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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your Shares in Jiashili Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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**

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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular.

A letter from the Board is set out on pages 5 to 16 of this circular.

25 March 2021

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions 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
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“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
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Loans”	the term loans in the principal amount of RMB5,100,000, RMB10,200,000 and RMB15,300,000 granted by Guangdong Jiashili, as lender, to Fengjia, as borrower, on 25 August 2020, 22 September 2020 and 11 December 2020, respectively, pursuant to the respective loan agreements
“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

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## DEFINITIONS

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“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 payment 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 (開元投資有限公司), a company incorporated under the laws of the BVI with limited liability and a controlling shareholder of the Company, and the ultimate controlling shareholder of which is Mr. Huang
“Latest Practicable Date”	18 March 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“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
“Mr. Huang”	Mr. Huang Xianming (黃銑銘), an executive Director, the chairman and a controlling shareholder of the Company
“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
“PBOC”	the People’s Bank of China
“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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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

## DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

*In this circular, 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.*

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## LETTER FROM THE BOARD

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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)**

***Executive Directors:***

Mr. Huang Xianming  
*(Chairman and Chief executive officer)*  
Mr. Tan Chaojun *(Vice chairman)*  
Mr. Chen Songhuan

***Non-executive Director:***

Mr. Lin Xiao

***Independent non-executive Directors:***

Mr. Kam Robert  
Ms. Ho Man Kay  
Mr. Ma Xiaoqiang

***Registered office:***

Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

***Headquarters in the PRC:***

No. 18 Gangkou Road, Changsha  
Kaiping  
Guangdong  
PRC

***Principal place of business in Hong Kong:***

Flat 10A, 14/F  
Splendid Centre  
100 Larch Street  
Kowloon  
Hong Kong

25 March 2021

*To the Shareholders*

Dear Sir or Madam,

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

#### **INTRODUCTION**

Reference is made to the announcement of the Company dated 17 December 2021 in relation to the provision of financial assistance by Guangdong Jiashili, an indirect wholly-owned subsidiary of the Company, to Fengjia, a joint venture company established by the Group, comprising: (i) the

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## LETTER FROM THE BOARD

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execution of the New Letter of Undertaking by Guangdong Jiashili for the provision of the Guarantee; and (ii) the entering into of the Loan Agreement between Guangdong Jiashili as lender and Fengjia as borrower. 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.

The purpose of this circular is to provide you with, among other things, details of the Letter of Undertaking and the Loan Agreement and the financial information of the Group.

### BACKGROUND

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 following obligations within the Guarantee Period, in the amount of not more than RMB210,000,000:

- (i) the payment obligations in the bidding of 100% equity interest in Kailan in the Judicial Auction (the "**Bidding**") and;
- (ii) other obligations, if any, under the New Restructuring Proposal as adjudicated by the People's Court.



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## LETTER FROM THE BOARD

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### The New Restructuring Proposal

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. 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. When the New Restructuring Proposal is successfully enforced, approximately 94.7% of the secured liabilities and 14.8% of the unsecured liabilities will be settled by the proceeds of the Judicial Auction and internal resources of Kailan, while the remaining outstanding liabilities will be waived, which represented a full and final settlement of such debts. 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 took place online from 19 January 2021 to 20 January 2021, with the reserve price of RMB210,000,000.

The Administrators had instructed an independent valuer to prepare a valuation report on the assets of Kailan (the **"Valuation Report"**) for reference by the People's Court. According to the Valuation Report, assets of Kailan primarily include (i) real properties, such as factory and office complex, warehouses and residential units; (ii) land use rights in connection with the aforesaid real properties; (iii) wharf and its operation right; (iv) equipment and machineries; and (v) intellectual property rights, with appraised value of approximately RMB124.3 million in total. By acquiring 100% equity interest of Kailan, the investor will also be entitled to the ownership of these assets.

Under the supervision of the Administrators, Kailan has gradually resumed operation. While most of workers and management have been returned to their original positions, raw materials have also been steadily supplied for flour production. The factory complex, wharf, equipment and machineries of Kailan have been maintained in relatively good condition and are readily available for use. All the licences and permits necessary for the production and operation of Kailan are valid and subsisting. The investor can immediately make use of these workers, raw materials, facilities and license and permits to expand the scale of production and further develop the business of Kailan upon completion of the acquisition of Kailan.

In addition, Kailan is a reputable enterprise in Guangdong Province. It is an important supplier of flour products in the Pearl River Delta areas. The wide variety of flour products under the brands of "Pearl River (珠江)" and "Kailan (開蘭)" have long been supported and welcomed by the food industry and other consumers in the vicinity. The investor will be able to rely upon the reputation and existing sales network of Kailan to further develop its business, without incurring substantial sales and marketing costs.

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## LETTER FROM THE BOARD

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Having considered the foregoing, Fengjia was of the view that the reserve price, which included a premium over the appraised value of Kailan's assets, was not unreasonable, as the acquisition of Kailan represented a valuable investment opportunity in the flour industry and therefore decided to participate in the Judicial Auction. On 20 January 2021, Fengjia succeeded in the Bidding with the bidding price of RMB210,000,000, which was equivalent to the reserve price and had been fully settled by Fengjia. The 100% equity interest in Kailan will be transferred to Fengjia upon completion of the relevant formalities with the relevant administration for industry and commerce.

### **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 following obligations within the Guarantee Period, in the amount of not more than RMB210,000,000:

- (i) the payment obligations in the Bidding and;
- (ii) other obligations, if any, under the New Restructuring Proposal as adjudicated by the People's Court.

It is further stated that the Guarantee shall be valid for the period from the date of the Judicial Auction until 31 December 2021.

As the bidding price had already been fully settled by Fengjia in late January 2021 and no other obligations of Fengjia had been adjudicated by the People's Court as at the Latest Practicable Date, the obligations of Guangdong Jiashili under the New Letter of Undertaking had been substantially discharged.

The provision of the Guarantee is a prerequisite for participating in the Judicial Auction. The amount of the Guarantee was determined by Administrator and approved by the People's Court after creditors' meeting, with reference to the appraised value of the real assets and property of Kailan, the reserve price of the Judicial Auction and the settlement arrangement among the creditors.

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## LETTER FROM THE BOARD

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### 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.

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.
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.

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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.

The amount of the Loan was determined at arm's length negotiations between the parties having taken into account the capital needs of Fengjia in the Judicial Auction, which represented approximately 70% of the reserve price. Considering that Guangdong Jiashili had already granted RMB30,500,000 to Fengjia in the past year as its working capital, the parties agreed that the remaining amount of the bidding price could be financed by Fengjia with its internal resources or other bank borrowings. 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 benchmark RMB lending interest rate for six-month to one-year loans offered by the PBOC plus 15% of such rate and commercial practices.

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.

As at the Latest Practicable Date, the conditions precedent of the Loan Agreement had been fulfilled and Fengjia had applied the Loan to settle the bidding price in the Bidding.

### **Funding of the Loan**

The Loan was funded by internal resources of the Group.

### **Information on the credit risks relating to the financial assistance**

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.

The provision of the Guarantee was made on the basis of the Company's assessment that (i) the primary purpose of the Guarantee was to secure the performance of Fengjia in settling the bidding price in the Judicial Auction; (ii) the bidding price would be settled shortly after the

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## LETTER FROM THE BOARD

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Bidding, which would take place within one week after the signing of the New Letter of Undertaking, indicating a relatively low risk of default on the part of Fengjia even though no collateral was provided; (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; and (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. As the bidding price had already been fully settled by Fengjia in late January 2021 and no other obligations of Fengjia had been adjudicated by the People’s Court as at the Latest Practicable Date, the obligations of Guangdong Jiashili under the New Letter of Undertaking had been substantially discharged.

In assessing the credit risk of Fengjia and Kailan, the Group has also conducted the following work or considered the following factors (as the case may be):

*As to the financial strength of Fengjia*

- (i) in assessing the financial strength of Fengjia, the Board has reviewed the financial statements of Fengjia. For the year ended 31 December 2020, Fengjia recorded revenue of approximately RMB37.3 million. As at 31 December 2020, the unaudited total assets and net asset value of Fengjia were approximately RMB58.79 million and approximately RMB19.06 million, respectively;
- (ii) as Fengjia is a joint venture company established by the Group with Beidahuang, the directors of Fengjia who were appointed by the Group have been closely monitoring the financial condition (including but not limited to the indebtedness) of Fengjia and reporting the same to the Board, and noted that there was no adverse finding in the financial condition of Fengjia;
- (iii) the Board has designated Directors to review the financial statements and management accounts of Fengjia and discussed with the auditors of Fengjia, and noted that there was no adverse finding in the financial condition of Fengjia;
- (iv) the Board has reviewed the repayment history of Fengjia in connection with the Existing Loans, and noted that there has not been any default in repayment of the Existing Loans by Fengjia since the drawdown dates of the relevant loan agreements; and
- (v) Beidahuang, which holds 49% equity interest of Fengjia, will continue to support the operation of the Fengjia by providing necessary funds should the need arise.

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## LETTER FROM THE BOARD

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*As to the financial condition of Kailan*

- (i) in assessing the financial condition of Kailan, the Board has reviewed the auditor report of Kailan as prepared by one of the Administrators, the Valuation Report, the New Restructuring Proposal and the related judgment of the People's Court;
- (ii) according to the New Restructuring Proposal, the People's Court had decided that approximately 94.7% of the secured liabilities and 14.8% of the unsecured liabilities will be settled by the proceeds of the Judicial Auction and internal resources of Kailan, while the outstanding liabilities will be waived, which represented a full and final settlement of the debts of Kailan;
- (iii) as Kailan has gradually resumed operation, it is expected that more revenue will be generated from its business activities during the year of 2021 and the financial condition may improve;
- (iv) based on the capital needs of Kailan for further business development, there could be injection of capital into Kailan by its intermediate shareholders as well as other fundraising activities; and
- (v) the security of the Loan is 100% equity interest in Kailan. Based on the Valuation Report, the appraised value of Kailan's assets was approximately RMB124.3 million, representing approximately 82.9% of the amount of the Loan. In the event that Fengjia defaults in repayment of the Loan, the Group may enforce the security under the Loan Agreement, by either realizing the assets or continuing to operate Kailan to reap the benefits outlined in the preceding paragraphs regarding investing in Kailan by Fengjia. The Board is therefore of the view that the 100% equity interest of Kailan as a security of the Loan is reasonably sufficient.

Based on the above, the Board considered that the credit risks involved in respect of the Guarantee provided to and the Loan granted to Fengjia are mitigated and there would not be any material issue in the recoverability of the Guarantee and the Loan from Fengjia.

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.

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## LETTER FROM THE BOARD

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### 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 Beidahuang Fengyuan Group Co., Ltd \* (北大荒豐緣集團有限公司) (“**Beidahuang**”), respectively. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, Beidahuang is a limited liability company established in the PRC, which is principally engaged in the planting, cultivating, processing, storage and sale of agricultural products and the processing and sale of flour products in the PRC, and is ultimately owned by the Ministry of Finance of the PRC. 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. Kailan has supplied flour and related products to Guangdong Jiashili for over ten years.

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## LETTER FROM THE BOARD

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

Fengjia is a joint venture company established by the Group with Beidahuang. The amount of the Guarantee and the Loan provided by the Group to Fengjia was fair and reasonable, as it did not exceed the reserve price and bidding price in the Judicial Auction. The provision of the Guarantee and the grant of the Loan enables 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. Guangdong Jiashili would also benefit from the restructuring of Kailan as it would be able to recover substantial part of the debt from Kailan if the New Restructuring Proposal is successfully implemented and enforced.

As flour is an important ingredient in the manufacture of biscuits by the Group, 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. As the production facility of Kailan is in the vicinity of that of the Group, the Board believes that the procurement and transportation cost of flour from Kailan will be lower than that from other suppliers, which will constitute a comparative advantage of the Group amid the intense competition for flour products with other participants in the food industry.

In addition, the interest rates of the Loan were determined with reference to prevailing benchmark RMB lending interest rate for six-month to one-year loans offered by the PBOC plus 15% of such rate and those of the Existing Loans. The Group will be able to receive reasonable amount of interest income from Fengjia after granting the Loan. The Loan is also secured by the 100% equity interest of Kailan. As disclosed in the preceding paragraphs, the Board, having conducted relevant assessment, considers that the credit risks involved in the provision of financial assistance to Fengjia is mitigated.

Having considered the above, the Directors are of the view that the terms of the New Letter of Undertaking and the Loan Agreement are normal commercial terms, and are fair and reasonable and the provision of the Guarantee and the grant of the Loan are 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.



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## LETTER FROM THE BOARD

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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. 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.

### WRITTEN SHAREHOLDER'S APPROVAL

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 the Letter of Undertaking and the Loan Agreement, Kaiyuan held 216,168,000 Shares, representing approximately 52.09% of the issued share capital of the Company. As at the Latest Practicable Date, Kaiyuan held 276,168,000 Shares, representing approximately 60.55% 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, and such written approval is accepted in lieu of holding a general meeting, 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.

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

**1. FINANCIAL INFORMATION**

The financial information of the Group for the years ended 31 December 2017, 2018 and 2019 and for the six months ended 30 June 2020 were disclosed in the annual reports of the Company for the years ended 31 December 2017 (pages 47 to 131), 2018 (pages 45 to 158), and 2019 (pages 51 to 170) and the interim report of the Company for the six months ended 30 June 2020 (pages 14 to 46). The aforementioned financial information of the Group has been published on both the website of the Stock Exchange ([www3.hkexnews.hk](http://www3.hkexnews.hk)) and the website of the Company ([www.gdjsl.com](http://www.gdjsl.com)). Please refer to the hyperlinks as stated below:

2017 Annual Report: <https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0426/ltn201804261223.pdf>

2018 Annual Report: <https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn20190429683.pdf>

2019 Annual Report: <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0512/2020051200558.pdf>

2020 Interim Report: <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0928/2020092800489.pdf>

**2. INDEBTEDNESS****(i) Borrowings**

At the close of business on 31 January 2021, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the bank borrowings of the Group was approximately RMB435.00 million, all are unguaranteed and unsecured borrowings.

**(ii) Lease liabilities**

As at 31 January 2021, the Group had lease liabilities of approximately RMB6.01 million.

Save as aforesaid, and apart from intra-group liabilities and normal trade payables, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, bank overdrafts, liabilities under acceptances or acceptance credits, loans and other similar indebtedness, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 31 January 2021.

To the best knowledge of the Directors, having made all reasonable enquiries, there had been no material change in indebtedness or contingent liabilities of the Group since 31 January 2021 and up to the Latest Practicable Date.

### **3. WORKING CAPITAL**

The Directors after taking into account of (i) the internal resources of the Group; (ii) cash flows from operations; (iii) the available banking facilities to the Group; and (iv) the cash flow impact of the financial assistance to joint venture company, and in the absence of unforeseen circumstances such as acts of God and change in existing government policies or political, legal, fiscal, market or economic conditions in Hong Kong and the PRC which will materially and adversely affect the business and the operation of the Group, are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least twelve months from the date of publication of this circular.

### **4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

The Group is principally engaged in the manufacture and sale of biscuits in the PRC and Hong Kong. It is one of the largest producer of quality biscuits and crackers in the PRC more than 64 years. The Group market, sell and distribute products under more than 10 brand names in approximately 31 Provinces and Municipalities with more than 550 stock keeping units offered to market in the PRC and overseas. The Group is committed to delivering value to the Shareholders, maximizing business growth opportunities through efficient capital and asset allocations. The Directors are of the opinion that the Group is in a healthy financial position, allowing it to readily capture potential opportunities with long term value potentials which may arise in the future. The Directors are of the opinion that after taking into account of (i) restructuring and bidding on Kailan will broaden the Group's asset base; (ii) more stable and secure supply of flour through upstream vertical integration; (iii) bargain and bulky purchase discount on prices of flour will lower production costs and enhance the Group's profit margin; (iv) additional earnings on selling flour to third parties apart from internal consumption; and (v) no additional liabilities incurred as the Group's maintained a strong cash position and on the other hand according to the New Restructuring Proposal, the Group will be entitled to receive approximately RMB80,473,828 prior to 31 December 2021 upon the completion of the Judicial Auction, the provision of financial assistance to joint venture company and bidding on Kailan are in line with the Group's business strategies and represent an attractive investment opportunity of the Group.

In the year of 2019, The Group continued its solid growth momentum and extending its leading market position by hitting record high in both revenue and sales volume amid challenging market environment in the PRC. In 2019, the Group's audited revenue and sales volume increased by approximately 9.9% and 6.0% year-on-year respectively. Total net cash position after deducting

bank borrowings and lease liabilities as at 31 December 2019 amounts to approximately RMB47.3 million, an increase of approximately 151.7% from corresponding period of 2018. The outbreak of the global novel coronavirus (COVID-19) pandemic since December 2019 in the PRC and have continued to affect globally as of the date of this circular. The COVID-19 temporary affects the Group's local supply chain in February 2020 and up to early March 2020 and it was relieved after mid-March 2020. All factories of the Group have resumed normal production in mid-February 2020. As disclosed in the unaudited interim financial results of the Group for the six months ended 30 June 2020, the Group recorded a slight decline of 1.3% of revenue year-on-year with strong cash position amid of COVID-19 pandemic business environment. The Group will remain vigilant in the development of COVID-19 and closely evaluate the potential financial and business impacts. The Group will continue to optimize its existing business portfolio and realise value through asset acquisitions and realizations while enhancing its corporate value.

## **5. FINANCIAL EFFECTS OF THE FINANCIAL ASSISTANCE TRANSACTION**

The financial advances to Fenjia will be entirely financed by the Group's general working capital. As a result of entering into the Loan Agreement with Fenjia, it is expected that the Group's loan receivable will be increased by RMB150,000,000 and the bank and cash balance will be decreased by RMB150,000,000. The advance of the Loan is not expected to have material impact on the net asset value of the Group. The interest income derived from the Loan will be recorded as other income of the Group.

## **6. MATERIAL ADVERSE CHANGE**

The Directors confirm that there have been no material adverse changes in the financial or trading position or outlook of the Group since 31 December 2019, the date to which the latest audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors and chief executive

As at the Latest Practicable Date, the interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executive of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were deemed or taken to have under provisions of the SFO), or have been entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company (the “**Model Code**”) were as follows:

*Directors’ interests or short positions in the Shares underlying shares and debentures of the Company or the associated corporation*

Name of Director	Company/name of associated corporation	Capacity	Number of shares	Approximate percentage of Issued share capital
Mr. Huang	The Company	Interests of controlled corporation <sup>(2)</sup>	310,472,000 (L) <sup>(1)</sup>	74.81%
Mr. Huang	Kaiyuan	Interests of controlled corporation <sup>(3)</sup>	100 (L) <sup>(1)</sup>	100%

Name of Director	Company/name of associated corporation	Capacity	Number of shares	Approximate percentage of Issued share capital
Mr. Huang	Great Logistics Global Limited (“ <b>Great Logistics</b> ”)	Beneficial owner	1 (L) <sup>(1)</sup>	100%

*Notes:*

- (1) The Letter “L” denotes the Directors’ long position in the Shares or the relevant associated corporation.
- (2) The relevant shares are held by Kaiyuan, which is in turn held as to 80% by Great Logistics, a company wholly-owned by Mr. Huang, and the remaining 20% of Kaiyuan are held by four entities wholly-owned by Mr. Huang’s family comprising, Ms. Huang Cuihong, Ms. Huang Rujun, Ms. Huang Rujiao and Ms. Huang Xianxian.
- (3) Kaiyuan is held as to 80% by Great Logistics and 20% by four entities, which are all wholly-owned by Mr. Huang’s family comprising, Ms. Huang Cuihong, Ms. Huang Rujun, Ms. Huang Rujiao and Ms. Huang Xianxian.

Save as disclosed above, none of the Directors or chief executive of the Company and/or any of their respective close associates had registered any interests or short positions in any Shares, underlying Shares in, and debentures of, the Company or any associated corporations as at the Latest Practicable Date, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

**(b) Substantial Shareholder**

As at the Latest Practicable Date, the following person (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

*Interests and short positions of the substantial shareholders in Shares and underlying shares of the Company*

Name of shareholder	Nature of interest	Number of Shares held	Approximate percentage of issued share capital
Ms. Huang Cuihong	Interest in controlled corporation <sup>(1)</sup> ; interest in family member <sup>(2)</sup>	310,472,000	74.81%
Ms. Huang Xianxian	Interest in controlled corporation <sup>(1)</sup> ; interest in family member <sup>(2)</sup>	310,472,000	74.81%
Ms. Huang Rujiao	Interest in controlled corporation <sup>(1)</sup> ; interest in family member <sup>(2)</sup>	310,472,000	74.81%
Ms. Huang Rujun	Interest in controlled corporation <sup>(1)</sup> ; interest in family member <sup>(2)</sup>	310,472,000	74.81%
Great Logistics	Interest in controlled corporation <sup>(1)</sup> ; interest in family member <sup>(2)</sup> ; beneficial interest <sup>(3)</sup>	310,472,000	74.81%
Grand Wing Investments Limited (“Grand Wing”)	Interest in controlled corporation <sup>(1)</sup> ; interest in family member <sup>(2)</sup>	276,168,000	66.55%



**APPENDIX II****GENERAL INFORMATION**

<b>Name of shareholder</b>	<b>Nature of interest</b>	<b>Number of Shares held</b>	<b>Approximate percentage of issued share capital</b>
Intelligent Pro Investments Limited (“ <b>Intelligent Pro</b> ”)	Interest in controlled corporation <sup>(1)</sup> ; interest in family member <sup>(2)</sup>	276,168,000	66.55%
Jade Isle Global Limited (“ <b>Jade Isle</b> ”)	Interest in controlled corporation <sup>(1)</sup> ; interest in family member <sup>(2)</sup>	276,168,000	66.55%
Kaiyuan	Beneficial interest	276,168,000	66.55%
Prestige Choice (Overseas) Investments Limited (“ <b>Prestige Choice Overseas</b> ”)	Interest in controlled corporation <sup>(1)</sup> ; interest in family member <sup>(2)</sup>	276,168,000	66.55%
Actis 4 PCC	Interest in controlled corporation <sup>(4)</sup>	60,000,000	14.46%
Actis Global 4 LP	Interest in controlled corporation <sup>(4)</sup>	60,000,000	14.46%
Actis GP LLP	Interest in controlled corporation <sup>(4)</sup>	60,000,000	14.46%
Actis Investment Holdings Ship Limited (“ <b>Actis Ship</b> ”)	Beneficial interest <sup>(4)</sup>	60,000,000	14.46%

Name of shareholder	Nature of interest	Number of Shares held	Approximate percentage of issued share capital
Rich Tea Investment Limited (“ <b>Rich Tea</b> ”)	Interest in controlled corporation <sup>(4)</sup>	60,000,000	14.46%

*Notes:*

- (1) Kaiyuan was held as to 80% by Mr. Huang (through his investment holding company Great Logistics) and as to 5% by each of Ms. Huang Cuihong, Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun, through their investment holding companies, namely Jade Isle, Prestige Choice Overseas, Grand Wing and Intelligent Pro respectively.
- (2) In addition to Mr. Huang, Huang’s Family consist of Ms. Huang Cuihong, Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun. Ms. Huang Cuihong is the spouse of Mr. Huang, while Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun are the sisters of Mr. Huang, and therefore they are deemed to be parties acting in concert with Mr. Huang and are deemed to be interested in the shares in our Company in which Mr. Huang is interested, and Mr. Huang is deemed to be interested in the shares in which Huang’s Family is interested, and vice versa.
- (3) Great Logistics is interested in 310,472,000 Shares, of which 34,304,000 Shares (representing approximately 8.26% of the issued share capital of the Company) are directly held by Great Logistics and 276,168,000 Shares (representing approximately 66.55% of the issued share capital of the Company) are held by Kaiyuan.
- (4) Actis Ship and Rich Tea are controlled by a group of limited partnerships and protected cell companies, and are parties acting in concert with each other. Therefore, Rich Tea and such group of limited partnerships and protected cell companies are deemed to be interested in the shares held by Actis Ship.

Save as disclosed above, as at the Latest Practicable Date, no person, other than the Directors or chief executive of the Company had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

### 3. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable within one year without payment of compensation, other than statutory compensation).

**4. COMPETING INTEREST OF DIRECTORS**

As at the Latest Practicable Date, none of the Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

**5. INTEREST OF DIRECTORS IN ASSETS ACQUIRED OR DISPOSED OF BY OR LEASED TO ANY MEMBER OF THE GROUP**

Since 31 December 2019, being the date to which the latest published audited accounts of the Company were made up, until the Latest Practicable Date, none of the Directors has any interest, direct or indirect, in any assets which were, or were proposed to be, acquired or disposed of by or leased to any member of the Group.

**6. CONTRACTS OR ARRANGEMENTS WHICH DIRECTORS ARE MATERIALLY INTERESTED AND ARE SIGNIFICANT IN RELATION TO THE BUSINESS OF THE GROUP**

As at the Latest Practicable Date, Mr. Huang, an executive Director, the chairman and a controlling shareholder of the Company, has a material interest in the master purchase agreement dated 17 October 2019 (the “**Master Purchase Agreement**”) entered into between Guangdong Jiashili (for itself and on behalf of its subsidiaries) and Guangdong Kangli Food Company Limited\* (廣東康力食品有限公司) (“**Guangdong Kangli**”), the ultimate controlling shareholder of which is Mr. Huang. Pursuant to the Master Purchase Agreement, the Group agreed to purchase pasta products from Guangdong Kangli until 31 December 2021. For details, please refer to the announcement of the Company dated 17 October 2019 and the circular of the Company dated 12 November 2019.

Save as disclosed above, there were no contract or arrangement subsisting in which a Director was materially interested and which was significant in relation to the business of the Group.

**7. MATERIAL CONTRACTS**

The following contracts (not being contracts entered into in the ordinary course of business) had been entered into by the members of the Group within the two years immediately preceding the issue of this circular and are or may be material:

- (a) the Letter of Undertaking;

- (b) the Loan Agreement;
- (c) the loan agreement dated 11 December 2020 entered into between Guangdong Jiashili as lender and Fengjia as borrower in relation to the loan of principal amount of RMB15,300,000;
- (d) the Original Letter of Undertaking;
- (e) the loan agreement dated 22 September 2020 entered into between Guangdong Jiashili as lender and Fengjia as borrower in relation to the loan of principal amount of RMB10,200,000;
- (f) the loan agreement dated 25 August 2020 entered into between Guangdong Jiashili as lender and Fengjia as borrower in relation to the loan of principal amount of RMB5,100,000;
- (g) the equity transfer agreement dated 30 December 2019 entered into between Guangdong Jiashili as vendor and Kaiping Jialung Food Trading Company Limited\* (開平市迦隆食品貿易有限公司) as purchaser in relation to the transfer of 34.98% of the equity interests in the Limited Partnership Fund (江門建粵利嘉產業投資合夥企業(有限合夥));
- (h) the capital increase agreement dated 20 December 2019 entered into among Kaiping Lijia Industrial Investment Company Limited\* (開平市利嘉實業投資有限公司) (“**Kaiping Lijia**”), an indirect wholly-owned subsidiary of the Company, and other joint venture partners in relation to further capital contribution to Tsingtao Jia Hui Equity Investment Fund (Limited Partnership)\* (青島嘉滙股權投資基金合夥企業(有限合夥)) (the “**Limited Partnership Joint Venture**”);
- (i) the Master Purchase Agreement; and
- (j) the limited partnership agreement dated 26 June 2019 and entered into among Kaiping Lijia and other joint venture partners in relation to the formation of the Limited Partnership Joint Venture.

## 8. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or arbitration of material importance known to the Directors to be pending or threatened by or against any members of the Group.

**9. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited accounts of the Company were made up.

**10. GENERAL**

- (a) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (b) The headquarters of the Company in the PRC is No. 18 Gangkou Road, Changsha, Kaiping, Guangdong. PRC.
- (c) The principal place of business of the Company in Hong Kong is Flat 10A, 14/F, Splendid Centre, 100 Larch Street, Kowloon, Hong Kong.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) The principal share registrar and transfer office of the Company is Codan Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY-1111, Cayman Islands.
- (f) The company secretary of the Company is Mr. Shoom Chin Wan, who is a member of each of the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Chartered Secretaries.
- (g) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Flat 10A, 14/F, Splendid Centre, 100 Larch Street, Kowloon, Hong Kong during 9:00 a.m. to 5:30 p.m. on any business day in Hong Kong, from the date of this circular for a period of 14 days:

- (a) the memorandum of association and the articles of association of the Company;
- (b) the annual reports of the Company for the two years ended 31 December 2018 and 2019;
- (c) the interim report of the Company for the six months ended 30 June 2020;
- (d) the material contracts referred to in the paragraph headed "Material contracts" of this appendix; and
- (e) this circular.