



## **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, Uglund House  
Grand Cayman, KY1-1104  
Cayman Islands

*Principal Place of Business  
in Hong Kong:*

Room 2601, 26th Floor  
One Harbourfront  
18 Tak Fung Street  
Hung Hom, 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issued Shares and the Trustee will hold approximately 3.89% of the issued Shares, and the listing of the Shares will be withdrawn from the Stock Exchange.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

A handwritten signature in black ink, appearing to be 'XU Shihui', written in a cursive style.

**XU Shihui**

Chairman