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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)

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION
TO THE ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED DECEMBER 31, 2021**

Reference is made to the annual results announcement of Jiashili Group Limited (the “**Company**”) for the year ended December 31, 2021 (“**2021 Annual Results**”) published on March 30, 2022. Unless otherwise defined, capitalized terms used in this supplemental announcement shall have the same meanings as those defined in the 2021 Annual Results.

Further to the information disclosed in the 2021 Annual Results, the Company wishes to provide to the shareholders of the Company and the potential investors with the following supplementary information:

**IMPAIRMENT LOSSES ON LOANS TO AN ASSOCIATE, LOAN TO A
NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY AND AMOUNT
DUE FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY**

As discussed in note 7 to the 2021 Annual Results, the Company recognised impairment losses under Expected Credit Loss (“**ECL**”) model on (i) loans to an associate; (ii) loan to a non-controlling shareholder of a subsidiary and (iii) amount due from a non-controlling shareholder of a subsidiary (collectively, the “**Loans and Advance**”) of RMB7.8 million, RMB7.3 million and RMB10.8 million, respectively (the “**Impairment Losses**”). The Company would like to supplement the shareholders and potential investors with the following information.

Details of the Loans and Advance

(i) *Provision of loans to an associate*

Three loans were granted to the Company's associate in aggregate value of RMB16,000,000 and the details of the loan agreements were appended as follows:

LOAN AGREEMENT A

Date of the agreement:	October 29, 2020
Lender:	Guangdong Jiashili Food Group Company Limited* (廣東嘉士利食品集團有限公司) (“ Guangdong Jiashili ”), an indirect wholly-owned subsidiary of the Company
Borrower:	Guangdong Quan Cheng Da Jian Kang Drink Company Limited* (廣東全成大健康飲品有限公司) (“ Quan Cheng ”), a limited liability company established in the People's Republic of China (“ PRC ”), being the investee company invested by the Company's associate, namely Kaiping Jiarun Investment Co., Limited* 開平市嘉潤投資有限公司 (“ Kaiping Jiarun ”)
Principal:	RMB5,000,000
Interest rate:	non-interest bearing
Term:	24 months commencing from the drawdown date
Purpose of the Loan:	the proceeds of the loan shall be used by Quan Cheng for its working capital requirements
Repayment:	Quan Cheng shall repay the principal amount in full on the maturity date of the loan
Early repayment:	Quan Cheng may prepay the Loan to Guangdong Jiashili before the maturity date by giving Guangdong Jiashili not less than ten business days prior written notice and with the consent of Guangdong Jiashili
Security:	unsecure
Guarantor:	(i) Liang Bin Qiang (梁斌強), the director of Quan Cheng

- (ii) Chen Ping (陳平), the director of Quan Cheng
- (iii) Liang Wei Qiang (梁衛強), a local Chinese resident, an independent third party of the associate and the Company
- (iv) Chen Liang (陳良), a local Chinese resident, an independent third party of the associate and the Company

LOAN AGREEMENT B

Date of the agreement:	March 31, 2021
Lender:	Guangdong Jiashili
Borrower:	Quan Cheng
Principal:	RMB5,000,000
Interest rate:	non-interest bearing
Term:	24 months commencing from the drawdown date
Purpose of the Loan:	the proceeds of the loan shall be used by Quan Cheng for its working capital requirements
Repayment:	Quan Cheng shall repay the principal amount in full on the maturity date of the loan
Early repayment:	Quan Cheng may prepay the Loan to Guangdong Jiashili before the maturity date by giving Guangdong Jiashili not less than ten business days prior written notice and with the consent of Guangdong Jiashili
Security:	unsecure
Guarantor:	<ul style="list-style-type: none"> (i) Liang Bin Qiang (梁斌強), the director of Quan Cheng (ii) Chen Ping (陳平), the director of Quan Cheng (iii) Liang Wei Qiang (梁衛強), a local Chinese resident, an independent third party of the associate and the Company

- (iv) Chen Liang (陳良), a local Chinese resident, an independent third party of the associate and the Company

LOAN AGREEMENT C

Date of the agreement:	May 24, 2021
Lender:	Guangdong Jiashili
Borrower:	Quan Cheng
Principal:	RMB6,000,000
Interest rate:	non-interest bearing
Term:	24 months commencing from the drawdown date
Purpose of the Loan:	the proceeds of the loan shall be used by Quan Cheng for its working capital requirements
Repayment:	Quan Cheng shall repay the principal amount in full on the maturity date of the loan
Early repayment:	Quan Cheng may prepay the Loan to Guangdong Jiashili before the maturity date by giving Guangdong Jiashili not less than ten business days prior written notice and with the consent of Guangdong Jiashili
Security:	unsecure
Guarantor:	(i) Liang Bin Qiang (梁斌強), the director of Quan Cheng (ii) Chen Ping (陳平), the director of Quan Cheng (iii) Liang Wei Qiang (梁衛強), a local Chinese resident, an independent third party of the associate and the Company (iv) Chen Liang (陳良), a local Chinese resident, an independent third party of the associate and the Company

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

Principal terms of the Loan Agreement are set out as below:

Date of the agreement:	April 26, 2020
Lender:	Kaiping Lijia Industrial Investment Company Limited* (開平市利嘉實業投資有限公司) (“ Lijia ”), an indirect wholly-owned subsidiary of the Company
Borrower:	Guangdong Jinpingguo Company Limited* (廣東金蘋果有限公司) (“ Jinpingguo ”), the non-controlling shareholder of the Company’s subsidiary, holding 49% equity interests of Guangdong Jiajin Food Company Limited* (廣東嘉金食品有限公司) (“ Jiajin ”)
Principal:	RMB18,000,000
Interest rate:	8% per annum
Term:	36 months commencing from the drawdown date
Purpose of the Loan:	the proceeds of the loan shall be used by Jinpingguo for its working capital requirements
Repayment:	Jinpingguo shall repay the interests on an annual basis at the end of each calendar year with the principal amount to be repaid at loan maturity
Early repayment:	Jinpingguo may prepay the loan to Lijia before the maturity date by giving Lijia not less than ten business days prior written notice and with the consent of Lijia
Security:	(i) Zhang Chun Le (張春樂), pledged his 60% equity interest in Jinpingguo (ii) Jinpingguo pledged his 49% equity interest in Jiajin (iii) Zhang Chun Le (張春樂), pledged his 5.17% equity interest in Guangdong Zhong Shi Ying Ke Biological Technology Company Limited* (廣東中食營科生物科技有限公司), a limited liability company established in the PRC

- Guarantor:
- (i) Zhang Chun Le (張春樂), the director of Jinpingguo
 - (ii) Chen Li Ping (陳麗平), the spouse of Zhang Chun Le (張春樂)

(iii) Amount due from a non-controlling shareholder of a subsidiary (RMB22,324,000)

It represents the amounts receivable from Jinpingguo as at December 31, 2021, the amounts are unsecured, non-interest bearing and repayable on demand. The amounts will be repaid within one year. The breakdowns are as follows: (i) trade receivables amounts to RMB20,414,000 represents selling of mooncakes to Jinpingguo from the Group; (ii) loan interest receivables amounts to RMB1,880,000; and (iii) other receivables amounts to RMB30,000.

Reasons, details of events and circumstances leading to recognition of Impairment Losses in respect of the Loans and Advance

In relation to the impairment decision on Loans and Advance, the Company will review based on the past experience; financial conditions; fair and realisable value of collateral provided; net asset value of the collateral and cash flow generated from the counterparty whose the Company contracted into.

The loans to an associate, Quan Cheng, amounts to RMB16,000,000 have not been matured as at December 31, 2021, in deciding the impairment provision, the Company made reference to the profit and loss accounts of Quan Cheng for the year ending December 31, 2021 and its financial position as at December 31, 2021. Quan Cheng has recorded net loss of approximately RMB5,600,000 for the year ended December 31, 2021 and the net asset loss position on the Statement of Financial Position amounts to approximately RMB10,000,000 as at December 31, 2021. The Directors of the Company have decided to make impairment provision based on the latest financial conditions of Quan Cheng.

The loan to a non-controlling shareholder, Jinpingguo, amounts to RMB18,000,000 has not been matured as at December 31, 2021, the Directors of the Company in deciding the impairment provision on the loan to Jinpingguo have made reference to the loan interest receivables amounts to approximately RMB1,880,000 as at December 31, 2021. The interest receivables amounts to RMB1,880,000 represents the total interest receivables for the years ended December 31, 2020 and 2021.

The Directors of the Company in deciding the impairment provision on advance to Jinpingguo have made reference to the interests receivable amounts to RMB1,880,000 for the years ended December 31, 2020 and 2021 which have not been paid as at December 31, 2021 and the trade receivables from Jinpingguo amounts to RMB20,414,000 which have been overdue for the year ended 2021. The Directors of the Company have made decisions on impairment provision based on the trading experience and the recoverability of trade debts from Jinpingguo.

DETAILS ON ECL ASSESSMENT ON LOANS AND ADVANCE

The Company wishes to provide further information on the details on ECL assessment as follows:

The Company's internal credit risk assessment and determination of credit ratings assigned to each loan receivables and borrowers

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, bills receivables, other receivables, loan receivables, amounts due from associates; a non-controlling shareholder of a subsidiary; a joint venture and a related party, loans to a joint venture; a non-controlling shareholder of a subsidiary and an associate, pledged bank deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risk associated with certain loan receivables, and loans to a non-controlling shareholder of a subsidiary and a joint venture is mitigated because they are secured over land, retail stores, manufacturing plant, residential building or the equity interest of investments and settlement of certain trade receivables are backed by bills issued by reputable financial institutions.

The Company adopted ECL model in credit risk and impairment assessment on the financial assets of the Group. In application of ECL model under IFRS 9, the management has performed the assessment on the borrowers, including new and old borrowers of the Group. As all the third parties borrowers are local Chinese private companies with financial position not so strong, the guarantor(s) of the loan receivables are local private individuals with personal credit worthiness are undetermined. The collateral provided to secure the loan receivables are mainly unlisted securities of local Chinese private firm. The Group's decision on individual credit ratings with reference to the rating classifications from the Moody's Default Report 2021, determines that rating for those borrowers should be Caa2~3 and Ca-C. For those loan receivables not past due and no extension, the rating would be Caa-2. For those loan receivables past due but extended, the rating would be increased to Caa-3 or Ca-C. If there is evidence indicating the loan receivable is credit impaired, the internal credit rating will fall into losses and full provision would be made after considering the value of collateral.

For related party borrowings (including but not limited to loans to an associate; loan to a non-controlling shareholder of a subsidiary, amounts due from a non-controlling shareholder of a subsidiary) the Group will rate these borrowers as Caa1~ Ca-C. If the loan is not overdue, the Group will determine the rating of the loan taking into account the borrower's financial condition. If the borrower is in good financial condition, expects no pressure to recover the loan, and can pay the loan interest on time, the Group will rate the loan as Caa1. If the borrower does not have any outstanding payments but is in a poor financial position,

the Group will rate the loan as Caa2. If the borrower is in a poor financial position and fails to pay interest on the loan on time, the Group will rate the loan as Caa3. If there is evidence indicating that the loan receivable is credit impaired, the internal credit rating will fall into losses and full provision would be made after considering the value of collateral.

Method and basis and ECL default rates assigned to Loans and Advance

For the unsecured loan receivables to related party, the Directors of the Company estimate the estimated loss rates based on historical credit loss experience of the debtors in view of their financial position and the market data. For the loan receivables with collaterals the Directors of the Company will estimate the estimated loss rate based on historical credit loss experience of the debtors as well as the fair value of the collaterals pledged by the borrowers.

(i) loans to an associate

With respect to the abovementioned criteria and the poor financial condition of Quan Cheng, the internal credit ratings assigned to Quan Cheng falls into the category of Ca-C and reference to the Moody's Default Report 2021 the corresponding default rate is 48.48% accordingly.

(ii) loan to a non-controlling shareholder of a subsidiary

Due to the unpaid loan interests of RMB1,880,000 for the years 2020 and 2021 from Jinpingguo as at December 31, 2021 and the past due of trade receivables amounts to RMB20,414,000, the internal credit ratings assigned to Jinpingguo falls into the category of Ca-C and reference to the Moody's Default Report 2021 the corresponding default rate is 48.48% accordingly.

For the amounts due from a non-controlling shareholder of a subsidiary, where it is relatively short term in nature, the Directors of the Company makes periodic individual assessment on the recoverability of the amounts due from a non-controlling shareholder of a subsidiary based on historical settlement records, past experience, and also available reasonable and supportive forward looking information. In normal circumstance, due to its fast moving consumer goods industry practices, the amounts of past due exceeding three months or more would be classified as under watch list to doubtful.

(iii) amount due from a non-controlling shareholder of a subsidiary

The Company consider identical credit ratings of Ca-C should be assigned to Jinpingguo for the amount due from a non-controlling shareholder of a subsidiary amounts to RMB22,324,000. The corresponding default rate of 48.48% is used in calculation of the Impairment Losses on amount due from a non-controlling shareholder of a subsidiary.

Detailed calculation on the amounts of Impairment Losses in respect of the Loans and Advance

Based on the above method and basis, the detailed calculations of the amount of Impairment Losses for the Loans and Advance were as follows:

(i) provision of loans to an associate (RMB16,000,000)

$$\text{RMB16,000,000} \times 48.48\%^{(\text{Note 1})} = 7,756,800 \text{ or approximately RMB7,800,000}$$

(ii) loan to a non-controlling shareholder of a subsidiary (RMB18,000,000)

$$(\text{RMB18,000,000} - \text{RMB6,062,692}^{(\text{Note 2})}) \times 49\%^{(\text{Note 3})} \times 48.48\%^{(\text{Note 1})} = 7,286,195 \text{ or approximately RMB7,300,000}$$

(iii) amount due from a non-controlling shareholder of a subsidiary (RMB22,324,000)

$$\text{RMB22,324,000} \times 48.48\%^{(\text{Note 1})} = 10,822,675 \text{ or approximately RMB10,800,000}$$

Notes:

- (1) Reference to the Moody's Default Report 2021, Exhibit 43 Average cumulative issuer-weighted global default rates by alphanumeric rating, 1998–2021, classification Ca-C for outstanding 2-years, page 39
- (2) RMB6,062,692 being the net asset value of Jiajin as at December 31, 2021, the value of collateral for the loan
- (3) Pursuant to the loan agreement with Jinpingguo dated April 26, 2020, Jinpingguo pledged his 49% equity interest in Jiajin as collateral for the loan
- (4) Amount due from a non-controlling shareholder of a subsidiary represents the amounts receivable from Jinpingguo as at December 31, 2021, the Company believed that same default classification of Ca-C and same rating of 48.48% will be applied for the same entity.

The decisions on the provisions of Impairment Losses under ECL model were carefully considered in view of the recoverability of those Loans and Advance and other forward looking information in the opinion to give a true and fair view of the Group's financial position as at December 31, 2021. The Directors of the Company believed that the credit and impairment assessment on the Loans and Advance based on the Company's internal credit check and review policy will provide a fair and reasonable estimate of the Impairment Losses. The Company will carry on ongoing periodic review and negotiations with the counterparties of those Loans and Advance to mitigate the financial impacts to the Group.

FOLLOW UP ACTIONS IN RELATION TO OUTSTANDING LOANS AND ADVANCE

Set out below are the actions taken by the Company in respect of the Loans and Advance.

Name of Counterparty	Actions taken in 2021 and up to the date of this supplemental announcement
(i) loan to an associate	
Guangdong Quan Cheng Da Jian Kang Drink Company Limited* (廣東全成大健康飲品有限公司)	Ongoing negotiations with the borrower and guarantors The Company will liaise with its PRC legal advisor for proposed recovery action against the debtor
(ii) and (iii) loan to a non-controlling shareholder of a subsidiary and amount due from a non-controlling shareholder of a subsidiary	
Guangdong Jinpingguo Company Limited* (廣東金蘋果有限公司)	Issued legal letter on July 5, 2021 for outstanding unpaid interests. Ongoing negotiations with the borrower and guarantors

* *English name for identification purpose only.*

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

Hong Kong, May 18, 2022

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