

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of the Proposal, this Scheme Document or as to the actions to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your shares in Dali Foods Group Company Limited, you should at once hand this Scheme Document and the accompanying forms of proxy to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This Scheme Document appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of Rongshi International Investment Co., Ltd. or Dali Foods Group Company Limited.

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

融世國際投資有限公司

(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)

**(1) PROPOSAL FOR THE PRIVATISATION OF
DALI FOODS GROUP COMPANY LIMITED BY
THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES ACT)
(2) PROPOSED WITHDRAWAL OF LISTING
(3) SPECIAL DEAL RELATING TO THE ROLLOVER ARRANGEMENT**

Financial Adviser to the Offeror



**CICC
中金公司**

Independent Financial Adviser to the Independent Board Committee



**Gram Capital Limited
嘉林資本有限公司**

Unless the context otherwise requires, capitalised terms used in this Scheme Document (including this cover page) are defined in the section headed "Definitions" in Part I of this Scheme Document.

A letter from the Board is set out in Part V of this Scheme Document. A letter from the Independent Board Committee containing its advice to the Disinterested Shareholders in respect of the Proposal, the Scheme and the Rollover Arrangement is set out in Part VI of this Scheme Document. A letter from Gram Capital Limited, being the Independent Financial Adviser, containing its advice to the Independent Board Committee in connection with the Proposal, the Scheme and the Rollover Arrangement is set out in Part VII of this Scheme Document. An Explanatory Memorandum regarding the Scheme is set out in Part VIII of this Scheme Document.

The actions to be taken by the Shareholders are set out in Part III of this Scheme Document.

Notices convening the Court Meeting to be held at 10:00 a.m. on 23 August 2023 and the General Meeting to be held at 10:30 a.m. (or immediately after the conclusion or adjournment of the Court Meeting) on 23 August 2023 are set out in Appendix IV and Appendix V to this Scheme Document respectively. Whether or not you are able to attend the Court Meeting and/or the General Meeting or any adjournment thereof in person, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting and the enclosed **white** form of proxy in respect of the General Meeting, in accordance with the instructions printed thereon and to lodge them at the office of the Share Registrar at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong as soon as possible but in any event no later than the respective times and dates as stated under Part III — Actions to be taken of this Scheme Document. The **white** form of proxy in respect of the General Meeting will not be valid if it is not so lodged. In the case of the **pink** form of proxy in respect of the Court Meeting, if it is not so lodged, it may also be handed to the chairman of the Court Meeting (who shall have absolute discretion as to whether or not to accept it). Completion and return of the forms of proxy for Court Meeting and/or the General Meeting will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof, should you so wish. In the event that you attend and vote at the relevant meeting or any adjournment thereof after having lodged your forms of proxy, the returned forms of proxy will be revoked by operation of law.

This Scheme Document is issued jointly by the Offeror and the Company.

The English language text of this Scheme Document and the accompanying forms of proxy shall prevail over the Chinese version for the purpose of interpretation.

31 July 2023

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 scheme document, 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 scheme document 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.

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In this Scheme Document, the following expressions have the meanings set out below, unless the context requires otherwise:

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| “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 ascribed to it in the Takeovers Code and “concert party” shall be construed accordingly |
| “Announcement” | the announcement dated 27 June 2023 issued jointly by the Offeror and the Company in relation to, among other things, the Proposal, the Scheme and the Rollover Arrangement |
| “Announcement Date” | 27 June 2023, being the date of the Announcement |
| “associate” | has the meaning ascribed to it in the Takeovers Code |
| “Beneficial Owner(s)” | beneficial owner(s) of the Shares registered in the name of a Registered Owner(s) |
| “Board” | the board of Directors |
| “Business Day” | a day on which the Stock Exchange is open for the transaction of business |
| “Cancellation Price” | the cancellation price of HK\$3.75 per Scheme Share payable by the Offeror to the Scheme Shareholders pursuant to the Scheme in the form of (i) the Cash Cancellation Consideration in respect of the Scheme Shares (other than the Founder Shares); or (ii) the Founder Shares Cancellation Consideration in respect of the Founder Shares |
| “Cash Cancellation Consideration” | the consideration for the cancellation of the Scheme Shares (other than the Founder Shares) under the Scheme, being the payment of the Cancellation Price of HK\$3.75 in cash for each such Scheme Share |
| “CCASS” | the Central Clearing and Settlement System established and operated by HKSCC |
| “CCASS Investor Participant” | a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation |

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| “CCASS Participant” | a person admitted to participate in CCASS as a participant, including a CCASS Investor Participant |
| “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 達利食品集團有限公司, 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) |
| “Conditions” | the conditions to the implementation of the Proposal and the Scheme as described in the section headed “4. Conditions to the Proposal and the Scheme” in Part VIII — Explanatory Memorandum of this Scheme Document |
| “Court Meeting” | a meeting of the Scheme Shareholders convened at the direction of the Grand Court to be held at 10:00 a.m. on 23 August 2023 at Room 2601, 26th Floor, One Harbourfront, 18 Tak Fung Street, Hung Hom, Kowloon, Hong Kong, at which the Scheme (with or without modification) will be voted upon, notice of which is set out in Appendix IV to this Scheme Document, 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)” | the director(s) of the Company |
| “Disinterested Share(s)” | Share(s) in issue at the Scheme 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 Scheme 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 |

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| “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, if approved and sanctioned by the Grand Court, becomes effective in accordance with its terms and the Companies Act, which is expected to be 30 August 2023 (Cayman Islands time) |
| “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 |
| “Explanatory Memorandum” | the explanatory memorandum set out in Part VIII of this Scheme Document and issued in compliance with the Grand Court Rules of the Cayman Islands 1995 (as revised) |
| “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 Latest Practicable 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” | the extraordinary general meeting of the Company to be held at 10:30 a.m. (or immediately after the conclusion or adjournment of the Court Meeting) on 23 August 2023 at Room 2601, 26th Floor, One Harbourfront, 18 Tak Fung Street, Hunghom, Kowloon, Hong Kong, notice of which is set out in Appendix V to this Scheme Document, or any adjournment thereof |
| “Grand Court” | the Grand Court of the Cayman Islands |

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| “Group” | the Company and its subsidiaries and the terms “Group Company” and “member of the Group” shall be construed accordingly |
| “HK\$” | Hong Kong dollar(s), the lawful currency of Hong Kong |
| “HKSCC” | Hong Kong Securities Clearing Company Limited |
| “HKSCC Nominees” | HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC |
| “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” or “Gram Capital” | Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee in connection with the Proposal, the Scheme and the Rollover Arrangement |
| “Last Trading Day” | 20 June 2023, being the last day on which the Shares were traded on the Stock Exchange prior to the publication of the Announcement |
| “Latest Practicable Date” | 28 July 2023, being the latest practicable date for ascertaining certain information contained in this Scheme Document |
| “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 as the Offeror may determine, subject to the permission of the Executive and/or as the Grand Court may direct) |
| “Meeting Record Date” | 23 August 2023, or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlement of Shareholders to attend and vote at the General Meeting |

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| “Offeror” | Rongshi International Investment Co., Ltd. 融世國際投資有限公司, 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 Scheme Document, 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 simultaneous maintenance of the issued share capital of the Company at 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 Scheme Document |
| “Registered Owner(s)” | holder(s) of Shares (including without limitation a nominee, trustee, depository or any other authorised custodian or third party) whose name is entered in the register of members of the Company as a holder of Shares |
| “Relevant Period” | the period commencing on the date which is six months prior to the Announcement Date and ending on the Latest Practicable Date, both dates inclusive |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Rollover Agreement” | the rollover agreement entered into among the Offeror, the Trustee and the Company on 27 June 2023, details of which are set out in the section headed “5. Special Deal Relating to the Rollover Arrangement” in Part VIII — Explanatory Memorandum of this Scheme Document |

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| “Rollover Arrangement” | the arrangement between the Offeror and the Trustee under the Rollover Agreement as set out in the section headed “5. Special Deal Relating to the Rollover Arrangement” in Part VIII — Explanatory Memorandum of this Scheme Document |
| “Scheme” | a scheme of arrangement under Section 86 of the Companies Act involving the cancellation of all the Scheme Shares and the simultaneous maintenance of the issued share capital of the Company at the amount prior to the cancellation of the Scheme Shares |
| “Scheme Document” | the composite scheme document, including each of the letters, statements, memorandum, appendices and notices in it |
| “Scheme Record Date” | 30 August 2023, or such other date as shall have been announced to the Shareholders, being the record date for the purposes of determining entitlements of the Scheme Shareholders under the Scheme |
| “Scheme Share(s)” | the Shares in issue on the Scheme Record Date held by the Disinterested Shareholders and the Founder Shares |
| “Scheme Shareholder(s)” | the registered holder(s) of Scheme Shares as at the Scheme Record Date |
| “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 |
| “Share Registrar” | Link Market Services (Hong Kong) Pty Limited |
| “Share(s)” | ordinary share(s) of par value HK\$0.01 each in the issued share capital of the Company |
| “Shareholder(s)” | registered holder(s) of the Shares |

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| “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, through its wholly-owned subsidiary, under the Share Award Scheme as at the Latest Practicable Date |
| “US” or “United States” | the United States of America |
| “US\$” | United States dollar, the lawful currency of the United States |
| “%” | per cent. |

All references in this Scheme Document to times and dates are references to Hong Kong times and dates, except as otherwise specified and other than references to the expected date of the Grand Court hearing of the petition to sanction the Scheme, which is the relevant date in the Cayman Islands. For reference only, Cayman Islands time is 13 hours behind Hong Kong time as at the Latest Practicable Date.

The following are some of the questions that you, as a Scheme Shareholder or a Shareholder, may have and the answers to those questions.

This Scheme Document contains important information and you are encouraged to read this Scheme Document in full, including the appendices, carefully.

1. WHAT IS THE PURPOSE OF THIS SCHEME DOCUMENT?

The purpose of this Scheme Document is to provide you with further information regarding the Proposal, the Scheme and the Rollover Arrangement and the expected timetable and to give you notices of the Court Meeting and the General Meeting (together with the proxy forms in relation thereto). Your attention is also drawn to (i) the letter from the Independent Board Committee set out in Part VI of this Scheme Document; (ii) the letter from Gram Capital set out in Part VII of this Scheme Document; (iii) the Explanatory Memorandum set out in Part VIII of this Scheme Document; and (iv) the terms of the Scheme set out in Appendix III to this Scheme Document.

2. WHAT ARE THE COURT MEETING AND, THE GENERAL MEETING AND THE GRAND COURT HEARING?

The Court Meeting is convened for the Scheme Shareholders to consider and, if thought fit, approve the Scheme.

The Court Meeting will be held at 10:00 a.m. on 23 August 2023 at Room 2601, 26th Floor, One Harbourfront, 18 Tak Fung Street, Hunghom, Kowloon, Hong Kong.

The General Meeting is convened for the Shareholders to consider and, if thought fit, approve all resolutions necessary to implement the Proposal, the Scheme and the Rollover Arrangement.

The General Meeting will be held at 10:30 a.m. (or immediately after the conclusion or adjournment of the Court Meeting) on 23 August 2023 at Room 2601, 26th Floor, One Harbourfront, 18 Tak Fung Street, Hunghom, Kowloon, Hong Kong.

If the requisite approval is obtained at the Court Meeting and the resolutions are passed at the General Meeting, the Grand Court hearing will be held for the Grand Court to hear the petition to sanction the Scheme. The hearing to sanction the petition is listed to be heard on 29 August 2023 at 9:30 a.m. (Cayman Islands time). Any Scheme Shareholder who voted at the Court Meeting and any Beneficial Owner who gave voting instructions to a custodian or a clearing house who voted at the Court Meeting have the right to attend, or appear by counsel, and be heard on the hearing of the petition.

3. WHAT ARE THE PROPOSAL AND THE SCHEME?

The Proposal involves the delisting of the Company by the Offeror by way of the Scheme. Upon the fulfillment or waiver (as applicable) of the Conditions, the Proposal will be, and the Scheme will become, effective and binding on the Company and all of the Scheme Shareholders (irrespective of whether or not he, she or it attended or voted at the Court Meeting or the General Meeting). Upon the Scheme becoming effective:

- (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 Cash Cancellation Consideration, being the payment of the Cancellation Price of HK\$3.75 in cash for each such Scheme Share.

Please see the section headed “2. Terms of the Proposal” in Part VIII — Explanatory Memorandum of this Scheme Document for a discussion of the Proposal and the section headed “4. Conditions to the Proposal and the Scheme” in Part VIII — Explanatory Memorandum of this Scheme Document for a discussion of the Conditions.

4. WHAT IS THE POSITION OF THE INDEPENDENT BOARD COMMITTEE WITH REGARD TO THE PROPOSAL?

The Independent Board Committee, having considered the terms of the Proposal, the Scheme and the Rollover Arrangement and having taken into account the advice of Gram Capital, and in particular the factors, reasons and recommendations set out in its letter, considers that the terms of the Proposal, the Scheme and the Rollover Arrangement are fair and reasonable so far as the Disinterested Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Disinterested Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting and the resolutions necessary to implement the Proposal, the Scheme and the Rollover Arrangement at the General Meeting.

5. WHAT VOTE IS REQUIRED FROM THE SHAREHOLDERS AND THE SCHEME SHAREHOLDERS AT THE COURT MEETING AND THE GENERAL MEETING RESPECTIVELY?

At the Court Meeting, the Scheme must be approved in the following manner:

- (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.

At the General Meeting, the following resolutions must be passed in order to implement the Proposal and the Scheme:

- (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 any reduction of the share capital of the Company associated with cancelling and extinguishing the Scheme Shares; and
 - (b) an ordinary resolution by the Shareholders at the General Meeting to simultaneously maintain the issued share capital of the Company at 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.

6. WHAT DO I NEED TO DO IF I WANT TO VOTE AT THE COURT MEETING AND/OR THE GENERAL MEETING?

The actions you should take are summarised in Part III — Actions to be taken of this Scheme Document. You should read them carefully.

You are strongly encouraged to:

- (a) in the case of a Scheme Shareholder or a Shareholder — to exercise your right to vote at the Court Meeting and/or the General Meeting;

- (b) in the case of a Beneficial Owner whose Shares are held by a Registered Owner — to give instructions to the relevant Registered Owner to vote in person or by proxy at the Court Meeting and/or the General Meeting; or
- (c) in the case of a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees (who is not an CCASS Investor Participant) — to give voting instructions to your broker, custodian, nominee or other relevant person who is, or has, in turn, deposited such Shares with, a CCASS Participant, to vote in person or by proxy at the Court Meeting and/or the General Meeting, or alternatively arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name prior to the Meeting Record Date.

7. WHEN WILL I RECEIVE THE CASH CANCELLATION CONSIDERATION?

If the Scheme becomes effective, the cheques for payment of the Cash Cancellation Consideration are expected to be dispatched to the Scheme Shareholders (other than DF) on or before Friday, 8 September 2023.

8. WHO SHOULD I CALL IF I HAVE ADDITIONAL QUESTIONS?

If any Shareholder has any questions concerning administrative matters relating to the Court Meeting and/or the General Meeting, please contact the Share Registrar, Link Market Services (Hong Kong) Pty Limited, as follows:

Link Market Services (Hong Kong) Pty Limited

- Address: Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong (Business hours: between 9:00 a.m. and 6:00 p.m. on Monday to Friday, excluding public holidays in Hong Kong)
- Website: <http://www.linkmarketservices.hk>
- Tel: (852) 3707 2600 (Service hours: between 9:00 a.m. and 6:00 p.m. on Monday to Friday, excluding public holidays in Hong Kong)
- Fax: (852) 3707 2699

For the avoidance of doubt, the Share Registrar cannot and will not provide any advice on the merits or risks of the Proposal, the Scheme or the Rollover Arrangement or give any financial or legal advice via the above designated hotlines. The Share Registrar will not provide any additional information not available in the public domain. If you are in doubt as to any aspect of this Scheme Document or action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

ACTIONS TO BE TAKEN BY SHAREHOLDERS**Court Meeting and General Meeting**

For the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the General Meeting, the register of members of the Company will be closed from 18 August 2023 to 23 August 2023 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Share Registrar at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong before 4:30 p.m. on 17 August 2023.

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the General Meeting are enclosed with this Scheme Document. Subsequent purchasers of Shares may obtain the relevant proxy form from the transferor or the website of the Stock Exchange if they wish to attend or vote at the Court Meeting and/or the General Meeting.

Whether or not you are able to attend the Court Meeting and/or the General Meeting or any adjournment thereof in person, if you are a Scheme Shareholder, we strongly urge you to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting, and if you are a Shareholder, we strongly urge you to complete and sign the enclosed **white** form of proxy in respect of the General Meeting, in accordance with the instructions printed thereon, and to lodge them at the office of the Share Registrar at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong. **The pink form of proxy for use at the Court Meeting should be lodged no later than 48 hours before the time appointed for holding the Court Meeting or any adjournment thereof although it may alternatively be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it). The white form of proxy for use at the General Meeting must be lodged no later than 48 hours before the time appointed for holding the General Meeting or any adjournment thereof in order to be accepted, failing which it will not be valid.** The completion and return of a form of proxy for the Court Meeting and/or the General Meeting will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof. In such event, the returned form of proxy will be revoked by operation of law.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the General Meeting, you will still be bound by the outcome of the Court Meeting and the General Meeting if, among other things, the resolutions are passed by the requisite majorities at the Court Meeting and the General Meeting. We therefore strongly urge you to attend and vote at the Court Meeting and the General Meeting in person or by proxy.

Voting at the Court Meeting and the General Meeting will be taken by poll as required under the Listing Rules and the Takeovers Code.

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the General Meeting by no later than 7:00 p.m. on 23 August 2023. If all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition to sanction the Scheme by the Grand Court and, if the Scheme is sanctioned, the Scheme Record Date, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD THROUGH TRUST OR DEPOSITED IN CCASS

Court Meeting and General Meeting

The Company will not recognise any person as holding any Shares through any trust. If you are a Beneficial Owner whose Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees), you should contact the Registered Owner and provide the Registered Owner with instructions and/or make arrangements with the Registered Owner in relation to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the General Meeting.

Such instructions and/or arrangements should be given or made in advance of the deadline in respect of the Court Meeting and the General Meeting set by the Registered Owner in order to provide the Registered Owner with sufficient time to accurately complete his, her or its proxy and to submit it by the deadline stated in Part IV — Expected Timetable of this Scheme Document. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the aforementioned latest time for the lodgment of forms of proxy in respect of the Court Meeting and the General Meeting, any such Beneficial Owner should comply with the requirements of the Registered Owner.

If you are a Beneficial Owner who wishes to attend the Court Meeting and/or the General Meeting personally, you should:

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the General Meeting and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred and registered in your own name, in which case, you should consult your financial intermediary (such as your broker, custodian or nominee) to determine whether any charges apply.

The appointment of a proxy by the Registered Owner at the Court Meeting and/or the General Meeting shall be in accordance with all relevant provisions in the articles of association of the Company.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and no later than the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

The completion and return of a form of proxy for the Court Meeting and/or the General Meeting will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof. In the event that the Registered Owner attends and votes at the relevant meeting or any adjournment thereof after having lodged his forms of proxy, the returned form of proxy will be revoked by operation of law.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are a CCASS Investor Participant, contact your broker, custodian, nominee, or other relevant person who is, or has, in turn, deposited such Shares with other CCASS Participants, regarding voting instructions to be given to such persons if you wish to vote at the Court Meeting and/or at the General Meeting in respect of the Scheme. You should contact your broker, custodian, nominee or other relevant person in advance of the deadline in respect of the Court Meeting and the General Meeting set by them, in order to provide such person with sufficient time to provide HKSCC Nominees with instructions or make arrangements with HKSCC Nominees in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the General Meeting. The procedure for voting in respect of the Scheme by HKSCC Nominees with respect to the Shares registered under the name of HKSCC Nominees shall be in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

If you are a Beneficial Owner whose Shares are deposited in CCASS, you may also elect to become a Registered Owner, and thereby have the right to attend and vote at the Court Meeting (if you are a Scheme Shareholder) and the General Meeting (as a Shareholder). You can become a Registered Owner by withdrawing all or any of your Shares from CCASS and transferring and registering such Shares in your own name. For withdrawal of Shares from CCASS and registration thereof, you will be required to pay to CCASS a withdrawal fee per board lot withdrawn, a registration fee for each share certificate issued, stamp duty on each transfer instrument and, if your Shares are held through a financial intermediary, any other relevant fees charged by your financial intermediary. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for lodging transfers of the Shares to register the Shares in your name so as to qualify to attend and vote at the Court Meeting and the General Meeting, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Shares from CCASS and register them in your name.

SHAREHOLDERS (INCLUDING ANY BENEFICIAL OWNERS OF SUCH SHARES THAT GAVE VOTING INSTRUCTIONS TO A CUSTODIAN OR CLEARING HOUSE THAT SUBSEQUENTLY VOTED AT THE COURT MEETING) SHOULD NOTE THAT THEY ARE ENTITLED TO APPEAR BEFORE OR BE REPRESENTED AT THE HEARING OF THE PETITION IN THE GRAND COURT WHICH IS EXPECTED TO BE ON 29 AUGUST 2023, AT WHICH THE COMPANY WILL SEEK, AMONG OTHER THINGS, THE SANCTION OF THE SCHEME.

EXERCISE YOUR RIGHT TO VOTE

IF YOU ARE A SHAREHOLDER OR A BENEFICIAL OWNER, THE OFFEROR AND THE COMPANY STRONGLY ENCOURAGE YOU TO EXERCISE YOUR RIGHT TO VOTE OR GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND AT THE GENERAL MEETING. IF YOU KEEP ANY SHARES IN A SHARE LENDING PROGRAMME OR A CUSTODIAN ACCOUNT, THE OFFEROR AND THE COMPANY URGE YOU TO RECALL ANY OUTSTANDING SHARES ON LOAN OR REQUIRE YOUR CUSTODIAN TO RECALL ANY SUCH SHARES ON LOAN TO AVOID MARKET PARTICIPANTS USING BORROWED STOCK TO VOTE.

IF YOU ARE A BENEFICIAL OWNER WHOSE SHARES ARE DEPOSITED IN CCASS, THE OFFEROR AND THE COMPANY ENCOURAGE YOU TO PROVIDE HKSCC NOMINEES WITH INSTRUCTIONS OR MAKE ARRANGEMENTS WITH HKSCC NOMINEES IN RELATION TO THE MANNER IN WHICH THOSE SHARES SHOULD BE VOTED AT THE COURT MEETING AND/OR AT THE GENERAL MEETING WITHOUT DELAY AND/OR WITHDRAWN FROM CCASS AND TRANSFERRED INTO YOUR NAME (AS DETAILED IN THE SECTION “ACTIONS TO BE TAKEN — ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD THROUGH TRUST OR DEPOSITED IN CCASS” ABOVE).

IF YOU ARE A REGISTERED OWNER HOLDING SHARES ON BEHALF OF BENEFICIAL OWNERS, WE SHOULD BE GRATEFUL IF YOU WOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR RIGHT TO VOTE.

IF YOU ARE IN ANY DOUBT AS TO THE ACTIONS TO BE TAKEN, YOU ARE ENCOURAGED TO CONSULT YOUR LICENSED SECURITIES DEALER OR REGISTERED INSTITUTION IN SECURITIES, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

**Hong Kong Time unless
indicated otherwise**

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| Date of despatch of this Scheme Document | 31 July 2023 |
| Latest time for lodging transfers of Shares in order to become entitled to attend and vote at the Court Meeting and/or the General Meeting | 4:30 p.m. on 17 August 2023 |
| Register of members of the Company closed for determination of entitlements of Scheme Shareholders to attend and vote at the Court Meeting and of Shareholders to attend and vote at the General Meeting (<i>Note 1</i>)..... | From 18 August 2023 to 23 August 2023 (both days inclusive) |
| Latest time for lodging forms of proxy in respect of (<i>Note 2</i>) | |
| Court Meeting..... | 10:00 a.m. on 21 August 2023 |
| General Meeting | 10:30 a.m. on 21 August 2023 |
| Meeting Record Date | 23 August 2023 |
| Court Meeting (<i>Note 3</i>)..... | 10:00 a.m. on 23 August 2023 |
| General Meeting (<i>Note 3</i>)..... | 10:30 a.m. on 23 August 2023 (or, if later, as soon as practicable after the conclusion or adjournment of the Court Meeting) |
| Announcement of the results of the Court Meeting and the General Meeting posted on the website of the Stock Exchange and the website of the Company..... | No later than 7:00 p.m. on 23 August 2023 |
| Expected latest time for trading in the Shares on the Stock Exchange | 4:10 p.m. on 24 August 2023 |
| Latest time for lodging transfer of Shares in order to qualify for entitlements under the Scheme..... | 4:30 p.m. on 29 August 2023 |
| Register of members of the Company closed for determining Scheme Shareholders qualified for entitlements to the Cancellation Price under the Scheme (<i>Note 4</i>)..... | From 30 August 2023 onwards |

**Hong Kong Time unless
indicated otherwise**

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| Court hearing of the petition to sanction the Scheme | 29 August 2023 (Cayman Islands time) |
| Announcement of the results of the court hearing of the petition to sanction the Scheme, the expected Effective Date and the expected date of withdrawal of listing of Shares on the Stock Exchange | At or before 8:30 a.m. on 30 August 2023 |
| Scheme Record Date | 30 August 2023 |
| Effective Date (<i>Note 5</i>) | 30 August 2023 (Cayman Islands time) |
| Announcement of the Effective Date and the withdrawal of listing of the Shares on the Stock Exchange..... | At or before 8:30 a.m. on 31 August 2023 |
| Expected withdrawal of the listing of Shares on the Stock Exchange becoming effective..... | 9:00 a.m. on 1 September 2023 |
| Cheques for cash payment under the Scheme to be despatched (<i>Note 6</i>)..... | On or before 8 September 2023 |

Shareholders should note that the above timetable is subject to change. Further announcement(s) will be made in the event that there is any change.

Notes:

1. The register of members of the Company will be closed during such period for the purpose of determining entitlements of the Scheme Shareholders to attend and vote at the Court Meeting and of the Shareholders to attend and vote at the General Meeting. For the avoidance of doubt, this period of closure is not for determining entitlements under the Scheme.
2. The **pink** form of proxy in respect of the Court Meeting and the **white** form of proxy in respect of the General Meeting should be completed and signed in accordance with the instructions respectively printed thereon and should be lodged at the Share Registrar at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong by the times and dates stated above. The **pink** form of proxy for use at the Court Meeting should be lodged no later than 48 hours before the time appointed for holding the Court Meeting or any adjournment hereof although it may alternatively be handed to the chairman of the Court Meeting for the Court Meeting. The **white** form of proxy for use at the General Meeting must be lodged no later than 48 hours before the time appointed for holding the General Meeting or any adjournment thereof in order to be accepted. In the case of the **pink** form of proxy in respect of the Court Meeting, if it is not so lodged, it may also be handed to the chairman of the Court Meeting (who shall have absolute discretion as to whether or not to accept it). The **white** form of proxy in respect of the General Meeting will not be valid if it is not so lodged. The completion and return of a form of proxy for the Court Meeting and/or the General Meeting will not preclude a Scheme Shareholder or Shareholder (as the case may be) from attending and voting in person at the relevant meeting

or any adjournment thereof if he so wishes. In the event that the Scheme Shareholder or Shareholder (as the case may be) attends and votes at the relevant meeting or any adjournment thereof after having lodged his form of proxy, the returned form of proxy will be revoked by operation of law.

3. For further details relating to the Court Meeting and the General Meeting, please see the notice of Court Meeting set out in Appendix IV to this Scheme Document and the notice of General Meeting set out in Appendix V to this Scheme Document. If a tropical cyclone warning signal No. 8 or above is or is expected to be hoisted or a black rainstorm warning signal or “extreme conditions” caused by super typhoons is or is expected to be in force at any time after 7:00 a.m. on the date of the Court Meeting and the General Meeting, the Court Meeting and the General Meeting may be adjourned. The Company may post an announcement on the respective websites of the Stock Exchange and the Company to notify the Scheme Shareholders and Shareholders (as the case may be) of the date, time and venue of the reconvened meetings.
4. The register of members of the Company will be closed during such period for the purpose of determining Scheme Shareholders who are qualified for entitlements under the Scheme.
5. The Scheme shall become effective upon all the Conditions set out in the section headed “4. Conditions to the Proposal and the Scheme” in Part VIII — Explanatory Memorandum of this Scheme Document having been fulfilled or (to the extent permitted) waived (as the case may be).
6. Cheques for the cash entitlement in respect of the Cancellation Price will be sent within seven Business Days of the Effective Date by ordinary post addressed to the persons entitled thereto at their respective registered addresses. All such cheques will be posted at the risk of the person(s) entitled thereto and none of the Offeror, the Company, CICC, the Independent Financial Adviser, the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal will be responsible for any loss or delay in despatch.

All references to times and dates in this Scheme Document are references to Hong Kong times and dates, unless otherwise stated and other than references to the expected date of the Grand Court hearing of the petition to sanction the Scheme, which is the relevant date in the Cayman Islands. For reference only, Cayman Islands time is 13 hours behind Hong Kong time as at the Latest Practicable Date.

**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)

Executive Directors:

Mr. XU Shihui (*Chairman*)
Mr. Zhuang Weiqiang
Ms. XU Yangyang

Non-executive Directors:

Ms. XU Biying
Ms. HU Xiaoling

Independent Non-executive Directors:

Mr. NG Kong Hing
Mr. LIU Xiaobin
Dr. LIN Zhujun

Registered Office:

Maples Corporate Services Limited
PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

*Principal Place of Business
in Hong Kong:*

Room 2601, 26th Floor
One Harbourfront
18 Tak Fung Street
Hungghom, Kowloon, Hong Kong

31 July 2023

To the Shareholders

Dear Sir/Madam.

**(1) PROPOSAL FOR THE PRIVATISATION OF
DALI FOODS GROUP COMPANY LIMITED BY
THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES ACT)
(2) PROPOSED WITHDRAWAL OF LISTING
(3) SPECIAL DEAL RELATING TO THE ROLLOVER ARRANGEMENT**

INTRODUCTION

Pursuant to the Announcement dated 27 June 2023, the Offeror and the Company jointly announced that the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Act. 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, under the Scheme, the Scheme Shares will, on the Effective Date, be cancelled and extinguished. Simultaneously with 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.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal, the Scheme, the Rollover Arrangement and the expected timetable and to give you notices of the Court Meeting and the General Meeting (together with proxy forms in relation thereto). Your attention is also drawn to (i) the letter from the Independent Board Committee set out in Part VI of this Scheme Document; (ii) the letter from Gram Capital set out in Part VII of this Scheme Document; (iii) the Explanatory Memorandum set out in Part VIII of this Scheme Document; and (iv) the terms of the Scheme set out in Appendix III to this Scheme Document.

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 Cash Cancellation Consideration, being the payment of the Cancellation Price of HK\$3.75 in cash for each such Scheme Share.

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

The Company does not intend to declare and/or pay any dividend before the Effective Date or the date on which the Scheme is not approved or the Proposal otherwise lapses (as the case may be). However, 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 the Announcement, this 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.

Comparison of value

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 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;
- a premium of approximately 3.59% over the closing price of HK\$ 3.62 per Share as quoted on the Stock Exchange on the Latest Practicable Date; 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 the Last Trading Day for illustrative purposes.

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

The Offeror has advised the Company that the Cancellation Price has been determined on a commercial basis after taking into account, among others, the challenging external environment and competition landscape, the business performance of the Group, the recent stock price performance, as well as the trading multiples (e.g. EV/EBITDA) of comparable companies listed on the Stock Exchange.

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 any reduction of the share capital of the Company associated with cancelling and extinguishing the Scheme Shares; and
 - (b) an ordinary resolution by the Shareholders at the General Meeting to simultaneously maintain the issued share capital of the Company at 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 Latest Practicable 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 were not aware of any outstanding authorisations, approvals, permissions, waivers consents, registrations or filings. The Offeror reserves the right to waive Conditions (6) (save in the case of the approval

of the Stock Exchange for the withdrawal of listing of the Shares upon the Scheme becoming effective) 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) and Condition (6) (in respect of the approval of the Stock Exchange for the withdrawal of listing of the Shares upon the Scheme becoming effective only) 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.

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.

SPECIAL DEAL RELATING TO THE ROLLOVER ARRANGEMENT

As at the Latest Practicable Date, the Trustee held 532,327,500 Shares (representing approximately 3.89% of the issued Shares).

The Offeror, the Trustee and the Company have entered into the Rollover Agreement on 27 June 2023 under which the parties agreed 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. Accordingly, the Trustee Shares will not form part of the Scheme Shares.

For details of the Share Award Scheme, please refer to section headed “9. Shareholding Structure of the Company and Scheme Shares — Share Award Scheme” of Part VIII — Explanatory Memorandum of this Scheme Document.

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 Shareholders' Approval

As the 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 has made 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, 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.

Warning: Shareholders and potential investors of the Company should be aware that as the approval of the Rollover Arrangement by the Disinterested Shareholders at the General Meeting is a non-waivable Condition, if the Rollover Arrangement is not approved by the Disinterested Shareholders at the General Meeting, the Rollover Arrangement and the Proposal will not be implemented, and the Scheme will lapse.

FINANCIAL RESOURCES

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

As at the Latest Practicable Date, the Offeror would be financing the entire cash amount required for the payment of the total consideration under the Scheme by way of internal resources and/or external financing.

CICC, the financial adviser to the Offeror in connection with the Proposal, 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.

REASONS FOR AND BENEFITS OF THE PROPOSAL

You are urged to read carefully the sections headed “Reasons for and Benefits of the Proposal” in Part VIII — Explanatory Memorandum of this Scheme Document and “Principal Factors and Reasons Considered” in the letter from Gram Capital in Part VII of this Scheme Document.

On the basis set out above, the Board considers that the terms of the Proposal, the Scheme and the Rollover Arrangement are fair and reasonable and in the interests of the Shareholder as a whole.

Among the members of the Board, Mr. XU Shihui, Ms. XU Yangyang and Ms. XU Biying are regarded as being interested in the Proposal and therefore have abstained and will continue to abstain from voting in respect of the resolutions of the Board relating to the Proposal where required under the articles of association of the Company and subject to the compliance with the Takeovers Code.

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. The Company does not hold any of the Offeror's shares.

Offeror

The Offeror is a company incorporated in the British Virgin Islands with limited liability. The entire issued share capital of the Offeror is wholly owned by the Founder who is an executive Director. 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, the Scheme and the Rollover Arrangement. 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.

INTENTIONS OF THE OFFEROR AND THE COMPANY

Your attention is drawn to the section headed "Reasons for and Benefits of the Proposal" in Part VIII — Explanatory Memorandum of this Scheme Document.

The Board is aware of and welcomes the Offeror's intentions as set out in the section headed "Reasons for and Benefits of the Proposal" in Part VIII — Explanatory Memorandum of this Scheme Document that, among others, the Group will continue to carry on its current business, and the Offeror will continue to consider how to develop the Company in a manner which best enhances value.

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 is included in the Scheme Document, which will also contain, among other things, further details of the Scheme.

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.

OVERSEAS SHAREHOLDERS

If you are an overseas Scheme Shareholder, your attention is drawn to the section headed “Overseas Shareholders” in Part VIII — Explanatory Memorandum of this Scheme Document.

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

As at the Latest Practicable Date, the Offeror did 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 Latest Practicable Date, the Founder was, through DF which was 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 have undertaken 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 “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 “Conditions to the Proposal and the Scheme” (as required under Companies Act) is satisfied. DF has undertaken to the Grand Court that it will not attend and vote at the Court Meeting and will procure that any Shares in respect of which it is beneficially interested will not be represented or voted at the Court Meeting.

All Shareholders will be entitled to attend the General Meeting and vote on (1) the special resolution to approve and give effect to any reduction of the issued share capital of the Company associated with cancelling and extinguishing the Scheme Shares; and (2) the ordinary resolution to simultaneously maintain the issued share capital of the Company at 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, but (1) DF will be required to abstain from voting on the ordinary resolution to approve the Rollover Arrangement at the General Meeting and (2) the Trustee will not vote at the General Meeting as it may not exercise the voting rights in respect of the Trustee Shares held by it in accordance with the rules of the Share Award Scheme.

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. Ms. HU Xiaoling (a non-executive Director), Mr. NG Kong Hing (an independent non-executive Director), Mr. LIU Xiaobin (an independent non-executive Director) and Dr. LIN Zhijun (an independent non-executive Director) have no direct or indirect interest in the Proposal and together form the Independent Board Committee.

Each member of the Independent Board Committee confirmed that they do not hold any Shares as at the Latest Practicable Date and will not acquire any Shares during the offer period (as defined under the Takeovers Code).

The full text of the letter from the Independent Board Committee is set out in Part VI of this Scheme Document.

INDEPENDENT FINANCIAL ADVISER

Gram Capital, the Independent Financial Adviser, has been appointed 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. The full text of the letter from Gram Capital is set out in Part VII of this Scheme Document.

GENERAL

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

No irrevocable commitment to vote for or against the Scheme had been received by the Offeror or the Offeror Concert Parties, as at the Latest Practicable 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.

ACTIONS TO BE TAKEN

The actions which you are required to take in relation to the Proposal are set out in Part III — Actions to be Taken of this Scheme Document and the section headed “Actions to be Taken” in Part VIII — Explanatory Memorandum of this Scheme Document.

REGISTRATION AND PAYMENT

Your attention is drawn to the section headed “Registration and Payment” in Part VIII — Explanatory Memorandum of this Scheme Document.

TAXATION AND INDEPENDENT ADVICE

Your attention is drawn to the section headed “Taxation” in Part VIII — Explanatory Memorandum of this Scheme Document.

It is emphasised that none of the Offeror, the Company, CICC and their agents or any of their respective directors, officers or associates or any other person involved in the Scheme and the Proposal accepts responsibility or has any liability for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Scheme. All Scheme Shareholders are recommended to consult their professional advisers if in any doubt as to the taxation implications of the Proposal and they shall be solely responsible for their liabilities (including tax liabilities) in relation to the Scheme.

COURT MEETING AND GENERAL MEETING

For the purpose of exercising your right to vote at the Court Meeting and/or the General Meeting, you are requested to read carefully (i) the section headed “Court Meeting and General Meeting” in Part VIII — Explanatory Memorandum of this Scheme Document; (ii) the section headed “Actions to be Taken” in Part VIII — Explanatory Memorandum of this Scheme Document; and (iii) the notices of the Court Meeting and the General Meeting as set out in Appendix IV and Appendix V, respectively, of this Scheme Document.

RECOMMENDATION

Your attention is drawn to Part VI — Letter from the Independent Board Committee of this Scheme Document which sets out the advice from the Independent Board Committee to the Disinterested Shareholders in connection with the Proposal, the Scheme and the Rollover Arrangement and Part VII — Letter from Gram Capital of this Scheme Document which sets out the advice from Gram Capital to the Independent Board Committee in connection with the Proposal, the Scheme and the Rollover Arrangement, and the principal factors taken into consideration in arriving at its recommendations.

Gram Capital has advised the Independent Board Committee that it considers that, as far as the Disinterested Shareholders are concerned, the terms of the Proposal, the Scheme and the Rollover Arrangement are fair and reasonable, and accordingly, it advises the Independent Board Committee to recommend the Disinterested Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the General Meeting to approve and implement the Proposal and the Scheme; and (ii) at the General Meeting to approve the Rollover Arrangement.

The Independent Board Committee, having been so advised, considers that, as far as the Disinterested Shareholders are concerned, the terms of the Proposal, the Scheme and the Rollover Arrangement are fair and reasonable. Accordingly, the Independent Board Committee recommends the Disinterested Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the General Meeting to approve and implement the Proposal and the Scheme; and (ii) at the General Meeting to approve the Rollover Arrangement.

FURTHER INFORMATION

You are urged to read carefully the following documents:

- (1) the letter from the Independent Board Committee as set out in Part VI of this Scheme Document;
- (2) the letter from Gram Capital as set out in Part VII of this Scheme Document;
- (3) the Explanatory Memorandum as set out in Part VIII of this Scheme Document;
- (4) the appendices to this Scheme Document;
- (5) the notice of the Court Meeting as set out in Appendix IV of this Scheme Document;
and
- (6) the notice of the General Meeting as set out in Appendix V of this Scheme Document.

In addition, a **pink** form of proxy in respect of the Court Meeting and a **white** form of proxy in respect of the General Meeting are enclosed with this Scheme Document.

Yours faithfully
By order of the Board
DALI FOODS GROUP COMPANY LIMITED
達利食品集團有限公司
XU Shihui
Chairman

**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)**

31 July 2023

To the Disinterested Shareholders

Dear Sir/Madam,

**(1) PROPOSAL FOR THE PRIVATISATION OF
DALI FOODS GROUP COMPANY LIMITED BY
THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES ACT)
(2) PROPOSED WITHDRAWAL OF LISTING
(3) SPECIAL DEAL RELATING TO THE ROLLOVER ARRANGEMENT**

Reference is made to the joint announcement dated 27 June 2023 jointly issued by the Offeror and the Company in relation to the Proposal and the scheme document dated 31 July 2023 jointly issued by the Offeror and the Company in relation to the Proposal, the Scheme and the Rollover Arrangement (the “**Scheme Document**”), the latter of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Scheme Document.

We have been appointed by the Board as the Independent Board Committee 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 at the Court Meeting and the General Meeting. Details of the Proposal, the Scheme and the Rollover Arrangement are set out in the letter from the Board and the Explanatory Memorandum set out in Part V and Part VIII of the Scheme Document, respectively.

Gram Capital, the Independent Financial Adviser, has been appointed by the Company with our approval, to advise us on the Proposal, the Scheme and the Rollover Arrangement. The details of its advice and the principal factors taken into consideration in arriving at its advice are set out in the letter from Gram Capital in Part VII of the Scheme Document.

In the letter from Gram Capital as set out in Part VII of the Scheme Document, Gram Capital states that it considers the terms of the Proposal, the Scheme and the Rollover Arrangement are fair and reasonable as far as the Disinterested Shareholders are concerned, and advises the Independent Board Committee to recommend the Disinterested Shareholders to

vote in favour of the relevant resolutions to be proposed at the Court Meeting and the General Meeting to approve and implement the Proposal and the Scheme; and (ii) at the General Meeting to approve the Rollover Arrangement.

The Independent Board Committee, having considered the terms of the Proposal, the Scheme and the Rollover Arrangement, and having taken into account the advice of Gram Capital, and in particular the factors, reasons and recommendations set out in its letter, considers that the terms of the Proposal, the Scheme and the Rollover Arrangement are fair and reasonable as far as the Disinterested Shareholders are concerned.

Accordingly, the Independent Board Committee recommends:

- (1) at the Court Meeting, the Disinterested Shareholders to vote in favour of the resolution to approve the Scheme; and
- (2) at the General Meeting,
 - (a) the Shareholders to vote in favour of:
 - (i) the special resolution to approve the Scheme and any reduction of the share capital of the Company associated with cancelling and extinguishing the Scheme Shares;
 - (ii) the ordinary resolution to simultaneously maintain the issued share capital of the Company at 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; and
 - (b) the Disinterested Shareholders to vote in favour of the ordinary resolution to approve the Rollover Arrangement.

The Independent Board Committee draws the attention of the Disinterested Shareholders to (i) the letter from the Board as set out in Part V of the Scheme Document; (ii) the letter from Gram Capital, which sets out the principal factors taken into consideration in arriving at its advice to the Independent Board Committee, as set out in Part VII of the Scheme Document; and (iii) the Explanatory Memorandum as set out in Part VIII of the Scheme Document.

Yours faithfully,
Independent Board Committee

Ms. HU Xiaoling
*Non-Executive
Director*

Mr. NG Kong Hing
*Independent Non-
Executive Director*

Mr. LIU Xiaobin
*Independent Non-
Executive Director*

Dr. LIN Zhijun
*Independent Non-
Executive Director*

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee in respect of the Proposal, the Scheme and the Rollover Arrangement for the purpose of inclusion in the Scheme Document.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

31 July 2023

To: The Independent Board Committee of Dali Foods Group Company Limited

Dear Sir/Madam,

**(1) PROPOSAL FOR THE PRIVATISATION OF
DALI FOODS GROUP COMPANY LIMITED BY
THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES ACT);
(2) PROPOSED WITHDRAWAL OF LISTING; AND
(3) SPECIAL DEAL RELATING TO THE ROLLOVER ARRANGEMENT**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Proposal, the Scheme and the Rollover Arrangement, details of which are set out in the Scheme Document dated 31 July 2023 issued by the Company to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Scheme Document unless the context requires otherwise.

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, under the Scheme, the Scheme Shares will, on the Effective Date, be cancelled and extinguished. Simultaneously with 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.

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

The Company, the Offeror and the Trustee have entered into the Rollover Agreement on 27 June 2023 under which the parties agreed 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. Accordingly, the Trustee Shares will not form part of the Scheme Shares.

As the 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 has made 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.

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.

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.

We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Proposal, the Scheme and the Rollover Arrangement, and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Proposal, the Scheme and the Rollover Arrangement pursuant to Rule 2.1 of the Takeovers Code. The appointment of Gram Capital as the Independent Financial Adviser has been approved by the Independent Board Committee.

INDEPENDENCE

We were not aware of (i) any relationships or interests between Gram Capital and the Company; or (ii) any services provided by Gram Capital to the Company, during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Scheme Document and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Scheme Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Scheme Document, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Proposal, the Scheme and the Rollover Arrangement. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code.

Your attention is drawn to the responsibility statements as set out in the section headed "1. RESPONSIBILITY STATEMENT" of Appendix II to the Scheme Document. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Scheme Document, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company or its

respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Proposal, the Scheme and the Rollover Arrangement.

We have assumed that the Proposal, the Scheme and the Rollover Arrangement will be consummated in accordance with the terms and conditions set forth in the Scheme Document without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the Proposal, the Scheme and the Rollover Arrangement, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Proposal, the Scheme and the Rollover Arrangement. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Proposal, the Scheme and the Rollover Arrangement, we have taken into consideration the following principal factors and reasons:

1. Terms of the Proposal

With reference to the section headed “Part V — Letter from the Board” of the Scheme Document, 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 Cash Cancellation Consideration, being the payment of the Cancellation Price of HK\$3.75 in cash for each such Scheme Share.

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

The Company does not intend to declare and/or pay any dividend before the Effective Date or the date on which the Scheme is not approved or the Proposal otherwise lapses (as the case may be). However, 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 the 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.

Further details of the Proposal, the Scheme and the Rollover Arrangement are set out in the section headed “Part VIII — Explanatory Memorandum” of the Scheme Document.

2. Background of the Group

2.1 Information on the Group

With reference to the section headed “Part V — Letter from the Board” of the Scheme Document, 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 the PRC with a diversified presence across multiple categories and industrial segments, a number of consumer brands, and an extensive and in-depth nationwide channel network.

As at the Latest Practicable Date, the Company had 13,694,117,500 Shares in issue.

Set out below is a summary of the audited consolidated financial information on the Group for the three years ended 31 December 2022, as extracted from the Company’s annual report for the year ended 31 December 2021 (the “**2021 Annual Report**”) and the Company’s annual report for the year ended 31 December 2022 (the “**2022 Annual Report**”):

| | For the year ended 31 December | | | Change from 2021 to 2022 % | Change from 2020 to 2021 % |
|--|--------------------------------|-----------------------|-----------------------|-------------------------------------|-------------------------------------|
| | 2022 | 2021 | 2020 | | |
| | (“FY2022”) RMB’000 | (“FY2021”) RMB’000 | (“FY2020”) RMB’000 | | |
| Revenue | 19,957,199 | 22,294,000 | 20,961,708 | (10.48) | 6.36 |
| — <i>Manufacture and sale of household consumption</i> | 3,704,740 | 3,635,158 | 2,963,312 | 1.91 | 22.67 |
| — <i>Manufacture and sale of snack food</i> | 9,029,759 | 9,942,565 | 10,213,400 | (9.18) | (2.65) |
| — <i>Manufacture and sale of ready-to-drink beverage</i> | 5,123,163 | 6,595,874 | 6,175,648 | (22.33) | 6.80 |
| — <i>Others</i> | 2,099,537 | 2,120,403 | 1,609,348 | (0.98) | 31.76 |
| Gross profit | 7,023,954 | 8,155,606 | 8,240,896 | (13.88) | (1.03) |
| Other income and gains | 1,451,152 | 1,428,745 | 1,036,617 | 1.57 | 37.83 |
| Profit for the year | 2,990,088 | 3,725,225 | 3,848,653 | (19.73) | (3.21) |

FY2021

For FY2021, the Group recorded revenue of approximately RMB22.29 billion, representing an increase of approximately 6.36% as compared to that for FY2020. With reference to the 2021 Annual Report, the increase in revenue for FY2021 was mainly due to that the household consumption segment revenue grew at a fast pace with a year-on-year increase of approximately 22.67% and the ready-to-drink beverage segment revenue returned to the track of high-quality growth with a year-on-year growth of approximately 6.80%.

The Group's other income and gains (which mainly included bank interest income of approximately RMB676.51 million and government grants of approximately RMB672.32 million) for FY2021 represented a substantial increase of approximately 37.83% as compared to that for FY2020, which was mainly due to the substantial increases in bank interest income (net) (i.e. increased by approximately 24.32% or RMB132.36 million) and government grants (i.e. increased by approximately 56.67% or RMB243.20 million) for the corresponding period.

The Group's gross profit and profit for FY2021 decreased by approximately 1.03% and 3.21% respectively as compared to those for FY2020. With reference to the 2021 Annual Report, the aforementioned decreases were mainly due to the impact of higher raw material costs.

FY2022

For FY2022, the Group recorded revenue of approximately RMB19.96 billion, representing a substantial decrease of approximately 10.48% as compared to that for FY2021. With reference to the 2022 Annual Report, the aforesaid decrease was mainly due to the decrease in snack food segment revenue and ready-to-drink segment revenue.

The Group's other income and gains for FY2022 represented a slight increase of approximately 1.57% as compared to that for FY2021. This was mainly due to the substantial increase of approximately 22.60% (or RMB152.88 million) in bank interest income (net), but offset by a substantial decrease of approximately 18.70% (or RMB125.75 million) in government grants for the corresponding period.

The Group also recorded decreases of approximately 13.88% and 19.73% in gross profit and profit for FY2022 as compared to those for FY2021, which were mainly due to the price increase of raw materials and aforementioned decrease in revenue for FY2022.

With reference to the 2022 Annual Report, the Group will fully capitalize market opportunities and forward-looking advantages to continuously promote the healthy growth of snack food, stimulate the market of the ready-to-drink segment to gain new momentum, promote high-end and innovative plant-based products, expand

quality sales outlets and the scale advantage of short shelf-life products, consolidating its leading position under the trend of consumer upgrade and healthy lifestyle.

2.2 Industry overview

As the Group principally engaged in the PRC food (including snack food) and beverage industries, the consumption of which may be affected by the PRC's economy, we researched for certain PRC's economic indicators as summarised below.

According to the National Bureau of Statistics, the gross domestic products (“GDP”) of the PRC during the last five full years (2018 to 2022) grew continuously and reached approximately RMB121,021 billion in 2022, representing a compound annual growth rate (“CAGR”) of approximately 7.1% for the corresponding period.

From 2018 to 2022, in line with the continuous development of national economy, the PRC's disposable income per capita grew from approximately RMB28,228 in 2018 to approximately RMB36,883 in 2022, representing a CAGR of approximately 6.9%.

Set out below are GDP and disposable income per capita of the PRC from 2018 to 2022 according to the National Bureau of Statistics:

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|-------------------------------------|---------|-----------------|---------|--------|--------|
| GDP (RMB'billion) | 121,021 | 114,924 | 101,357 | 98,652 | 91,928 |
| <i>Year-on-year growth rate (%)</i> | | | | | |
| <i>(Note 1)</i> | 5.3% | 13.4% | 2.7% | 7.3% | 10.5% |
| <i>Year-on-year growth rate (%)</i> | | | | | |
| <i>without taking into</i> | | 8.4% | | | |
| <i>account price impact</i> | 3.0% | <i>(Note 2)</i> | 2.2% | 6.0% | 6.7% |
| Disposable income per | | | | | |
| capita (RMB) | 36,883 | 35,128 | 32,189 | 30,733 | 28,228 |
| <i>Year-on-year growth rate (%)</i> | 5.0% | 9.1% | 4.7% | 8.9% | 8.7% |

Notes:

1. Year-on-year growth rate in this letter is calculated by figure in current year over figure in previous year minus one.
2. Year-on-year growth rate without taking into account price impact (which could be led by inflation/deflation) was based on GDP at constant prices. As GDP at constant price is converted from GDP based on the current price into a value based on the price of certain base period (i.e., 1952, 1957, 1970, 1980, 1990, 2000, 2005, 2010, 2015 and 2020), there are two figures for the base switching years (i.e. one based on former base year prices and one based on new base year prices). The year-on-year growth rate of GDP at constant price for 2021 was calculated based on GDP at constant price for 2021 and 2020 (based on current base year, i.e. 2020).

We also researched for relevant statistics and governmental policies of the PRC food (including snack food) and beverage industries as summarised below.

Snack food industry in the PRC

Set out below is the scale of the PRC snack food industry during 2018 to 2022 with reference to a report titled 《2023–2024年中國休閒食品產業現狀及消費行為數據研究報告》(Research Report on the Current Situation and Consumer Behaviour Data of the PRC Snack Food Industry 2023–2024*, the “**Snack Food Report**”) published by iiMedia Research (according to iiMedia Research’s website, iiMedia Research is a world-renowned third-party data mining and analysis organization for new economic industries. Its research services area covers new economic fields such as artificial intelligence, new retail, sharing economy, online education, biotechnology, online games, e-commerce, advertising and marketing, culture and entertainment, publishing media, and knowledge payment).

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|-------|-------|-------|-------|------|
| Scale of the PRC snack food industry (RMB’billion) | 1,165 | 1,156 | 1,120 | 1,056 | 990 |
| <i>Year-on-year growth rate (%)</i> | 0.8% | 3.2% | 6.1% | 6.6% | 8.8% |

As shown in the table above, the scale of the PRC snack food industry continuously increased from 2018 to 2022, with a CAGR of approximately 4.2%. Nevertheless, its year-on-year growth rates continuously decreased from 2018 to 2022. The year-on-year growth rate of the scale of the PRC snack food industry was below 1% in 2022.

According to the Snack Food Report, the scale of the PRC snack food industry is estimated to reach RMB1,237.8 billion in 2027 (implying a CAGR of approximately 1.2% from 2022 to 2027), and snack food industry will shift from a rapidly growing market to a slow growing market.

Beverage industry in the PRC

Set out below are the total turnover of beverage market (with transaction value over RMB100 million) in the PRC from 2017 to 2021 (Note: relevant figure for 2022 was not available as at the Latest Practicable Date), published by the National Bureau of Statistics of the PRC:

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|------|--------|------|------|-------|
| Total turnover of beverage markets (with transaction value over RMB100 million) in the PRC (RMB billion) | 103 | 94 | 107 | 105 | 98 |
| <i>Year-on-year growth rate (%)</i> | 9.4% | -11.5% | 1.9% | 6.5% | -8.5% |

As shown in the table above, the total turnover of beverage markets (with transaction value over RMB100 million) in the PRC increased from approximately RMB98 billion in 2017 to approximately RMB107 billion in 2019. Subsequently, the total turnover of beverage markets (with transaction value over RMB100 million) in the PRC decreased to approximately RMB94 billion in 2020 and recovered to approximately RMB103 billion in 2021. The total turnover of beverage markets (with transaction value over RMB100 million) in the PRC fluctuated from 2017 to 2021, with a CAGR of approximately 1.2%.

According to a report titled 《2022–2023年全球及中國飲料市場發展趨勢及消費行為數據監測報告》(2022–2023 Global and Chinese Beverage Market Development Trends and Consumer Behaviour Data Monitoring Report*, the “**Beverage Report**”) published in September 2022 by iiMedia Research, in 2020, the scale of the PRC beverage market exceeded RMB1,000 billion, and it was expected that such scale would reach RMB1,247.80 billion in 2022. Following the development of PRC’s economy, the increase in resident consumption level (i.e. consumption level of residents to meet daily households consumption needs) and the upgrading of consumption structure (i.e. the shift from pursuing quantity satisfaction to quality improvement), there is an overall growing trend in the PRC beverage industry. The PRC beverage industry has already entered a mature stage.

Food safety related matters

In recent years, the PRC government issued various policies or made several decisions affecting the PRC food market. Relevant and material government-issued policies and decisions regarding the PRC food market are set out below:

In August 2019, the State Administration for Market Regulation of the PRC promulgated 《食品安全抽樣檢驗管理辦法》(the Measures for Food Safety Sampling Inspection*, which was amended in September 2022), pursuant to which the PRC government would standardize food safety sampling inspections and strengthen food safety supervision and management to protect public health and life safety.

In October 2019, the State Council of the PRC issued 《中華人民共和國食品安全法實施條例》(2019年修訂) (the Implementation Rules of Food Safety Law of the People's Republic of China (2019 Edition)*), which outlined that food producers and operators shall engage in production and operation activities in accordance with laws, regulations and food safety standards.

In January 2020, the State Administration for Market Regulation of the PRC issued 《食品生產許可管理辦法》(2020年修訂) (the Measures for the Management of Food Production License (2020 Edition)*), which indicated that the PRC government should standardize food and food additive production licensing activities, strengthen food production supervision and management to ensure food safety.

In January 2021, the Certification and Accreditation Administration of the PRC published 《食品安全管理體系認證實施規則》(2021年修訂) (the Implementation Rules for the Certification of Food Safety Management Systems (2021 Edition)*), in order to improve the food safety certification and accreditation system, standardize the food safety certification and accreditation activities, and ensure the consistency and effectiveness of the food safety certification and accreditation activities.

In April 2021, the National People's Congress Standing Committee of the PRC issued 《中華人民共和國食品安全法》(2021年修訂) (the Food Safety Law of the People's Republic of China (2021 Edition)*), which stipulated that food producers and operators shall engage in production and operation activities in accordance with laws, regulations and food safety standards, and ensure food safety, be honest and self-disciplined, be responsible to the society and the public, accept social supervision.

In December 2022, the State Administration for Market Regulation of the PRC issued an article titled 《深入學習貫徹黨的二十大精神聚焦“四線”強化食品生產監管》(In-depth Study and Implementation of the Spirit of the 20th National Congress of the Communist Party of China, Focusing on the “Fourth Line” and Strengthening the Supervision of Food Production*), pursuant to which the PRC government would (i) urge enterprises to implement the main responsibility of food safety; (ii) strengthen food production supervision; (iii) strengthen food production risk assessment and prevention; and (iv) promote the high-quality development of the food industry.

In February 2023, the Office of National Health Commission of the PRC, the Office of Ministry of Agriculture and Rural Affairs of the PRC and the Office of the State Administration for Market Regulation of the PRC jointly issued a notice titled 《關於印發食品安全標準跟蹤評價工作方案的通函》(the Notice on Printing and Distributing the Work Plan for Tracking and Evaluation of Food Safety Standards*), which indicated that (i) the tracking and evaluation work would focus on key food safety fields, key food safety standards and the prominent problems in the implementation of food safety standards; (ii) the PRC government would strengthen the cooperation between the health and market supervision department and the

agriculture and rural areas department to promote the linkage and cooperation between the tracking and evaluation works and other tasks; and (iii) the PRC government would organically integrate the tracking and evaluation work with the training and interpretation of the food safety standard, expanding the coverage of the publicity of such training and interpretation, and improving the service level of food safety standard guidance.

Competition landscape

Based on our understanding from the Directors, the food and beverage industry in the PRC is under deep reform. Although the scale of food and beverage industry in the PRC is large, its overall growth has slowed down in recent years due to weakened consumption willingness as a result of slowdown in PRC economic growth. Currently, there is a wide variety of product categories with low standardization in the food and beverage industry of the PRC, coupled with the characteristic of low entry threshold, resulting in a relatively fragmented competitive landscape.

The continuous growths of online sales also brought changes to the sales structures of mainstream offline sales channels of the food and beverage industry. With reference to 《2022年中國網絡零售市場發展報告》(Report on the Development of China's Online Retail Market in 2022*), which was issued by Department of Electronic Commerce and Informatization under Ministry of Commerce of the PRC, and according to the National Bureau of Statistics, the online retail sales of physical goods for 2022 increased by 70.4% as compared to 2018, accounting for 27.2% (2018: approximately 18.6%) of the total retail sales of consumer goods in the PRC. The effect of online sales on driving consumption is evident by the above statistics.

As advised by the Directors, the reform of sales channels and changes in consumer group structure also lead to the change in consumer behaviour and competition landscape of food and beverage industry in the PRC, these changes may impact the competitiveness of the Group which conduct its businesses mainly through offline sales channels. Both brand-established industry participants and new industry participants are also seeking growth driven points through online sales channels, bringing significant challenges to traditional offline sales channels. In addition, consumers' health consciousness and diversified consumption needs in post-epidemic era will also drive the launch of new products and new brands of products. As also stated in the Beverage Report, with the launch of innovative new beverage products and the entry of beverage industry by new tea beverage brands, the beverage industry has begun to face new competition.

Conclusion

Having considered the above, including (i) the PRC's GDP and disposable income per capita together with their respective growth as shown above; (ii) the year-on-year growth rates of scale of the PRC snack food industry continuously decreased from 2018 to 2022 and will shift from a rapidly growing market to a slow growing market (e.g. the year-on-year growth rate of the scale of the PRC snack

food industry was below 1% in 2022); (iii) there is an overall growing trend in the PRC beverage industry. Nevertheless, (a) the PRC beverage industry has already entered a mature stage; and (b) the total turnover of the PRC beverage markets, with transaction value over RMB100 million, fluctuated from 2017 to 2021, with a CAGR of approximately 1.2%; and (iv) the PRC government issued various policies or made several decisions affecting the PRC food market; (v) the competition landscape in the snack food and beverage industry in the PRC as listed out in the subsection “Competition landscape” above, we concur with the Directors with the followings:

- in 2022, under the impact of the pandemic and extreme weather conditions, coupled with the volatile geopolitical situation, the macro environment in the PRC faced greater complexity and severity. Although the optimisation of pandemic prevention and control policies brought about an orderly recovery of consumption scenarios, uncertainties still existed in the short term, in addition to the economic slowdown which made consumers more rational about their spendings;
- there is a wide variety of product categories with low standardization in the food and beverage industry of the PRC, coupled with the characteristic of low entry threshold, resulting in a relatively fragmented competitive landscape. The competition in the food and beverage industry of the PRC is expected to become fiercer; and
- as living standards continue to improve, food safety and health have become the primary concerns for consumers against the backdrop of upgraded consumption.

3. Intentions of the Offeror regarding the Company

Set out below is the Offeror’s intention in respect of the Company as extracted from section headed “Part VIII — Explanatory Memorandum” of the Scheme Document:

It is the intention of the Offeror that, if the Scheme becomes Effective, the Company will be delisted from the Stock Exchange and 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 and the continued employment of the employees 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.

4. Reasons for and the benefits of the Proposal

Set out below are the reasons and benefits of the Proposal from the perspective of (i) the Offeror and the Company; and (ii) the Scheme Shareholders with reference to section headed “Part VIII — Explanatory Memorandum” of the Scheme Document:

4.1 Reasons and benefits for the Offeror and the Company

- (1) *The Proposal will be favourable to facilitate the Company to implement long-term strategies that might have adverse impact on short-term performance and dividend return amid a challenging macro and market environment.*

In recent years, the macro-economic environment has become more complex, the consumer spending has become more rational, and the snack food and beverage industry has experienced significant changes and fiercer competition, which all result in the uncertainties of business operation in the short term. In this challenging environment, a business transformation (such as, industrial upgrading, brand innovation, channel optimisation, etc.) is necessary in order for the Company to compete effectively and solidify its leadership position in the snack food and beverage industry. However, these transformation measures (which may lead the Group to incur more expenses for point-of-sales expansion, sales headcount increase, brand building and shelf-space display, and product innovation, research and development, etc.) might have negative impacts on the Company’s short-term operating and financial performance, which will further impact the financial return to investors.

As a listed company in Hong Kong, the Company needs to pay attention to share price performance to maintain its reputation among investors and business partners, thus restraining itself from implementing long-term business strategies that might have adverse impact on its short-term operation result, share price as well as dividend yield, reflecting a mismatch between its listing status and business development strategy.

The Offeror believes that the successful implementation of the Proposal will provide more flexibility to the Group as a privately-owned business, free the management team from distractions arising from the public equities market, and facilitate the implementation of necessary business transformation which, if successful, may bolster core competitiveness of the Company.

- (2) *The Company has lost the advantage to maintain listing status with limited equity fund-raising ability*

The Shares have been trading at a relatively low price range considering the historical performance, and with lower-than-expected trading volume while the Company has to bear maintenance cost in order to maintain listing status. 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 capital raising perspective. After the implementation of the Proposal, the Company could reduce such additional costs associated with compliance and maintenance of the Company's listing status.

- (3) *The Proposal can eliminate the potential adverse impact of the share price fluctuation*

As a listed company, the Company's capital market volatility will influence the Company's branding, the reputation with customers, suppliers, and investors, as well as the employee morale, which are critical to business operation. The proposal could eliminate the uncertainty on the Company's business operation, including the potential adverse impact, associated with the share price fluctuation.

4.2 Reasons and benefits for the Scheme Shareholders

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.

We performed a trading liquidity analysis of the Shares for the period from 1 June 2022 up to and including the Latest Practicable Date (the “**Shares Review Period**”) (being approximately one year before the Announcement Date and up to and including the Latest Practicable Date, which is a commonly adopted period for analysis). The number of trading days per month, average daily number of Shares traded per month, and the respective percentages of the Shares’ average daily trading volume as compared to (i) the total number of Disinterested Shares as at the Latest Practicable Date; and (ii) the total number of Shares in issue as at the Latest Practicable Date, during the Shares Review Period are tabulated below:

| Month | Number of trading days | Average daily trading volume (the “Average Volume”) | % of the | % of the |
|--|------------------------|---|---|--|
| | | | Average Volume to total number of Disinterested Shares as at the Latest Practicable Date <i>(Note 1)</i> | Average Volume to total number of Shares in issue as at the Latest Practicable Date <i>(Note 2)</i> |
| | | | <i>Number of Shares</i> | <i>Approximate %</i> |
| 2022 | | | | |
| June | 21 | 12,643,947 | 0.831 | 0.092 |
| July | 20 | 2,691,253 | 0.177 | 0.020 |
| August | 23 | 3,078,749 | 0.202 | 0.022 |
| September | 21 | 3,124,761 | 0.205 | 0.023 |
| October | 20 | 3,162,513 | 0.208 | 0.023 |
| November | 22 | 5,733,518 | 0.377 | 0.042 |
| December | 20 | 2,474,053 | 0.163 | 0.018 |
| 2023 | | | | |
| January | 18 | 4,121,434 | 0.271 | 0.030 |
| February | 20 | 2,779,449 | 0.183 | 0.020 |
| March | 23 | 3,241,011 | 0.213 | 0.024 |
| April | 17 | 2,845,952 | 0.187 | 0.021 |
| May | 21 | 5,245,864 | 0.345 | 0.038 |
| June <i>(Note 3)</i> | 17 | 15,442,530 | 1.015 | 0.113 |
| — 1 June to the Last Trading Day | 14 | 11,630,603 | 0.764 | 0.085 |
| — 28 June to 30 June | 3 | 33,231,521 | 2.184 | 0.243 |
| July (up to and including the Latest Practicable Date) | 19 | 7,029,000 | 0.462 | 0.051 |

Source: the Stock Exchange’s website

Notes:

1. Based on 1,521,790,000 Disinterested Shares as at the Latest Practicable Date.
2. Based on 13,694,117,500 Shares in issue as at the Latest Practicable Date.
3. Trading in the Shares was halted with effect from 9:00 a.m. on 21 June 2023 and resumed at 9:00 a.m. on 28 June 2023.

As illustrated from the table above, the Average Volume was thin during the Shares Review Period. The Average Volume in most of the months during the Shares Review Period (i.e. other than June 2022, June 2023 and July 2023) was (i) below 0.5% of the total number of Disinterested Shares as at the Latest Practicable Date; and (ii) below 0.05% of the total number of Shares in issue as at the Latest Practicable Date.

In light of the above, we consider that the trading liquidity of the Shares was low and disposal of substantial volume of Shares by the Shareholders in the open market may have adverse impact on the price of the Shares.

Having also considered:

- (i) the financial performance of the Group as demonstrated under the section headed “2.1 Financial information of the Group” above, in particular:
 - decrease in the Group’s revenue from FY2021 to FY2022;
 - decrease in the Group’s gross profit from FY2021 to FY2022;
 - decrease in the Group’s profit for the year from FY2021 to FY2022; and
- (ii) our analysis on the Cancellation Price as set out below,

we are of the view that the Proposal provides the Scheme Shareholders with an opportunity to realise their investment in the Company for cash at a premium as compared to recent price levels of the Shares without having to suffer any possible illiquidity discount.

5. The Cancellation Price

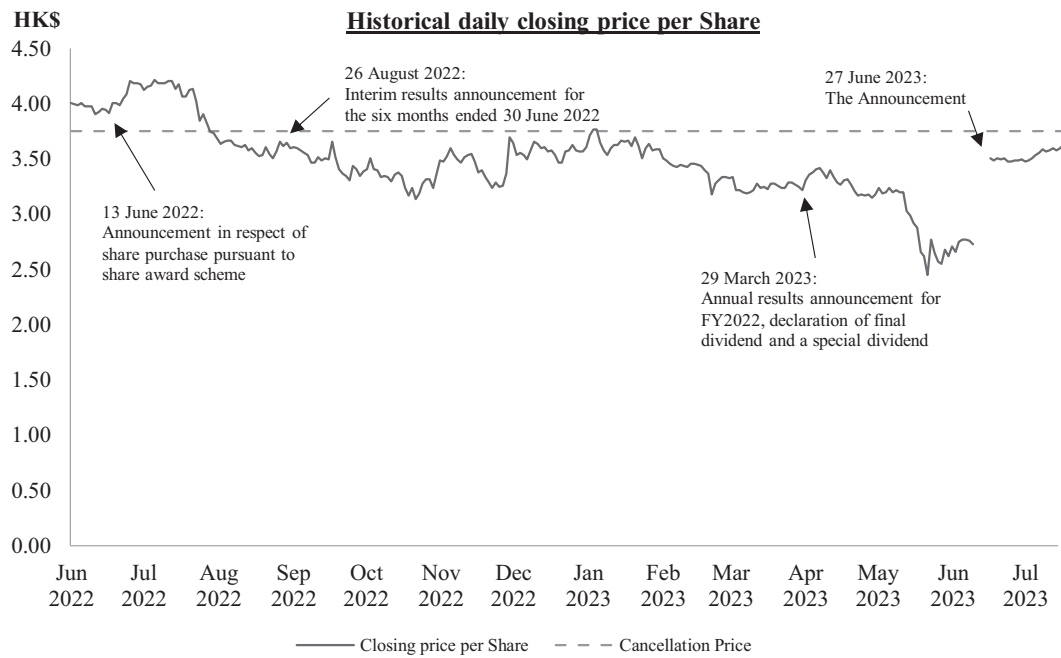
5.1 Cancellation Price comparison

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

- (a) a premium of approximately 3.59% over the closing price of HK\$3.62 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) 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;
- (c) 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;
- (d) 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;
- (e) 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;
- (f) 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;
- (g) 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 the Last Trading Day for illustrative purposes.

5.2 Historical price performance of the Shares

Set out below is a chart showing the movement of the closing prices of the Shares during the Shares Review Period to illustrate the general trend and level of movement of the closing prices of the Shares.



Source: Bloomberg

During the Shares Review Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$4.21 recorded on 7 July 2022 and HK\$2.44 recorded on 1 June 2023 respectively. The Cancellation Price of HK\$3.75 per Share is within the aforesaid closing prices range and represents (i) a discount of approximately 10.93% to the highest closing price of the Shares; and (ii) a premium of approximately 53.69% over the lowest closing price of the Shares, during the Shares Review Period. In addition, the Cancellation Price was above the daily closing prices of the Shares for 240 trading days out of the total 282 trading days during the Shares Review Period.

The closing price of the Shares increased from the beginning of the Shares Review Period (i.e. June 2022) and reached its peak of HK\$4.21 per Share on 7 July 2022. Subsequently, the closing price of the Shares moved in a general decreasing trend (i.e. decreased from HK\$4.20 per Share to HK\$3.13 per Share from July 2022 to October 2022) and reached HK\$3.13 per Share on 24 October 2022. Thereafter, the closing price of the Shares fluctuated and recovered to HK\$3.69 per Share on 30 November 2022. Afterwards, the closing price of the Shares moved in a general decreasing trend up to the Last Trading Day (i.e. from HK\$3.69 per Share on 30 November 2022 to HK\$2.72 per Share on the Last Trading Day).

After the publication of the Announcement, the closing price of the Shares surged on 28 June 2023 and fluctuated between HK\$3.47 per Share and HK\$3.62 per Share to the Latest Practicable Date.

5.3 Comparison with other comparable companies

We noted that trading multiples analyses (including price-to-earnings ratio, price-to-book value ratio, price-to-sales ratio, enterprise value (“EV”) to earnings before interest, tax, depreciation and amortisation ratio (“EBITDA”) (the “EV/EBITDA”)) are commonly adopted methods for the purpose of assessing the fairness and reasonableness of the Cancellation Price. In this regard, we searched for Hong Kong Main Board listed companies which (i) are principally engaged in similar line of business as the Group (being the manufacturing and sales of packaged food and beverage in the PRC) and derived more than 50% of their turnover from such businesses in aggregate; and (ii) are profit-making based on their respective latest full-year financial information published on or before the Announcement Date. We found three companies listed below which met the aforesaid criteria and they are exhaustive (the “**Comparable Company/ies**”).

Given the packaged food and beverage business are sales driven but are not assets driven, we intended to adopt price-to-earnings ratio and price-to-sales ratio for analyses purpose. However, we noted that the Group’s bank interest income (net) for FY2022 was approximately RMB829.39 million, accounting for approximately 20% to the Group’s profit before tax for FY2022. As the aforesaid bank interest income was an income from bank deposits instead of business driven, we consider the results of price-to-earnings ratio analyses may be distorted and therefore we adopted the EV/EBITDA for analyses purposes. As we adopted EV/EBITDA (with EV as numerator), we also adopted EV to sales ratio (the “EV/S”) instead of price-to-sales multiple, for analyses purposes.

Set out below are EV/EBITDA and EV/S of the Comparable Companies based on their closing prices as at the Announcement Date and their latest published financial information:

| Company name (Stock code) | Principal business | EV/ EBITDA | EV/S | Market capitalization of shares listed on the Stock Exchange as at the Announcement Date (HK\$' billion) (Note 6) |
|---|--|-------------------|-------------------|--|
| | | (Note 1, 2, 3) | (Note 1, 4, 5) | |
| Want Want China Holdings Limited (151) | Principally engaged in the manufacturing and sales of rice crackers, dairy products and beverages, snack foods | 8.58 | 2.07 | 60.47 |
| Uni-President China Holdings Ltd. (220) | Principally engaged in the manufacturing and sale of beverages and food | 7.98 | 0.75 | 29.46 |
| Tingyi (Cayman Islands) Holdings Corp. (322) | Principally engaged in the manufacturing and sale of instant noodles and beverages | 8.79 | 0.80 | 67.39 |
| Maximum | | 8.79 | 2.07 | |
| Minimum | | 7.98 | 0.75 | |
| Average | | 8.45 | 1.21 | |
| Median | | 8.58 | 0.80 | |
| The Proposal | | 9.14 (Note 8) | 1.81 (Note 8) | 51.35 (Note 7) |

Source: the Stock Exchange's website

Notes:

- EV of the Comparable Companies were calculated based on their respective market capitalization as at Announcement Date, total interest-bearing debts and minority interest, minus by its cash and bank balances.
- EBITDA of the Comparable Companies and the Company were calculated as their respective latest published audited profit before tax, excluding the impacts of depreciation and amortisation, interest income, and finance cost.

3. EV/EBITDA of the Comparable Companies and the Company were calculated by dividing their respective EV by their respective EBITDA.
4. Sales of the Comparable Companies and the Company represented their respective latest published audited total consolidated revenue.
5. EV/S of the Comparable Companies and the Company were calculated by dividing their respective EV by their respective sales.
6. The market capitalization of the Comparable Companies were calculated as their share closing price multiplied by their respective number of shares in issue as at the Announcement Date.
7. The implied market capitalization of the Company was calculated based on the Cancellation Price of HK\$3.75 multiplied by the number of shares in issue as at the Announcement Date.
8. EV of the Company was calculated as the sum of (i) the implied market capitalization of the Company (refer to Note 7 above); and (ii) the Group's total interest-bearing debts and minority interest, minus by the Group's cash and bank balances.
9. The exchange rate of HK\$1: RMB0.92048, being the median exchange rate on the Announcement Date as published by The People's Bank of China was adopted for the calculation purpose.

We notice from the above table that (i) the implied EV/EBITDA of the Company of approximately 9.14 times was above the EV/EBITDA range of the Comparable Companies (ranging from approximately 7.98 times to approximately 8.79 times); and (ii) the implied EV/S of the Company of approximately 1.81 times fall within the EV/S range of the Comparable Companies (ranging from approximately 0.75 times to 2.07 times) and is higher than the average EV/S of the Comparable Companies (being approximately 1.21 times) and median of EV/S of the Comparable Companies (being approximately 0.80 times).

5.4 Comparison with other privatisation transactions

As the Proposal is a privatisation by way of scheme of arrangement, to further assess the fairness and reasonableness of the Cancellation Price by making reference to the market practices of privatisation transactions by way of scheme of arrangement, we also searched for privatisation transactions by way of scheme of arrangement announced by companies listed on the Stock Exchange and approved by their disinterested shareholders, and offering cash consideration only without any restructuring of its existing businesses, during the one year period before the Announcement Date up to the Latest Practicable Date.

We did not include privatisation transactions by way of share buy-back, voluntary general offer and merger by absorption for comparison as their comparability may be affected by the facts that (a) the subject company buy back its shares under privatisation transactions by way of share buy-back instead of an offeror making an offer or initiating a scheme of arrangement; and (b) offeror may have different considerations on pricing

under privatisation transactions by way of scheme of arrangement, voluntary general offer and merger by absorption, given that:

- (i) privatisation transactions by way of scheme of arrangement (“**Scheme Privatisation(s)**”) require at least 75% of the votes attaching to disinterested shares to vote for and not more than 10% of the votes attaching to all disinterested shares to vote against, by way of poll by disinterested shareholders either in person or by proxy at court meeting. Offeror has to consider attractiveness of the cancellation price to procure such “voting for” level and avoid such “voting against” level;
- (ii) privatisation transactions by way of voluntary general offer (“**VGO Privatisation(s)**”) require acceptance level of 90% disinterested shares. Unlike the offeror in a Scheme Privatisation, which require at least 75% of the votes attaching to disinterested shares to vote for and not more than 10% of the votes attaching to all disinterested shares to vote against, by way of poll either in person or by proxy at court meeting, the offeror in a VGO Privatization needs to consider to attract the disinterested shareholders who “would not vote (either vote for or vote against) at court meeting” under a Scheme Privatisation to voluntarily accept the offer under the VGO Privatisation. The required percentage for acceptance (i.e. 90%) under a VGO Privatisation is also higher than the required percentage for “voting for” (i.e. 75%) under a Scheme Privatisation. Therefore, the offeror’s pricing consideration under a VGO Privatisation may be different from that under a Scheme Privatisation; and
- (iii) under privatisation transactions by way of merger and absorption, (a) target company usually has more than one class of shares; (b) the transaction may be subject to pre-condition (e.g. governmental approval) which takes a long period to fulfil; and (c) usually, any dissenting shareholder may by written notice request the target companies and/or other shareholders who have approved the transaction to acquire its shares at a “fair price” (no guidance is in place on how the “fair price” will be determined) (the “**Dissenting Shareholder Rights**”). When considering the cancellation price, offeror has to consider attractiveness from perspective of different classes of shareholders, the uncertainty of the pre-condition and the time value of a longer transaction period. The Dissenting Shareholder Rights may also affect offeror’s consideration on pricing.

As we could only identify five cases which met the aforesaid criteria, we extended the selection period from 1 January 2022 up to the Latest Practicable Date (being two calendar years up to the Latest Practicable Date) (the “**Privatisation Cases**”).

We found 7 Privatisation Cases which met the aforesaid criteria for comparison and they are exhaustive. Although the business and operation of the Group are not the same as those of the subject companies of the Privatisation Cases, the Privatisation Cases can demonstrate the market practices of privatisation transactions by way of scheme of arrangement conducted by other Hong Kong listed companies.

| Company name (stock code or previous stock code) | Initial announcement date of the privatisation proposal (Note 1) | Premium of the cancellation price over average closing price per share for | | | | Premium/(discount) of cancellation price over/to the respective then net asset value attributable to owners of the company per share (Note 4) |
|---|--|---|--|--|--|---|
| | | Last full trading day (Note 2) Approximate % | Last full 20 trading days (Note 3) Approximate % | Last full 30 trading days (Note 3) Approximate % | Last full 60 trading days (Note 3) Approximate % | Approximate % |
| AKM Industrial Company Limited (1639) | 14 January 2022 | 15.19 | 31.88 | 25.52 | 28.17 | 88.95 |
| China VAST Industrial Urban Development Company Limited (6166) | 9 June 2022 | 30.43 | 31.87 | 31.15 | 37.14 | (45.22) |
| Lifestyle International Holdings Limited (1212) | 5 August 2022 | 62.34 | 79.86 | 70.07 | 58.73 | 287.54 |
| China Binary New Fintech Group (8255) | 31 August 2022 | 35.14 | 25.00 | 25.00 | 11.11 | N/A (Note 5) |
| Kingston Financial Group Limited (1031) | 24 October 2022 | 47.78 | 42.86 | 36.36 | 30.43 | (80.22) |
| AAG Energy Holdings Limited (2686) | 17 February 2023 | 10.12 | 8.19 | 10.78 | 24.16 | (21.28) |
| Jiangnan Group Limited (1366) | 21 February 2023 | 83.49 | 110.53 | 110.53 | 100.00 | (65.46) |
| | Maximum | 83.49 | 110.53 | 110.53 | 100.00 | 287.54 |
| | Minimum | 10.12 | 8.19 | 10.78 | 11.11 | (80.22) |
| | Average | 40.64 | 47.17 | 44.20 | 41.39 | 27.39 |
| | Median | 35.14 | 31.88 | 31.15 | 30.43 | (33.25) |
| | The Proposal | 37.87 | 37.87 | 30.21 | 21.75 | 151.68 |

Notes:

1. The date of Takeovers Code Rule 3.5 announcement.
2. The premium of cancellation price over closing price per share on last full trading day prior to the publication of initial announcement in relation to the respective privatisation, as disclosed in the respective privatisation documents.

3. The premium of cancellation price over average closing price per share on the 20/30/60 consecutive full trading days prior to the publication of initial announcement in relation to the respective privatisation, as disclosed in the respective privatisation documents.
4. With reference to the relevant announcements and scheme documents and based on the respective then published net asset value attributable to shareholders of the subject companies.
5. The subject company recorded net liabilities with reference to its latest published financial information.

As depicted in the above table, the premiums represented by the Cancellation Price over share closing price/average share closing prices on Last Trading Day, 20/30/60 consecutive trading days are all within ranges of premiums of the Privatisation Cases. In addition, the premiums represented by the Cancellation Price over share closing price/average share closing prices on (i) Last Trading Day and 20 consecutive trading days are above median of premiums of Privatisation Cases; (ii) 30/60 consecutive trading days are below median of the premiums of Privatisation Cases; and (iii) Last Trading Day, 20/30/60 consecutive trading days are below the average premiums of the Privatisation Cases, for the corresponding periods.

The premium represented by the Cancellation Price over the audited net asset value attributable to equity holders per Share as at 31 December 2022 is within range of the premiums/discounts of the Privatisation Cases and above their average and median.

Taking into account that:

- (i) The Cancellation Price is within the closing prices range and above the daily closing prices of the Shares for 240 trading days out of the total 282 trading days, during the Shares Review Period;
- (ii) The Cancellation Price represents substantial premiums over the recent closing price of the Shares, including: (a) a premium of approximately 37.87% over the closing price per Share as quoted on the Stock Exchange on the Last Trading Day; and (b) premiums of approximately 36.36%, 37.87%, 30.21% and 21.75% over the average closing prices per Share as quoted on the Stock Exchange for five/20/30/60 consecutive trading days up to and including the Last Trading Day;
- (iii) the Cancellation Price represents substantial premium of approximately 151.68% over the audited net asset value attributable to equity holders per Share as at 31 December 2022;
- (iv) (a) the implied EV/EBITDA of the Company is above the EV/EBITDA range of the Comparable Companies; and (b) the implied EV/S of the Company fall within the EV/S range of the Comparable Companies, and is higher than the average EV/S of the Comparable Companies and median of EV/S of the Comparable Companies;

- (v) as compared to the Privatisation Cases, (a) the premiums represented by the Cancellation Price over share closing price/average share closing prices on the Last Trading Day, 20/30/60 consecutive trading days are all within ranges of the premiums of the Privatisation Cases; and (b) the premium represented by the Cancellation Price over the audited net asset value attributable to equity holders per Share as at 31 December 2022 is within range of the premiums/discounts of the Privatisation Cases;
- (vi) the trading liquidity of the Shares was low during the Shares Review Period and disposal of substantial volume of Shares by the Disinterested Shareholders in the open market may have adverse impact on the price of Shares; and 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; and
- (vii) after considering the trend of the Share closing price during the Shares Review Period, there is no guarantee that the Share price will remain at a level close to the Cancellation Price should the Scheme being not approved and the Proposal lapses,

we consider the Cancellation Price to be fair and reasonable.

6. The Rollover Arrangement

6.1 Background of the Rollover Arrangement

With reference to the section headed “Part V — Letter from the Board” of the Scheme Document, the Company, the Offeror and the Trustee have entered into the Rollover Agreement on 27 June 2023 under which the parties agreed 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. Accordingly, the Trustee Shares will not form part of the Scheme Shares.

6.2 Information of the Trustee

As at the Latest Practicable Date, the Trustee held 532,327,500 Shares (representing approximately 3.89% of the issued Shares).

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.

As the 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 has made 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.

Further details of the Rollover Arrangement and the Rollover Agreement are set out in the section headed “5. Special Deal Relating to the Rollover Arrangement” under “Part VIII — Explanatory Memorandum” of the Scheme Document.

We noted that the Proposal and the Scheme will become effective and binding on the Company and all Scheme Shareholders subject to the fulfilment of the passing of an ordinary resolution by the Disinterested Shareholders at the General Meeting to approve the Rollover Arrangement. While we are of the opinion that the terms of the Proposal and the Scheme are fair and reasonable (please refer to section headed “RECOMMENDATION” below), we consider that the approval of the Rollover Arrangement, which is a prerequisite for the implementation of the Proposal, is in the interest of the Company and the Shareholders.

Having also considered that:

- (i) with reference to the announcement in relation to the adoption of the Share Award Scheme published by the Company on 2 December 2021 and as advised by the Directors, the purposes and objectives of the Share Award Scheme were (a) to recognize the contributions by certain eligible participants and to provide them with incentives in order to encourage and retain them for the continual operation and development of the Group; and (b) to attract suitable personnel for further development of the Group. The Rollover Arrangement keeps the Trustee as a Shareholder to allow the Share Award Scheme to continue to be maintained as an employee incentivisation platform after delisting;
- (ii) in the case where the Disinterested Shareholders were given the opportunity to retain interests in the Company, subsequent to the Scheme had become effective and the withdrawal of listing of the Shares, their interests would no longer be safeguarded by regulations relating to minority shareholders protection applicable to listed companies on the Stock Exchange, in particular, the existing protections under the Chapter 14 and Chapter 14A of the Listing Rules regarding notifiable transactions and connected transactions respectively that are currently applicable to the Company as a Hong Kong listed company. In relation to dilution of shareholdings, under the Listing Rules, general mandate or specific shareholders’ approval is required for issuing new shares. In addition, the Takeovers Code would only remain applicable to the Company as long as the Company remains a public company in Hong Kong. In the event that the Company ceases to be a public company, it would no longer be subject

to the Takeovers Code. In that case, the interests of the Disinterested Shareholders would only be safeguarded primarily by the constitutional documents of the Company and provisions regarding minority shareholders' interest protection under the Companies Act, which do not necessarily provide the same level of minority protections that would be available had the Listing Rules and the Takeovers Code continued to apply. In addition, these Disinterested Shareholders might find it difficult to realise their shareholdings as no public trading in the Shares would be available; and

- (iii) the Rollover Agreement does not provide the Trustee interests in the Company which the Trustee does not originally own,

we are of the opinion that the terms of the Rollover Agreement are fair and reasonable so far as the Disinterested Shareholders are concerned.

RECOMMENDATION

In relation to the Proposal and the Scheme, taking into account the factors as discussed above, in particular:

- (i) the Shares have been trading at a relatively low price range with lower-than-expected trading volume while the Company has to bear maintenance cost in order to maintain listing status, 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 capital raising perspective;
- (ii) as mentioned in the sub-section headed "Conclusion" under the section headed "2.2 Industry overview" above, (a) in 2022, under the impact of the pandemic and extreme weather conditions, coupled with the volatile geopolitical situation, the macro environment in the PRC faced greater complexity and severity. Although the optimisation of pandemic prevention and control policies brought about an orderly recovery of consumption scenarios, uncertainties still existed in the short term, in addition to the economic slowdown which made consumers more rational about their spendings; (b) there are a wide variety of product categories with low standardization in the food and beverage industry of the PRC, coupled with the characteristic of low entry threshold, resulting in a relatively fragmented competitive landscape and the competition in the food and beverage industry of the PRC is expected to become fiercer; and (c) living standards continue to improve, food safety and health have become the primary concerns for consumers against the backdrop of upgraded consumption.

In the challenging environment, a business transformation is necessary in order for the Company to compete effectively and solidify its leadership position in the snack food and beverage industry. However, these transformation measures might have negative impacts on the Company's short-term operating and financial performance, which will further impact the financial return to investors.

Following the implementation of the Proposal, the Group can make strategic decisions focused on long-term benefits, free from the pressure of market expectations, profit visibility and share price fluctuation associated with being a publicly listed company. On the other hand, upon the implementation of the Proposal, investors will not suffer any harm from unmet market expectations, additional cost in adoption of measures for the Group's strategic decisions and fluctuation in share prices;

- (iii) a low trading liquidity of a listed issuer's shares may normally make it difficult for the listed issuer's shareholders to execute substantial on-market disposals without adversely affecting the price of the shares and also make it difficult for the listed issuer's shareholders to dispose of substantial volume of shares when any event that has an adverse impact on the listed issuer's share price occurs. The Proposal (which is conditional upon, among other things, the passing of the resolution by the Disinterested Shareholders at the General Meeting) and the Scheme (which is conditional upon, among other things, approved by the Disinterest Shareholders at the Court Meeting and the passing of the resolution by the Disinterested Shareholders at the General Meeting) provides an exit alternative for the Shareholders who would like to realise their investments in the Shares; and
- (iv) as concluded in the section headed "The Cancellation Price" above, the Cancellation Price being fair and reasonable,

we consider that the terms of the Proposal and the Scheme (including the Cancellation Price) are fair and reasonable so far as the Disinterested Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Disinterested Shareholders to vote in favour of the relevant resolutions which will be proposed at the Court Meeting and the General Meeting to approve the Scheme.

In relation to the Rollover Arrangement, having considered that:

- (i) the Rollover Arrangement keeps the Trustee as a Shareholder to allow the Share Award Scheme to continue to be maintained as an employee incentivisation platform after delisting;
- (ii) the interests of the Disinterested Shareholders (if such shareholders were given the opportunity to retain interests in the Company) would only be safeguarded primarily by the constitutional documents of the Company and provisions regarding minority shareholders' interest protection under the Companies Act, which do not necessarily provide the same level of minority protections that would be available had the Listing Rules and the Takeovers Code continued to apply. In addition, these Disinterested Shareholders might find it difficult to realise their shareholdings as no public trading in the Shares would be available;
- (iii) the Rollover Agreement does not provide the Trustee interests in the Company which the Trustee does not originally own; and

- (iv) the Proposal and the Scheme (which are fair and reasonable so far as the Disinterested Shareholders are concerned as concluded above) will become effective and binding on the Company and all Scheme Shareholders subject to the fulfilment of the passing of an ordinary resolution by the Disinterested Shareholders at the General Meeting to approve the Rollover Arrangement. The approval of the Rollover Arrangement, which is a prerequisite for the implementation of the Proposal, is in the interest of the Company and the Shareholders,

we are of the opinion that the terms of the Rollover Agreement are fair and reasonable so far as the Disinterested Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Disinterested Shareholders to vote in favour of the relevant resolution to be proposed at the General Meeting to approve the Rollover Agreement.

As different Shareholders would have different investment criteria, objectives and/or circumstances, we would recommend any Shareholders who may require advice in relation to any aspect of the Scheme Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

* *For identification purposes only*

This Explanatory Memorandum constitutes the statement required under Order 102, rule 20(4)(e) of the Rules of the Grand Court of the Cayman Islands 1995 (as revised).

1. INTRODUCTION

On 27 June 2023, the Offeror and the Company jointly announced that on 27 June 2023, the Offeror had requested the Board to put forward the Proposal to the Scheme Shareholders for the delisting of the Company by way of the Scheme. 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, under the Scheme, the Scheme Shares will, on the Effective Date of the Scheme, be cancelled and extinguished. Simultaneously with 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.

The purpose of this Explanatory Memorandum is to explain the terms and effects of the Proposal and to provide Scheme Shareholders with additional information in relation to the Proposal.

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 Cash Cancellation Consideration, being the payment of the Cancellation Price of HK\$3.75 in cash for each such Scheme Share.

Therefore, in consideration of the cancellation and extinguishment of the Scheme Shares, the Scheme Shareholders will be entitled to receive from the Offeror the Cancellation Price of HK\$3.75 for each Scheme Share cancelled and extinguished under the Scheme as at the Effective Date.

The implementation of the Proposal is conditional upon, and the Scheme will become effective and binding on the Company and all Scheme Shareholders subject to, the fulfilment or waiver, as applicable of the Conditions as described in the section headed "4. Conditions to the Proposal and the Scheme" below.

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

The Company does not intend to declare and/or pay any dividend before the Effective Date or the date on which the Scheme is not approved or the Proposal otherwise lapses (as the case may be). However, 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 the Announcement, this 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.

Comparison of value

The cash consideration of HK\$3.75 per Scheme Share 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;
- a premium of approximately 3.59% over the closing price of HK\$3.62 per Share as quoted on the Stock Exchange on the Latest Practicable Date; 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 Latest Practicable 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 the Last Trading Day for illustrative purposes.

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

The Offeror has advised the Company that the Cancellation Price has been determined on a commercial basis after taking into account, among others, the challenging external environment and competition landscape, the business performance of the Group, the recent stock price performance, as well as the trading multiples (e.g. EV/EBITDA) of comparable companies listed on the Stock Exchange.

3. TOTAL CONSIDERATION AND FINANCIAL RESOURCES CONFIRMATION

On the assumption that no further Shares are issued before the Scheme Record Date, and taking into account the Founder Shares Cancellation Consideration and the Rollover Arrangement, the maximum Cash Cancellation 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.

4. 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 any reduction of the share capital of the Company associated with cancelling and extinguishing the Scheme Shares; and
 - (b) an ordinary resolution by the Shareholders at the General Meeting to simultaneously maintain the issued share capital of the Company at 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 Latest Practicable 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 were not aware of any outstanding authorisations, approvals, permissions, waivers consents, registrations or filings. The Offeror reserves the right to waive Conditions (6) (save in the case of the approval of the Stock Exchange for the withdrawal of listing of the Shares upon the Scheme becoming effective) 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) and Condition (6) (in respect of the approval of the Stock Exchange for the withdrawal of listing of the Shares upon the Scheme becoming effective only) 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. If the Scheme is not approved or the Proposal otherwise lapses, an announcement will be made by the Offeror and the Company.

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.

As at the Latest Practicable Date, the Conditions were subject to fulfilment (unless otherwise waived, where applicable) and none of the Conditions had been waived.

Assuming that the above Conditions are fulfilled (or, as applicable, waived in whole or in part), it is expected that the Scheme will become effective on or about 30 August 2023 (Cayman Islands time). Further announcements will be made including in particular in relation to (i) the results of the Court Meeting and the General Meeting and, if all the resolutions are passed at those meetings, (ii) the result of the hearing of the petition for the sanction of the Scheme and, to the extent necessary, confirmation of any reduction of the share capital of the Company associated with the Scheme by the Grand Court, (iii) the Scheme Record Date, (iv) the Effective Date and (v) the date of withdrawal of the listing of the Shares on the Stock Exchange as further set out in Part IV — Expected Timetable of this Scheme Document.

5. SPECIAL DEAL RELATING TO THE ROLLOVER ARRANGEMENT

As at the Latest Practicable Date, the Trustee, through its wholly-owned subsidiary, held 532,327,500 Shares (representing approximately 3.89% of the issued Shares) (the “**Trustee Shares**”).

The Offeror, the Trustee and the Company have entered into the Rollover Agreement on 27 June 2023 under which the parties agreed 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. Accordingly, the Trustee Shares will not form part of the Scheme Shares.

The Rollover Arrangement will not lead to any implication under Charter 14A of the Listing Rules.

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 Shareholders' 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 has made 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, 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.

Gram Capital has stated in the letter from Gram Capital that it considers the terms of the Proposal, including the Scheme and the Rollover Arrangement, are fair and reasonable so far as the Disinterested Shareholders are concerned. Accordingly, Gram Capital has recommended the Independent Board Committee to advise the Disinterested Shareholders to vote in favour of the Scheme at the Court Meeting and the Rollover Arrangement and the resolutions in connection with the implementation of the Proposal at the General Meeting. Please refer to the full text of the letter from Gram Capital as set out in Part VII of this Scheme Document.

Warning: Shareholders and potential investors of the Company should be aware that as the approval of the Rollover Arrangement by the Disinterested Shareholders at the General Meeting is a non-waivable Condition, if the Rollover Arrangement is not approved by the Disinterested Shareholders at the General Meeting, the Rollover Arrangement and the Proposal will not be implemented, and the Scheme will lapse.

6. SCHEME OF ARRANGEMENT UNDER SECTION 86 OF THE COMPANIES ACT AND THE COURT MEETING

Pursuant to Section 86 of the Companies Act, where an arrangement is proposed between a company and its members or any class of them, the Grand Court may, on the application of the company or any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be summoned in such manner as the Grand Court directs to agree such an arrangement.

It is expressly provided in Section 86 of the Companies Act that if 75% in value of the members or class of members, as the case may be, present and voting either in person or by proxy at the meeting held as directed by the Grand Court as aforesaid, agree to any arrangement, the arrangement shall, if sanctioned by the Grand Court, be binding on all members or class of members, as the case may be, and also on the company.

7. ADDITIONAL REQUIREMENTS AS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE

In addition to satisfying any requirements under the Companies Act as summarised above, under Rule 2.10 of the Takeovers Code, except with the consent of the Executive, the Scheme may only be implemented if:

- (a) the Scheme is approved (by way of poll) by Disinterested Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by the Disinterested Shareholders that are cast either in person or by proxy at the Court Meeting; and
- (b) the number of votes cast (by way of poll) by 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 Scheme Shares held by all Disinterested Shareholders.

For the purpose of counting the votes for (a) and (b) above, Disinterested Shareholders comprise all Shareholders as at the Meeting Record Date other than the Offeror Concert Parties (except in respect of the holding of Shares by the CICC group in the capacity of an exempt fund manager for the purposes of the Takeovers Code and excluding Shares held by the CICC group for and on behalf of its non-discretionary investment clients). Shares held by any member of the CICC group acting in the capacity of an exempt principal trader connected with the Offeror or the Company shall not be voted at the Court Meeting in accordance with the requirement of Rule 35.4 of the Takeovers Code, except that Shares held by any member of the CICC group in the capacity of an exempt principal trader for and on behalf of non-discretionary investment clients shall not be voted at the Court Meeting unless otherwise confirmed with the Executive. For the avoidance of doubt, 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.

As at the Latest Practicable Date, the Disinterested Shareholders held in aggregate 1,521,790,000 Scheme Shares. On that basis, and assuming that no new Shares are issued on or before the Meeting Record Date, 10% of the votes attached to all the Scheme Shares held by all Disinterested Shareholders referred to in (b) above would represent approximately 152,179,000 Shares.

8. BINDING EFFECT OF THE SCHEME

Upon the Scheme becoming effective, it will be binding on the Company and all Scheme Shareholders, regardless of how they voted (or whether they voted) at the Court Meeting and the General Meeting.

9. SHAREHOLDING STRUCTURE OF THE COMPANY AND SCHEME SHARES

As at the Latest Practicable Date, the Company had 13,694,117,500 Shares in issue.

As at the Latest Practicable Date, the Offeror did 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 Latest Practicable Date, the Founder was, through DF which was 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 have undertaken 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.

As at the Latest Practicable Date, the Trustee held 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 Latest Practicable Date and immediately upon completion of the Proposal:

| Shareholders | As at the Latest Practicable Date | | Immediately upon completion of the Proposal | |
|---|-----------------------------------|---|---|---|
| | <i>Number of Shares held</i> | <i>Approximate % of the total issued Shares⁽⁵⁾</i> | <i>Number of Shares held</i> | <i>Approximate % of the total issued Shares⁽⁵⁾</i> |
| 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⁽³⁾ | <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 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 and excluding shares held on behalf of non-discretionary investment clients 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).
- 4 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 Latest Practicable Date.
- 5 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.

As at the Latest Practicable Date:

- (a) the Offeror did 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 did not legally and beneficially own, control or have direction over any Shares;
- (c) there were 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 had entered into any outstanding derivative in respect of the securities in the Company; and
- (e) none of the Offeror and the Offeror Concert Parties had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

As at the Latest Practicable Date, the Scheme Shares comprised 13,161,790,000 Shares, representing 96.11% of the issued Shares.

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

As at the Latest Practicable Date, the Company had 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.

Share Option Scheme

As at the Latest Practicable 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 Latest Practicable Date, under the Share Award Scheme, (i) the Trustee held 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) had been granted, but had 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).

10. 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:

For the Offeror and the Company

(1) The Proposal will be favourable to facilitate the Company to implement long-term strategies that might have adverse impact on short-term performance and dividend return amid a challenging macro and market environment

In recent years, the macro-economic environment has become more complex, the consumer spending has become more rational, and the snack food and beverage industry has experienced significant changes and fiercer competition, which all result in the uncertainties of business operation in the short term. In this challenging environment, a business transformation (such as, industrial upgrading, brand innovation, channel optimisation, etc.) is necessary in order for the Company to compete effectively and solidify its leadership position in the snack food and beverage industry. However, these transformation measures (which may lead the Group to incur more expenses for point-of-sales expansion, sales headcount increase, brand building and shelf-space display, and product innovation, research and development, etc.) might have negative impacts on the Company's short-term operating and financial performance, which will further impact the financial return to investors.

As a listed company in Hong Kong, the Company needs to pay attention to share price performance to maintain its reputation among investors and business partners, thus restraining itself from implementing long-term business strategies that might have adverse impact on its short-term operation result, share price as well as dividend yield, reflecting a mismatch between its listing status and business development strategy.

The Offeror believes that the successful implementation of the Proposal will provide more flexibility to the Group as a privately-owned business, free the management team from distractions arising from the public equities market, and facilitate the implementation of necessary business transformation which, if successful, may bolster core competitiveness of the Company.

(2) The Company has lost the advantage to maintain listing status with limited equity fund-raising ability

The Shares have been trading at a relatively low price range considering the historical performance, and with lower-than-expected trading volume with daily average turnover only representing 0.03% of the issued Shares for the past 12 months prior to the Announcement Date, while the Company has to bear maintenance cost in order to maintain listing status. 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 capital raising perspective. After the implementation of the Proposal, the Company could reduce such additional costs associated with compliance and maintenance of the Company's listing status.

(3) The Proposal can eliminate the potential adverse impact of the share price fluctuation

As a listed company, the Company's capital market volatility will influence the Company's branding, the reputation with customers, suppliers, and investors, as well as the employee morale, which are critical to business operation. The Proposal could eliminate the uncertainty on the Company's business operation, including the potential adverse impact, associated with the share price fluctuation.

For 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.

Offeror's intention regarding the Company

It is the intention of the Offeror that, if the Scheme becomes Effective, the Company will be delisted from the Stock Exchange and 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 and the continued employment of the employees 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.

11. INFORMATION ON 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.

12. INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in the British Virgin Islands with limited liability. The entire issued share capital of the Offeror is wholly owned by the Founder who is an executive Director. 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, the Scheme and the Rollover Arrangement. 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.

13. WITHDRAWAL OF LISTING OF THE 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. An expected timetable of the Proposal is included in Part III of this Scheme Document.

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

Subject to the requirements of the Takeovers Code, the Scheme will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Grand Court may direct and in all cases, as permitted by the Executive). 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.

15. COSTS OF THE SCHEME

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. Given that the Proposal is recommended by the Independent Board Committee and is recommended as fair and reasonable by the Independent Financial Adviser, Rule 2.3 of the Takeovers Code is not applicable.

All costs, charges and expenses incurred by the Company and/or its advisers and counsels, including the Independent Financial Adviser, will be borne by the Company, whereas all costs, charges and expenses incurred by the Offeror and/or their advisers and counsels will be borne by the Offeror, and other costs, charges and expenses of the Scheme and the Proposal will be shared between the Offeror and the Company equally.

16. REGISTRATION AND PAYMENT

Assuming that the Scheme Record Date falls on 30 August 2023, it is proposed that the register of members of the Company will be closed from 30 August 2023 (or such other date as Shareholders may be notified by announcement) in order to determine entitlements under the Scheme. In order to qualify for entitlements under the Scheme, Scheme Shareholders should ensure that the transfers of Shares to them are lodged with the Share Registrar at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong for registration in their names or in the names of their nominees before 4:30 p.m. on 29 August 2023.

Payment of Cancellation Price to Scheme Shareholders

Upon the Scheme becoming effective, payment of the Cancellation Price for the Scheme Shares will be made to the Scheme Shareholders whose names appear on the register of members of the Company as at the Scheme Record Date as soon as possible but in any event within 7 Business Days of the Effective Date. Assuming that the Scheme becomes effective on 30 August 2023, cheques for the payment of the Cancellation Price will be despatched on or before 8 September 2023.

In the absence of any specific instructions to the contrary received in writing by the Share Registrar, at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong, cheques will be sent by posting the same addressed to the persons entitled thereto at their respective registered addresses. All such cheques will be sent at the risk of the person(s) entitled thereto and none of the Offeror, the Company, CICC, the Independent Financial Adviser or any of them will be responsible for any loss or delay in despatch.

Shareholders are recommended to consult their professional advisors if they are in doubt as to the above procedures. On or after the day being six calendar months after the posting of such cheques, the Offeror (or its nominee) shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the name of the Offeror (or its nominee) with a licensed bank in Hong Kong selected by the Offeror (or its nominee).

The Offeror (or its nominee) shall hold such monies until the expiry of six years from the Effective Date and shall prior to such date, make payments therefrom of the sums to persons who satisfy the Offeror (or its nominee) that they are respectively entitled thereto. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme. On the expiry of six years from the Effective Date, the Offeror (and, if applicable, its nominee) shall be released from any further obligation to make any payments under the Scheme.

Assuming that the Scheme becomes effective, the register of members of the Company will be updated accordingly to reflect the cancellation of all the Scheme Shares and all existing certificates representing the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on or about 30 August 2023.

Settlement of the Cancellation Price to which the Scheme Shareholders are entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against any such Scheme Shareholder.

17. OVERSEAS SHAREHOLDERS

General

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, respectively, 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 Scheme Shareholders 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. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees will give or be subject to the above warranty and representation. If you are in doubt as to your position, you should consult your professional advisers.

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 Scheme Document, 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 the 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 Scheme Document 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.

18. TAXATION

As the Scheme does not involve the sale and purchase of Hong Kong stock, no Hong Kong stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation of the Scheme Shares upon the Scheme becoming effective.

Scheme Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Proposal and, in particular, whether the receipt of the Cancellation Price would make such Scheme Shareholder liable to taxation to Hong Kong or in other jurisdiction.

It is emphasised that none of the Offeror, the Company, CICC and their agents or any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility or has any liability for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Proposal. All Scheme Shareholders and/or Beneficial Owners are recommended to consult their professional advisers if in any doubt as to the taxation implications of the Proposal and they shall be solely responsible for their liabilities (including tax liabilities) in relation to the Scheme.

19. COURT MEETING AND THE GENERAL MEETING

In accordance with the directions of the Grand Court, the Court Meeting will be held for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modification). Scheme Shareholders whose names appear on the register of members of the Company as at the Meeting Record Date will be entitled to attend and vote, in person or by proxy, at the Court Meeting, provided that only votes of Disinterested Shareholders will be counted for the purposes of determining whether the requirements set out in the section headed "7. Additional requirements as imposed by Rule 2.10 of the Takeovers Code" above in this Explanatory Memorandum are satisfied in accordance with the Takeovers Code. The Scheme will be subject to the approval by the Scheme Shareholders at the Court Meeting in the manner referred to in the subsection headed "Court Meeting" below.

The General Meeting will be held immediately following the Court Meeting for the purpose of considering and, if thought fit, passing, among other things, (i) the special resolution to approve the Scheme and any reduction of the issued share capital of the Company associated with cancelling and extinguishing the Scheme Shares, and (ii) the ordinary resolution to simultaneously maintain the issued share capital of the Company at 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.

Court Meeting

The Scheme is conditional upon, among other things, approval of the Scheme (by way of poll) by the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held 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.

Scheme Shareholders whose names appear in the register of members of the Company as at the Meeting Record Date shall be entitled to attend and vote their Scheme Shares in person or by proxy, at the Court Meeting for the purposes of Section 86 of the Companies Act, in favour of the Scheme or against the Scheme. For the purpose of satisfying the voting requirements described in (a) and (b) above (which are contained in and imposed by the Takeovers Code), only the votes in respect of the Scheme Shares of Disinterested Shareholders present and voting either in person or by proxy, will be counted.

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 “4. 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 “4. Conditions to the Proposal and the Scheme” (as required under Companies Act) is satisfied. DF has undertaken to the Grand Court that it will not attend and vote at the Court Meeting and will procure that any Shares in respect of which it is beneficially interested will not be represented or voted at the Court Meeting.

In accordance with the Companies Act, the “three-fourths in value” requirement, as described above, will be met if the total value of Scheme Shares being voted in favour of the Scheme is at least three-fourth of the total value of the Scheme Shares voted at the Court Meeting.

Notice of the Court Meeting is set out in Appendix IV to this Scheme Document. The Court Meeting will be held at 10:00 a.m. (Hong Kong time) on 23 August 2023 at Room 2601, 26th Floor, One Harbourfront, 18 Tak Fung Street, Hunghom, Kowloon, Hong Kong. Any Scheme Shareholder who voted at the Court Meeting and any Beneficial Owner who gave voting instructions to a custodian or a clearing house who voted at the Court Meeting have the right to attend, or appear by counsel, and be heard on the hearing of the petition.

General Meeting

All Shareholders whose names appear in the register of members of the Company as at the Meeting Record Date shall be entitled to attend and vote, in person or by proxy, at the General Meeting with respect to, among other things, (i) the special resolution to approve the Scheme and any reduction of the issued share capital of the Company associated with cancelling and extinguishing the Scheme Shares, and (ii) the ordinary resolution to simultaneously maintain the issued share capital of the Company at 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, but (1) DF will be required to abstain from voting on the ordinary resolution to approve the Rollover Arrangement at the General Meeting and (2) the Trustee will not vote at the General Meeting as it may not exercise the voting rights in respect of the Trustee Shares held by it in accordance with the rules of the Share Award Scheme.

The special resolution described in the paragraph above will be passed if not less than 75% of the votes cast by the Shareholders, present and voting in person or by proxy at the General Meeting, are in favour of the special resolution. The ordinary resolution described in the paragraph above will be passed if a majority of the votes cast by the Shareholders, present and voting in person or by proxy at the General Meeting, are in favour of the ordinary resolution.

At the General Meeting, the resolutions will be put to the vote by way of poll as required under article 13.6 of the Company’s articles of association and Rule 13.39(4) of the Listing Rules. Each Shareholder present and voting, either in person or by proxy, will be entitled to vote all of such Shareholder’s Shares in favour of (or against) the resolutions. Alternatively, such Shareholder may vote some of their Shares in favour of the resolutions and any of the balance of their Shares against the resolutions (and vice versa).

Notice of the General Meeting is set out in Appendix V to this Scheme Document. The General Meeting will be held at 10:30 a.m. (Hong Kong time) (or immediately after the conclusion or adjournment of the Court Meeting) on 23 August 2023 at Room 2601, 26th Floor, One Harbourfront, 18 Tak Fung Street, Hunghom, Kowloon, Hong Kong.

Assuming that the Conditions are fulfilled (or, as applicable, waived in whole or in part), it is expected that the Scheme will become effective on or about 30 August 2023 (Cayman Islands time). Further announcements will be made giving details of the results of the Court Meeting and the General Meeting and, if all the resolutions are passed at those meetings, the result of the hearing of the petition for, among other things, the sanction of the Scheme and, to the extent necessary, confirmation of any reduction of the share capital of the Company associated with the Scheme by the Grand Court, the Scheme Record Date, the Effective Date, and the date of withdrawal of the listing of Shares on the Stock Exchange.

20. ACTIONS TO BE TAKEN

Action to be taken by Shareholders

Court Meeting and General Meeting

For the purpose of determining the entitlements of Scheme Shareholders to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the General Meeting, the register of members of the Company will be closed from 18 August 2023 to 23 August 2023 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Share Registrar at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong before 4:30 p.m. on 17 August 2023.

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the General Meeting are enclosed with this Scheme Document. Subsequent purchasers of Shares may obtain the relevant proxy form from the transferor or the website of the Stock Exchange if they wish to attend or vote at the Court Meeting and/or the General Meeting.

Whether or not you are able to attend the Court Meeting and/or the General Meeting or any adjournment thereof in person, if you are a Scheme Shareholder, we strongly urge you to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting, and if you are a Shareholder, we strongly urge you to complete and sign the enclosed **white** form of proxy in respect of the General Meeting, in accordance with the instructions printed thereon, and to lodge them at the office of the Share Registrar at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong. **The pink form of proxy for use at the Court Meeting should be lodged no later than 48 hours before the time appointed for holding the Court Meeting or any adjournment thereof although it may alternatively be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it). The white form of proxy for use at the General Meeting must be lodged no later than 48 hours before the time appointed for holding the General Meeting or any adjournment thereof in order to be accepted, failing which it will not be valid.** The completion and return of a form of proxy for the Court Meeting and/or the General

Meeting will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof. In such event, the returned form of proxy will be revoked by operation of law.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the General Meeting, you will still be bound by the outcome of the Court Meeting and the General Meeting if, among other things, the resolutions are passed by the requisite majorities at the Court Meeting and the General Meeting. We therefore strongly urge you to attend and vote at the Court Meeting and the General Meeting in person or by proxy.

Voting at the Court Meeting and the General Meeting will be taken by poll as required under the Listing Rules and the Takeovers Code.

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the General Meeting by no later than 7:00 p.m. on 23 August 2023. If all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition to sanction the Scheme by the Grand Court and, if the Scheme is sanctioned, the Scheme Record Date, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

Actions to be taken by Beneficial Owners whose Shares are held through Trust or deposited in CCASS

Court Meeting and General Meeting

The Company will not recognise any person as holding any Shares through any trust. If you are a Beneficial Owner whose Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees), you should contact the Registered Owner and provide the Registered Owner with instructions and/or make arrangements with the Registered Owner in relation to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the General Meeting. Such instructions and/or arrangements should be given or made in advance of the deadline in respect of the Court Meeting and the General Meeting set by the Registered Owner in order to provide the Registered Owner with sufficient time to accurately complete his, her or its proxy and to submit it by the deadline stated in Part III — Expected Timetable of this Scheme Document. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the aforementioned latest time for the lodgment of forms of proxy in respect of the Court Meeting and the General Meeting, any such Beneficial Owner should comply with the requirements of the Registered Owner.

If you are a Beneficial Owner who wishes to attend the Court Meeting and/or the General Meeting personally, you should:

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the General Meeting and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name, in which case, you should consult your financial intermediary (such as your broker, custodian or nominee) to determine whether any charges apply.

The appointment of a proxy by the Registered Owner at the Court Meeting and/or the General Meeting shall be in accordance with all relevant provisions in the articles of association of the Company.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and no later than the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

The completion and return of a form of proxy for the Court Meeting and/or the General Meeting will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof. In the event that the Registered Owner attends and votes at the relevant meeting or any adjournment thereof after having lodged his forms of proxy, the returned form of proxy will be revoked by operation of law.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are a CCASS Investor Participant, contact your broker, custodian, nominee, or other relevant person who is, or has, in turn, deposited such Shares with other CCASS Participants, regarding voting instructions to be given to such persons if you wish to vote at the Court Meeting and/or at the General Meeting in respect of the Scheme. You should contact your broker, custodian, nominee or other relevant person in advance of the deadline in respect of the Court Meeting and the General Meeting set by them, in order to provide such person with sufficient time to provide HKSCC Nominees with instructions or make arrangements with HKSCC Nominees in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the General Meeting. The procedure for voting in respect of the Scheme by HKSCC Nominees with respect to the Shares registered under the name of HKSCC Nominees shall be in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

If you are a Beneficial Owner whose Shares are deposited in CCASS, you may also elect to become a Registered Owner, and thereby have the right to attend and vote at the Court Meeting (if you are a Scheme Shareholder) and the General Meeting (as a Shareholder). You can become a Registered Owner by withdrawing all or any of your Shares from CCASS and transferring and registering such Shares in your own name. For withdrawal of Shares from CCASS and registration thereof, you will be required to pay to CCASS a withdrawal fee per board lot withdrawn, a registration fee for each share certificate issued, stamp duty on each transfer instrument and, if your Shares are held through a financial intermediary, any other relevant fees charged by your financial intermediary. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for lodging transfers of the Shares into your name so as to qualify to attend and vote at the Court Meeting and the General Meeting, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Shares from CCASS and register them in your name.

SHAREHOLDERS (INCLUDING ANY BENEFICIAL OWNERS OF SUCH SHARES THAT GAVE VOTING INSTRUCTIONS TO A CUSTODIAN OR CLEARING HOUSE THAT SUBSEQUENTLY VOTED AT THE COURT MEETING) SHOULD NOTE THAT THEY ARE ENTITLED TO APPEAR BEFORE OR BE REPRESENTED AT THE HEARING OF THE PETITION IN THE GRAND COURT WHICH IS EXPECTED TO BE ON 23 AUGUST 2023, AT WHICH THE COMPANY WILL SEEK, AMONG OTHER THINGS, THE SANCTION OF THE SCHEME.

EXERCISE YOUR RIGHT TO VOTE

IF YOU ARE A SHAREHOLDER OR A BENEFICIAL OWNER, THE OFFEROR AND THE COMPANY STRONGLY ENCOURAGE YOU TO EXERCISE YOUR RIGHT TO VOTE OR GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND AT THE GENERAL MEETING. IF YOU KEEP ANY SHARES IN A SHARE LENDING PROGRAMME OR A CUSTODIAN ACCOUNT, THE OFFEROR AND THE COMPANY URGE YOU TO RECALL ANY OUTSTANDING SHARES ON LOAN OR REQUIRE YOUR CUSTODIAN TO RECALL ANY SUCH SHARES ON LOAN TO AVOID MARKET PARTICIPANTS USING BORROWED STOCK TO VOTE.

IF YOU ARE A BENEFICIAL OWNER WHOSE SHARES ARE DEPOSITED IN CCASS, THE OFFEROR AND THE COMPANY ENCOURAGE YOU TO PROVIDE HKSCC NOMINEES WITH INSTRUCTIONS OR MAKE ARRANGEMENTS WITH HKSCC NOMINEES IN RELATION TO THE MANNER IN WHICH THOSE SHARES SHOULD BE VOTED AT THE COURT MEETING AND/OR AT THE GENERAL MEETING WITHOUT DELAY (AS DETAILED IN THE SECTION “ACTIONS TO BE TAKEN — ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD THROUGH TRUST OR DEPOSITED IN CCASS” ABOVE).

IF YOU ARE A REGISTERED OWNER HOLDING SHARES ON BEHALF OF BENEFICIAL OWNERS, WE SHOULD BE GRATEFUL IF YOU WOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR RIGHT TO VOTE.

IF YOU ARE IN ANY DOUBT AS TO THE ACTIONS TO BE TAKEN, YOU ARE ENCOURAGED TO CONSULT YOUR LICENSED SECURITIES DEALER OR REGISTERED INSTITUTION IN SECURITIES, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISOR.

21. RECOMMENDATION

Your attention is drawn to the following:

- (i) the section headed “Recommendation” in Part IV — Letter from the Board of this Scheme Document;
- (ii) the letter from the Independent Board Committee in Part V of this Scheme Document; and
- (iii) the letter from Gram Capital in Part VI of this Scheme Document.

22. FURTHER INFORMATION

Further information is set out in the Appendices to, and elsewhere in, this Scheme Document, all of which form part of this Explanatory Memorandum.

Shareholders and Scheme Shareholders should rely only on the information contained in this Scheme Document. None of the Company, the Offeror, CICC, the Independent Financial Adviser, the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal has authorised anyone to provide you with information that is different from what is contained in this Scheme Document.

1. FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated financial information of the Group for each of the three years ended 31 December 2020, 31 December 2021 and 31 December 2022. The figures for the years ended 31 December 2020, 31 December 2021 and 31 December 2022 are extracted from the annual reports of the Company for the respective years.

The auditor's reports issued by the auditors of the Company, Ernst & Young, in respect of the audited consolidated financial statements of the Group for each of the three years ended 31 December 2020, 31 December 2021 and 31 December 2022 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

There was no item which was exceptional because of its size, nature or incidence that was recorded in the audited consolidated financial statements of the Group for each of the financial years ended 31 December 2020, 2021 and 2022.

Save as disclosed below, there are no other items of income or expenses which are material to the Group for each of the three years ended 31 December 2020, 2021 and 2022.

Summary of Consolidated Statement of Profit or Loss and Other Comprehensive Income

| | Year ended 31 December | | |
|--|--|--|--|
| | 2020 (audited) <i>RMB'000</i> | 2021 (audited) <i>RMB'000</i> | 2022 (audited) <i>RMB'000</i> |
| REVENUE | 20,961,708 | 22,294,000 | 19,957,199 |
| Gross profit | 8,240,896 | 8,155,606 | 7,023,954 |
| PROFIT BEFORE TAX | 5,106,610 | 4,985,679 | 4,063,763 |
| Income tax expense | <u>(1,257,957)</u> | <u>(1,260,454)</u> | <u>(1,073,675)</u> |
| PROFIT FOR THE YEAR | <u>3,848,653</u> | <u>3,725,225</u> | <u>2,990,088</u> |
| Attributable to: | | | |
| Owners of the parent | <u>3,848,653</u> | <u>3,725,225</u> | <u>2,990,088</u> |
| PROFIT FOR THE YEAR | <u>3,848,653</u> | <u>3,725,225</u> | <u>2,990,088</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>3,828,286</u> | <u>3,731,790</u> | <u>2,906,217</u> |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | <u>3,828,286</u> | <u>3,731,790</u> | <u>2,906,217</u> |
| EARNINGS PER SHARE | | | |
| ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| Basic — For profit for the period | <u>RMB0.28</u> | <u>RMB0.27</u> | <u>RMB0.22</u> |
| Diluted — For profit for the period | <u>RMB0.28</u> | <u>RMB0.27</u> | <u>RMB0.22</u> |

2. CONSOLIDATED FINANCIAL STATEMENTS

The audited consolidated financial statements of the Group for the year ended t>31 December 2020 (the “**2020 Financial Statements**”) are set out on pages 148 to 242 of the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”). The 2020 Annual Report is posted on the websites of the Company (www.dali-group.com) and the Stock Exchange (www.hkexnews.hk). Please also see below a direct link to the 2020 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0415/2021041500710.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2021 (the “**2021 Financial Statements**”) are set out on pages 164 to 262 of the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”). The 2021 Annual Report is posted on the websites of the Company (www.dali-group.com) and the Stock Exchange (www.hkexnews.hk). Please also see below a direct link to the 2021 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0421/2022042100467.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2022 (the “**2022 Financial Statements**”) are set out on pages 175 to 278 of the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”). The 2022 Annual Report is posted on the websites of the Company (www.dali-group.com) and the Stock Exchange (www.hkexnews.hk). Please also see below a direct link to the 2022 Annual Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0424/2023042400685.pdf>

The 2020 Financial Statements, the 2021 Financial Statements, the 2022 Financial Statements and the 2022 Interim Financial Information (but not any other part of the 2020 Annual Report, the 2021 Annual Report and the 2022 Annual Report in which they respectively appear) are incorporated by reference into this Scheme Document and form part of this Scheme Document.

3. INDEBTEDNESS

As at the close of business on 30 June 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Scheme Document, the indebtedness of the Group were shown as below:

(i) Interest-bearing bank borrowings and lease liabilities

The interest-bearing bank borrowings and lease liabilities as at 30 June 2023 were as follows:

| | As at 30 June 2023 RMB'000 |
|--|---|
| Current | |
| Interest-bearing bank borrowings-secured | 7,008 |
| Interest-bearing bank borrowings-unsecured | 5,363,656 |
| Lease liabilities | <u>9,951</u> |
| | <u>5,380,615</u> |
| Non-current | |
| Interest-bearing bank borrowings-secured | 31,100 |
| Interest-bearing bank borrowings-unsecured | 531,900 |
| Lease liabilities | <u>—</u> |
| | <u>563,000</u> |
| Total | <u><u>5,943,615</u></u> |

(ii) Contingent liabilities

As at the close of business on 30 June 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Scheme Document, the Group has no contingent liabilities.

(iii) Financial guarantees

As at 30 June 2023, the Group did not have significant financial guarantees.

Save as disclosed above, and apart from intra-group liabilities and normal trade payables in the normal course of business, at the close of business on 30 June 2023, the Group did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities.

4. MATERIAL CHANGE

The Directors have confirmed that there was no material change in the financial or trading position or outlook of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENTS

The Directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (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 Scheme Document (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 Scheme Document the omission of which would make any statements in this Scheme Document misleading.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this Scheme Document (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 Scheme Document (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 Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date:

- (i) the authorized share capital of the Company was HK\$500,000,000 divided into 50,000,000,000 Shares;
- (ii) the issued and paid-up share capital of the Company was HK\$136,941,175 divided into 13,694,117,500 Shares;
- (iii) all of the issued Shares ranked *pari passu* in all respects with each other, including all rights as to dividends, voting and capital;
- (iv) no new Shares had been issued since 31 December 2022, being the end of the last financial year of the Company; and
- (v) there were no outstanding options, convertible securities, warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company that carried a right to subscribe for or which were convertible or exchangeable into the Shares.

3. MARKET PRICES

The table below sets out the closing price of the Shares on the Stock Exchange on (i) the last Business Day of each of the calendar months during the period commencing six months preceding the Announcement Date and ending on the Latest Practicable Date, (ii) the Last Trading Day, and (iii) the Latest Practicable Date:

| Date | Closing price for each Share (HK\$) |
|--|--|
| 30 December 2022 | 3.56 |
| 31 January 2023 | 3.50 |
| 28 February 2023 | 3.17 |
| 31 March 2023 | 3.28 |
| 28 April 2023 | 3.26 |
| 31 May 2023 | 2.61 |
| 20 June 2023 (Last Trading Day) | 2.72 |
| 30 June 2023 | 3.50 |
| 28 July 2023 (Latest Practicable Date) | 3.62 |

The lowest and highest closing prices of Shares as quoted on the Stock Exchange during the period commencing six months preceding the Announcement Date and ending on the Latest Practicable Date were HK\$3.76 per Share on 6 January and 9 January 2023 and HK\$2.44 per Share on 1 June 2023, respectively.

4. DISCLOSURE OF INTERESTS, DEALINGS AND OTHER ARRANGEMENTS

(i) Disclosure of Interests

For the purpose of this paragraph, “interested” have the same meanings as given to them in Part XV of the SFO.

- (a) As at the Latest Practicable Date, the Offeror and the Offeror Concert Parties were interested in the following Shares:

| | Number of Shares | Approximate % of Shares |
|--------------|-----------------------------|------------------------------------|
| DF | 11,640,000,000 | 85 |
| Trustee | 532,327,500 | 3.89 |
| Total | 12,172,327,500 | 88.89 |

| |
|--|
| APPENDIX II INFORMATION ON THE GROUP AND THE COMPANY |
|--|

- (b) Save as disclosed above and save for the dealings in the Shares by any member of the CICC group which are conducted on a non-discretionary basis for and on behalf of its clients, as at the Latest Practicable Date, none of the Offeror and the Offeror Concert Parties (including the sole director of the Offeror) owned or controlled, or was interested in, any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares. Save for the Trustee, none of the Offeror and the Offeror Concert Parties had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares during the Relevant Period.
- (c) As at the Latest Practicable Date, none of the Offeror or Offeror Concert Parties had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares, save for any borrowed Shares which have been either on-lent or sold.
- (d) As at the Latest Practicable Date, no Shares and no convertible securities, warrants, options or derivatives in respect of the Shares, was managed on a discretionary basis by any fund managers (other than exempt fund managers) connected with the Company.
- (e) Save as disclosed below, as at the Latest Practicable Date, no other Directors were interested in the Shares which would entitle them to vote at the Court Meeting:

| | Number of Shares | Approximate % of Shares |
|------------------------------|------------------------------|------------------------------------|
| Mr. XU Shihui ¹ | 11,640,000,000 | 85 |
| Ms. XU Yangyang ² | <u>11,640,000,000</u> | <u>85</u> |
| Total | <u><u>11,640,000,000</u></u> | <u><u>85</u></u> |

Note 1: Mr. XU Shihui was, through DF, which was 50% owned by a company controlled by him and 50% owned by a family trust established by him as the settlor, interested in 11,640,000,000 Shares (representing approximately 85% of the issued Shares).

Note 2: Ms. XU Yangyang was, through a family trust (which she is a beneficiary), interested in 11,640,000,000 Shares (representing approximately 85% of the issued Shares).

(ii) Dealings in the Company’s securities

During the Relevant Period:

(a) save as disclosed below and save for the dealings in the Shares by any member of the CICC group which are conducted on a non-discretionary basis for and on behalf of its clients, none of the Offeror, the sole director of the Offeror, the Offeror Concert Parties, the Company or the Directors had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares:

(1) the tables below show the dealings for value by the Trustee during the Relevant Period. A full list of all dealings for value by the Trustee on a non-aggregated basis during the Relevant Period will be made available for inspection in the manner described under the section headed “10. Documents Available for Inspection” in this Appendix.

Dealings for value by the Trustee from 27 May 2023 to 26 June 2023:

| Date of transactions <i>(On a non-aggregated basis)</i> | Nature of transaction | On/off the Stock Exchange | No. of Shares involved | Transaction price per Share <i>(HK\$)</i> |
|---|------------------------------|----------------------------------|-------------------------------|---|
| 01/06/2023 | Purchase | On | 350,000 | 2.44 |
| | Purchase | On | 160,000 | 2.45 |
| | Purchase | On | 50,000 | 2.46 |
| | Purchase | On | 750,000 | 2.47 |
| | Purchase | On | 150,000 | 2.49 |
| | Purchase | On | 186,000 | 2.50 |
| | Purchase | On | 472,000 | 2.51 |
| | Purchase | On | 1,689,500 | 2.52 |
| | Purchase | On | 952,500 | 2.53 |
| | Purchase | On | 1,010,500 | 2.54 |
| | Purchase | On | 739,500 | 2.55 |
| | Purchase | On | 50,000 | 2.56 |
| | Purchase | On | 150,000 | 2.57 |
| | Purchase | On | 150,000 | 2.58 |
| | Purchase | On | 200,000 | 2.61 |

| Date of transactions <i>(On a non-aggregated basis)</i> | Nature of transaction | On/off the Stock Exchange | No. of Shares involved | Transaction price per Share <i>(HK\$)</i> | |
|---|------------------------------|----------------------------------|-------------------------------|---|------|
| 02/06/2023 | Purchase | On | 61,500 | 2.49 | |
| | Purchase | On | 925,000 | 2.50 | |
| | Purchase | On | 100,000 | 2.51 | |
| | Purchase | On | 180,000 | 2.52 | |
| | Purchase | On | 150,500 | 2.53 | |
| | Purchase | On | 17,500 | 2.64 | |
| | Purchase | On | 80,000 | 2.65 | |
| | Purchase | On | 80,000 | 2.66 | |
| | Purchase | On | 150,000 | 2.68 | |
| | Purchase | On | 50,000 | 2.69 | |
| | Purchase | On | 250,000 | 2.70 | |
| | Purchase | On | 959,000 | 2.72 | |
| | Purchase | On | 305,500 | 2.73 | |
| | Purchase | On | 125,500 | 2.74 | |
| | Purchase | On | 165,000 | 2.75 | |
| | 05/06/2023 | Purchase | On | 1,180,000 | 2.76 |
| Purchase | | On | 250,000 | 2.63 | |
| Purchase | | On | 750,000 | 2.64 | |
| Purchase | | On | 230,000 | 2.65 | |
| Purchase | | On | 280,000 | 2.66 | |
| Purchase | | On | 50,000 | 2.67 | |
| Purchase | | On | 150,000 | 2.68 | |
| Purchase | | On | 50,000 | 2.69 | |
| Purchase | | On | 230,000 | 2.70 | |
| Purchase | | On | 100,000 | 2.71 | |
| Purchase | | On | 160,000 | 2.73 | |
| Purchase | | On | 50,000 | 2.75 | |
| Purchase | | On | 60,000 | 2.77 | |
| 06/06/2023 | | Purchase | On | 110,000 | 2.83 |
| | | Purchase | On | 26,000 | 2.55 |
| | | Purchase | On | 724,000 | 2.56 |
| | Purchase | On | 294,000 | 2.59 | |
| | Purchase | On | 356,000 | 2.60 | |
| | Purchase | On | 150,000 | 2.61 | |
| | Purchase | On | 50,000 | 2.62 | |
| | Purchase | On | 50,000 | 2.63 | |
| | Purchase | On | 30,000 | 2.64 | |
| Purchase | On | 50,000 | 2.65 | | |

| Date of transactions <i>(On a non-aggregated basis)</i> | Nature of transaction | On/off the Stock Exchange | No. of Shares involved | Transaction price per Share <i>(HK\$)</i> |
|---|------------------------------|----------------------------------|-------------------------------|---|
| 07/06/2023 | Purchase | On | 41,500 | 2.52 |
| | Purchase | On | 15,500 | 2.53 |
| | Purchase | On | 73,000 | 2.54 |
| | Purchase | On | 50,000 | 2.55 |
| | Purchase | On | 50,000 | 2.56 |
| | Purchase | On | 100,000 | 2.57 |
| | Purchase | On | 30,000 | 2.60 |
| 08/06/2023 | Purchase | On | 30,000 | 2.54 |
| | Purchase | On | 22,000 | 2.56 |
| | Purchase | On | 30,000 | 2.59 |
| | Purchase | On | 200,000 | 2.67 |
| 09/06/2023 | Purchase | On | 50,000 | 2.67 |
| 12/06/2023 | Purchase | On | 488,500 | 2.57 |
| | Purchase | On | 170,500 | 2.58 |
| | Purchase | On | 163,000 | 2.59 |
| | Purchase | On | 207,000 | 2.60 |
| | Purchase | On | 109,000 | 2.61 |
| | Purchase | On | 41,000 | 2.62 |
| | Purchase | On | 850,000 | 2.63 |
| | Purchase | On | 120,000 | 2.64 |
| | Purchase | On | 150,000 | 2.68 |
| | Purchase | On | 160,000 | 2.69 |

Dealings for value by the Trustee from 27 March 2023 to 26 May 2023:

| Date of transactions <i>(Aggregated on a daily basis)</i> | Nature of transaction | On/off the Stock Exchange | No. of Shares involved | Highest Transaction price per Share <i>(HK\$)</i> | Lowest Transaction price per Share <i>(HK\$)</i> |
|---|------------------------------|----------------------------------|-------------------------------|---|--|
| 11/04/2023 | Purchase | On | 571,000 | 3.29 | 3.24 |
| 12/04/2023 | Purchase | On | 430,000 | 3.32 | 3.26 |
| 13/04/2023 | Purchase | On | 594,500 | 3.38 | 3.26 |
| 14/04/2023 | Purchase | On | 120,000 | 3.40 | 3.40 |
| 17/04/2023 | Purchase | On | 448,000 | 3.43 | 3.36 |
| 18/04/2023 | Purchase | On | 445,000 | 3.45 | 3.35 |
| 19/04/2023 | Purchase | On | 520,000 | 3.37 | 3.30 |
| 20/04/2023 | Purchase | On | 183,500 | 3.35 | 3.34 |
| 21/04/2023 | Purchase | On | 375,000 | 3.39 | 3.32 |
| 24/04/2023 | Purchase | On | 386,000 | 3.30 | 3.28 |

Dealings for value by the Trustee from 27 December 2022 to 26 March 2023:

| Date of transactions <i>(Aggregated on a weekly basis)</i> | | Nature of transaction | On/off the Stock Exchange | No. of Shares involved | Highest | Lowest |
|---|------------|--------------------------|---------------------------------|------------------------------|--|--|
| Start | End | | | | Transaction price per Share <i>(HK\$)</i> | Transaction price per Share <i>(HK\$)</i> |
| 28/12/2022 | 30/12/2022 | Purchase | On | 68,500 | 3.61 | 3.56 |
| 03/01/2023 | 06/01/2023 | Purchase | On | 1,942,000 | 3.81 | 3.50 |
| 09/01/2023 | 12/01/2023 | Purchase | On | 472,500 | 3.85 | 3.58 |
| 26/01/2023 | 27/01/2023 | Purchase | On | 261,000 | 3.68 | 3.60 |

- (b) save as disclosed above and save for the dealings in the Shares by any member of the CICC group which are conducted on a non-discretionary basis for and on behalf of its clients, no subsidiary of the Company, no pension fund of the Company or of a subsidiary of the Company, no person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders and exempt fund managers) had dealt for value in any the Shares or any convertible securities, warrants, options or derivatives in respect of the Shares; and
- (c) other than the Proposal and the Rollover Arrangement, no person having any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) or (4) of the definition of “associate” under the Takeovers Code had dealt for value in any Shares, or any convertible securities, warranties, options or derivatives in respect of the Shares.

(iii) Other arrangements in relation to the Proposal

As at the Latest Practicable Date:

- (a) other than the Proposal and the Rollover Arrangement, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code that existed between any person and the Offeror or any of the Offeror Concert Parties;
- (b) the Offeror had no intention to transfer, charge or pledge any securities in the Company received pursuant to the Scheme to any other person, and had no agreement, arrangement or understanding with any third party to do so;
- (c) other than the Rollover Arrangement, there was no agreement or arrangement to which the Offeror was a party which related to the circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal;
- (d) no benefit was or would be given to any Director as compensation for loss of office or otherwise in connection with the Proposal;
- (e) other than the Rollover Arrangement, there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror or any of the Offeror Concert Parties on one hand and any of the Directors, recent Directors, Shareholders or recent Shareholders of the Company on the other hand, having any connection with or was dependent upon the Proposal;
- (f) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Proposal or otherwise connected with the Proposal; and
- (g) other than the Rollover Arrangement, there was no understanding, arrangement or agreement or special deal (under Rule 25 of the Takeovers Code) between (1) any Shareholder (on one hand); and (2) either (i) the Offeror or any Offeror Concert Parties or (ii) the Company or any of its subsidiaries or associated companies (on the other hand).

5. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any material litigation and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

6. MATERIAL CONTRACTS

Save for the Rollover Agreement, there had been no material contracts (not being contracts entered into the ordinary course of business carried on or intended to be carried on by any member of the Group) entered into by a member of the Group after the date two years before the Announcement Date up to and including the Latest Practicable Date.

7. SERVICE CONTRACTS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed-term contracts) had been entered into or amended within the 6 months before the date of the Announcement; (ii) was a continuous contract with a notice period of 12 months or more; or (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period:

| Name of the Director under contract | Date of the contract | Expiry date of the contract | Amount of fixed remuneration payable, excluding pension payments (RMB) | Amount of any variable remuneration payable under the contract |
|-------------------------------------|----------------------|---|---|--|
| Mr. XU Shihui | 25 August 2015 | Initial term of 3 years, subject to automatic renewal | 2,344,000 | / |
| Mr. ZHUANG Weiqiang | 25 August 2015 | Initial term of 3 years, subject to automatic renewal | 1,644,000 | / |
| Ms. XU Yangyang | 25 August 2015 | Initial term of 3 years, subject to automatic renewal | 1,144,000 | / |

8. CONSENTS AND QUALIFICATIONS OF EXPERTS

The following are the qualifications of the experts who have been named in this Scheme Document or have given opinion or advice which is contained in this Scheme Document:

| Name | Qualification |
|----------------------|--|
| CICC | 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 |
| Gram Capital Limited | a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO |

As at the Latest Practicable Date, the above experts had given and had not withdrawn its written consent to the issue of this Scheme Document with the inclusion herein of its letters and opinions (as the case may be) and/or references to its name, opinions, reports and/or letters (as the case may be) in the form and context in which they respectively appear.

9. MISCELLANEOUS

- (i) Principal members of the Offeror's concert group include the Founder and DF.
- (ii) The registered office of the Offeror is situated at 2/F, Palm Grove House, P.O. Box 3340, Road Town, Tortola, British Virgin Islands. The Offeror does not have a principal office in Hong Kong.
- (iii) The sole director of the Offeror is Mr. XU Shihui.
- (iv) The directors of DF are the Founder, Ms. Xu Yangyang and Ms. Chen Liling.
- (v) CICC is the financial adviser to the Offeror in relation to the Proposal, and its registered address is at 29/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.
- (vi) The registered office of the Company is situated at Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.
- (vii) The principal place of business of Company in Hong Kong is situated at Room 2601, 26th Floor, One Harbourfront, 18 Tak Fung Street, Hunghom, Kowloon, Hong Kong.

- (viii) The Board 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, and Mr. NG Kong Hing, Mr. LIU Xiaobin and Dr. LIN Zhijun as independent non-executive Directors.
- (ix) The principal share registrar and transfer agent of the Company in Cayman is Maples Fund Service (Cayman) Limited, P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman KY1-1102, Cayman Islands.
- (x) The branch share registrar and transfer office of the Company in Hong Kong is Link Market Services (Hong Kong) Pty Limited at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong.
- (xi) The principal place of business of Gram Capital is Room 1209, 12/F, Nan Fung Tower, 173 Des Voeux Road Central, Central, Hong Kong.

In case of inconsistency, the English language text of this Scheme Document and the accompanying forms of proxy shall prevail over the Chinese language text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on the website of the Company at www.dali-group.com and the website of the SFC at www.sfc.hk during the period from the date of this Scheme Document until (a) the Effective Date; and (b) the date on which the Scheme lapses or is withdrawn, whichever is earlier:

- (i) the articles of association of the Offeror;
- (ii) the second amended and restated memorandum and articles of association of the Company;
- (iii) the 2020 Annual Report, the 2021 Annual Report and the 2022 Annual Report;
- (iv) the letter from the Board, the text of which is set out in Part V of this Scheme Document;
- (v) the letter from the Independent Board Committee, the text of which is set out in Part VI of this Scheme Document;
- (vi) the letter from Gram Capital, the text of which is set out in Part VII of this Scheme Document;
- (vii) the Rollover Agreement;
- (viii) a full list of all dealings for value by the Trustee referred to in the section headed "4. Disclosure of Interests, Dealings and Other Arrangements" in this Appendix;
- (ix) the service contracts referred to in the section headed "7. Service Contracts" in this Appendix;

| | |
|--------------------|---|
| APPENDIX II | INFORMATION ON THE GROUP AND THE COMPANY |
|--------------------|---|

- (x) the written consents issued by the expert referred to in the section headed “8. Consents and Qualifications of Experts” in this Appendix; and
- (xi) this Scheme Document.

IN THE GRAND COURT OF THE CAYMAN ISLANDS

FINANCIAL SERVICES DIVISION

Cause No. FSD 191 of 2023 (CRJ)

IN THE MATTER OF SECTION 86 OF THE COMPANIES ACT
(2023 REVISION)
AND IN THE MATTER OF ORDER 102 OF THE GRAND COURT RULES 1995
(AS REVISED)
AND IN THE MATTER OF DALI FOODS GROUP COMPANY LIMITED
達利食品集團有限公司

SCHEME OF ARRANGEMENT

BETWEEN

DALI FOODS GROUP COMPANY LIMITED 達利食品集團有限公司

AND

**THE SCHEME SHAREHOLDERS
(AS HEREINAFTER DEFINED)**

(A) In this scheme of arrangement, unless inconsistent with the subject or context, the following expressions shall have the meanings respectively set opposite them:

| | |
|----------------------------|---|
| “acting in concert” | has the meaning ascribed to it in the Takeovers Code and “concert party” shall be construed accordingly |
| “Board” | the board of Directors |
| “Business Day” | a day on which the Stock Exchange is open for the transaction of business |

| | |
|--|--|
| “Cancellation Price” | the cancellation price of HK\$3.75 per Scheme Share payable by the Offeror to the Scheme Shareholders pursuant to the Scheme in the form of (i) the Cash Cancellation Consideration in respect of the Scheme Shares (other than the Founder Shares); or (ii) the Founder Shares Cancellation Consideration in respect of the Founder Shares |
| “Cash Cancellation Consideration” | the consideration for the cancellation of the Scheme Shares (other than the Founder Shares) under the Scheme, being the payment of the Cancellation Price of HK\$3.75 in cash for each such Scheme Share |
| “Conditions” | the conditions to the implementation of the Proposal and the Scheme as set out in the section headed “4. Conditions to the Proposal and the Scheme” in Part VIII — Explanatory Memorandum of the Scheme Document |
| “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 (2023 Revision) of the Cayman Islands |
| “Company” | Dali Foods Group Company Limited 達利食品集團有限公司, 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) |
| “Court Meeting” | a meeting of the Scheme Shareholders to be held 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)” | the director(s) of the Company |
| “Disinterested Share(s)” | Share(s) in issue at the Scheme 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 Scheme 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, if approved and sanctioned by the Grand Court, becomes effective in accordance with its terms and the Companies Act, which is expected to be 30 August 2023 (Cayman Islands time) |
| “Executive” | the Executive Director of the Corporate Finance Division of the SFC or any delegate thereof |
| “Founder” | Mr. XU Shihui |
| “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 Latest Practical 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 |
| “Grand Court” | the Grand Court of the Cayman Islands |

| | |
|---------------------------------|---|
| “HK\$” | Hong Kong dollar(s), the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Board Committee” | the 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” | Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee in relation to the Proposal, the Scheme and the Rollover Arrangement |
| “Latest Practicable Date” | 28 July 2023, being the latest practicable date for ascertaining certain information contained in the Scheme Document |
| “Offeror” | Rongshi International Investment Co., Ltd. 融世國際投資有限公司, 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 |

| | |
|-------------------------------|---|
| “Proposal” | the proposal for the delisting of the Company by the Offeror by way of the Scheme and the simultaneous maintenance of the issued share capital of the Company at 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 Scheme Document |
| “Register” | the principal or branch register of members of the Company (as the case may be) in respect of the Shares |
| “Rollover Agreement” | the rollover agreement entered into among the Offeror, the Trustee and the Company on 27 June 2023, details of which are set out in the section headed “5. Special Deal Relating to the Rollover Arrangement” in Part VIII — Explanatory Memorandum of the Scheme Document |
| “Rollover Arrangement” | the arrangement between the Offeror and the Trustee under the Rollover Agreement as set out in the section headed 5. Special Deal Relating to the Rollover Arrangement in Part VIII — Explanatory Memorandum of this Scheme Document |
| “Scheme Document” | the composite scheme document jointly despatched by the Offeror and the Company to the Shareholders containing, <i>inter alia</i> , further details of the Proposal together with and notice of the Court Meeting and the General Meeting together with the forms of proxy in relation thereto |
| “Scheme” | a scheme of arrangement under Section 86 of the Companies Act involving the cancellation of all the Scheme Shares and the simultaneous maintenance of the issued share capital of the Company at the amount prior to the cancellation of the Scheme Shares |
| “Scheme Record Date” | 30 August 2023, or such other date as shall have been announced to the Shareholders, being the record date for the purposes of determining entitlements of the Scheme Shareholders under the Scheme |

| | |
|-----------------------|--|
| “Scheme Share(s)” | the Shares in issue on the Scheme Record Date held by the Disinterested Shareholders and the Founder Shares |
| “Scheme Shareholders” | the registered holder(s) of Scheme Shares as at the Scheme Record Date |
| “SFC” | Securities and Futures Commission of Hong Kong |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Share Award Scheme” | the share award scheme adopted by the Company on 2 December 2021 |
| “Shareholders” | registered holders of the Shares |
| “Share Registrar” | Link Market Services (Hong Kong) Pty Limited |
| “Shares” | ordinary shares of par value HK\$0.01 each 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 |
| “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, through its wholly-owned subsidiary, under the Share Award Scheme subject to the Rollover Arrangement |

- (B) The Company was incorporated under the name “Dali Foods Group Company Limited” on 4 November 2014 under the Companies Act as an exempted company with registration number MC-293390. The Company changed its name to “Dali Foods Group Company Limited 達利食品集團有限公司” on 30 April 2015.
- (C) The Company has an authorised share capital of HK\$500,000,000 divided into 50,000,000,000 Shares of par value of HK\$0.01 each, of which 13,694,117,500 Shares are in issue.
- (D) The Offeror, which is wholly owned by the Founder, has proposed the privatisation of the Company by way of the Scheme.

- (E) The primary purpose of the Scheme is to delist the Company by cancelling and extinguishing all of the Scheme Shares in consideration for the Cash Cancellation Consideration (in respect of the Scheme Shares (other than the Founder Shares)) or the Founder Shares Cancellation Consideration (in respect of the Founder Shares) so that after the completion of the Scheme, the Offeror, will own the entire issued share capital of the Company other than the Trustee Shares. Simultaneously with the cancellation and extinguishment of the Scheme Shares, the issued share capital of the Company will be maintained at the amount prior to the cancellation and extinguishment of the Scheme Shares by the issuance at par to the Offeror, credited as fully paid, such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished.
- (F) The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Scheme assuming there is no change in shareholding of the Company before completion of the Proposal:

| | As at the Latest Practicable Date | | Immediately upon completion of the Proposal | |
|--|-----------------------------------|---|---|---|
| | <i>Number of Shares held</i> | <i>Approximate % of the total issued Shares</i> | <i>Number of Shares held</i> | <i>Approximate % of the total issued Shares</i> |
| Shareholders | | | | |
| Offeror and Offeror Concert Parties | | | | |
| — DF | 11,640,000,000 | 85.00 | — | — |
| — Offeror | — | — | 13,161,790,000 | 96.11 |
| — Trustee | <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>13,694,117,500</u> | <u>100.00</u> | <u>13,694,117,500</u> | <u>100.00</u> |

- (G) DF has undertaken to not to attend and/or vote at the Court Meeting. DF will procure that any Shares in respect of which it is legally or beneficially interested will not be represented or voted at the Court Meeting convened at the direction of the Grand Court for the purpose of considering and, if thought fit, approving the Scheme. Only Scheme Shareholders (who are Disinterested Shareholders) will attend and vote at the Court Meeting.
- (H) Each of the Offeror and DF has undertaken to the Grand Court to be bound by the terms of the Scheme and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable for the purpose of giving effect to the Scheme.

THE SCHEME**PART I****Cancellation and extinguishment of the Scheme Shares and issue of new Shares credited as fully paid at par to the Offeror**

1. On the Effective Date:
 - (a) the Scheme Shares shall be cancelled and extinguished and the Scheme Shareholders shall cease to have any right with respect to the Scheme Shares except the right to receive the Cash Cancellation Consideration (in respect of the Scheme Shares (other than the Founder Shares)) or the Founder Shares Cancellation Consideration (in respect of the Founder Shares);
 - (b) simultaneously with the cancellation of the Scheme Shares, the issued share capital of the Company shall be maintained at the amount prior to the cancellation and extinguishment of the Scheme Shares by the issuance at par to the Offeror, credited as fully paid, such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished; and
 - (c) the Company shall apply the credit arising in its books of account as a result of the cancellation and extinguishment of the Scheme Shares by paying up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished, which shall be allotted and issued and credited as fully paid at par to the Offeror as mentioned in paragraph (b) above.

PART II**Consideration for the cancellation and extinguishment of the Scheme Shares**

2. In consideration of the cancellation and extinguishment of the Scheme Shares, the Scheme Shareholders will receive the Cash Cancellation Consideration (in respect of the Scheme Shares (other than the Founder Shares)) or the Founder Shares Cancellation Consideration (in respect of the Founder Shares).

PART III**General**

3. (a) As soon as possible but in any event within 7 Business Days of the Effective Date, the Offeror shall send or cause to be sent to the Disinterested Shareholders cheques representing the Cash Cancellation Consideration and shall issue shares of the Offeror in satisfaction of the Founder Shares Cancellation Consideration.

- (b) In the absence of any specific instructions to the contrary received in writing by the Share Registrar, at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong, cheques will be sent by posting the same addressed to the Disinterested Shareholders at their respective registered addresses as appearing in the Register on the Scheme Record Date.
- (c) Cheques will be sent at the risk of the person(s) entitled thereto and none of the Offeror, the Company, CICC, the Independent Financial Adviser, the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal will be responsible for any loss or delay in despatch.
- (d) Cheques shall be in favour of the person to whom, in accordance with the provisions of paragraph (b) of this Clause 3, the envelope containing the same is addressed and the encashment of any such cheques shall be a good discharge to the Offeror for the monies represented thereby.
- (e) On or after the day being six calendar months after the posting of such cheques pursuant to paragraph (b) of this Clause 3, the Offeror (or its nominee) shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the name of the Offeror (or its nominee) with a licensed bank in Hong Kong selected by the Offeror (or its nominee). The Offeror (or its nominee) shall hold such monies until the expiry of six years from the Effective Date and shall prior to such date, make payments therefrom of the sums to persons who satisfy the Offeror (or its nominee) that they are respectively entitled thereto and the cheques referred to in paragraph (b) of this Clause 3 of which they are payees have not been encashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
- (f) On the expiry of six years from the Effective Date, the Offeror (and, if applicable, its nominee) shall be released from any further obligation to make any payments under the Scheme.
- (g) Paragraph (f) of this Clause 3 shall take effect subject to any prohibition or condition imposed by law.
- (h) Upon cancellation and extinguishment of the Scheme Shares, the Register shall be updated to reflect such cancellation and extinguishment.

4. As from the Effective Date, any instruments of transfer relating to and all certificates representing, the Scheme Shares shall cease to have effect as documents of title (and/or for any purpose as an instrument of transfer) and every Scheme Shareholder and every holder of such certificate shall be bound on the request of the Offeror to deliver up the same to the Offeror for cancellation thereof.
5. All mandates, representations, warranties, undertakings or relevant instructions to or by the Company in force on the Scheme Record Date relating to any of the Scheme Shares shall cease to be valid as effective mandates, representations, warranties, undertakings or instructions on the Effective Date.
6. The Scheme shall become effective as soon as a copy of the order of the Grand Court sanctioning the Scheme under Section 86 of the Companies Act has been delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to section 86(3) of the Companies Act.
7. Unless the Scheme shall have become effective on or before 29 February 2024 or such later date as the Offeror may determine, subject to the permission of the Executive and/or as the Grand Court may direct, the Proposal and the Scheme will lapse.
8. The Company and the Offeror may, subject to the approval of the Grand Court and as the Executive may consent, jointly consent to any modification of or addition to the Scheme or to any condition contained therein.
9. The Offeror and the Company have agreed that all costs, charges and expenses incurred by the Company and/or its advisers and counsels, including the Independent Financial Adviser, will be borne by the Company, whereas all costs, charges and expenses incurred by the Offeror and/or their advisers and counsels will be borne by the Offeror, and other costs, charges and expenses of the Scheme and the Proposal will be shared between the Offeror and the Company equally.

Date 31 July 2023

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

Cause No. 191 of 2023 (CRJ)

**IN THE MATTER OF SECTION 86 OF THE COMPANIES ACT (2023 REVISION)
AND IN THE MATTER OF ORDER 102 OF THE GRAND COURT RULES 1995
(AS REVISED) AND IN THE MATTER OF DALI FOODS GROUP COMPANY
LIMITED 達利食品集團有限公司**

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order dated the 26th day of July 2023 (the “**Order**”) made in the above matter, the Grand Court of the Cayman Islands (the “**Grand Court**”) has directed a meeting of the Scheme Shareholders (as defined in the Scheme, as further defined below) (the “**Court Meeting**”) to be convened for the purpose of considering and, if thought fit, approving, with or without modification, a scheme of arrangement (the “**Scheme**”) proposed to be made between the Company and the Scheme Shareholders and that the Court Meeting will be held at 10:00 a.m. on 23 August 2023 at Room 2601, 26th Floor, One Harbourfront, 18 Tak Fung Street, Hunghom, Kowloon, Hong Kong at which all Scheme Shareholders are invited to attend.

A copy of the Scheme and a copy of the explanatory memorandum (the “**Explanatory Memorandum**”) explaining the effect of the Scheme are incorporated in the composite scheme document of which this notice forms part (the “**Scheme Document**”), which has been despatched to the Scheme Shareholders. A copy of the Scheme Document can also be obtained by any Scheme Shareholder during usual business hours on any day prior to the day appointed for the said meeting (other than a Saturday, a Sunday or a public holiday in Hong Kong) from the Share Registrar, Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F Central Tower, 28 Queen’s Road Central, Hong Kong.

Any Scheme Shareholder entitled to attend and vote at the Court Meeting may attend and vote in person at the Court Meeting or he/she/it may appoint another person as his/her/its, whether a member of the Company or not, as his/her/its proxy to attend and vote in his/her/its stead. A Scheme Shareholder who is the holder of two or more Scheme Shares may appoint more than one proxy to represent him/her/it. If more than one proxy is appointed, the number of Scheme Shares in respect of which each such proxy is so appointed must be specified in the relevant form of proxy. A **pink** form of proxy for use at the Court Meeting is enclosed with the Scheme Document.

In the case of joint holders of a Scheme Share, the vote of the most senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the Scheme Share.

It is requested that the **pink** form of proxy, together with the letter or power of attorney or other authority (if any) under which they are signed or a notarially certified copy thereof (in the case of a corporation either under its common seal or under the hand of an attorney or a duly authorised officer on its behalf and to the satisfaction of the directors of the Company), be lodged at the Share Registrar as stated above no later than 48 hours before the time appointed for holding the Court Meeting or any adjournment thereof. Alternatively the **pink** form of proxy may be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it).

Completion and return of the **pink** form of proxy will not preclude a Scheme Shareholder from attending and voting in person at the Court Meeting or any adjournment thereof. In the event that a Scheme Shareholder attends and votes at the Court Meeting or any adjournment thereof after having lodged his/her/its **pink** form of proxy, his/her/its **pink** form of proxy shall be revoked by operation of law.

For the purpose of determining the entitlements of Scheme Shareholders to attend and vote at the Court Meeting, the register of members of the Company will be closed from 18 August 2023 to 23 August 2023 (both days inclusive), and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Share Registrar as stated above before 4:30 p.m. (Hong Kong time) on 17 August 2023.

By the same order, the Court has appointed Mr. NG Kong Hing, an independent non-executive director of the Company, or failing whom, any other person who is an officer of the Company at the time of the Court Meeting to act as chairman of the Court Meeting and has directed the chairman of the Court Meeting to report the result thereof to the Grand Court.

The Scheme will be subject to the subsequent sanction of the Court as set out in the Explanatory Memorandum contained in the Scheme Document.

By Order of the Court
Dali Foods Group Company Limited
達利食品集團有限公司

Dated the 31st day of July 2023.

Registered office:

Maples Corporate Services Limited
PO Box 309, Ugland House
Grand Cayman KY1-1104
Cayman Islands

Principal place of business in Hong Kong:

Room 2601, 26th Floor
One Harbourfront
18 Tak Fung Street
Hunghom, Kowloon
Hong Kong

As at the date of this notice, the board of directors 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, and Mr. NG Kong Hing, Mr. LIU Xiaobin and Dr. LIN Zhijun as independent non-executive Directors.

Notes:

- (i) Unless otherwise defined in this notice or the context otherwise requires, terms defined in the Scheme Document shall have the same meanings when used in this notice.
- (ii) A Scheme Shareholder entitled to attend and vote at the Court Meeting is entitled to appoint one, and if such Scheme Shareholder is the holder of two or more Shares, more than one proxy (who must be an individual) to attend and vote instead of him. A proxy need not be a member of the Company, but must attend the Court Meeting in person to represent him.
- (iii) A **pink** form of proxy for use at the Court Meeting (or any adjournment thereof) is enclosed with the Scheme Document containing the Scheme of Arrangement dated 31 July 2023 despatched to, among others, the Scheme Shareholders.
- (iv) In order to be valid, the **pink** form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be lodged with the Share Registrar at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong, not less than 48 hours before the time for holding the Court Meeting or any adjournment thereof failing which the **pink** form of proxy will not be valid. Alternatively the **pink** form of proxy may be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion as to whether or not to accept it). Completion and return of the **pink** form of proxy will not preclude a Scheme Shareholder from attending the Court Meeting and voting in person if he/she/it so wishes. In the event that a Scheme Shareholder attends and votes at the Court Meeting after having lodged his/her/its **pink** form of proxy, his/her/its **pink** form of proxy will be deemed to have been revoked by operation of law.
- (v) In the case of joint Scheme Shareholders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the relevant joint holding of the Shares with the one of the said persons so present (whether in person or by proxy) whose name stands first on the Register of Members of the Company shall alone be entitled to vote in respect of such joint holding of Shares at the Court Meeting.
- (vi) Voting at the Court Meeting will be taken by poll as required under the Listing Rules and the Takeovers Code.
- (vii) The Register of Members of the Company in respect of the Shares will be closed from 18 August 2023 to 23 August 2023 (both days inclusive) and during such period no transfer of Shares will be registered. In order to be entitled to attend and vote at the Court Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Share Registrar at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong not later than 4:30 p.m. on 17 August 2023.
- (viii) In the case of any inconsistency between the Chinese translation and English text of this notice, the English text shall prevail.



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**General Meeting**”) of Dali Foods Group Company Limited 達利食品集團有限公司 (the “**Company**”), will be held at 10:30 a.m. (or immediately after the conclusion or adjournment of the Court Meeting (as defined in the Scheme Document, as further defined below) convened at the direction of the Grand Court of the Cayman Islands for the same day and place) on 23 August 2023 at Room 2601, 26th Floor, One Harbourfront, 18 Tak Fung Street, Hunghom, Kowloon, Hong Kong for the purpose of considering and, if thought fit, passing, the following resolutions:

SPECIAL RESOLUTION

1. “**THAT:**

- (A) the scheme of arrangement dated 31 July 2023 (the “**Scheme**”) between the Company and Scheme Shareholders (as defined in the Scheme) in the form of the print thereof, which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands be and hereby is approved;
- (B) for the purpose of giving effect to the Scheme, on the Effective Date (as defined in the Scheme), any reduction of the issued share capital of the Company associated with cancelling and extinguishing the Scheme Shares (as defined in the Scheme) be and is hereby approved.”

ORDINARY RESOLUTION

2. “**THAT:**

- (A) subject to and simultaneously with the cancellation of the Scheme Shares referred to in special resolution (B) the maintenance of the issued share capital of the Company at the amount prior to the cancellation of the Scheme Shares by the issuance at par to the Offeror (as defined in the Scheme), credited as fully paid, of the aggregate number of Shares (as defined in the Scheme) as is equal to the number of Scheme Shares cancelled and extinguished;

- (B) the reserve created in the Company's books of account as a result of the aforesaid 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, and the directors of the Company be and are hereby authorised to allot and issue the same accordingly;
- (C) any one of the directors of the Company be and is hereby authorised to do all such acts and things considered by him/her to be necessary or desirable in connection with the implementation of the Scheme, including (without limitation) the giving of consent to any modification of or addition to, the Scheme or any reduction of capital, which the Grand Court of the Cayman Islands may see fit to impose;
- (D) any one of the directors of the Company be and is hereby authorised to apply to The Stock Exchange of Hong Kong Limited for the withdrawal of the listing of the shares of the Company; and
- (E) the Rollover Arrangement (as defined in the Scheme) between the Offeror and the Trustee (as defined in the Scheme) under the Rollover Agreement (as defined in the Scheme) referred to in the composite scheme document of the Company dated 31 July 2023 (the "**Scheme Document**"), in the form of the print thereof which has been produced to this meeting and for the purpose of identification signed by the chairman of this meeting, under the section headed "5. Special Deal relating to the Rollover Arrangement" in Part VIII — Explanatory Memorandum of the Scheme Document be and is hereby approved."

By order of the board
Dali Foods Group Company Limited
達利食品集團有限公司
XU Shihui
Chairman

Hong Kong, 31 July 2023

As at the date of this notice, the board of directors 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, and Mr. NG Kong Hing, Mr. LIU Xiaobin and Dr. LIN Zhijun as independent non-executive Directors.

Notes:

- (i) Unless otherwise defined in this notice or the context otherwise requires, terms defined in the Scheme Document shall have the same meanings when used in this notice.
- (ii) A member entitled to attend and vote at the General Meeting is entitled to appoint one, and if such member is the holder of two or more Shares, more than one proxy (who must be an individual) to attend and vote instead of him. A proxy need not be a member of the Company.

- (iii) A **white** form of proxy for use at the General Meeting (or any adjournment thereof) is enclosed with the Scheme Document containing the Scheme of Arrangement dated 31 July 2023 despatched to, among others, the Shareholders.
- (iv) In order to be valid, the **white** form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be lodged with the Share Registrar at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong, not less than 48 hours before the time for holding the General Meeting or any adjournment thereof, failing which the **white** form of proxy will not be valid. Completion and return of the **white** form of proxy will not preclude a Shareholder from attending the General Meeting and voting in person if he/she/it so wishes. In the event that a Shareholder attends and votes at the General Meeting after having lodged his/her/its **white** form of proxy, his/her/its **white** form of proxy will be deemed to have been revoked by operation of law.
- (v) In the case of joint holders of Shares, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the relevant joint holding of the Shares with the one of the said persons so present (whether in person or by proxy) whose name stands first on the Register of Members of the Company shall alone be entitled to vote in respect of such joint holding of Shares at the General Meeting.
- (vi) Voting at the General Meeting will be taken by poll as required under the Listing Rules and the Takeovers Code.
- (vii) The Register of Members of the Company in respect of the Shares will be closed from 18 August 2023 to 23 August 2023 (both days inclusive) and during such period no transfer of Shares will be registered. In order to be entitled to attend and vote at the General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Share Registrar at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong not later than 4:30 p.m. on 17 August 2023.
- (viii) In the case of any inconsistency between the Chinese translation and English text of this notice, the English text shall prevail.