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**RONGSHI INTERNATIONAL
INVESTMENT CO., LTD.**

(Incorporated in the British Virgin Islands with limited liability)

Dali Foods Group Company Limited

達利食品集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3799)

JOINT ANNOUNCEMENT

**(1) PROPOSAL FOR THE PRIVATISATION OF
DALI FOODS GROUP COMPANY LIMITED BY
RONGSHI INTERNATIONAL INVESTMENT CO., LTD.
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES ACT**

**(2) PROPOSED WITHDRAWAL OF LISTING OF
DALI FOODS GROUP COMPANY LIMITED**

(3) ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE

AND

(4) RESUMPTION OF TRADING

Financial adviser to the Offeror



INTRODUCTION

The Offeror and the Company jointly announce that on 27 June 2023, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders regarding the proposed privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Act involving the cancellation of the Scheme Shares. The Trustee Shares will not form part of the Scheme Shares and will not be cancelled. Upon the Scheme becoming effective, the Offeror will hold approximately 96.11% of the issued Shares and the Trustee will hold approximately 3.89% of the issued Shares, and the listing of the Shares will be withdrawn from the Stock Exchange.

TERMS OF THE PROPOSAL

The Proposal will be implemented by way of the Scheme. Under the Scheme,

- (a) the Founder Shares will be cancelled in consideration for the Founder Shares Cancellation Consideration, being the issue of Offeror Shares to the Founder in an amount equivalent to the aggregate Cancellation Price for all of the Founder Shares; and
- (b) the Scheme Shares (other than the Founder Shares) will be cancelled in exchange for the payment of the Cancellation Price of HK\$3.75 in cash for each such Scheme Share.

The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.

If, after the Announcement Date, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Shares, the Offeror reserves the right to reduce the Cancellation Price by all or any part of the amount or value of such dividend, distribution and/or, as the case may be, return of capital after consultation with the Executive, in which case any reference in this joint announcement, the Scheme Document or any other announcement or document to the Cancellation Price will be deemed to be a reference to the Cancellation Price as so reduced.

Upon the Scheme becoming effective, the Scheme Shares will be cancelled, and the same number of new Shares as cancelled will be issued, credited as fully paid, to the Offeror.

The Cancellation Price of HK\$3.75 per Scheme Share in cash represents:

- a premium of approximately 37.87% over the closing price of HK\$2.72 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 36.36% over the average closing price of approximately HK\$2.75 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;

- a premium of approximately 37.87% over the average closing price of approximately HK\$2.72 per Share based on the daily closing prices as quoted on the Stock Exchange for the 20 trading days up to and including the Last Trading Day;
- a premium of approximately 30.21% over the average closing price of approximately HK\$2.88 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 21.75% over the average closing price of approximately HK\$3.08 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day; and
- a premium of approximately 151.68% over the audited net asset value attributable to equity holders per Share as at 31 December 2022 of approximately HK\$1.49 per Share, calculated based on 13,694,117,500 Shares in issue as at the Announcement Date and based on an exchange rate of HK\$1.00 = RMB0.9161, the central parity rate published by the People's Bank of China on its website as at 20 June 2023 for illustrative purposes.

Pursuant to Rule 24.1(a)(i) of the Takeovers Code, the Cancellation Price is no less than the highest price paid by the Trustee for the Shares within three months prior to the commencement of the offer period (as defined in the Takeovers Code) but after 29 March 2023 (being the date of declaration of the 2022 Final Dividend and the 2022 Special Dividend), after deducting the 2022 Final Dividend of HK\$0.053 per Share and the 2022 Special Dividend of HK\$0.053 per Share each declared by the Company on 29 March 2023 and paid on 26 June 2023.

The implementation of the Proposal is, and the Scheme will become effective and binding on the Company and all Shareholders, subject to the fulfilment or waiver (as applicable) of all the Conditions as described in the section headed “2. Terms of the Proposal — Conditions to the Proposal and the Scheme” of this joint announcement. All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse.

If the Proposal is approved and implemented, under the Scheme, the issued share capital of the Company will, on the Effective Date of the Scheme, be reduced by cancelling and extinguishing the Scheme Shares. Upon such cancellation, the share capital of the Company will be maintained by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Offeror.

SPECIAL DEAL RELATING TO ROLLOVER ARRANGEMENT

As at the Announcement Date, the Trustee holds 532,327,500 Shares (representing approximately 3.89% of the issued Shares) (the Trustee Shares).

The Offeror proposes that the Trustee will retain its shareholding, i.e. the Trustee Shares and remain as a Shareholder after the Scheme becomes effective so as to allow the Share Award Scheme to continue to be maintained as an employee incentivisation platform after delisting (the Rollover Arrangement).

As the above Rollover Arrangement is not offered to all Shareholders, it constitutes a special deal and requires the consent of the Executive under Rule 25 of the Takeovers Code. The Offeror will (prior to the despatch of the Scheme Document) make an application for consent from the Executive to the Rollover Arrangement conditional on: (i) the Independent Financial Adviser to the Independent Board Committee confirming that the Rollover Arrangement is fair and reasonable so far as the Disinterested Shareholders are concerned; and (ii) the passing of an ordinary resolution by the Disinterested Shareholders at the General Meeting to approve the Rollover Arrangement.

SHAREHOLDING STRUCTURE OF THE COMPANY AND SCHEME SHARES

As at the Announcement Date, the Company has 13,694,117,500 Shares in issue.

As at the Announcement Date, the Offeror does not hold any Shares. As the Offeror is not a Scheme Shareholder, the Offeror will not vote on the Scheme at the Court Meeting.

As at the Announcement Date, the Founder is, through DF which is 50% owned by a company controlled by him and 50% owned by a family trust established by the Founder as the settlor, interested in 11,640,000,000 Shares (representing approximately 85% of the issued Shares).

Each of the Offeror and DF will undertake to the Grand Court that it will be bound by the Scheme, so as to ensure that it will be subject to the terms and conditions of the Scheme.

The votes attaching to the Founder Shares at the Court Meeting will not be counted as votes of Disinterested Shareholders in determining whether the requirements under Condition (1)(a) and (b) under the section headed “2. Terms of the Proposal — Conditions to the Proposal and the Scheme” (as required under Rule 2.10 of the Takeovers Code) are satisfied, and will only be counted as votes of Scheme Shareholders in determining whether the requirement in the first paragraph of Condition (1) in the section headed “2. Terms of the Proposal — Conditions to the Proposal and the Scheme” (as required under Companies Act) is satisfied.

As at the Announcement Date, no share option had been granted under the Share Option Scheme. The Company will not grant any share options under the Share Option Scheme during the offer period (as defined under the Takeovers Code).

As at the Announcement Date, under the Share Award Scheme, (i) the Trustee holds 532,327,500 Shares (representing approximately 3.89% of the issued Shares) and (ii) 274,236,700 Share Awards (representing approximately 2.00% of the issued Shares) have been granted, but have not yet vested. The unvested Share Awards (i) will not vest during the offer period (as defined under the Takeovers Code); (ii) will not be accelerated for vesting or cancelled as a result of the Proposal, under the terms of the Share Award Scheme; and (iii) will continue to be valid after the completion of the Proposal. The Company does not intend to grant any new Share Award during the offer period (as defined under the Takeovers Code).

There are no other outstanding Shares, options, warrants, derivatives or securities convertible or exchangeable into Shares or other relevant securities as at the Announcement Date.

FINANCIAL RESOURCES

On the assumption that no further Shares are issued before the Record Date, and taking into account the Founder Shares Cancellation Consideration and the Rollover Arrangement, the maximum cash consideration payable for the Proposal is approximately HK\$5,706,712,500.

The payment of the total consideration under the Scheme will be financed by way of internal resources and/or external financing.

CICC, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for satisfying its obligations in respect of the full implementation of the Proposal in accordance with its terms.

WITHDRAWAL OF LISTING OF SHARES

Upon the Scheme becoming effective, the Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, with effect from the Effective Date.

IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme does not become effective or the Proposal otherwise lapses.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under Rule 31.1(a) of the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with it) may within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses announce an offer or possible offer for the Company, except with the consent of the Executive.

INDEPENDENT BOARD COMMITTEE

An Independent Board Committee, which comprises the following non-executive Directors who are not interested in the Proposal, namely, Ms. Hu Xiaoling, Mr. Ng Kong Hing, Mr. Liu Xiaobin and Dr. Lin Zhijun, has been established by the Board to make a recommendation to the Disinterested Shareholders as to whether the terms of the Proposal, the Scheme and the Rollover Arrangement are, or are not, fair and reasonable and whether to vote in favour of the Scheme and the Rollover Arrangement at the Court Meeting and the General Meeting.

Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee comprises all non-executive Directors who have no direct or indirect interest in the Proposal. Ms. Xu Biying (a non-executive Director) is the sister of the Founder, and will not take part in the Independent Board Committee.

FINANCIAL ADVISER TO THE OFFEROR AND THE INDEPENDENT FINANCIAL ADVISER

The Offeror has appointed CICC as its financial adviser in connection with the Proposal.

The Company will appoint the Independent Financial Adviser (with the approval of the Independent Board Committee) to advise the Independent Board Committee in connection with the Proposal, the Scheme and the Rollover Arrangement after the Announcement Date. A further announcement will be made after the Independent Financial Adviser has been appointed.

DESPATCH OF SCHEME DOCUMENT

The Scheme Document containing, among others, further details of the Proposal, the Scheme and the Rollover Arrangement, the expected timetable, an explanatory statement as required under the Companies Act and the rules of the Grand Court, information regarding the Company, recommendations from the Independent Board Committee with respect to the Proposal, the Scheme and the Rollover Arrangement, the letter of advice from the Independent Financial Adviser, a notice of the Court Meeting and a notice of the General Meeting and other particulars required by the Takeovers Code, together with forms of proxy in relation thereto, will be despatched to the Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code, the Companies Act, the Grand Court and other applicable laws and regulations.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted from 9:00 a.m. on 21 June 2023 pending issuance of this joint announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 28 June 2023.

WARNING: Shareholders and potential investors should be aware that the implementation of the Proposal and the Scheme are subject to conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented, and the Scheme may or may not become effective. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

This joint announcement is not intended to and does not constitute, or form part of, any offer to sell or subscribe for or an invitation to purchase or subscribe for any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Proposal or otherwise, nor shall there be any sale, issuance or transfer of securities of the Company in any jurisdiction in contravention of applicable law or regulation. The Proposal will be made solely through the Scheme Document, which will contain the full terms and conditions of the Proposal, including details of how to vote on the Proposal. Any acceptance, rejection or other response to the Proposal should be made only on the basis of information in the Scheme Document or any other document by which the Proposal is made.

The availability of the Proposal to persons who are not resident in Hong Kong may be affected by the laws of the relevant jurisdictions in which they are located or of which they are citizens. Persons who are not resident in Hong Kong should inform themselves about, and observe, any applicable legal or regulatory requirements of their jurisdictions. Further details in relation to overseas shareholders will be contained in the Scheme Document.

NOTICE TO US INVESTORS

The Proposal is being made to cancel the securities of a company incorporated in the Cayman Islands with limited liability by means of a scheme of arrangement provided for under the Companies Act and is subject to Cayman Islands and Hong Kong disclosure requirements, which are different from those of the United States. The financial information included in the relevant documentation, including this joint announcement, has been prepared in accordance with Hong Kong Financial Reporting Standards and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules of the US Securities Exchange Act of 1934, as amended. Accordingly, the Proposal is subject to the disclosure requirements and practices applicable in Cayman Islands and Hong Kong to schemes of arrangement, which differ from the disclosure requirements of the US tender offer rules. In addition, US holders of Scheme Shares should be aware that this joint announcement has been prepared in accordance with Hong Kong format and style, which differs from US format and style.

The receipt of cash pursuant to the Proposal by a US holder of Scheme Shares as consideration for the cancellation of its Scheme Shares pursuant to the Proposal may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other tax laws. Each holder of Scheme Shares is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of the Proposal applicable to him/her/it.

US holders of Scheme Shares may encounter difficulty enforcing their rights and any claims arising out of the US federal securities laws, as the Offeror and the Company are located in a country outside the United States and some or all of their officers and directors may be residents of a country other than the United States. US holders of Scheme Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, US holders of Scheme Shares may encounter difficulty compelling a non-US company and its affiliates to subject themselves to a US court's judgement.

1. INTRODUCTION

The Offeror and the Company jointly announce that on 27 June 2023, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders regarding the proposed privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Act involving the cancellation of the Scheme Shares. The Trustee Shares will not form part of the Scheme Shares and will not be cancelled. Upon the Scheme becoming effective, the Offeror will hold approximately 96.11% of the issued Shares and the Trustee will hold approximately 3.89% of the issued Shares, and the listing of the Shares will be withdrawn from the Stock Exchange.

If the Proposal is approved and implemented, the issued share capital of the Company will, on the Effective Date of the Scheme, be reduced by cancelling and extinguishing the Scheme Shares. Upon such cancellation, the share capital of the Company will be maintained by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Offeror.

2. TERMS OF THE PROPOSAL

Cancellation Price

The Proposal will be implemented by way of the Scheme. Under the Scheme,

- (1) the Founder Shares will be cancelled in consideration for the Founder Shares Cancellation Consideration, being the issue of Offeror Shares to the Founder in an amount equivalent to the aggregate Cancellation Price for all of the Founder Shares; and
- (2) the Scheme Shares (other than the Founder Shares) will be cancelled in exchange for the payment of the Cancellation Price of HK\$3.75 in cash for each such Scheme Share.

The Cancellation Price will not be increased, and the Offeror does not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.

If, after the Announcement Date, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Shares, the Offeror reserves the right to reduce the Cancellation Price by all or any part of the amount or value of such dividend, distribution and/or, as the case may be, return of capital after consultation with the Executive, in which case any reference in this joint announcement, the Scheme Document or any other announcement or document to the Cancellation Price will be deemed to be a reference to the Cancellation Price as so reduced.

Upon the Scheme becoming effective, the Scheme Shares will be cancelled, and the same number of new Shares as cancelled will be issued, credited as fully paid, to the Offeror.

The Cancellation Price of HK\$3.75 per Scheme Share in cash represents:

- a premium of approximately 37.87% over the closing price of HK\$2.72 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 36.36% over the average closing price of approximately HK\$2.75 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- a premium of approximately 37.87% over the average closing price of approximately HK\$2.72 per Share based on the daily closing prices as quoted on the Stock Exchange for the 20 trading days up to and including the Last Trading Day;
- a premium of approximately 30.21% over the average closing price of approximately HK\$2.88 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 21.75% over the average closing price of approximately HK\$3.08 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day; and
- a premium of approximately 151.68% over the audited net asset value attributable to equity holders per Share as at 31 December 2022 of approximately HK\$1.49 per Share, calculated based on 13,694,117,500 Shares in issue as at the Announcement Date and based on an exchange rate of HK\$1.00 = RMB0.9161, the central parity rate published by the People's Bank of China on its website as at 20 June 2023 for illustrative purposes.

Note: The average closing prices and the percentages above are rounded up to the two nearest decimal places.

Pursuant to Rule 24.1(a)(i) of the Takeovers Code, the Cancellation Price is no less than the highest price paid by the Trustee for the Shares within three months prior to the commencement of the offer period (as defined in the Takeovers Code) but after 29 March 2023 (being the date of declaration of the 2022 Final Dividend and the 2022 Special Dividend), after deducting the 2022 Final Dividend of HK\$0.053 per Share and the 2022 Special Dividend of HK\$0.053 per Share each declared by the Company on 29 March 2023 and paid on 26 June 2023.

Highest and lowest share prices of Shares

During the six-month period preceding the Announcement Date and the commencement of the offer period (as defined under the Takeovers Code) and up to the Announcement Date, the highest closing price of Shares as quoted on the Stock Exchange was HK\$3.76 on 9 January 2023, and the lowest closing price of Shares as quoted on the Stock Exchange was HK\$2.44 on 1 June 2023.

Conditions to the Proposal and the Scheme

The implementation of the Proposal is, and the Scheme will become effective and binding on the Company and all Shareholders, subject to the fulfilment or waiver (as applicable) of the following:

- (1) the approval of the Scheme (by way of a poll) by the Scheme Shareholders representing not less than 75% in value of the Scheme Shares by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting, provided that:
 - (a) the Scheme is approved (by way of poll) by the Disinterested Shareholders holding at least 75% of the votes attaching to the Disinterested Shares that are voted either in person or by proxy at the Court Meeting; and
 - (b) the number of votes cast (by way of poll) by the Disinterested Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Disinterested Shares;
- (2) the passing of:
 - (a) a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the General Meeting to approve and give effect to the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares; and
 - (b) an ordinary resolution by the Shareholders at the General Meeting to immediately thereafter increase the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par the new Shares, credited as fully paid, for issuance to the Offeror;
- (3) the Grand Court's sanction of the Scheme (with or without modification) and, to the extent necessary, its confirmation of the reduction of the share capital of the Company, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;

- (4) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under sections 15 and 16 of the Companies Act in relation to the reduction of the issued share capital of the Company;
- (5) in relation to the Rollover Arrangement: (i) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Rollover Arrangement is fair and reasonable so far as the Disinterested Shareholders are concerned; (ii) the passing of an ordinary resolution by the Disinterested Shareholders at the General Meeting to approve the Rollover Arrangement; and (iii) the grant of consent under Rule 25 of the Takeovers Code from the Executive in respect of the Rollover Arrangement;
- (6) all authorisations, approvals, permissions, waivers and consents and all registrations and filings (including without limitation any which are required under or in connection with any applicable laws or regulations or any licences, permits or contractual obligations of the Company) in connection with the Proposal or its implementation and the withdrawal of listing of the Shares from the Stock Exchange in accordance with its terms which are required to be obtained (or, as the case may be, completed) prior to the completion of the Proposal having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification;
- (7) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Proposal or the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal or the Scheme;
- (8) since the Announcement Date, there having been no adverse change in the business, assets, financial or trading position, profits or prospects of any member of the Group (to an extent which is material in the context of the Group taken as a whole or in the context of the Proposal or its implementation in accordance with its terms) whether or not as a result of the implementation of the Proposal; and
- (9) since the Announcement Date, there not having been any instituted or remaining outstanding litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Group is a party (whether as plaintiff, defendant or otherwise) and no such proceedings will be threatened in writing against any such member (and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member will be

threatened in writing, announced, instituted or remain outstanding by, against or in respect of any such member), in each case which is material and adverse in the context of the Group taken as a whole or in the context of the Proposal.

With reference to Condition (6), as at the Announcement Date, other than those set out in Conditions (1) to (5) and the approval of the Stock Exchange for the withdrawal of listing of the Shares upon the Scheme becoming effective, the Offeror and the Company are not aware of any outstanding authorisations, approvals, permissions, waivers consents, registrations or filings. The Offeror reserves the right to waive Conditions (6) to (9) either in whole or in part, either generally or in respect of any particular matter to the extent that such waiver would not make the Proposal or the Scheme or its implementation in accordance with its terms illegal. Conditions (1) to (5) cannot be waived in any event. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to a right to invoke any such Condition are of material significance to the Offeror in the context of the Proposal.

All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse. The Company has no right to waive any of the Conditions.

If approved, the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the General Meeting.

WARNING:

Shareholders and potential investors should be aware that the implementation of the Proposal and the Scheme are subject to Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented, the Scheme may or may not become effective.

Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

3. SPECIAL DEAL RELATING TO ROLLOVER ARRANGEMENT

As at the Announcement Date, the Trustee holds 532,327,500 Shares (representing approximately 3.89% of the issued Shares) (the Trustee Shares).

The Offeror proposes that the Trustee will retain its shareholding, i.e. the Trustee Shares and remain as a Shareholder after the Scheme becomes effective so as to allow the Share Award Scheme to continue to be maintained as an employee incentivisation platform after delisting (the Rollover Arrangement). Accordingly, the Trustee Shares will not form part of the Scheme Shares.

For details of the Share Award Scheme, please refer to section headed “4. Shareholding Structure of the Company and Scheme Shares — Share Award Scheme” of this joint announcement.

Information on the Trustee

The Trustee is a professional trustee corporation appointed by the Company for the administration of the Share Award Scheme from time to time. The Trustee has been a Shareholder since 2022. According to the rules of the Share Award Scheme, the Trustee may not exercise the voting rights in respect of the Trustee Shares held by it.

Special Deal and Disinterested Shareholder Approval

As the above Rollover Arrangement is not offered to all Shareholders, it constitutes a special deal and requires the consent of the Executive under Rule 25 of the Takeovers Code. The Offeror will (prior to the despatch of the Scheme Document) make an application for consent from the Executive to the Rollover Arrangement conditional on: (i) the Independent Financial Adviser to the Independent Board Committee confirming that the Rollover Arrangement is fair and reasonable so far as the Disinterested Shareholders are concerned; and (ii) the passing of an ordinary resolution by the Disinterested Shareholders at the General Meeting to approve the Rollover Arrangement.

Accordingly, as set out in Condition (5), the Proposal is subject to: (i) the receipt of an opinion from the Independent Financial Adviser to the Independent Board Committee confirming that the Rollover Arrangement is fair and reasonable so far as the Disinterested Shareholders are concerned; (ii) the passing of an ordinary resolution by the Disinterested Shareholders at the General Meeting to approve the Rollover Arrangement; and (iii) the grant of consent from the Executive in respect of the Rollover Arrangement.

4. SHAREHOLDING STRUCTURE OF THE COMPANY AND SCHEME SHARES

As at the Announcement Date, the Company has 13,694,117,500 Shares in issue.

As at the Announcement Date, the Offeror does not hold any Shares. As at the Announcement Date, the Founder is, through DF which is 50% owned by a company controlled by him and 50% owned by a family trust established by the Founder as the settlor, interested in 11,640,000,000 Shares (representing approximately 85% of the issued Shares).

The Trustee holds 532,327,500 Shares (representing approximately 3.89% of the issued Shares) in connection with the Share Award Scheme. The Trustee Shares will not form part of the Scheme Shares.

On the assumption that there is no other change in shareholding of the Company before completion of the Proposal, the table below sets out the shareholding structure of the Company as at the Announcement Date and immediately upon completion of the Proposal:

Shareholders	As at the Announcement Date		Immediately upon completion of the Proposal	
	Number of Shares held	Approximate % of the total issued Shares ⁽⁴⁾	Number of Shares held	Approximate % of the total issued Shares ⁽⁴⁾
Offeror and Offeror Concert Parties				
— DF ⁽¹⁾	11,640,000,000	85.00	—	—
— Offeror	—	—	13,161,790,000	96.11
— Trustee ⁽²⁾	<u>532,327,500</u>	<u>3.89</u>	<u>532,327,500</u>	<u>3.89</u>
Sub-total	12,172,327,500	88.89	13,694,117,500	100.00
Disinterested Shareholders	<u>1,521,790,000</u>	<u>11.11</u>	<u>—</u>	<u>—</u>
Total	<u><u>13,694,117,500</u></u>	<u><u>100.00</u></u>	<u><u>13,694,117,500</u></u>	<u><u>100.00</u></u>

Notes:

- 1 The Founder is interested in 85% of the Shares indirectly through DF, which is 50%, 10% and 40% legally owned by Divine Foods-1 Limited, Divine Foods-2 Limited and Divine Foods-3 Limited respectively. Divine Foods-1 Limited is 74% and 26% legally owned by the Founder and Hi-Tiger Limited respectively. Divine Foods-2 Limited and Divine Foods-3 Limited are in turn wholly-owned by Hi-Tiger Limited. Hi-Tiger Limited is an investment holding company incorporated in the BVI wholly-owned by Cantrust (Far East) Limited, a company incorporated in the BVI and the trustee of a family trust which is a discretionary trust established by the Founder as the settlor and the Founder, Ms. Chen Liling (the spouse of the Founder) and Ms. Xu Yangyang (a daughter of the Founder and an executive Director) as the beneficiaries at the time of establishment, and Hi-Tiger Limited holds 26%, 100% and 100% shareholdings in Divine Foods-1 Limited, Divine Foods-2 Limited, and Divine Foods-3 Limited respectively.
- 2 The Trustee is appointed by the Company for the administration of the Share Award Scheme from time to time. The Share Award Scheme shall be subject to the administration of the Board in accordance with the rules of the Share Award Scheme and the terms of the trust deed. Under the rules of the Share Award Scheme, there is no automatic acceleration of unvested Share Awards or cancellation of Share Awards in the case of a takeover or scheme of arrangement. According to the rules of the Share Award Scheme, the Trustee may not exercise the voting rights in respect of the Trustee Shares held by it.
- 3 Save for the Founder and Ms. Xu Yangyang (whose interests have been disclosed in note 1 above), none of the Directors hold any Shares as at the Announcement Date.
- 4 All percentages in the above table are approximations and rounded to the nearest 2 decimal places.

Following the Effective Date and the withdrawal of listing of the Shares on the Stock Exchange, the Company will be owned as to approximately 96.11% and 3.89% by the Offeror and the Trustee, respectively, on the assumption that there is no other change in shareholding in the Company before completion of the Proposal and the listing of the Shares will be withdrawn from the Stock Exchange.

After reasonable enquiries that could be made by the Offeror prior to the issue of this joint announcement, as at the Announcement Date:

- (a) the Offeror does not legally and beneficially own, control or have direction over any Shares;
- (b) save as disclosed in the above shareholding table, the Offeror Concert Parties do not legally and beneficially own, control or have direction over any Shares;
- (c) there are no convertible securities, warrants or options in respect of the Shares held, controlled or directed by the Offeror or the Offeror Concert Parties;
- (d) none of the Offeror and the Offeror Concert Parties has entered into any outstanding derivative in respect of the securities in the Company; and
- (e) none of the Offeror and the Offeror Concert Parties has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

As at the Announcement Date, the Scheme Shares comprise 13,161,790,000 Shares, representing 96.11% of the issued Shares.

There are no other outstanding Shares, options, warrants, derivatives or securities convertible or exchangeable into Shares or other relevant securities as at the Announcement Date.

As at the Announcement Date, the Company has no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) other than its issued share capital of 13,694,117,500 Shares.

CICC is the financial adviser to the Offeror in connection with the Proposal. Accordingly, CICC and relevant members of the CICC group which hold Shares on an own account or discretionary managed basis are presumed to be acting in concert with the Offeror in relation to the Company in accordance with class 5 of the definition of “acting in concert” under the Takeovers Code (except in respect of Shares held by members of the CICC group which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code).

Details of holdings, borrowings or lendings of, and dealings in, the Shares, convertible securities, warrants, options or derivatives of the Company held by or entered into by other members of the CICC group (except in respect of Shares held by exempt principal traders or exempt fund managers or Shares held on behalf of non-discretionary investment clients of other parts of the CICC group) will be obtained as soon as possible after the Announcement Date in accordance with Note 1 to Rule 3.5 of the Takeovers Code. A further announcement will be made by the Company if the holdings, borrowings, lendings, or dealings of the other members of the CICC group are significant and in any event, such information will be disclosed in the Scheme Document. The statements in this joint announcement as to holdings, borrowings or lendings of, or dealings in, the Shares, convertible securities, warrants, options or derivatives of the Company by persons acting in concert with the Offeror are subject to the holdings, borrowings, lendings, or dealings (if any) of members of the CICC group. Exempt principal traders which are connected for the sole reason that they are under the same control as CICC are not presumed to be acting in concert with the Offeror. However, (i) Shares held by members of the CICC group acting in the capacity of exempt principal traders on behalf of other members of the CICC group (regardless of whether they are also exempt principal traders) will not be voted at the Court Meeting and the General Meeting, and (ii) Shares held by members of the CICC group acting in the capacity of exempt principal traders on behalf of non-discretionary clients (other than members of the CICC group) will not be voted at the Court Meeting and the General Meeting unless the Executive allows such Shares to be so voted. Shares held by such exempt principal traders may, subject to consent of the Executive, be allowed to be voted at the Court Meeting and the General Meeting if (i) the relevant connected exempt principal trader holds the Shares as a simple custodian for and on behalf of non-discretionary clients, and (ii) there are contractual arrangements in place between the relevant connected exempt principal trader and its clients that strictly prohibit the relevant connected exempt principal trader from exercising any voting discretion over the relevant Shares, and all voting instructions originate from the client only (if no instructions are given, then no votes shall be cast for the relevant Shares held by the relevant connected exempt principal trader).

Any dealings in the Shares during the six months prior to 27 June 2023 (being the Announcement Date and the commencement of the offer period (as defined under the Takeovers Code)) and since the commencement of the offer period to the latest practicable date prior to the despatch of the Scheme Document by CICC group (excluding dealings in Shares by CICC group members who are exempt principal traders or exempt fund managers or dealings in the Shares by CICC group members for the account of non-discretionary investment clients of the CICC group) will be disclosed in the Scheme Document and pursuant to Rule 22 of the Takeovers Code.

Share Option Scheme

As at the Announcement Date, no share option had been granted under the Share Option Scheme. The Company will not grant any share options under the Share Option Scheme during the offer period (as defined under the Takeovers Code).

Share Award Scheme

The Share Award Scheme was adopted by the Board on 2 December 2021 and is funded by existing Shares of the Company, and does not involve any grant by the Company of (i) new Shares of the Company; or (ii) options over new Shares of the Company.

As at the Announcement Date, under the Share Award Scheme, (i) the Trustee holds 532,327,500 Shares (representing approximately 3.89% of the issued Shares) and (ii) 274,236,700 Share Awards (representing approximately 2.00% of the issued Shares) have been granted, but have not yet vested. The unvested Share Awards (i) will not vest during the offer period (as defined under the Takeovers Code); (ii) will not be accelerated for vesting or cancelled as a result of the Proposal, under the terms of the Share Award Scheme, and (iii) will continue to be valid after the completion of the Proposal. The Company does not intend to grant any new Share Award during the offer period (as defined under the Takeovers Code).

5. FINANCIAL RESOURCES

On the assumption that no further Shares are issued before the Record Date, and taking into account the Founder Shares Cancellation Consideration and the Rollover Arrangement, the maximum cash consideration payable for the Proposal is approximately HK\$5,706,712,500.

The payment of the total consideration under the Scheme will be financed by way of internal resources and/or external financing.

CICC, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for satisfying its obligations in respect of the full implementation of the Proposal in accordance with its terms.

6. REASONS FOR, AND BENEFITS OF, THE PROPOSAL

The Offeror is of the view that the Proposal is beneficial to the Company and the terms of the Proposal are attractive to the Scheme Shareholders in a number of ways:

Reasons for the Proposal:

The Company has lost the advantage to maintain listing status with limited equity fund-raising ability due to the underperforming stock price

The Shares have been trading at a relatively low price range with lower-than-expected trading volume, which is not in line with the Company's position in the industry and does not convey its true value to the market. The Company has not raised any funds through equity issuance since its initial public offering in 2015, thus maintaining listing status has been of limited significance from a financing perspective while still incurring maintenance cost. After the implementation of the Proposal, the Company will be delisted from the Stock Exchange, and such arrangement will be beneficial to the Company in saving the costs associated with compliance and maintenance of the Company's listing status.

The unsatisfactory share performance adversely impacts the Company's business development

Over a long period of time, the Company's share price performance has not been satisfactory. The stock price of the Company has declined substantially since its initial public offering while its business and financial performance remains stable and resilient. The Offeror considers that the depressed share price has had an adverse impact on the Company's reputation with customers, employees and investors, and therefore on its business. It is believed that the implementation of the Proposal will eliminate this adverse impact.

To facilitate the Company to implement long-term strategies that might have adverse impact in short-term performance and dividend return

As a listed company in Hong Kong, the Company has been paying high attention to its share price performance to maintain its reputation among business partners, thus restraining the Company from pursuing other opportunities or implementing long-term strategies that might have adverse impact on short-term performance, its share price as well as short-term dividend capital financial return. The Offeror believes that the successful implementation of the Proposal will provide more flexibility to the Group as a privately-owned business to make strategic decisions more focused on facilitating necessary business transformations, and to implement its business strategies or to pursue other business opportunities in such competitive environment, that it may not be practicable to pursue as a listed company, without being subject to regulatory restrictions and compliance obligations and without focusing on the short-term market reaction and stock price fluctuation.

Benefits of the Proposal to the Scheme Shareholders:

Cancellation Price represents a compelling exit premium, thus an excellent exit opportunity to for investors to monetize

The Proposal is intended to provide the Scheme Shareholders with an opportunity to realise their investment in the Company for cash at an attractive premium over the prevailing market price without having to suffer any illiquidity discount. The Cancellation Price represents a premium of approximately 37.87% and 30.21% over the closing price of HK\$2.72 on the Last Trading Day and the average closing price of HK\$2.88 for the 30 trading days up to and including the Last Trading Day, respectively. Given the average daily trading volume of the Shares for the past 12 month being 3.93 million Shares and representing only 0.03% of the issued Shares at the Announcement Date, the low trading volume will make it difficult for the Shareholders to monetise their investments in the open market without discount. The Proposal offers the Shareholders an attractive exit premium and opportunity to realise their investment in return for cash without any discount caused by limited liquidity, and redeploy into alternative investment opportunities with higher liquidity that they may consider more attractive under such a high interest environment.

It is the intention of the Offeror that the Group will continue to carry on its current business, and the Offeror does not have specific plans to make any major changes to the business of the Group (including any redeployment of fixed assets of the Group) upon the successful delisting of the Company. After completion of the Proposal, the Offeror will continue to consider how to develop the Company in a manner which best enhances value and, in that regard, will consider growing its business as well as market opportunities which will be dependent on a number of factors including market conditions, legal and regulatory requirements and its business needs.

7. INFORMATION ON THE GROUP AND THE OFFEROR

The Group

The Company is a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the Main Board of the Stock Exchange with the stock code 3799. The Group is a food and beverage company in China with a diversified presence across multiple categories and industrial segments, a number of consumer brands, and an extensive and in-depth nationwide channel network.

Offeror

The Offeror is a company incorporated in the British Virgin Islands with limited liability. As at the Announcement Date, the entire issued share capital of the Offeror is wholly owned by the Founder who is an executive Director. As at the Announcement Date, the sole director of the Offeror is the Founder.

The Offeror has not carried on any business since incorporation other than investment activities and matters in connection with the Proposal and the Scheme. The Offeror does not intend to engage in any business other than investment activities and acting as the holding company of the Company after completion of the Proposal.

8. WITHDRAWAL OF LISTING OF SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled (with the equivalent number of new Shares being issued as fully paid to the Offeror) and the share certificates in respect of the Scheme Shares will thereafter cease to have effect as documents or evidence of title.

The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, with effect from the Effective Date.

The Scheme Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares on the Stock Exchange and the day on which the Scheme and the withdrawal of the listing of Shares on the Stock Exchange will become effective. A detailed timetable of the Scheme will be included in the Scheme Document, which will also contain, among other things, further details of the Scheme.

9. IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

The Scheme will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme does not become effective or the Proposal otherwise lapses.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under Rule 31.1(a) of the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with it) may within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses announce an offer or possible offer for the Company, except with the consent of the Executive.

If the Independent Board Committee or the Independent Financial Adviser does not recommend the Proposal, and the Scheme is not approved, all expenses incurred by the Company in connection therewith shall be borne by the Offeror in accordance with Rule 2.3 of the Takeovers Code.

10. OVERSEAS SHAREHOLDERS

The making of the Proposal to the Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders are located.

Such Scheme Shareholders should inform themselves about and observe any applicable legal, tax or regulatory requirements. It is the responsibility of any overseas Scheme Shareholders, wishing to take an action in relation to the Proposal, to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with any other necessary formalities and the payment of any issue, transfer or other taxes in such jurisdiction.

Any acceptance by such persons will be deemed to constitute a representation and warranty from such persons to the Company, the Offeror and their respective advisers (including CICC), that those laws and regulatory requirements have been complied with. If you are in doubt as to your position, you should consult your professional advisers.

In the event that the despatch of the Scheme Document to overseas Scheme Shareholders is prohibited by any relevant law or regulation or may only be effected after compliance with conditions or requirements that the Directors regard as unduly onerous or burdensome (or otherwise not in the best interests of the Company or its Shareholders), the Scheme Document may not be despatched to such overseas Scheme Shareholders. For that purpose, the Company may apply for any waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. Any such waiver will only be granted if the Executive is satisfied that it would be unduly burdensome to despatch the Scheme Document to such overseas Scheme Shareholders. In granting the waiver, the Executive will be concerned to see that all material information in the Scheme Document is made available to such overseas Scheme Shareholders.

Scheme Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of the Proposal. It is emphasised that none of the Offeror, the Company and CICC or any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of the Proposal.

11. SCHEME SHARES, MEETING OF SCHEME SHAREHOLDERS AND EXTRAORDINARY GENERAL MEETING OF THE COMPANY

As at the Announcement Date, the Offeror does not hold any Shares. As the Offeror is not a Scheme Shareholder, the Offeror will not vote on the Scheme at the Court Meeting.

As at the Announcement Date, the Founder is, through DF which is 50% owned by a company controlled by him and 50% owned by a family trust established by the Founder as the settlor, interested in 11,640,000,000 Shares (representing approximately 85% of the issued Shares).

Each of the Offeror and DF will undertake to the Grand Court that it will be bound by the Scheme, so as to ensure that it will be subject to the terms and conditions of the Scheme.

The votes attaching to the Founder Shares at the Court Meeting will not be counted as votes of Disinterested Shareholders in determining whether the requirements under Condition (1)(a) and (b) under the section headed “2. Terms of the Proposal — Conditions to the Proposal and the Scheme” (as required under Rule 2.10 of the Takeovers Code) are satisfied, and will only be counted as votes of Scheme Shareholders in determining whether the requirement in the first paragraph of Condition (1) in the section headed “2. Terms of the Proposal — Conditions to the Proposal and the Scheme” (as required under Companies Act) is satisfied.

All Shareholders will be entitled to attend the General Meeting and vote on (1) the special resolution to approve and give effect to the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and the issue to the Offeror of such number of new Shares as is equal to the number of Scheme Shares cancelled; and (2) the ordinary resolution to immediately thereafter increase the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par the new Shares, credited as fully paid, for issuance to the Offeror.

12. INDEPENDENT BOARD COMMITTEE

An Independent Board Committee, which comprises the following non-executive Directors who are not interested in the Proposal, namely, Ms. Hu Xiaoling, Mr. Ng Kong Hing, Mr. Liu Xiaobin and Dr. Lin Zhijun, has been established by the Board to make a recommendation to the Disinterested Shareholders as to whether the terms of the Proposal, the Scheme and the Rollover Arrangement are, or are not, fair and reasonable and whether to vote in favour of the Scheme and the Rollover Arrangement at the Court Meeting and the General Meeting.

Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee comprises all non-executive Directors who have no direct or indirect interest in the Proposal. Ms. Xu Biying (a non-executive Director) is the sister of the Founder, and will not take part in the Independent Board Committee.

13. INDEPENDENT FINANCIAL ADVISER

The Company will appoint the Independent Financial Adviser (with the approval of the Independent Board Committee) to advise the Independent Board Committee in connection with the Proposal, the Scheme and the Rollover Arrangement after the Announcement Date. A further announcement will be made after the Independent Financial Adviser has been appointed.

14. DESPATCH OF SCHEME DOCUMENT

The Scheme Document containing, among others, further details of the Proposal, the Scheme and the Rollover Arrangement, the expected timetable, an explanatory statement as required under the Companies Act and the rules of the Grand Court, information regarding the Company, recommendations from the Independent Board Committee with respect to the Proposal, the Scheme and the Rollover Arrangement, the letter of advice from the Independent Financial Adviser, a notice of the Court Meeting and a notice of the General Meeting and other particulars required by the Takeovers Code, together with forms of proxy in relation thereto, will be despatched to the Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code, the Companies Act, the Grand Court and other applicable laws and regulations.

The Scheme Document will contain important information and the Scheme Shareholders are urged to read the Scheme Document containing such disclosures carefully before casting any vote at (or providing any proxy in respect of) the Court Meeting or the General Meeting. Any voting, acceptance or other response to the Proposal should be made only on the basis of information in the Scheme Document or any other document by which the Proposal is made.

15. DISCLOSURE OF DEALINGS

Associates of the Offeror and the Company (as defined in the Takeovers Code, including shareholders holding 5% or more of the relevant securities (as defined in paragraphs (a) to (d) in Note 4 to Rule 22 of the Takeovers Code) of any of the Offeror and the Company) are hereby reminded to disclose their dealings in any securities of the Company and the Offeror under Rule 22 of the Takeovers Code during the offer period.

Save for the dealings as disclosed below, none of the Offeror and the Offeror Concert Parties had any dealings for value in the Shares during the period commencing six months prior to the Announcement Date.

Name	Date of transactions	Nature of transaction	On/off the Stock Exchange	No. of Shares involved	Transaction price per Share (HK\$)
Trustee	28/12/2022–30/12/2022	Purchase	On	68,500	3.56–3.61
	03/01/2023–27/01/2023	Purchase	On	2,675,500	3.50–3.85
	11/04/2023–24/04/2023	Purchase	On	4,073,000	3.24–3.45
	01/06/2023–12/06/2023	Purchase	On	19,190,500	2.44–2.83

Full details of the dealings in the Shares by the Offeror and the Offeror Concert Parties during the period commencing six months prior to the Announcement Date will be disclosed in the Scheme Document in accordance with the requirements of the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation."

16. PRECAUTIONARY LANGUAGE REGARDING FORWARD-LOOKING STATEMENTS

This joint announcement includes certain "forward-looking statements". These statements are based on the current expectations of the management of the Offeror and/or the Company (as the case may be) and are naturally subject to uncertainty and changes in circumstances. The forward-looking statements contained in this joint announcement include statements about the expected effects on the Company of the Proposal, the expected timing and scope of the Proposal, and all other statements in this joint announcement other than historical facts.

Forward-looking statements include, without limitation, statements typically containing words such as "intends", "expects", "anticipates", "targets", "estimates", "envisages" and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, the satisfaction of the Conditions to the Proposal, as well as additional factors, such as general, social, economic and political conditions in the countries in which the Offeror and/or the Group operate or other countries which have an impact on the Offeror and/or the Group's business activities or investments, interest rates, the monetary and interest rate policies of the countries in which the Offeror and/or the Group operate, inflation or deflation, foreign exchange rates, the performance of the financial markets in the countries in which the Offeror and/or Group operate and globally, changes in domestic and foreign laws, regulations and taxes, changes in competition and the pricing environments in the countries in which the Offeror and/or Group operate and regional or general changes in asset valuations and disruptions or reductions in operations due to natural or man-made disasters, pandemics, epidemics, or outbreaks of infectious or contagious diseases such as the novel coronavirus. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements.

All written and oral forward-looking statements attributable to the Offeror, the Company or persons acting on behalf of any of them are expressly qualified in their entirety by the cautionary statements above. The forward-looking statements included herein are made only as of the Announcement Date.

Any forward-looking statement contained in this joint announcement based on past or current trends and/or activities of the relevant company should not be taken as a representation that such trends or activities will continue in the future. No statement in this joint announcement is intended to be a profit forecast or to imply that the earnings of the relevant company for the current year or future years will necessarily match or exceed its historical or published earnings. Each forward-looking statement speaks only as at the date of the particular statement. Subject to the requirements of the Takeovers Code and other applicable laws and regulations, each of the Offeror and the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in their expectations with regard thereto or any change in events, conditions of circumstances on which any such statement is based.

17. GENERAL

The Offeror has appointed CICC as its financial adviser in connection with the Proposal.

Mr. Xu Shihui, Ms. Xu Yangyang and Ms. Xu Biying are regarded as being interested in the Proposal and therefore have abstained from voting in respect of the resolutions of the Board relating to the Proposal. The Board (excluding members of the Independent Board Committee) believes that the terms of the Proposal are fair and reasonable and in the interests of the Shareholders as a whole.

No irrevocable commitment to vote for or against the Scheme has been received by the Offeror or the Offeror Concert Parties, as at the Announcement Date.

Save for the Proposal, there are no arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares between the Offeror or any of the Offeror Concert Parties and any other person which might be material to the Proposal.

Save for the Rollover Arrangement, there are no agreements or arrangements to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal.

Save for the Cancellation Price under the Proposal, there is no other consideration, compensation or benefit in whatever form paid or to be paid by the Offeror or the Offeror Concert Parties to the Scheme Shareholders in connection with the Proposal.

After reasonable enquiries that could be made by the Offeror prior to the issue of this joint announcement, save for the Rollover Arrangement, the Offeror is not aware of any understanding, arrangement or agreement which has been determined to constitute a special deal (as defined under Rule 25 of the Takeover Code) between (i) any Shareholder of the Company; and (ii)(a) the Offeror and any Offeror Concert Parties or (b) the Company, its subsidiaries or associated companies.

18. RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted from 9:00 a.m. on 21 June 2023 pending issuance of this joint announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 28 June 2023.

DEFINITIONS

In this joint announcement, the following terms have the meanings set out below, unless the context requires otherwise:

“2022 Final Dividend”	the final dividend for the year ended 31 December 2022 of HK\$0.053 per Share in cash
“2022 Special Dividend”	the special dividend for the year ended 31 December 2022 of HK\$0.053 per Share in cash
“acting in concert”	has the meaning given to it in the Takeovers Code and “concert party” shall be construed accordingly
“Announcement Date”	27 June 2023, being the date of this joint announcement
“associate(s)”	has the meaning given to it in the Takeovers Code
“Board”	the board of Directors
“BVI”	British Virgin Islands
“CICC”	China International Capital Corporation Hong Kong Securities Limited, a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO, the financial adviser to the Offeror in relation to the Proposal
“Companies Act”	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Company”	Dali Foods Group Company Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 3799)
“Cancellation Price”	the cancellation price of HK\$3.75 per Scheme Share payable in cash pursuant to the Scheme

“Conditions”	the conditions to the implementation of the Proposal and the Scheme as described in the section headed “2. Terms of the Proposal — Conditions to the Proposal and the Scheme” of this joint announcement
“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the Grand Court at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof
“DF”	Divine Foods Limited, a company incorporated in the British Virgin Islands, the direct holder of the Founder Shares and a controlling Shareholder
“Director(s)”	director(s) of the Company
“Disinterested Share(s)”	Shares in issue at the Record Date, other than those beneficially owned by the Offeror Concert Parties. For the avoidance of doubt, Disinterested Shares include Shares in issue at the Record Date which are held by any member of the CICC group on a non-discretionary and non-proprietary basis for and on behalf of its clients
“Disinterested Shareholder(s)”	the registered holder(s) of the Disinterested Shares. For the avoidance of doubt, the Disinterested Shareholders include any member of the CICC group acting in the capacity of an exempt principal trader or exempt fund manager for the purpose of the Takeovers Code
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Act
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate thereof
“exempt fund managers”	has the meaning ascribed to it in the Takeovers Code
“exempt principal traders”	has the meaning ascribed to it in the Takeovers Code
“Founder”	Mr. Xu Shihui, an executive Director, Chairman and Chief Executive Officer of the Company and a controlling Shareholder
“Founder Shares”	the Shares in which the Founder is interested through DF which is 50% owned by a company controlled by him and 50% owned by a family trust established by the Founder as the settlor, being 11,640,000,000 Shares representing 85% of the issued Shares as at the Announcement Date

“Founder Shares Cancellation Consideration”	the consideration for the cancellation of the Founder Shares under the Scheme, being the issue of Offeror Shares to the Founder in an amount equivalent to the aggregate Cancellation Price for all of the Founder Shares
“General Meeting”	an extraordinary general meeting of the Company to be held promptly after the conclusion or adjournment of the Court Meeting in connection with the Proposal, the Scheme and the Rollover Arrangement
“Grand Court”	the Grand Court of the Cayman Islands
“Group”	the Company and its subsidiaries and the terms “Group Company” and “member of the Group” shall be construed accordingly
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Board established pursuant to the Takeovers Code to give recommendations to the Disinterested Shareholders in respect of the Proposal, the Scheme and the Rollover Arrangement
“Independent Financial Adviser”	the independent financial adviser to be appointed by the Independent Board Committee to advise the Independent Board Committee and the Disinterested Shareholders in respect of the Proposal, the Scheme and the Rollover Arrangement
“Last Trading Date”	20 June 2023, being the last day on which the Shares were traded on the Stock Exchange prior to the publication of this joint announcement pursuant to Rule 3.5 of the Takeovers Code
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	29 February 2024 or such later date the Offeror may determine, subject to the permissions of the Grand Court and/or the Executive (as applicable)
“Offeror”	Rongshi International Investment Co., Ltd., a company incorporated in the British Virgin Islands with limited liability and a wholly-owned company of the Founder

“Offeror Concert Parties”	parties acting in concert or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code (except in the capacity of an exempt principal trader or exempt fund manager for the purpose of the Takeovers Code) in connection with the Proposal and the Scheme, including the Founder, DF and the Trustee
“Offeror Shares”	ordinary shares in the issued share capital of the Offeror
“PRC”	the People’s Republic of China, which expression, solely for the purpose of construing this joint announcement, does not include Hong Kong, Macau Special Administrative Region or Taiwan
“Proposal”	the proposal for the delisting of the Company by the Offeror by way of the Scheme and the increase of the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares, and the withdrawal of the listing of the Shares from the Stock Exchange, on the terms and subject to the Conditions set out in this joint announcement
“Record Date”	the record date to be announced for determining entitlements of the Scheme Shareholders under the Scheme
“RMB”	Renminbi, the lawful currency of the PRC
“Rollover Arrangement”	the arrangement between the Offeror and the Trustee as set out in the section headed “3. Special Deal relating to Rollover Arrangement” of this joint announcement
“Scheme”	a scheme of arrangement to be proposed under Section 86 of the Companies Act involving the cancellation of all the Scheme Shares and the increase of the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares
“Scheme Document”	the composite scheme document to be issued by the Company and the Offeror containing, among other things, further details of the Proposal together with the additional information specified in the section headed “14. Despatch of Scheme Document” of this joint announcement
“Scheme Shareholder(s)”	the registered holder(s) of Scheme Shares as at the Record Date
“Scheme Shares”	the Shares in issue on the Record Date held by the Disinterested Shareholders and the Founder Shares
“SFC”	The Securities and Futures Commission of Hong Kong

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Award”	a share award (vested or unvested) that may be granted by the Company pursuant to the Share Award Scheme
“Share Award Scheme”	the share award scheme adopted by the Company on 2 December 2021
“Share Option Scheme”	the share option scheme adopted by the Company on 25 August 2015
“Shareholders”	registered holders of the Shares
“Shares”	ordinary shares in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“trading day”	a day on which the Stock Exchange is open for the business of dealings in securities
“Trustee”	CMB Wing Lung (Trustee) Limited, a trustee corporation incorporated in Hong Kong and appointed by the Company for the administration of the Share Award Scheme from time to time
“Trustee Shares”	532,327,500 Shares held by the Trustee under the Share Award Scheme as at the Announcement Date
“U.S.” or “US” or “United States”	the United States of America
“US\$”	United States dollar, the lawful currency of the United States of America
“%”	per cent.

On behalf of the board
Rongshi International Investment Co., Ltd.
XU Shihui
Director

By Order of the Board
Dali Foods Group Company Limited
XU Shihui
Chairman

Hong Kong, 27 June 2023

As at the Announcement Date, the sole director of the Offeror is Mr. XU Shihui.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this joint announcement (other than that relating to the Group) and confirm, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this joint announcement (other than those expressed by the Directors of the Company in their capacities as such) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.

As at the Announcement Date, the Board of the Company comprises Mr. XU Shihui, Mr. ZHUANG Weiqiang and Ms. XU Yangyang as executive directors; Ms. XU Biying and Ms. HU Xiaoling as non-executive directors; Mr. NG Kong Hing, Mr. LIU Xiaobin and Dr. LIN Zhijun as independent non-executive directors.

The Directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than any information relating to the Offeror and its concert parties (other than members of the Group)) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the sole director of the Offeror in his capacity as such) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement the omission of which would make any statements in this joint announcement misleading.