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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)

DISCLOSEABLE TRANSACTION IN RELATION TO PROVISION OF GUARANTEE

PROVISION OF GUARANTEE

On 16 November 2020 (after trading hours), Guangdong Jiashili, an indirect wholly-owned subsidiary of the Company, executed the Letter of Undertaking, pursuant to which Guangdong Jiashili has agreed to provide guarantee in favour of Kailan, its creditors and the Administrators for the due performance by Fengjia of 51% of its obligations under the Restructuring Proposal in the amount of not exceeding RMB76,500,000 (equivalent to approximately HK\$89,505,000).

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios in respect of the amount of the Guarantee exceeds 5% but are all less than 25%, the provision of the Guarantee constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but is exempted from the Shareholders' approval requirement under the Listing Rules.

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The Restructuring Proposal

In view of the insolvency of Kailan, the Administrators of Kailan appointed by the Intermediate People's Court of Jiangmen, Guangdong* (廣東省江門市中級人民法院) (the “**People's Court**”) have formulated the Restructuring Proposal for the purpose of restructuring the assets, liabilities, equities and business of Kailan, subject to the approvals from the creditors of Kailan and the People's Court. Pursuant to the Restructuring Proposal, (i) Fengjia, as an investor in the restructuring of Kailan, has agreed to inject RMB150,000,000 to Kailan for settlement of certain debts and acquire the entire equity interests of Kailan; (ii) the shareholders of Fengjia, namely Guangdong Jiashili and Beidahuang, shall provide guarantee in favour of Kailan, its creditors and the Administrators for the due performance by Fengjia of its obligations under the Restructuring Proposal; and (iii) the aforesaid guarantee shall be provided in proportion to the 51% and 49% equity interests held by Guangdong Jiashili and Beidahuang in Fengjia, respectively.

The Letter of Undertaking

It is stipulated in the Letter of Undertaking that, subject to the approvals of the Restructuring Proposal from the creditors of Kailan and the People's Court, the amount guaranteed by Guangdong Jiashili shall not exceed 51% of the capital amount to be injected by Fengjia to Kailan, which is equivalent to RMB76,500,000. It is further stated that the Guarantee shall be terminated within three years from the date of fulfillment of Fengjia's obligations under the Restructuring Proposal.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, (i) Kailan, its shareholders and creditors (except Guangdong Jiashili), (ii) the Administrators, (iii) Beidahuang and (iv) where applicable, the respective beneficial owners of the aforesaid entities are all third parties independent of the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE PROVISION OF THE GUARANTEE

The Group is principally engaged in the manufacture and sale of biscuits in the PRC and Hong Kong. Guangdong Jiashili is a limited liability company established under the laws of the PRC and is the Group's operating subsidiary.

Fengjia is a limited liability company established under the laws of the PRC. It is principally engaged in the manufacture and sale of flour. Pursuant to the joint venture agreement of Fengjia, the registered capital of Fengjia is owned as to 51% by Guangdong Jiashili and 49% by Beidahuang, respectively. As the resolution of financial and operating policy required unanimous consent of directors appointed by Guangdong Jiashili and Beidahuang in the board of directors' meeting, the Group had joint control in Fengjia and accounted for its interest in Fengjia as a joint venture.

The Administrators were appointed by the People's Court to, among other things, take over control of Kailan including its assets, accounting records, investigate and manage Kailan's affairs and business. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, Guangdong Giant Letter Law Firm* (廣東巨信律師事務所) is a law firm established in the PRC while Jiangmen Beidou Certified Public Accountant Co., Ltd.* (江門北斗會計師事務所有限公司) is an accounting firm established in the PRC.

Kailan is a limited liability company established under the laws of the PRC. Its registered capital is owned as to 70% by Mr. Ye Runtang (葉潤棠) (“**Mr. Ye**”), 6.92% by Ms. Guan Peiling (關佩玲) (“**Ms. Guan**”) and 23.08% by the Guangdong Province Supply-side Structural Reform Fund in Agriculture (Limited Partnership)* (廣東省農業供給側結構性改革基金合夥企業(有限合夥)), a state-owned enterprise. The equity interests held by Mr. Ye and Ms. Guan have been seized by the People's Court. It was ruled by the People's Court that as at the end of October 2020, Kailan was indebted to 97 creditors (including Guangdong Jiashili) with total indebtedness amounted to approximately RMB499,285,000. Kailan has supplied flour and related products to Guangdong Jiashili for over ten years.

The provision of the Guarantee may facilitate the restructuring of Kailan. With the expectation that the business operation of Kailan could be resumed to normal after the restructuring, the Group would be able to secure stable supply of quality flour from Kailan at reasonable price in the future. Furthermore, the provision of the Guarantee is in proportion to the 51% equity interests held by Guangdong Jiashili in Fengjia in accordance with the aforementioned joint venture agreement.

Having considered the above, the Directors are of the view that the provision of the Guarantee is on normal commercial terms, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios in respect of the amount of the Guarantee exceeds 5% but are all less than 25%, the provision of the Guarantee constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but is exempted from the Shareholders' approval requirement under the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Administrators”	collectively, Guangdong Giant Letter Law Firm* (廣東巨信律師事務所) and Jiangmen Beidou Certified Public Accountant Co., Ltd.* (江門北斗會計師事務所有限公司)
“Beidahuang”	Beidahuang Fengyuan Group Co., Ltd * (北大荒豐緣集團有限公司), a limited liability company established in the PRC and a state-owned enterprise
“Board”	the board of Directors of the Company
“Company”	Jiashili Group Limited (嘉士利集團有限公司), a company incorporated under the laws of the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1285)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Fengjia”	Guangdong Fengjia Food Co., Limited* (廣東豐嘉食品有限公司), a limited liability company established in the PRC, in which the Group owns 51% equity interests
“Group”	the Company and its subsidiaries
“Guangdong Jiashili”	Guangdong Jiashili Food Group Co., Limited* (廣東嘉士利食品集團有限公司) (formerly known as Kaiping Jiashili Food Co., Limited* (開平市嘉士利食品有限公司)), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Guarantee”	the guarantee by Guangdong Jiashili of the due performance by Fengjia of 51% of its obligations under the Restructuring Proposal
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Kailan”	Guangdong Kailan Flour Co., Limited* (廣東開蘭麵粉有限公司), a limited liability company established in the PRC
“Letter of Undertaking”	the letter of undertaking dated 16 November 2020 executed by Guangdong Jiashili in relation to the provision of the Guarantee
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China which, for the purpose of this announcement, exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Restructuring Proposal”	the draft proposal in relation to the restructuring of Kailan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

In this announcement, if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of names or any descriptions in Chinese which are marked with “” is for identification purpose only.*

For the purpose of this announcement, the translation of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 = HK\$1.17.

By Order of the Board
Jiashili Group Limited
Huang Xianming
Chairman

Hong Kong, 16 November 2020

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