tax deductible to be certified.
- (c) Other receivables net of allowance represent 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 RMB1,331,000 (2022: RMB4,332,000) on other receivables in the profit or loss.

- (d) Other prepayments represent prepaid logistic fee to logistics companies to maintain a long term cooperation relationship and enjoy preferential price offered by the suppliers.
- (e) The amount represents i) rental and utility deposits due after one year and ii) advances to other company due after one year and therefore, classified as non-current.

17. LOAN RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Fixed-rate loan receivables	190,694	180,316
Less: allowance for ECL	(38,283)	(9,970)
	<u>152,411</u>	<u>170,346</u>
Analysed as		
Current	151,622	143,125
Non-current	789	27,221
	<u>152,411</u>	<u>170,346</u>

The effective interest rate of the loan receivables is ranged from 0.0% to 18.0% (2022: 0.0% to 18.0%) per annum.

As at December 31, 2023, included in the Group's loan receivables balance are debtors with aggregate carrying amount of RMB54,786,000 (2022: 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, 2023, the carrying amount of loan receivables amounting to RMB29,512,000 (2022: RMB29,512,000) are secured by collaterals such as land, retail stores, manufacturing plant and residential building (2022: 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, 2023 is accumulated impairment losses of RMB38,283,000 (2022: RMB9,970,000 (restated)).

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Fixed-rate loan receivables		
Within one year	189,905	151,316
In more than one year but not more than two years	789	29,000
	<u>190,694</u>	<u>180,316</u>

18. TRADE, BILLS AND OTHER PAYABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Trade payables	138,677	162,595
Bills payables	32,000	6,080
Total trade and bills payables	170,677	168,675
Transportation fee payables	20,303	21,556
Payroll and welfare payables	32,504	36,433
Accrued expenses	23,312	28,028
Other payables	8,049	4,544
Other tax payables	7,217	17,709
	<u>262,062</u>	<u>276,945</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 and bills payables by age, presented based on the invoice date at the end of each reporting period:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (restated)
Within 3 months	166,206	156,332
Over 3 months but within 6 months	651	5,593
Over 6 months but within 1 year	2,326	6,342
Over 1 year	1,494	408
	<u>170,677</u>	<u>168,675</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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 3 months	2,000	6,080
Over 6 months within 1 year	30,000	—
	<u>32,000</u>	<u>6,080</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Resilience and Sustainability

Jiashili is one of the largest producer of quality biscuits and crackers in China more than 68 years since 1956, we market, sell and distribute our products under more than 12 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. 2023, has been another significant year for Jiashili, once again shaped by circumstances outside our control. The business has demonstrated incredible resilience, as we stepped up to support customers, colleagues, suppliers and communities through the impact of rising cost pressures. At the same time, we have made further progress towards achieving our strategic priorities. As 2023 was the first year of the post pandemic era in the consumer market, various market players planned to innovate, which resulted in increasingly fierce market competition. In 2023, the gross domestic product of the People’s Republic of China (the “**PRC**” or “**China**”) recorded a year-on-year increase of 5.2% and total retail sales of consumer goods grew by 7.2% year-on-year, demonstrating the resilience and vitality of China’s economy as well as the emergence of consumption as a major driver of economic growth.. The year of 2023 was positioned as the “Consumption-Boosting Year (消費振興年)” in China, consumption-promoting policies were rolled out intensively in many places across the country to promote the development of the consumer market, which played an important supporting role in boosting consumer confidence, driving industry development, and stabilising the uptrend of consumer spending recovery. 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.

The products produced and distributed by the Group can be summarized into the following product ranges:

- I. Biscuits: Sweet and Salty single piece, Sandwich, Wafers and other biscuits.
- II. Pasta: Spaghetti and Macaroni.
- III. Other biscuits and other grocery products: Crackers, Cookies, Candies, Bread, Mooncakes and other products.
- IV. Flour.

Performance Review

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 decreased by approximately RMB77.8 million or 4.4% to approximately RMB1,686.2 million in 2023. Gross profit increased by approximately RMB40.8 million to approximately RMB502.9 million from approximately RMB462.0 million in the same period of 2022, representing a year-on-year surge of 8.8%, the increase was mainly due to the tighter control of our costs of raw materials and efficient utilization of our production capacity. As a result, gross profit margin increased by approximately 3.6 percentage points to 29.8% as compared of 26.2% with that of 2022.

Profit for the year decreased by 1.8% or approximately RMB1.1 million in 2023 to approximately RMB61.1 million from approximately RMB62.2 million of 2022. The decrease was mainly attributable to the increase in impairment provision under expected credit loss model and the fair value loss on the unlisted equity investment fund. 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. We have continued to support our customers and delivered a strong performance, responding with speed and agility to the new and ongoing challenges we faced during the year. It is testament to our resilience as a business, our careful planning, and our flexibility that we have been able to do so with such success.

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 2023, our Group has more than 2,320 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 and distribution expenses accounted for 12.6% of revenue of 2023. (2022: 12.8%) which in line with product sales. Jiashili is a highly diversified group with a wide range of biscuits and leisure snack products, comprises of more than 10 well-known grocery brands, and our flagship retail brand, "Jiashili". We have a strong social purpose: to provide safe, nutritious and affordable food that is great value for money.

Research and Development

The Group's policy on research activities adhered to the philosophy of satisfying consumer needs and insisted on value innovation. In terms of plans, it continued to empower its featured products by securing supply; on the other hand, it captured the trend, grasped the competitive landscape of the industry, and developed new products to facilitate steady growth of the Company's revenue. The Group's top priority in research and development throughout 2023 was to empower the existing featured products, focusing on major flavours. The Group maintained its competitiveness in the market by continuously refining its product strengths with to bring better consumption experience to consumers. In 2023, research expenses amounted to approximately RMB57.1 million slightly decreased by 3.5% year-on-year. Research expenses accounted for approximately 3.4% of the total revenue in 2023 (2022: 3.4%). Looking forward to 2024, the Group's business research philosophy will continue to build and maintain consumers' satisfaction for company's product strengths with continuous innovation and progress to satisfy consumers' needs and create products with good value for money for consumers.

Electronic Commerce (e-commerce)

The Group captured the selling opportunities in various scenarios offline and expanded the sales in e-commerce and O2O platforms online. The diversified sales channel penetration and marketing strategies continuously improved the brand awareness and reputation. Meanwhile, the Group will further expand its presence in multiple scenarios by enhancing development and resources investments in family, catering, O2O and other channels. While maintaining sales growth and improving resilience, the Group will actively capture market trends, and discover and embrace new opportunities.

FINANCIAL REVIEW

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, 2023 Group's revenue decreased by 4.4% year-on-year to approximately RMB1,686.2 million. Revenue from the biscuits, pasta and flour business amounted to approximately RMB1,680.7 million, representing a decrease of 4.7% as compared with the corresponding period of last year, which accounted for 99.7% of the Group's total revenue, and revenue from the hotel services amounted to approximately RMB5.5 million, which accounted for 0.3% of the Group's total revenue. Breakdown of revenue by products in 2023 and the comparative figures for the same period last year are set forth as follows:

	2023		2022		Increase/(Decrease)	
	RMB (million)	Revenue contribution	RMB (million)	Revenue contribution	RMB (million)	%
Sweet Single piece biscuits	514.0	30.6%	596.2	33.8%	-82.2	-13.8%
Salty Single piece biscuits	48.5	2.9%	56.5	3.2%	-8.0	-14.2%
Sandwich biscuits	415.6	24.7%	525.6	29.8%	-110.0	-20.9%
Wafers	159.4	9.5%	180.1	10.2%	-20.7	-11.5%
Coarse grain biscuits	55.3	3.3%	83.5	4.7%	-28.2	-33.8%
Other biscuits	179.8	10.7%	153.1	8.7%	26.7	17.4%
Pasta	128.1	7.6%	99.6	5.6%	28.5	28.6%
Flour	81.2	4.8%	—	—	81.2	—
Others	98.8	5.9%	69.4	3.9%	29.4	42.4%
Total	1,680.7	100.0%	1,764.0	100.0%	-83.3	-4.7%

Breakdown of revenue by products

Sweet single piece biscuits

For the year ended December 31, 2023, revenue from sweet single piece biscuits recorded a decline of 13.8% or approximately RMB82.2 million to approximately RMB514.0 million as compared with the same period last year. The market landscape for sweet single piece biscuits continued to be challenged in the year.

Salty single piece biscuits

In 2023, the revenue generated from salty single piece biscuits decreased by approximately RMB8.0 million representing a decrease of 14.2% ahead of corresponding period last year to approximately RMB48.5 million.

Sandwiches biscuits

Turning to sandwich biscuits, mainly fruit jam sandwiches biscuits (果樂果香), in 2023 the revenue generated from sandwich biscuits series dropped by 20.9%, or approximately 110.0 million year-on-year to approximately RMB415.6 million.

Wafers

In 2023, the revenue generated from wafers amounted to approximately RMB159.4 million, representing a decrease of 11.5% or approximately RMB20.7 million ahead of corresponding period last year. The Group's wafers series were highly regarded as high value-for-money (高性價比) biscuits in China consumer markets.

Coarse grain biscuits

In 2023, coarse grain biscuit recorded a revenue of approximately RMB55.3 million, representing a decline of 33.8% or approximately RMB28.2 million as compared with the same period last year. Market repositioning and marketing channel restructuring is underway for coarse grain biscuits.

Other biscuits

It is the Group's policy of actively seeking to expand different mix of products with different brands and flavors to meet customer's demands. Other biscuits products include mainly Jiuzhou cookie (九洲曲奇), cream crackers, Ruishiyue products series (瑞士樂系列) and others. The other biscuits business recorded a revenue of approximately RMB179.8 million in 2023, representing an increase of 17.4% over last year.

Pasta

In the second quarter of 2023, the Group completed the acquisition of pasta business from our controlling shareholders, the pasta business recorded a revenue of approximately RMB128.1 million, increase of 28.6% ahead of the corresponding period of last year, which maintained a stable growth momentum.

Flour

In the third quarter of 2023, the Group completed the acquisition of flour business from third party, the flour business recorded a revenue of approximately RMB81.2 million.

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, 2023, revenue from others was increased by 42.4% to approximately RMB98.8 million as compared with the same period last year. In which revenue from short shelf-life bread amounted to approximately RMB27.3 million (2022: approximately RMB28.4 million). Mooncakes business recorded revenue of approximately RMB42.2 million in 2023 increase of 13.7% ahead of the corresponding period of last year.

The Group adheres to a consumer-oriented approach, staying true to its original aspirations without compromising its quality. The Group will gain in-depth understanding of consumers' preferences and needs and continue to polish products to improve quality with the aim of providing consumers with more satisfactory experiences. The Group will establish a strong emotional connection with consumers by conveying the brand concept to consumers through products to gain emotional resonance, ultimately becoming a trusted partner of consumers.

Gross profit and Gross profit margin

Overall gross profit margin increased mainly due to declining costs of raw materials particularly palm oil and flour. In 2023, gross profit amounted to approximately RMB502.9 million (2022: approximately RMB462.0 million), representing a year-on-year increase of 8.8%. Gross profit margin increased to 29.8% (2022: 26.2%) in 2023, representing a rise of 3.6 percentage points from last year. The increase in both gross profit and gross profit margin was due to the decreasing purchasing costs of our raw materials (mainly palm oil). In 2023, purchasing costs of palm oil have decreased on average by about 25.7% from preceding year, and flour decreased by about 1.4% from last year. The Group will further imposed stringent measures and controls to keep our production and manufacturing cost remain competitive.

Selling and distribution expenses

Selling and distribution expenses comprise mainly the advertising and promotion expenses, delivery and transportation expenses and selling administration expenses. The selling and distribution expenses has dropped by 6.1% from approximately RMB225.8 million in 2022 to approximately RMB212.0 million in 2023. In 2023, the selling administration and advertising and promotion expenses were approximately RMB139.8 million (2022: approximately RMB140.6 million). Selling administration and advertising and promotion expenses as a percentage of revenue was 8.3% (2022: 8.0%) which was in line with Group's policy to expand and broaden our consumer base. Delivery and transportation expenses in 2023 were approximately RMB72.2 million (2022: approximately RMB85.2 million). Delivery and transportation expenses as a percentage of revenue is 4.3% in 2023 (2022: 4.8%), 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, tax expenses and rental expenses. For the year ended December 31, 2023, administrative expenses amounted to approximately RMB102.2 million, representing an increase of approximately RMB14.6 million or 16.7% year-on-year. The increase was mainly attributable to increase in legal and professional expenses, depreciation and other office expenses.

Analysis of operating efficiency

The Group stringently controls and manages the levels of trade receivables, trade payables and inventories. Sales to most customers are made on a delivery on advance payment basis. Trade receivables are generated from credit sales to credit customers from distribution channels and others.

The Group's inventories consist mainly of raw materials, packaging materials and finished goods. As at December 31, 2023 the inventories balance increased by RMB58.2 million to RMB172.8 million (December 31, 2022: RMB114.5 million) as compared to the beginning of the year, which was attributable to the early preparation of products for the Lunar Chinese New Year sales. Accordingly, the inventory turnover days¹ has increased from 31 days in 2022 to 44 days in 2023.

¹ Inventory turnover days were calculated based on the average of inventory balances as at the beginning and the end of the year divided by cost of sales multiplied by the number of days in the year.

The Group's trade, bills and other receivables refer to the Group's trade receivable balance from its customers, together with other deposits and prepayments. The amounts of trade, bills and other receivables has increased by 43.1% from approximately RMB158.4 million in 2022 to approximately RMB226.7 million in 2023. Thus, the trade, bills and other receivables turnover days² has increased from 35 days in 2022 to 42 days in 2023.

The Group's trade, bills and other payables refer to the Group's trade and bills payables to suppliers, together with accrued expenses and other payables. The amounts of trade, bills and other payables has decreased by 5.4% from approximately RMB276.9 million in 2022 to approximately RMB262.1 million in 2023. Thus, the trade, bills and other payables turnover days³ has reduced from 91 days in 2022 to 83 days in 2023.

The Group reckoned that trade receivables turnover days, inventory turnover days and trade payables turnover days in the distribution channel helped the Group in understanding the efficiency of inventory liquidity and the sales and cash conversion cycle. Through reviewing and improving the turnover days, the Group could further improve its revenue, profit and the ability of on-going growth for the sake of enhancing operational efficiency.

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, 2023, the Group's net current assets was approximately RMB28.4 million (2022: approximately RMB54.1 million). Current ratio of the Group as at December 31, 2023 was 1.03 (2022: 1.06). 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, 2023, the Group had bank balances and cash amounted to approximately RMB290.1 million (2022: approximately RMB320.3 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, 2023 amounted to approximately RMB696.2 million, increased by approximately RMB92.9 million, or 15.4% from corresponding period of last

² Trade, bills and other receivables turnover days were calculated based on the average of trade, bills and other receivables balances as at the beginning and the end of the year divided by revenue multiplied by the number of days in the year or period.

³ Trade, bills and other payables turnover days were calculated based on the average of trade, bills and other payables balances as at the beginning and the end of the year divided by cost of sales multiplied by the number of days in the year.

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, 2023, the Group was in a net debt position (defined as bank balances and cash less total bank borrowings, but exclude lease liability) of approximately RMB406.1 million (2022: net debt position of approximately RMB282.9 million). As at December 31, 2023, the gross gearing ratio (defined as total liabilities over total assets) was 54.0% (2022: 52.7%). Total equity as at December 31, 2023 was approximately RMB1,004.0 million (as at December 31, 2022: approximately RMB1,004.0 million). 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, 2023, the Group did not provide any guarantees for any third party and had no significant contingent liabilities.

OUTLOOK

The year 2024 is bound to be a very challenging year, and the Group envisages that the operating environment is expected to remain highly competitive. The Group will evolve to meet the demands of consumers and strive to continue to maintain and improve product quality. The Group will also focus on maintaining the market share and product competitiveness in order to increase the popularity of Jiashili biscuits and food in the industry. The Group will leverage operational efficiencies and cost saving initiative to ensure that a better performance is achieved in the coming year.

OTHER INFORMATION

Human resources and remuneration of employees

As at December 31, 2023 the Group had a total of 3,442 employees (December 31, 2022: 3,200 employees). 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, 2023, the total employee benefits expenses (including Directors' and executive's remuneration) were approximately RMB258.1 million (2022: approximately RMB268.8 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 C.2.1

As stipulated in the Code provision C.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 C.2.1 of the CG Code. As all major decisions are made in consultation with all members of the Board, and currently there are four 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, 2023.

AUDIT COMMITTEE

The audit committee comprises four independent non-executive Directors, namely Mr. Kam Robert, Mr. Ma Xiaoqiang, Mr. Wan Ngar Yin, David and Mr. Zhang Ziwen. 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, 2023. The audit committee has no disagreement with the accounting treatment adopted by the Company.

SCOPE OF WORK OF MESSRS. 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, 2023 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 audited consolidated financial statements of the Group for the year as approved by the Board of Directors on March 21, 2024. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion 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, 2023.

ANNUAL GENERAL MEETING

The annual general meeting (“**2024 AGM**”) of the Company will be held on Monday, May 20, 2024 and a notice convening the 2024 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 2024 AGM, the register of members of the Company will be closed from Monday, May 13, 2024 to Monday, May 20, 2024 (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 2024 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, May 10, 2024. For determining the entitlement to receive the proposed final dividend, the register of members of the Company will be closed from Thursday, May 30, 2024 to Friday, May 31, 2024 (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, May 29, 2024.

PROPOSED FINAL DIVIDEND

The Board has resolved to recommended the payment of a final dividend of HK10.00 cents per ordinary share for the year ended December 31, 2023 (2022: 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, May 31, 2024. Subject to the approval by the shareholders of the Company, the payment date of the proposed final dividend is expected to be on Friday, June 14, 2024. The dividend per ordinary share for the year ended December 31, 2023 is HK\$10.00 cents (2022: HK\$5.00 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, 2023 will be despatched to the shareholders of the Company and will be made available on the websites of the Company and the Stock Exchange in due course in accordance with the Listing Rules.

ACKNOWLEDGEMENT

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

By Order of the Board
Jiashili Group Limited
Huang Xianming
Chairman

Hong Kong, March 21, 2024

As at the date of this announcement, the Board comprises Mr. Huang Xianming, Mr. Tan Chaojun, Mr. Chen Songhuan, Mr. Li Fuliang, Mr. Lu Jianxiong, Mr. Huang Zekun, Ms. Huang Rujiao and Dr. Zhao Gang as executive directors; Mr. Kam Robert, Mr. Ma Xiaoqiang, Mr. Wan Ngar Yin, David and Mr. Zhang Ziwen as independent non-executive directors.