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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)**

## **MAJOR TRANSACTION IN RELATION TO PROVISION OF FINANCIAL ASSISTANCE TO JOINT VENTURE COMPANY**

### **1. PROVISION OF GUARANTEE**

On 17 January 2021, Guangdong Jiashili, an indirect wholly-owned subsidiary of the Company, executed the New Letter of Undertaking, pursuant to which Guangdong Jiashili has agreed to provide guarantee in favour of the Administrators for the due performance of Fengjia of its obligations in the Bidding and other obligations, if any, under the New Restructuring Proposal as adjudicated by the People's Court within the Guarantee Period, in the amount of not more than RMB210,000,000.

### **2. GRANT OF LOAN**

On 17 January 2021, Guangdong Jiashili, as lender, and Fengjia, as borrower, entered into the Loan Agreement, pursuant to which Guangdong Jiashili has agreed to grant the Loan to Fengjia for a term of 12 months, conditional upon the success of Fengjia in the Bidding and signing of the related equity transfer agreement of Kailan.

### **IMPLICATIONS UNDER THE LISTING RULES**

As the highest applicable percentage ratio in respect of the amount of the Guarantee and the Loan exceeds 25% but is less than 100%, the provision of the Guarantee and the Loan constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As disclosed in the announcement of the Company dated 11 December 2020, Guangdong Jiashili, as lender, has granted term loans in the principal amount of RMB5,100,000, RMB10,200,000 and RMB15,300,000 to Fengjia, as borrower, on 25 August 2020, 22 September 2020 and 11 December 2020, respectively, pursuant to the respective loan agreements (collectively, the “**Existing Loans**”). As Fengjia is the borrower under the aforesaid loan agreements and the Loan Agreement, and the Guarantee is provided for the due performance of Fengjia of its relevant obligations, the grant of the Existing Loans and the Loan and the provision of the Guarantee are required to be aggregated under Rule 14.22 of the Listing Rules and, when aggregated, constitutes a major transaction for the Company under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, shareholders’ approval may be obtained by way of written shareholders’ approval in lieu of holding a general meeting if (a) no shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the New Letter of Undertaking, the Loan Agreement and the transactions contemplated thereunder; and (b) the written shareholders’ approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% of the voting rights at that general meeting to approve the New Letter of Undertaking, the Loan Agreement and the transactions contemplated thereunder.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, no Shareholder has any material interest in the New Letter of Undertaking, the Loan Agreement and the transactions contemplated thereunder, and therefore no Shareholder is required to abstain from voting if the Company is to convene a general meeting for the approval of the New Letter of Undertaking, the Loan Agreement and the transactions contemplated thereunder.

As at the date of this announcement, Kaiyuan holds 216,168,000 Shares, representing approximately 52.09% of the issued share capital of the Company. As the Company has obtained a written approval from Kaiyuan for the New Letter of Undertaking, the Loan Agreement and the transactions contemplated thereunder, no extraordinary general meeting of the Company will be convened by the Company for the purpose of approving the New Letter of Undertaking, the Loan Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, details of the New Letter of Undertaking, the Loan Agreement and other information as required by the Listing Rules, is required to be despatched to the Shareholders within 15 business days from the date of this announcement. The Company expects to despatch the circular to the Shareholders on or before 5 February 2021.

## INTRODUCTION

Reference is made to the announcement of the Company dated 16 November 2020 in relation to the Original Letter of Undertaking executed by Guangdong Jiashili for the provision of guarantee by Guangdong Jiashili in favour of Kailan, its creditors and the Administrators for the due performance by Fengjia of 51% of its obligations under the Original Restructuring Proposal in the amount of not exceeding RMB76,500,000. As the Original Restructuring Proposal was not approved by the creditors, the Administrators had agreed to terminate the Original Letter of Undertaking and release and discharge the obligations of Guangdong Jiashili thereunder.

On 6 January 2021, on the petition by the Administrators who were 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"**) due to the insolvency of Kailan, the New Restructuring Proposal has been approved by the People's Court.

In furtherance of the restructuring of Kailan under the New Restructuring Proposal, on 17 January 2021, Guangdong Jiashili, an indirect wholly-owned subsidiary of the Company, executed the New Letter of Undertaking and the Loan Agreement.

### 1. PROVISION OF GUARANTEE

Pursuant to the New Letter of Undertaking, Guangdong Jiashili has agreed to provide guarantee in favour of the Administrators for the due performance of Fengjia of its obligations in the bidding of 100% equity interest in Kailan in the Judicial Auction (the **"Bidding"**) and other obligations, if any, under the New Restructuring Proposal as adjudicated by the People's Court within the Guarantee Period, in the amount of not more than RMB210,000,000.

#### **The New Restructuring Proposal**

According to the New Restructuring Proposal formulated by the Administrators, the investor in the restructuring of Kailan shall, after it has succeeded in the Bidding, apply the proceeds of the Judicial Auction to settle the debts owed by Kailan to the creditors pursuant to the New Restructuring Proposal as approved by the People's Court. Guangdong Jiashili, being one of the creditors of Kailan, will be entitled to recover approximately RMB50,473,828 from the investor and RMB30,000,000 from Kailan prior to 31 December 2021, conditional upon the completion of the Judicial Auction.

The Judicial Auction has been scheduled to take place online from 19 January 2021 to 20 January 2021. Fengjia intends to become the investor in the restructuring of Kailan and has agreed to participate in the Judicial Auction.

## **The New Letter of Undertaking**

Pursuant to the New Letter of Undertaking, Guangdong Jiashili, as a shareholder of Fengjia, shall provide guarantee in favour of the Administrators for the due performance by Fengjia of its entire obligations in the Bidding and other obligations, if any, under the New Restructuring Proposal as adjudicated by the People's Court within the Guarantee Period, in the amount of not more than RMB210,000,000. It is further stated that the Guarantee shall be valid for the period from the date of the Judicial Auction until 31 December 2021.

## **2. GRANT OF LOAN**

On 17 January 2021, Guangdong Jiashili, an indirect wholly-owned subsidiary of the Company, as lender, and Fengjia, as borrower, entered into the Loan Agreement, pursuant to which Guangdong Jiashili has agreed to grant the Loan to Fengjia for a term of 12 months, conditional upon the success of Fengjia in the Bidding and signing of the related equity transfer agreement of Kailan.

The principal terms of the Loan Agreement are set out below.

### **The Loan Agreement**

Date:	17 January 2021
Lender:	Guangdong Jiashili
Borrower:	Fengjia
Principal:	RMB150,000,000
Interest rate:	5% per annum
Term:	12 months commencing from the drawdown date of the Loan
Purpose of the Loan:	The proceeds of the Loan shall be used by Fengjia to finance the bidding price in the Bidding and obligations (including payment and other obligations, if any) under the New Restructuring Proposal.

- Repayment:** Fengjia shall repay the interests on quarterly basis with the principal amount and any outstanding interests to be repaid in full on the maturity date of the Loan.
- Early repayment:** Fengjia may prepay the Loan to Guangdong Jiashili before the maturity date by giving Guangdong Jiashili not less than five business days' prior written notice and with the consent of Guangdong Jiashili.
- Security:** 100% equity interest in Kailan, subject to the success of Fengjia in the Bidding and signing of the related equity transfer agreement of Kailan.
- Conditions precedent:** The grant of the Loan by Guangdong Jiashili to Fengjia is conditional upon the success of Fengjia in the Bidding and signing of the related equity transfer agreement of Kailan.

Pursuant to the Loan Agreement, it has been agreed by Guangdong Jiashili and Fengjia that the total payment obligation of Guangdong Jiashili in respect of the provision of the Guarantee and grant of the Loan shall not exceed RMB210,000,000, and Guangdong Jiashili has the right to refuse to make further payment to any party in excess of such amount.

### **Funding of the Loan**

The Loan will be funded by internal resources of the Group.

### **Information on the credit risks relating to the Loan**

The terms of the Loan Agreement, including the interest rate, were arrived at after arm's length negotiations among the parties having taken into account the prevailing market interest rates and commercial practices. The advance in respect of the Loan was made on the basis of the Company's assessment that (i) the Loan is for the sole purpose of financing the bidding price to be submitted by Fengjia in the Judicial Auction; (ii) the Loan is secured by the 100% equity interest in Kailan; (iii) the benefits to the Group as set out in the paragraph headed "Reasons for and benefits of the provision of the financial assistance" below; (iv) the Group had joint control on the resolution of financial and operating policy in Fengjia and the majority seats in the board of Fengjia were appointed by the Group; (v) the relatively short term nature of the advances; and (vi) one of the Directors of the Company was assigned to monitor the usage of the loan proceeds and subsequent repayment. After taking into account the factors as disclosed above in assessing the risks of the relevant advances, the Company considers that the risks involved in respect of the Loan granted to Fengjia are relatively low.

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, and (iii) where applicable, the respective beneficial owners of the aforesaid entities are all third parties independent of the Company and its connected persons.

## **INFORMATION ON THE GROUP**

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.

## **INFORMATION ON FENGJIA**

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 existing joint venture agreement of Fengjia, the registered capital of Fengjia is owned as to 51% by Guangdong Jiashili and 49% by the other shareholder, respectively. As the resolution of financial and operating policy required unanimous consent of directors appointed by Guangdong Jiashili and the other shareholder in the board of directors' meeting, the Group had joint control in Fengjia and accounted for its interest in Fengjia as a joint venture.

## **INFORMATION ON THE ADMINISTRATORS**

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 in view of the insolvency of Kailan. 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.

## **INFORMATION ON KAILAN**

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.



## **REASONS FOR AND BENEFITS OF THE PROVISION OF THE FINANCIAL ASSISTANCE**

The provision of the Guarantee and the grant of the Loan enable Fengjia to participate in the Bidding with sufficient financial resources, which may in turn facilitate the restructuring of Kailan if Fengjia succeeds in the Bidding. 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, Guangdong Jiashili would be able to recover substantial part of the debt from Kailan if the New Restructuring Proposal is successfully implemented and enforced.

Having considered the above, the Directors are of the view that the New Letter of Undertaking, the Loan Agreement and the transactions contemplated thereunder are 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 the highest applicable percentage ratio in respect of the amount of the Guarantee and the Loan exceeds 25% but is less than 100%, the provision of the Guarantee and the Loan constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As disclosed in the announcement of the Company dated 11 December 2020, Guangdong Jiashili, as lender, has granted term loans in the principal amount of RMB5,100,000, RMB10,200,000 and RMB15,300,000 to Fengjia, as borrower, on 25 August 2020, 22 September 2020 and 11 December 2020, respectively, pursuant to the respective loan agreements (collectively, the “**Existing Loans**”). As Fengjia is the borrower under the aforesaid loan agreements and the Loan Agreement, and the Guarantee is provided for the due performance of Fengjia of its relevant obligations, the grant of the Existing Loans and the Loan and the provision of the Guarantee are required to be aggregated under Rule 14.22 of the Listing Rules and, when aggregated, constitutes a major transaction for the Company under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, shareholders' approval may be obtained by way of written shareholders' approval in lieu of holding a general meeting if (a) no shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the New Letter of Undertaking, the Loan Agreement and the transactions contemplated thereunder; and (b) the written shareholders' approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% of the voting rights at that general meeting to approve the New Letter of Undertaking, the Loan Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has any material interest in the New Letter of Undertaking, the Loan Agreement and the transactions contemplated thereunder, and therefore no Shareholder is required to abstain from voting if the Company is to convene a general meeting for the approval of the New Letter of Undertaking, the Loan Agreement and the transactions contemplated thereunder.

As at the date of this announcement, Kaiyuan holds 216,168,000 Shares, representing approximately 52.09% of the issued share capital of the Company. As the Company has obtained a written approval from Kaiyuan for the New Letter of Undertaking, the Loan Agreement and the transactions contemplated thereunder, no extraordinary general meeting of the Company will be convened by the Company for the purpose of approving the New Letter of Undertaking, the Loan Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, details of the New Letter of Undertaking, the Loan Agreement and other information as required by the Listing Rules, is required to be despatched to the Shareholders within 15 business days from the date of this announcement. The Company expects to despatch the circular to the Shareholders on or before 5 February 2021.

## **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), being the administrators of Kailan as appointed by the People's Court
“Board”	the board of Directors
“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 its entire obligations in the bidding of 100% equity interest in Kailan in the Judicial Auction and other obligations, if any, under the New Restructuring Proposal as adjudicated by the People’s Court within the Guarantee Period
“Guarantee Period”	the period from the date of the Judicial Auction until 31 December 2021
“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
“Judicial Auction”	the judicial auction for the sale of 100% equity interest in Kailan
“Kailan”	Guangdong Kailan Flour Co., Limited* (廣東開蘭麵粉有限公司), a limited liability company established in the PRC

“Kaiyuan”	Kaiyuan Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a controlling Shareholder (as defined under the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Loan”	a term loan in the principal amount of RMB150,000,000 granted by Guangdong Jiashili as lender to Fengjia as borrower pursuant to the Loan Agreement
“Loan Agreement”	the loan agreement dated 17 January 2021 entered into between Guangdong Jiashili and Fengjia in respect of the Loan
“New Letter of Undertaking”	the letter of undertaking dated 17 January 2021 executed by Guangdong Jiashili in relation to the provision of the Guarantee
“New Restructuring Proposal”	the new proposal in relation to the restructuring of Kailan
“Original Letter of Undertaking”	the letter of undertaking dated 16 November 2020 executed by Guangdong Jiashili in relation to the provision of the guarantee for the due performance by Fengjia of 51% of its obligations under the Original Restructuring Proposal
“Original Restructuring Proposal”	the original proposal in relation to the restructuring of Kailan
“PRC”	the People’s Republic of China which, for the purpose of this announcement, exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“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.*

By Order of the Board  
**Jiashili Group Limited**  
**Huang Xianming**  
*Chairman*

Hong Kong, 17 January 2021

*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.*