

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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中国地利集团 China Dili Group

(formerly known as Renhe Commercial Holdings Company Limited 人和商業控股有限公司*)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1387)

**(1) GENERAL MANDATES TO ISSUE NEW SHARES
AND TO REPURCHASE SHARES,
(2) RE-ELECTION OF DIRECTORS,
(3) DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION
— AMENDMENT TO THE LOAN AGREEMENT,
AND
(4) NOTICE OF ANNUAL GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



The notice convening the Annual General Meeting of China Dili Group to be held at Salon 1–3, 3/F, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Tuesday, 19 May 2020 at 3:00 p.m. is set out on pages 44 to 49 of this circular.

A form of proxy for use at the Annual General Meeting is enclosed with this circular. Shareholders are advised to read the notice and to complete and return the accompanying form of proxy for use at the Annual General Meeting in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than 48 hours before the time of the Annual General Meeting or any adjournments. Completion of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof should you so wish.

PRECAUTIONARY MEASURES FOR THE ANNUAL GENERAL MEETING

The measures to be taken with the aim to prevent and control the spread of the Novel Coronavirus (COVID-19) at the Annual General Meeting are set out on page 49 in the notice of Annual General Meeting of this circular, which include but not limited to:

- compulsory body temperature checks
- compulsory wearing of surgical face masks
- no distribution of corporate gift or refreshment

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the Annual General Meeting venue. The Company encourages Shareholders NOT to attend the Annual General Meeting in person and advise Shareholders to appoint the chairman of the Annual General Meeting as their proxy to vote on the proposed resolutions at the Annual General Meeting as an alternative.

* For identification purpose only

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context otherwise requires:

“Announcement”	the announcement of the Company dated 13 March 2020 in relation to, among other things, the Supplemental Agreement
“Annual General Meeting”	the annual general meeting of the Company to be held at Salon 1–3, 3/F, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Tuesday, 19 May 2020 at 3:00 p.m., notice of which is set out on pages 44 to 49 of this circular, or any adjournment thereof
“Articles”	the articles of association of the Company
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Company”	China Dili Group, a company incorporated in the Cayman Islands whose members’ liability is limited, the shares of which are listed on the Stock Exchange
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules
“Dili Fresh”	哈爾濱地利生鮮農產品企業管理有限公司 (Harbin Dili Fresh Agricultural Produce Enterprise Management Co., Ltd.**), a company incorporated in the PRC which is wholly-owned by the Target Company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Harbin Dili”	哈爾濱地利農副產品有限公司 (Harbin Dili Agricultural Produce and Side Products Co., Ltd.**), a company incorporated in the PRC which is wholly-owned by the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Independent Board Committee”	independent board committee established by the Company consisting of all independent non-executive Directors in respect of the Supplemental Agreement and the transactions contemplated thereunder including the proposed annual caps, the advice of which is set out in pages 16 to 17 of this circular
“Independent Financial Adviser” or “Opus Capital”	Opus Capital Limited, a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which is the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement and the transactions contemplated thereunder including the proposed annual caps, the advice of which is set out in pages 18 to 31 of this circular
“Independent Shareholder(s)”	Shareholders other than Mr. Dai and his associates and any person who is involved in, or interested in, the Supplemental Agreement, who are entitled to attend and vote at the relevant general meeting of the Company under the applicable laws and regulations and the Articles
“Independent Third Party(ies)”	(to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries) third parties independent of the Company and its connected persons
“Latest Practicable Date”	7 April 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	a revolving loan up to the principal amount of RMB2 billion
“Loan Agreement”	the loan agreement dated 29 August 2019 entered into between Harbin Dili (as lender) and Dili Fresh (as borrower) in relation to the Loan
“Mr. Dai”	Mr. Dai Yongge, the controlling shareholder (as defined in the Listing Rules) of the Company. As at the Latest Practicable Date, Mr. Dai (together with his associates) were interested in approximately 51.49% in the total issued share capital of the Company

DEFINITIONS

“Mr. Dai Bin”	the Chief Executive Officer of the Company and executive Director and son of Mr. Dai
“PBOC”	the People’s Bank of China, the central bank of the PRC
“Plenty Business”	Plenty Business Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which is directly wholly-owned by Mr. Dai
“PRC” or “China”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macao Special Administrative Region of the PRC and Taiwan
“Previous Circular”	the circular of the Company dated 30 September 2019 in relation to, among other things, the Loan Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the agreement dated 13 March 2020 entered into between Harbin Dili and Dili Fresh to amend the Loan Agreement
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission
“Target Company”	Million Master Investment Limited, a company incorporated in the British Virgin Islands with limited liability which is owned as to 19% by Yield Smart and 81% by Plenty Business
“Target Group”	the Target Company and its subsidiaries
“Yield Smart”	Yield Smart Limited, a company incorporated in the British Virgin Islands with limited liability which is a directly wholly-owned subsidiary of the Company
“%”	per cent.

DEFINITIONS

The shareholding in the Company of the respective Shareholder as disclosed in this circular refers to the percentage shareholding of such Shareholder to the issued share capital of the Company.

In this circular, unless the context otherwise requires, the terms “associate(s)”, “connected person(s)”, “connected transaction(s)”, “subsidiary(ies)”, “controlling shareholder(s)” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.

Certain amounts and percentage figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables and the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

*The English names of PRC entities marked with “**” are direct transliteration of their Chinese names and are included in this circular for reference only, and should not be regarded as their official English names. In the event of any inconsistency, the Chinese name prevails.*

LETTER FROM THE BOARD



中国地利集团
China Dili Group

(formerly known as Renhe Commercial Holdings Company Limited 人和商業控股有限公司)*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1387)

Executive Directors:

Mr. Wang Yan (*Chairman*)

Mr. Dai Bin (*Chief Executive Officer*)

Non-executive Directors:

Mr. Yin Jianhong

Ms. Yang Yuhua

Independent non-executive Directors:

Mr. Fan Ren-Da, Anthony

Mr. Wang Yifu

Mr. Leung Chung Ki

Mr. Tang Hon Man

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Principal place of business
in Hong Kong:*

Suites 1701–1703

One IFC

1 Harbour View Street

Central

Hong Kong

16 April 2020

To the Shareholders

Dear Sir or Madam,

**(1) GENERAL MANDATES TO ISSUE NEW SHARES
AND TO REPURCHASE SHARES,
(2) RE-ELECTION OF DIRECTORS,
(3) DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION
— AMENDMENT TO THE LOAN AGREEMENT,
AND
(4) NOTICE OF ANNUAL GENERAL MEETING**

1. INTRODUCTION

The purpose of this circular is to provide you with information regarding matters to be proposed at the forthcoming Annual General Meeting, which include (i) the proposed granting of the general mandates to issue new Shares and to repurchase Shares; (ii) the Directors proposed to be re-elected; and (iii) the discloseable and continuing connected transaction involving the amendment to the Loan Agreement, including (a) details of the Supplemental Agreement; (b) the letter of advice from the Independent Board Committee to the Independent Shareholders as to whether the terms and conditions of the Supplemental Agreement are on

* For identification purposes only

LETTER FROM THE BOARD

normal commercial terms, fair and reasonable, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations from the Independent Financial Adviser; and (c) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholder, to enable you to make a decision on whether to vote for or against the resolutions in connection with such matters.

2. GENERAL MANDATE TO ISSUE NEW SHARES

Pursuant to an ordinary resolution passed by the Shareholders on 24 May 2019, a general unconditional mandate was given to the Directors to exercise powers of the Company to issue Shares with an aggregate nominal value not exceeding the sum of (i) 20% of the share capital of the Company in issue as at the date of passing the relevant resolution; and (ii) the aggregate nominal amount of any share capital of the Company repurchased. Such mandate will expire at the conclusion of the forthcoming Annual General Meeting. As at the Latest Practicable Date, no Shares have been issued or allotted under such mandate since 24 May 2019.

An ordinary resolution will be proposed at the Annual General Meeting to grant a general and unconditional mandate to the Directors to allot, issue and deal with, at any time until the next annual general meeting of the Company following the passing of the Issue Mandate (as hereinafter defined) or such earlier date as stated therein, Shares not exceeding 20% of the issued share capital of the Company at the date of passing of the resolution (the “**Issue Mandate**”) and to extend the Issue Mandate by adding to it the number of Shares repurchased by the Company under the Repurchase Mandate (as defined below). On this basis, assuming no further Shares are issued or repurchased prior to the Annual General Meeting, up to a maximum of 1,143,118,611 Shares (in addition to any Shares repurchased under the Repurchase Mandate) would be allowed to be allotted and issued under the Issue Mandate.

3. GENERAL MANDATE TO REPURCHASE SHARES

Pursuant to an ordinary resolution passed by the Shareholders on 24 May 2019, a general unconditional mandate was given to the Directors to exercise powers of the Company to repurchase Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing the relevant resolution. Such mandate will expire at the conclusion of the forthcoming Annual General Meeting. As at the Latest Practicable Date, no Shares have been repurchased under such mandate since 24 May 2019.

An ordinary resolution (the “**Repurchase Resolution**”) will be proposed at the Annual General Meeting to grant a general and unconditional mandate to the Directors to exercise the powers of the Company to repurchase, at any time until the next annual general meeting of the Company following the passing of the Repurchase Resolution or such earlier date as stated therein, Shares up to a maximum of 10% of the issued share capital of the Company at the date of passing of the Repurchase Resolution (the “**Repurchase Mandate**”). On this basis, assuming no further Shares are issued or repurchased prior to the Annual General Meeting, up to 571,559,305 Shares would be allowed to be repurchased under the Repurchase Mandate.

An explanatory statement, as required under the Listing Rules to provide the requisite information in connection with the Repurchase Mandate, is set out in Appendix I to this circular.

LETTER FROM THE BOARD

4. RE-ELECTION OF DIRECTORS

In accordance with article 87 of the Articles as well as the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules, Mr. Dai Bin, Ms. Yang Yuhua and Mr. Wang Yifu (together, “**Retiring Directors**”) will retire at the Annual General Meeting and be eligible for re-election by the Shareholders. All of the Retiring Directors will offer themselves for re-election by the Shareholders.

In which, Mr. Wang Yifu has served the Board for more than 9 years. Over the past 10 years, the Board received from Mr. Wang his annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers him as independent. Possessing extensive working experience and knowledge and in-depth understanding of the Company’s operations and business, Mr. Wang has expressed objective views and given independent opinion to the Company over the years, and he continues demonstrating a firm commitment to his roles. The Board considers that the long service of Mr. Wang would not affect his exercise of independent judgment and is satisfied that Mr. Wang has the required character, integrity and experience to continue fulfilling the role of independent non-executive Director.

The Board has also considered the skills, knowledge and professional experience of Mr. Wang Yifu as the independent non-executive Director whose biographical information is set out in Appendix II to this circular. Having regard to the Company’s Board Diversity Policy, the Board is of the view that Mr. Wang has extensive professional experience in banking and internal audit which enables him to provide valuable and diverse views, as well as relevant insights to the Board and to contribute to the diversity of the Board.

The Board believes that the re-election of Mr. Wang Yifu as independent Non-Executive Director is in the best interest of the Company and the Shareholders as a whole.

Details of the Retiring Directors which are required to be disclosed by the Listing Rules are set out in Appendix II to this circular.

5. DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION — AMENDMENT TO THE LOAN AGREEMENT

A. Introduction

Reference is made to the Announcement in relation to the Supplemental Agreement. References are also made to the announcement of the Company dated 29 August 2019 and the circular of the Company dated 30 September 2019 in relation to, among other things, the major acquisition and connected transaction involving the acquisition of target shares in an agricultural and food produce retail chain and the continuing connected transaction in relation to the Loan Agreement and the transactions contemplated thereunder.

As disclosed in the Previous Circular, on 29 August 2019, after trading hours, Yield Smart (a wholly-owned subsidiary of the Company) as purchaser and Plenty Business (a company wholly-owned by Mr. Dai, the controlling shareholder of the Company) as vendor entered into an acquisition agreement for the sale and purchase of 19% of the entire issued share capital of the Target Company, which operates through its PRC

LETTER FROM THE BOARD

subsidiaries, the businesses of agricultural produce supermarket chain, fresh food chain and supply chain and logistics management in the PRC under the brand name of “Dili Fresh”, for a total consideration of RMB950 million. Following the completion of the acquisition which took place on 31 October 2019, the Target Company is held as to 19% by Yield Smart and 81% by Plenty Business respectively.

B. Recent Developments Relating to Coronavirus Outbreak

Reduction of lending rates in the PRC to support the economy

As a response to the recent outbreak of the novel coronavirus across the PRC, attempts have been made to prop up the economy. The PRC government has issued multiple financial policies and measures on the epidemic prevention and control, to ensure uninterrupted financial services and stabilize market expectations. In order to provide additional liquidity, on 20 February 2020, the PBOC announced a lower benchmark lending rate, the one-year loan prime rate to 4.05% and the five-year loan prime rate to 4.75% to ease lending conditions. Major banks have followed suit to reduce their prime lending rates and as a result, the finance costs in the PRC has been reduced in general.

Loans to targeted industries and businesses

In addition to the reduction of lending rates, the PRC Government has promulgated various measures to support businesses severely affected by the epidemic, including encouraging major banks to lend to key protective enterprises which engaged in businesses of, among others, supply of daily necessities, with the goal to scale up financial support to meet companies’ legitimate funding needs, and provide targeted financial services for epidemic control, production resumption and growth of the real economy. Banks are encouraged to lend to the companies whose businesses and operations are disrupted or affected by the epidemic at a discounted interest rate. As Dili Fresh and its subsidiaries engage in the supply of fresh food produce during the outbreak, the Target Group is entitled to apply for such bank loans and is expected to be granted with such loans as part of the aforesaid measures.

As the Target Group operates on an asset-light business model with its retail shops primarily being leased properties, the lending banks may request for corporate guarantees to be provided in support of bank loans to be granted to the Target Group.

LETTER FROM THE BOARD

C. Amendment to the Loan Agreement

The Loan Agreement

As disclosed in the Previous Circular, Harbin Dili (a wholly-owned subsidiary of the Company) as lender and Dili Fresh (a wholly-owned subsidiary of the Target Company) as borrower, entered into the Loan Agreement on 29 August 2019, pursuant to which Harbin Dili has agreed to make available to Dili Fresh a revolving loan facility for the principal amount of not exceeding RMB2 billion subject to the terms and conditions thereunder. The rate of interest applicable to the Loan or any outstanding balance thereof shall be the higher of (a) 6% per annum; and (b) the interest rate(s) at which Harbin Dili or the Group borrows from third-party banks. The Loan was secured by share charges and guarantees from Mr. Dai and his wholly-owned company, Plenty Business.

The Supplemental Agreement

Based on the aforesaid reduction of interest rates in the PRC lending market and in view of the supportive measures on availability of loans, on 13 March 2020, after trading hours, Harbin Dili and Dili Fresh entered into the Supplemental Agreement, pursuant to which the parties agreed to amend the Loan Agreement such that, Harbin Dili or members of the Group may provide guarantees at the requests of third-party banks in respect of the bank loans which Dili Fresh or the Target Group may obtain from third-party banks from time to time, at a guarantee fee chargeable to Dili Fresh or the Target Group which shall be the higher of (a) 2% per annum; and (b) the difference between 6% per annum and the actual interest rate per annum on which Dili Fresh or the Target Group borrows from third-party banks. The guarantee fee is determined with reference to our study and research regarding the practice of certain institutions providing guarantee services in the PRC market. The amount guaranteed by Harbin Dili or the Group and the principal amount of the Loan outstanding in aggregate shall not exceed RMB2 billion. If the guarantees provided by the Group are enforced by third-party banks, the Target Group shall indemnify the Group for its guaranteed obligations, failing which, the Group may enforce the share charges and guarantees against Plenty Business and Mr. Dai which secure obligations of the Target Group under the Supplemental Agreement as back to back security.

Conditions precedent

The Supplemental Agreement is conditional upon, among others, (i) the passing of the resolution(s) by the Independent Shareholders at the extraordinary general meeting of the Company approving the amendment to be made pursuant to the Supplemental Agreement and the transactions contemplated thereunder; and (ii) the satisfaction of the Board on the potential impact on the cash-flow position arises from contingent liabilities, taking into account the financial condition of the Group as a whole at the time of receipt of the guarantee request(s) from Dili Fresh. It has been agreed between the parties that condition (i) would be satisfied by the passing of the resolution(s) by the Independent Shareholders at the Annual General Meeting.

LETTER FROM THE BOARD

Save as amended by the Supplemental Agreement, all other terms and conditions of the Loan Agreement shall apply mutatis mutandis.

Proposed Annual Caps

The original annual caps in connection for the Loan were approved by the Independent Shareholders in the extraordinary general meeting of the Company held on 29 October 2019, the amount of which will remain the same and not revised but the scope will be aligned with the subject matter of the Supplemental Agreement. Accordingly, the proposed annual caps for (a) the aggregate of the principal amount outstanding under the Loan and the guaranteed amount and (b) the aggregate of the interest amount accruing under the Loan and the guarantee fee are as follows:

Financial year ending 31 December				
	2020	2021	2022	2023
(a) Proposed annual caps for the aggregate of the principal amount of the Loan outstanding and the guaranteed amount	RMB2 billion	RMB2 billion	RMB2 billion	RMB2 billion
(b) Proposed annual caps for the aggregate of the interest amount and guarantee fee (Note)	RMB200 million	RMB200 million	RMB200 million	RMB200 million

Note: The proposed annual caps in (b) for the aggregate of the interest amount and guarantee fee are calculated by assuming the proposed annual cap in (a) for the aggregate of the principal amount of the Loan outstanding and guaranteed amount during the relevant financial year will be fully utilised and by using a maximum rate of 10% p.a. (applicable to interest rate and rate of guarantee fee), with reasonable buffer built in to account for any unforeseeable circumstances which may give rise to an increase thereto.

The proposed annual caps are determined by taking into account: (i) the maximum amount of financial assistance available comprising drawdown under the Loan and provision of guarantee; (ii) the interest rate applicable to the Loan under the Loan Agreement; (iii) the guarantee fee applicable as stipulated in the Supplemental Agreement; (iv) the historical highest interest rate charged by third-party banks in the PRC in advances drawn by members of the Group in PRC; (v) our study and research regarding the practice of certain institutions providing guarantee services in the PRC market and (vi) a reasonable buffer to account for any unforeseeable circumstances which may give rise to an increase in the interest rates.

As at the Latest Practicable Date, Dili Fresh has requested drawdowns for a total amount of RMB540 million pursuant to the Loan Agreement which were funded by the internal resources of the Group, at interest rates of 6% per annum, with the total accrued interests in the amount of RMB7.0 million up to the Latest Practicable Date.

LETTER FROM THE BOARD

D. Information of the Parties

The Group is principally engaged in business operations of 10 agriculture wholesale markets in 7 cities in the PRC namely Hangzhou, Shenyang, Harbin, Guiyang, Shouguang, Qiqihar and Mudanjiang, which provide trading platforms for traders, wholesalers and distributors to buy and sell primarily vegetables and also fruits, seafood, meat, grain and oil and other food produce. Harbin Dili is a company incorporated in the PRC which is wholly-owned by the Company.

Dili Fresh is a company incorporated in the PRC which is wholly-owned by the Target Company. As at the Latest Practicable Date, the Target Company is owned as to 19% by Yield Smart (a wholly-owned subsidiary of the Company) and 81% by Plenty Business, which is directly wholly-owned by Mr. Dai (the controlling shareholder of the Company), and hence, is a connected person of the Company.

E. Reasons for and Benefits of Entering into the Supplemental Agreement

As disclosed in the Previous Circular, the business operated by the Target Company and its subsidiaries is the retailing business of agricultural produce across China through the supermarket chain “Dili Fresh”, the wholesaling of agricultural produce, as well as fresh food chain business and supply chain and logistics management. The Target Group engages retailing business to customers either through its self-operated retail stores or franchise stores operated by the franchisees.

In view of the recent developments arising from the outbreak of coronavirus as aforesaid, details of which are set out in the section headed “B. Recent Developments Relating to Coronavirus Outbreak” above, the Group has agreed to provide guarantee to Dili Fresh or the Target Group to enable Dili Fresh or the Target Group to obtain external loans and credit facilities from third-party banks and to benefit from the aforesaid supportive measures. In return, Dili Fresh will pay a guarantee fee to the Group for the provision of the guarantee with reference to our study and research regarding the practice of certain institutions providing guarantee services in the PRC market. As such, Harbin Dili and Dili Fresh have entered into the Supplemental Agreement. Given the total financial assistance, comprising the amount guaranteed and the principal amount of the Loan outstanding shall not in aggregate exceed RMB2 billion, the amount available to be drawn down under the Loan will be reduced if and when guarantees have been given upon request.

In addition, given that one of the conditions precedent for provision of guarantee is the Board’s satisfaction of potential impact on the cash-flow position arises from contingent liabilities, taking into account the financial condition of the Group as a whole at the time of receipt of the request for guarantee, the Group will not be obliged to provide the guarantee in circumstances where the provision of the guarantee will result in the Group having insufficient working capital for its own operations and/or a material adverse impact on the Group’s gearing ratio as a result of higher leverage.

LETTER FROM THE BOARD

The entering into the Supplemental Agreement also represents an affirmation by both parties of the existing business relationship, indicating the determination and confidence of both parties to continue the cooperation in the fresh food retailing business. As disclosed in the Previous Circular, the Loan represents financial support by the Group. It is not the commercial objective of the Group to earn through levying a margin on the interest rate of the Loan, as the potential growth of the Target Group's business is expected to present and release a much greater value to the Group than the interest margin. Furthermore, as a risk management measure, the Group has back-to-back security from Mr. Dai in the form of share charges and guarantees which the Group may enforce in the event where the Group is called upon by third-party banks to fulfill its guaranteed obligations for the Target Group and the Target Group defaults under the Supplemental Agreement.

In light of the above, the Directors (excluding all independent non-executive Directors whose view is contained in the section headed "Letter from the Independent Board Committee" of this circular and the Director(s) who abstained from voting on the relevant resolution(s) of the Board) are of the view that the terms of the Supplemental Agreement (including the proposed annual caps) which have been reached after arm's length negotiations among the parties, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

F. Listing Rules Implications

As one or more of the applicable percentage ratios in respect of the Loan Agreement as amended by the Supplemental Agreement exceed 5% but are all less than 25%, the transaction contemplated under the Loan Agreement as amended by the Supplemental Agreement constitutes transaction under Rule 14.04(1)(e) of the Listing Rules and thus a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Dili Fresh is a wholly-owned subsidiary of the Target Company, of which 19% is owned by Yield Smart (a wholly-owned subsidiary of the Company) and 81% is owned by Plenty Business, which is directly wholly-owned by Mr. Dai (the controlling shareholder of the Company), and hence, is a connected person of the Company. As a result, the entering into of the Supplemental Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Supplemental Agreement constitutes a material amendment to the Loan Agreement which is a continuing connected transaction of the Company and non-exempt financial assistance to Plenty Business and the Target Company which was approved by the then Independent Shareholders at the extraordinary general meeting of the Company held on 29 October 2019. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the proposed annual caps for (a) the aggregate of the principal amount of the Loan outstanding and the guaranteed amount and (b) the aggregate of the interest amount and guarantee fee accruing under the Loan Agreement as amended by the Supplemental Agreement exceeds 5%, the Supplemental Agreement and the proposed annual caps are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Dai and his associates are required to abstain from voting on the resolution(s) approving the Supplemental Agreement and the proposed annual caps at the Annual General Meeting.

LETTER FROM THE BOARD

Save for Mr. Dai Bin who abstained from voting on the relevant resolution(s) of the Board by virtue of being an associate of Mr. Dai, to the best knowledge of the Company and having made all reasonable enquiries, no other Director was in any way materially interested in the Supplemental Agreement and the proposed annual caps and was required to abstain from voting on the relevant resolution(s) of the Board.

G. Independent Board Committee and Independent Financial Adviser

The Independent Board Committee comprising Mr. Fan Ren-Da, Anthony, Mr. Wang Yifu, Mr. Leung Chung Ki and Mr. Tang Hon Man, being all independent non-executive Directors, has been established to advise the Independent Shareholders on matters relating to the Supplemental Agreement.

The Company has, with the approval of the Independent Board Committee, appointed Opus Capital as the independent financial adviser in accordance with the requirements under the Listing Rules to advise the Independent Board Committee on matters relating to the Supplemental Agreement.

H. Warning

The Supplemental Agreement is subject to the satisfaction of conditions including approval by the Independent Shareholders at the Annual General Meeting, which may or may not be fulfilled and therefore the Supplemental Agreement may or may not proceed.

SHAREHOLDERS OF THE COMPANY AND POTENTIAL INVESTORS SHOULD EXERCISE CAUTION WHEN THEY DEAL OR CONTEMPLATE DEALING IN THE SHARES OR OTHER SECURITIES (IF ANY) OF THE COMPANY.

6. ANNUAL GENERAL MEETING

A notice dated 16 April 2020 convening the Annual General Meeting is set out on pages 44 to 49 of this circular, which contains, among others, ordinary resolutions to approve the Issue Mandate, the Repurchase Mandate, the re-election of Retiring Directors, and the Supplemental Agreement and the transactions contemplated thereunder (including the proposed annual caps).

A form of proxy for use at the Annual General Meeting is enclosed with this circular. Shareholders are advised to read the notice and to complete and return the accompanying form of proxy for use at the Annual General Meeting in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than 48 hours before the time of the Annual General Meeting or any adjournments. Completion of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

In order to determine the list of Shareholders who will be entitled to attend and vote at the Annual General Meeting, the register of members of the Company will be closed for registration of transfer of Shares from Thursday, 14 May 2020 to Tuesday, 19 May 2020 (both days inclusive) during which period no transfer of Shares will be effected. Shareholders whose names appear on the register of members of the Company on Tuesday, 19 May 2020 shall be entitled to attend and vote at the Annual General Meeting. In order for the Shareholders to qualify for attending and voting at the Annual General Meeting, all transfer documents, accompanied by the relevant Share certificates, should be lodged for registration with Computershare Hong Kong Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong on or before 4:30 p.m., Wednesday, 13 May 2020.

7. VOTING BY POLL

All the resolutions set out in the notice of the Annual General Meeting would be decided by poll in accordance with the Listing Rules and the procedures set out in the Articles. The chairman of Annual General Meeting will explain the detailed procedures for conducting a poll at the commencement of the Annual General Meeting.

On a poll, every Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy shall have one vote for every fully paid Share held. A Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy who is entitled to more than one vote need not use all of his/its votes or cast all of his/its votes in the same way.

As at the Latest Practicable Date, Mr. Dai (the controlling shareholder of the Company) together with his associates were interested in approximately 51.49% of the total issued share capital of the Company. For details, please refer to the section headed "B2. Substantial Shareholders' Interests" set out in Appendix III to this circular. As such, Mr. Dai and his associates will abstain, and any person who has a material interest in the Supplemental Agreement and the proposed annual caps is required to abstain, from voting on resolution 8 for approving the Supplemental Agreement and the proposed annual caps at the Annual General Meeting. Save as resolution 8, no Shareholder is required to abstain from voting on resolutions 1 to 7.

After the conclusion of the Annual General Meeting, the poll results will be published on the website of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> and the website of the Company at <http://www.diligrp.com>.

LETTER FROM THE BOARD

8. RECOMMENDATION

The Directors consider that the grant of the Issue Mandate and the Repurchase Mandate (and the extension thereto as described in resolution 7 set out in the notice of the Annual General Meeting on pages 44 to 49 of this circular) and the re-election of Retiring Directors are all in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend you to vote in favour of all the relevant resolutions to be proposed at the Annual General Meeting.

In relation to the Supplemental Agreement, the Independent Board Committee, having considered the terms and conditions of the Supplemental Agreement and the transactions contemplated thereunder including the proposed annual caps, and after taking into account the advice from the Independent Financial Adviser, considers that the Supplemental Agreement is on normal commercial terms, fair and reasonable, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. The Directors accordingly recommends that the Independent Shareholders vote in favour of the relevant resolution to be proposed at the Annual General Meeting to approve the Supplemental Agreement and the transactions contemplated thereunder including the proposed annual caps.

The text of the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 16 to 17 of this circular. The text of the letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders with regard to the Supplemental Agreement and the transactions contemplated thereunder including the proposed annual caps and the principal factors and reasons which it has taken into account in arriving at its advice, is set out on pages 18 to 31 of this circular.

9. FURTHER INFORMATION

Further information of the Company is set out in the Appendices to this circular for your information.

By Order of the Board
China Dili Group
Wang Yan
Chairman



(formerly known as Renhe Commercial Holdings Company Limited 人和商業控股有限公司)*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1387)

16 April 2020

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION
AMENDMENT TO THE LOAN AGREEMENT**

We refer to the circular dated 16 April 2020 issued by the Company of which this letter forms part (the “**Circular**”). Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise specified.

We have been authorised by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders in respect of the Supplemental Agreement and the transactions contemplated thereunder including the proposed annual caps, details of which are set out in the section headed “Letter from the Board” contained in the Circular.

We wish to draw your attention to the letter from the Board set out on pages 5 to 15 of the Circular and the letter of advice from Opus Capital, the Independent Financial Adviser appointed, to advise the Independent Board Committee on the terms of the Supplemental Agreement and the transactions contemplated thereunder including the proposed annual caps set out on pages 18 to 31 of the Circular.

Having considered, among other matters, the principal factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider that the terms and conditions of the Supplemental Agreement and the transactions contemplated thereunder including the proposed annual caps, are on normal commercial terms, fair and reasonable, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the Annual General Meeting in respect of the Supplemental Agreement and the transactions contemplated thereunder including the proposed annual caps.

Yours faithfully,
for and on behalf of the
Independent Board Committee

China Dili Group

Fan Ren-Da, Anthony

Wang Yifu

Leung Chung Ki

Tang Hon Man

Independent non-executive Directors

LETTER FROM OPUS CAPITAL

The following is the full text of a letter from Opus Capital to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement and the transactions contemplated thereunder including the proposed annual caps, which has been prepared for the purpose of inclusion in this circular.



18th Floor, Fung House
19–20 Connaught Road Central
Central, Hong Kong

16 April 2020

*To: The Independent Board Committee and the Independent Shareholders of
China Dili Group*

Dear Sirs,

DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION AMENDMENT TO THE LOAN AGREEMENT

INTRODUCTION

We refer to our engagement as the Independent Financial Advisers to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement and the transactions contemplated thereunder including the proposed annual caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 16 April 2020 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined or the context requires otherwise.

On 13 March 2020, after trading hours, Harbin Dili and Dili Fresh entered into the Supplemental Agreement, pursuant to which the parties have agreed to amend the Loan Agreement such that, Harbin Dili or members of the Group may provide guarantees at the requests of third-party banks in respect of the bank loans which Dili Fresh or the Target Group may obtain from third-party banks from time to time, under the Loan Agreement.

As one or more of the applicable percentage ratios in respect of the Loan Agreement exceed 5% but are all less than 25%, the transaction contemplated under the Loan Agreement as amended by the Supplemental Agreement constitutes the provision of financial assistance under Rule 14.04(1)(e) of the Listing Rules and thus a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Dili Fresh is a wholly-owned subsidiary of the Target Company, of which 19% is owned by Yield Smart (a wholly-owned subsidiary of the Company) and 81% is owned by Plenty Business, which is directly wholly-owned by Mr. Dai (the controlling shareholder of the Company), and hence, is a connected person of the Company. As a result, the entering into of the Supplemental Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

LETTER FROM OPUS CAPITAL

The Supplemental Agreement constitutes a material amendment to the Loan Agreement which is a continuing connected transaction of the Company and non-exempt financial assistance to Plenty Business and the Target Company which was approved by the then Independent Shareholders at the extraordinary general meeting of the Company held on 29 October 2019. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the proposed annual caps for (a) the aggregate of the principal amount of the Loan outstanding and the guaranteed amount; and (b) the aggregate of the interest amount and guarantee fee accruing under the Loan Agreement as amended by the Supplemental Agreement exceeds 5%, the Supplemental Agreement and the proposed annual caps are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Dai and his associates are required to abstain from voting on the resolution(s) approving the Supplemental Agreement and the proposed annual caps at the Annual General Meeting.

The Independent Board Committee, comprising of Mr. Fan Ren-Da, Anthony, Mr. Wang Yifu, Mr. Leung Chung Ki and Mr. Tang Hon Man, being all independent non-executive Directors, has been established to advise the Independent Shareholders as to the terms and conditions of the Supplemental Agreement and the transactions contemplated thereunder including the proposed annual caps are (i) on normal commercial term, fair and reasonable, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders; and (ii) how to vote, taking into account the recommendation of the Independent Financial Adviser, in respect of such matters at the Annual General Meeting. We, Opus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Company, Mr. Dai, Dili Fresh, the Target Group or any of their respective associates that could reasonably be regarded as relevant to our independence. Opus Capital has not acted, within the last two years, as an independent financial adviser or a financial adviser to the Company, Dili Fresh, the Target Group or any of their respective associates. Opus Capital is independent from and not connected with the Company, Dili Fresh, the Target Group or any of their respective associates. Accordingly, we are considered eligible to give independent advice on the transactions as contemplated under the Supplemental Agreement. Apart from normal independent financial advisory fees payable to Opus Capital for its services rendered to the Company in connection with this appointment, no arrangement exists whereby Opus Capital shall receive any other fees or benefits from the Company, Dili Fresh, the Target Group or any of their respective associates. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have considered and reviewed, amongst other things: (i) the Supplemental Agreement; (ii) the Company's annual results announcement for the year ended 31 December ("FY") 2019 (the "**2019 Annual Results Announcement**"); (iii) the announcement of the Company in relation to the Loan Agreement dated 29 August 2019 and the Announcement; (iv) the Previous Circular; and (v) other information set out in the Circular. We have also discussed with and reviewed on the information provided to us by the Company with respect to the terms of the Supplemental Agreement, reasons for and benefits of entering into the Supplemental Agreement and the proposed annual caps.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Group (collectively, the "**Management**"). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the Annual General Meeting.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management, advisers and representatives of the Company have been arrived at after due and careful enquiries. The Management have confirmed to us that no material facts have been withheld or omitted from the information supplied and opinions expressed. We consider that we have been provided with, and have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view and to provide a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information provided by the Company, the Management, its advisers and representatives, nor have we conducted independent detailed investigation or audit into the businesses or affairs or future prospects of the Group. Our opinion is necessarily based on the financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date.

All Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular misleading.

LETTER FROM OPUS CAPITAL

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Supplemental Agreement and the transactions contemplated thereunder including the proposed annual caps, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the terms of the Supplemental Agreement and the transactions contemplated thereunder including the proposed annual caps, we have considered the following principal factors and reasons:

1. Background of the Supplemental Agreement

As disclosed in the Previous Circular, Harbin Dili (a wholly-owned subsidiary of the Company) as lender and Dili Fresh (a wholly-owned subsidiary of the Target Company) as borrower, entered into the Loan Agreement on 29 August 2019, pursuant to which Harbin Dili has agreed to make available to Dili Fresh a revolving loan facility for the principal amount of not exceeding RMB2 billion (equivalent to approximately HK\$2.2 billion) subject to the terms and conditions thereunder for the period commencing on the 11th business day after the board of directors of Harbin Dili has accepted the drawdown request from Dili Fresh and ending on the third anniversary of Completion. The rate of interest applicable to the Loan or any outstanding balance thereof shall be the higher of (a) 6% per annum; and (b) the interest rate(s) at which Harbin Dili or the Group borrows from third-party banks. The loan was secured by share charges and guarantees from Mr. Dai and his wholly-owned company, Plenty Business.

As a response to the recent outbreak of the novel coronavirus across the PRC, attempts have been made to prop up the economy. The PRC government has issued multiple financial policies and measures on the epidemic prevention and control, to ensure uninterrupted financial services and stabilise market expectations. In order to provide additional liquidity, on 20 February 2020, the PBOC announced a lower benchmark lending rate, the one-year loan prime rate to 4.05% and the five-year loan prime rate to 4.75% to ease lending conditions. Major banks have followed suit to reduce their prime lending rates and as a result, the finance costs in the PRC has been reduced in general.

In addition to the reduction of lending rates, the PRC Government has promulgated various measures to support businesses severely affected by the epidemic, including encouraging major banks to lend to key protective enterprises which engaged in businesses of, among others, supply of daily necessities, with the goal to scale up financial support to meet companies' legitimate funding needs, and provide targeted financial services for epidemic control, production resumption and growth of the real economy. Banks are encouraged to lend to the companies whose businesses and operations are disrupted or affected by the epidemic at a discounted interest rate. As Dili Fresh and its subsidiaries engage in the supply of fresh food produce during the outbreak, Dili Fresh or the Target Group is entitled to apply for such banks loans and is expected to be granted with such loans as part of the aforesaid measures.

LETTER FROM OPUS CAPITAL

Accordingly, on 13 March 2020, Harbin Dili and Dili Fresh entered into the Supplemental Agreement, pursuant to which the parties agreed to amend the Loan Agreement such that, Harbin Dili or members of the Group may provide guarantees at the requests of third-party banks in respect of the bank loans which Dili Fresh or the Target Group may obtain from third-party banks from time to time, at a guarantee fee chargeable to Dili Fresh or the Target Group which shall be the higher of (a) 2% per annum; and (b) the difference between 6% per annum and the actual interest rate per annum on which Dili Fresh or the Target Group borrows from third-party banks. Under the proposed annual caps, the annual caps for the aggregate of the principal amount of the Loan outstanding and the guaranteed amount is proposed to be RMB2 billion and the aggregate of the interest amount accruing under the Loan and the guarantee fee is proposed to be RMB200 million.

2. Information on the Group

The Group is principally engaged in business operations of 10 agriculture wholesale markets in seven cities in the PRC namely Hangzhou, Shenyang, Harbin, Guiyang, Shouguang, Qiqihar and Mudanjiang, which provide trading platforms for traders, wholesalers and distributors to buy and sell primarily vegetables and also fruits, seafood, meat, grain and oil and other food produce. Harbin Dili is a company incorporated in the PRC which is wholly-owned by the Company. According to the 2019 Annual Results Announcement, the Group recorded a revenue of approximately RMB1,421.0 million for FY2019, representing an increase of approximately 25.9% when comparing with RMB1,128.7 million for FY2018. The net profit attributable to the Shareholders of the Company was approximately RMB557.3 million for FY2019, as compared to the net loss attributable to the Shareholders of the Company of approximately RMB360.9 million for FY2018. The Group's net asset value attributable to the Shareholders and cash and cash equivalent balance as at 31 December 2019 were approximately RMB8,612.9 million and RMB671.6 million respectively.

3. Information on the Target Company and Dili Fresh

Dili Fresh is a company incorporated in the PRC which is wholly-owned by the Target Company. As at the Latest Practicable Date, the Target Company is owned as to 19% by Yield Smart (a wholly-owned subsidiary of the Company) and 81% by Plenty Business, which is directly wholly-owned by Mr. Dai (the controlling shareholder of the Company), and hence, is a connected person of the Company. The business operated by the Target Company and its subsidiaries is the retailing business of agricultural produce across China through the supermarket chain "Dili Fresh", the wholesaling of agricultural produce, as well as fresh food chain business and supply chain and logistics management. The Target Group engages retailing business to customers either through its self-operated retail stores or franchise stores operated by the franchisees.

LETTER FROM OPUS CAPITAL

Set out below are the summarised consolidated financial information of the Target Group for the years ended 31 March 2018 and 2019 as extracted from the accountants' report of the Target Group in the Previous Circular.

	Year ended 31 March		Change (%)
	2019	2018	
	RMB'000 (audited)	RMB'000 (audited)	
Revenue	4,354,001	2,333,217	86.6
(Loss)/profit after taxation	(151,473)	5,660	-2,776.2

Source: The Previous Circular

The net liabilities of the Target Group as at 31 March 2019 was approximately RMB82.1 million.

4. Reasons for and benefits of the Supplemental Agreement

As disclosed in the “Letter from the Board”, as a response to the recent developments arising from the outbreak of coronavirus across the PRC, attempts have been made to prop up the economy. The PRC government has issued multiple financial policies and measures on the epidemic prevention and control to ensure uninterrupted financial services and stabilise market expectation. In order to provide additional liquidity, on 20 February 2020, the PBOC announced a lower benchmark lending rate, the one-year loan prime rate to 4.05% and the five-year loan prime rate to 4.75% to ease lending conditions. Major banks have followed suit to reduce their prime lending rates and as a result, the finance costs in the PRC has been reduced in general. In addition to the reduction of lending rates, the PRC Government has promulgated various measures to support businesses severely affected by the epidemic, including encouraging major banks to lend to key protective enterprises which engaged in businesses of, among others, supply of daily necessities, with the goal to scale up financial support to meet companies' legitimate funding needs, and provide targeted financial services for epidemic control, production resumption and growth of the real economy. Banks are encouraged to lend to the companies whose businesses and operations are disrupted or affected by the epidemic at a discounted interest rate. In this regard, we have noted from the public information that, during the state council press conference in relation to the joint prevention and control mechanism for the novel coronavirus on 7 February 2020, the deputy minister of the Ministry of Finance (財政部副部長*) has announced relevant financial and taxation policies for epidemic prevention and control in order to ease the financing difficulties for enterprises, including but not limited to: (i) increase the support for fiscal interest subsidies; (ii) increase in support of fiscal interest subsidies by increasing the scale of fiscal funds; (iii) increase credit loans and medium to long term loans level; and (iv) the PBOC has set up a RMB300 billion of special loan with the aim to strengthen the financial support for living supplies businesses.

According to the Letter from the Board, the Target Group and Dili Fresh are engaging in the supply of fresh food produce, during the outbreak, the Target Group and Dili Fresh are entitled to be benefited from the policies and to apply for such bank loans at a discounted interest rate. However, the Target Group operates on an asset-light business model with its

LETTER FROM OPUS CAPITAL

retail shops primarily being leased properties, it is expected that the lending banks may request for corporate guarantees to be provided in support of such bank loans to be granted to the Target Group or Dili Fresh. In view of the above, the Group has agreed to provide guarantee to Dili Fresh or the Target Group to enable Dili Fresh or the Target Group to obtain external loans and credit facilities from third-party banks and to benefit from the aforesaid supportive measures and Harbin Dili and Dili Fresh have entered into the Supplemental Agreement accordingly.

We were given to understand that the amendment under the Supplemental Agreement is mainly to provide the flexibility for the Group as well as Dili Fresh or the Target Group, which serves the purpose of providing financial assistance to the Target Group while allowing Dili Fresh or the Target Group to benefit from the PRC government's supportive measures. Therefore, instead of providing direct borrowing and/or loan to Dili Fresh or the Target Group pursuant to the Loan Agreement, the Supplemental Agreement allows the Company to act as a guarantor for Dili Fresh or the Target Group to obtain bank loans from third-party banks to fulfil its required funding needs while not incurring any impact on the cash-flow of the Group whereas the Group will also generate additional income from the guarantee fee contributed by Dili Fresh or the Target Group at the same time. Hence, it is noted that the key purpose of the Supplemental Agreement was in line with the original Loan Agreement, in particular considering that the guaranteed amount will be counted toward the maximum amount of financial assistance of RMB2 billion, as the amount available to be drawn down under the Loan will be reduced if and when guarantees have been given upon request.

In order to protect the Company's interests, we understand that, in granting the guarantee the Board will continue to assess the credit risks, taking into consideration, inter alia, (i) whether there is any material adverse impact towards the financial condition of the Group which may arise before the granting of the guarantee; and (ii) the back-to-back security. Pursuant to the Supplemental Agreement, one of the conditions precedent for the provision of guarantee is the Board's satisfaction of potential impact on the cash-flow position arises from contingent liabilities, taking into account the financial condition of the Group as a whole at the time of receipt of the request for guarantee, the Group will not be obliged to provide the guarantee in circumstances where the provision of the guarantee will result in the Group having insufficient working capital for its operations and/or a material adverse impact on the Group's gearing ratio as a result of higher leverage. Furthermore, we understand from the Management that the Group will be indemnified pursuant to the Supplement Agreement, which will be covered by the back-to-back security arrangement under the original Loan Agreement provided by Mr. Dai and his wholly-owned company, Plenty Business in the form of share charges and guarantees which the Group can be enforced in the event where the Group is called upon by third-party banks to fulfil its guaranteed obligations for the Target Group if the Target Group defaults. We agree with the Management's view that the back-to-back security arrangement can provide safeguard to the Group in the provision of the guarantee in the same manner as would be provided for the provision of Loan to the Group under the original Loan Agreement.

Based on the above, we are of the view that it is in the interest of the Company and the Shareholders as a whole to amend the Loan Agreement with respect to the provision of guarantee to Dili Fresh or the Target Group pursuant to the Supplemental Agreement.

LETTER FROM OPUS CAPITAL

5. Principal terms of the Supplemental Agreement

As extracted from the Letter from the Board, the principal terms of the Supplemental Agreement are summarised as below:

Date:	13 March 2020
Parties:	Harbin Dili; and Dili Fresh
Guarantee:	Harbin Dili or members of the Group may provide guarantees at the requests of third-party banks in respect of the bank loans which Dili Fresh or the Target Group may obtain from third-party banks from time to time
Conditions precedent:	The Supplemental Agreement is conditional upon, among others, (i) the passing of the resolution(s) by the Independent Shareholders at the Annual General Meeting approving the amendment to be made pursuant to the Supplemental Agreement and the transactions contemplated thereunder; and (ii) the satisfaction of the Board on the potential impact on the cash-flow position arises from contingent liabilities, taking into account the financial condition of the Group as a whole at the time of receipt of the guarantee request(s) from Dili Fresh
Guarantee fee:	Dili Fresh or the Target Group shall pay to Harbin Dili the higher of (a) 2% per annum; or (b) the difference between 6% per annum and the actual interest rate per annum on which Dili Fresh or the Target Group borrows from third-party banks

Save as amended by the Supplemental Agreement, all other terms and conditions of the Loan Agreement shall apply mutatis mutandis.

In assessing the fairness and reasonableness of the terms of the Supplemental Agreement, we consider that it is appropriate to focus our analysis on the guarantee fee rate stipulated under the Supplemental Agreement (the “**Guarantee Fee Rate**”).

LETTER FROM OPUS CAPITAL

With reference to the Letter from the Board, we note that the Guarantee Fee Rate shall be determined at the higher of (a) 2% per annum; and (b) the difference between 6% per annum and the actual interest rate per annum on which Dili Fresh or the Target Group borrows from third-party banks. It should be noted that, in the event that the difference between 6% per annum and the actual third-party rate is below 2% per annum, the Company would still be able to charge the minimum rate of 2% per annum for the Guarantee Fee Rate under the Supplemental Agreement. Therefore, we consider that it would be appropriate to compare the minimum Guarantee Fee Rate of 2% per annum.

We have learnt from the Management that when considering the Guarantee Fee Rate, the Company has made reference to the study and research regarding the practice of certain institutions providing guarantee services in the PRC market. As further advised by the Management, the Company had enquired three guarantee companies (the “**Guarantee Companies**”) in the PRC on the quoted guarantee fee rate charged for issuing guarantee and verbally obtained the quotations by the phone-in enquiry in late February 2020. We note that the quoted guarantee fee rate charged by the Guarantee Companies ranged from 1% to 3% per annum, which the Guarantee Fee Rate falls within the range thereof. We have conducted independent desktop search and reviewed the background, registered capital and principal business of the Guarantee Companies. Based on the public available information, we note that the Guarantee Companies include (i) a state-owned enterprise incorporated in 2001 in Shenyang engaging in a variety of financing guarantee services, proprietary investment and other intermediary services such as financial consulting; (ii) a state-owned enterprise established in Heilongjiang in 2000 engaging in the provision of financing guarantees, financial advisory, proprietary investment and other intermediary services in relation to guarantee business; and (iii) a company established in Harbin in 2002, the shares of which are listed on the National Equities Exchange and Quotations Corporation Limited and engaging in the provision of financing guarantee business and investment management, with the respective quoted guarantee fee rate of 1.5%, 3% and 1% per annum. In view of the above, although the selected Guarantee Companies are not exhaustive, we consider that the Guarantee Companies are sizeable institutions which the principal business are the provision of commercial and financial services in particular the provision of guarantee service and in the similar geographic areas to Dili Fresh and the Target Group and the quoted guarantee fee rates of the Guarantee Companies reflect the prevailing market rate of guarantee fee following the promulgation of various measures of the PRC Government, which are able to serve as representative samples for comparison purpose.

LETTER FROM OPUS CAPITAL

Furthermore, we have conducted a research on the website of the Stock Exchange on a best effort basis, on the continuing connected transaction involving the provision of guarantee provided by companies listed on the Stock Exchange to their respective connected persons as announced within approximately eight months prior to and including 13 March 2020, being the date of the Supplemental Agreement (the “**Comparable Companies**”) and to compare against the Guarantee Fee Rates. Based on our best endeavour and as far as we are aware, we have identified an exhaustive and complete list of five companies (excluding the Company). On a separate note, the Shareholders should note that the businesses, operations and prospects of the Group are not the same as the Comparable Companies, therefore the Comparable Companies are only used to provide a general reference for the common market practice in similar guarantee service arrangements in the PRC entered into by those listed companies with their connected parties. Details of the respective transactions of the Comparable Companies are summarised as follows:

Date of announcement	Company name (stock code)	Transaction details	% of the guarantee fee to the relevant guaranteed amount (per annum)
24 December 2019	Central China Real Estate Limited (“ CCREL ”) (832)	CCREL provided a corporate guarantee to a company indirectly wholly-owned by a connected person of CCREL for a loan of RMB500 million	1%
25 November 2019	CK Asset Holdings Limited (“ CAKL ”) (1113)	CKAL provided guarantees to a commonly held entity of CKAL for the loan facilities of up to US\$550 million	0.45%
8 August 2019	Guangdong Join-Share Financing Guarantee Investment Co., Ltd. (“ GDJS ”) (1543)	GDJS provided a guarantee to a connected person for a loan of RMB20 million	2%

LETTER FROM OPUS CAPITAL

Date of announcement	Company name (stock code)	Transaction details	% of the guarantee fee to the relevant guaranteed amount (per annum)
2 August 2019	Legend Holdings Corporation (“ Legend ”) (3396)	A subsidiary of Legend provided a guarantee to an associate of Legend for a loan up to US\$130 million	1%
17 July 2019	Ground International Development Limited (“ GIDL ”) (989)	A subsidiary of GIDL provided a guarantee to a company owned by connected persons of GIDL for to a bank loan of RMB110 million	2%
	Maximum		2%
	Minimum		0.45%
	Mean		1.29%
	Harbin Dili		2%

Source: The website of the Stock Exchange

As shown in the table above, we note that the guarantee fee rate charged by the Comparable Companies ranged from 0.45% to 2% per annum and note that the Guarantee Fee Rate falls within such range and is higher than the mean of 1.29% per annum of the Comparable Companies. Based on the above, we consider the minimum Guarantee Fee Rate of 2% per annum for the provision of the guarantee is fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

LETTER FROM OPUS CAPITAL

6. The Proposed annual caps

As set out in the Letter from the Board, the original annual caps in connection for the Loan were approved by the then Independent Shareholders in the extraordinary general meeting of the Company held on 29 October 2019, the amount of which will remain the same and not revised but the scope will be aligned with the subject matter of the Supplemental Agreement. Accordingly, the proposed annual caps for (a) the aggregate of the principal amount outstanding under the Loan and the guaranteed amount (the “**Principal Annual Caps**”); and (b) the aggregate of the interest amount accruing under the Loan and the guarantee fee (the “**Interest Annual Caps**”) are as follows:

		Financial year ending 31 December			
		2020	2021	2022	2023
(a)	Proposed annual caps for the aggregate of the principal amount of the Loan outstanding and the guaranteed amount	RMB2 billion	RMB2 billion	RMB2 billion	RMB2 billion
(b)	Proposed annual caps for the aggregate of the interest amount and guarantee fee	RMB200 million	RMB200 million	RMB200 million	RMB200 million

Note: The proposed annual caps in (b) for the aggregate of the interest amount and guarantee fee are calculated by assuming the proposed annual cap in (a) for the aggregate of the principal amount of the Loan outstanding and guaranteed amount during the relevant financial year will be fully utilised and by using a maximum rate of 10% per annum (applicable to interest rate and rate of guarantee fee), with reasonable buffer built in to account for any unforeseeable circumstances which may give rise to an increase thereto.

As set out in the Letter from the Board, the proposed annual caps for the aggregate of the principal amount of the Loan outstanding and the guaranteed amount of RMB2 billion to be provided by Harbin Dili was determined by taking into account: (i) the maximum amount of financial assistance available comprising drawdown under the Loan and provision of guarantee; (ii) the interest rate applicable to the Loan under the Loan Agreement; (iii) the guarantee fee applicable as stipulated in the Supplemental Agreement; (iv) the historical highest interest rate charged by third-party banks in the PRC in advances drawn by members of the Group in PRC; (v) the Company’s study and research regarding the practice of certain institutions providing guarantee services in the PRC market; and (vi) a reasonable buffer to account for any unforeseeable circumstances which may give rise to an increase in the interest rates.

As at the Latest Practicable Date, Dili Fresh has requested drawdowns for a total amount of RMB540 million pursuant to the Loan Agreement, at interest rates of 6% per annum, with the total accrued interests in the amount of RMB7.0 million up to the Latest Practicable Date.

LETTER FROM OPUS CAPITAL

In order to assess the fairness and reasonableness of the Principal Annual Caps and the Interest Annual Caps (the “**Proposed Annual Caps**”) for the financial years ending 31 December 2023, we have taken into account the following factors:

We are advised by the Management, the Principal Annual Caps and the Interest Annual Caps are determined after taking into account (i) the amendment under the Supplemental Agreement is mainly to provide the flexibility for the Group as well as Dili Fresh or the Target Group to benefit from the PRC government’s supportive measures, as further elaborated under the section headed “4. Reasons for and benefits of the Supplemental Agreement” in this letter, and therefore the Principal Annual Caps under the Supplemental Agreement were maintained at the same level of RMB2 billion as the original annual caps under the Loan; (ii) the Interest Annual Caps are calculated based on a 10% per annum rate in respect of the Loan and guaranteed amount, which can well cover (a) the higher of 6% per annum and the interest rate(s) at which the Group borrows from third-party banks, being the interest rate applicable to the Loan under the Loan Agreement; and (b) the higher of 2% per annum and the difference between 6% per annum and the actual interest rate per annum on which Dili Fresh or the Target Group borrows from third-party banks, being the Guarantee Fee Rate applicable to the amount of guarantee under the Supplemental Agreement; and (iii) a buffer on top of 6% per annum to allow for any unforeseeable circumstances which may give rise to an increase in the interest rate.

Having considered (i) there is no change to the level of the Principal Annual Caps under the Loan and provision of guarantee as compared to the original annual caps under the Loan; (ii) the original annual caps in connection for the Loan was approved in the extraordinary general meeting of the Company held on 29 October 2019; and (iii) the basis of determination of the Principal Annual Caps and the Interest Annual Caps, we consider that the Proposed Annual Caps in connection for the guarantee under the Supplemental Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we are of the opinion that (i) the Supplemental Agreement was entered into in the ordinary and usual course of business of the Group; (ii) the terms of the Supplemental Agreement and the transaction contemplated thereunder including the Proposed Annual Caps are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the entering into the Supplemental Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the Annual General Meeting to approve the Supplemental Agreement and the transaction contemplated thereunder including the Proposed Annual Caps.

Yours faithfully,
For and on behalf of
Opus Capital Limited
Fok Wai Shun Wilson
Managing Director

LETTER FROM OPUS CAPITAL

Mr. Fok Wai Shun Wilson is the Managing Director of Opus Capital and is licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Fok has over 15 years of corporate finance experience in Asia and has participated in and completed various financial advisory and independent financial advisory transactions.

APPENDIX I EXPLANATORY STATEMENT ON THE REPURCHASE MANDATE

This Appendix I serves as an explanatory statement, as required by Rule 10.06(1)(b) of the Listing Rules, to provide the requisite information to you to enable you to make an informed decision as to whether to vote for or against the Repurchase Resolution.

SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 5,715,593,056 Shares. Subject to the passing of the Repurchase Resolution at the Annual General Meeting and on the basis that no further Shares are issued or repurchased prior to the date of the Annual General Meeting, the Company would be allowed to repurchase a maximum of 571,559,305 Shares under the Repurchase Mandate, being 10% of the issued share capital of the Company.

REASONS FOR REPURCHASE

The Directors believe that the Repurchase Mandate is in the best interests of the Company and the Shareholders. Whilst it is not possible to anticipate in advance any specific circumstance in which the Directors might think it appropriate to repurchase Shares, they believe that an ability to do so would give the Company additional flexibility that would be beneficial to the Company and the Shareholders as such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share. Such repurchases will only be made as and when the Directors believe that such repurchases will benefit the Company and the Shareholders as a whole.

FUNDING OF REPURCHASE

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association, the Listing Rules and the applicable laws of the Cayman Islands.

There might be material adverse impact on the working capital and gearing position of the Company (as compared with the financial position disclosed in the audited consolidated financial statements contained in the annual report of the Company for the year ended 31 December 2019) in the event that repurchases of Shares under the Repurchase Mandate were to be carried out in full during the period of the Repurchase Mandate.

The Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of the Company, which in the opinion of the Directors are from time to time appropriate for the Company.

SHARE PRICES

The highest and lowest prices at which the Shares have been traded on the Stock Exchange during the previous twelve months up to the Latest Practicable Date were as follows:

Month	Share prices	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
<u>2019</u>		
April	0.295	0.255
May	2.650*	2.040*
June	2.650	2.250
July	2.580	2.250
August	2.430	2.220
September	2.820	2.300
October	2.780	2.380
November	2.660	2.250
December	2.670	2.290
<u>2020</u>		
January	2.650	2.250
February	2.480	1.250
March	1.910	1.440
April (up to the Latest Practicable Date)	1.860	1.760

* The price of the Shares were adjusted as a result of the share consolidation effective on 27 May 2019.

DIRECTORS, THEIR CLOSE ASSOCIATES AND CORE CONNECTED PERSONS

None of the Directors nor, to the best of their knowledge and having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention, in the event that the proposed Repurchase Mandate is approved by the Shareholders, to sell any Shares to the Company.

No core connected persons (as defined in the Listing Rules) of the Company have notified the Company that they have any present intention to sell Shares to the Company, or have undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders.

UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchases pursuant to the Repurchase Resolution in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

TAKEOVERS CODE

If as a result of repurchase(s) of Shares by the Company, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. As a result, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of his or their interest, could obtain or consolidate control of the Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, Mr. Dai Yongge's personal interest and interest of his spouse together with his interest in Super Brilliant Investments Limited ("**Super Brilliant**"), Wealthy Aim Holdings Limited ("**Wealthy Aim**") and Gloss Season Limited ("**Gloss Season**") was deemed to have a long position of 2,942,735,849 Shares and short position of 6,655,629 Shares, representing approximately 51.49% and 0.12% of the total issued share capital of the Company respectively. If the Directors exercise the Repurchase Mandate in full to repurchase 571,559,305 Shares, and assuming that there is no alteration to the existing shareholding of Mr. Dai Yongge's personal interest and interest of his spouse together with his interest in the Company through Super Brilliant, Wealthy Aim and Gloss Season, Mr. Dai Yongge's long and short positions in the Company will increase to approximately 57.21% and 0.13% respectively.

As at the Latest Practicable Date, Ms. Zhang Xingmei's interest from her spouse together with her interest in New Amuse Limited ("**New Amuse**") was deemed to have a long position of 2,942,735,849 Shares and short position of 6,655,629 Shares, representing approximately 51.49% and 0.12% of the total issued share capital of the Company respectively. If the Directors exercise the Repurchase Mandate in full to repurchase 571,559,305 Shares, and assuming that there is no alteration to the existing shareholding of Ms. Zhang Xingmei's interest from her spouse together with her interest in the Company through New Amuse, Ms. Zhang Xingmei's long and short positions in the Company will increase to approximately 57.21% and 0.13% respectively.

Accordingly, the Directors are not aware of any consequences that would give rise to an obligation to make a mandatory general offer under the Takeovers Code in the event that the Repurchase Mandate is exercised in full. The Directors have no intention to exercise the Repurchase Mandate to such an extent it will trigger the obligations under the Takeover Code for Mr. Dai Yongge and Ms. Zhang Xingmei to make a mandatory general offer. The Directors believe that repurchase(s) of Shares under the Repurchase Mandate would not result in the number of Shares held by the public being reduced to less than 25% of the total issued share capital of the Company.

SHARE REPURCHASE BY THE COMPANY

The Company had not repurchased any of its Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

The following sets out the details of the Directors who will retire and, being eligible, offer themselves for re-election at the Annual General Meeting pursuant to the Articles:

Biographical Information

Executive Director

Mr. DAI Bin

Mr. DAI Bin (戴彬), aged 28, was appointed as our Executive Director in June 2014 and was also appointed as the Chief Executive Officer in September 2018. Mr. Dai is primarily responsible for operation and management of the Group's investments and finance and is a director of various subsidiaries of the Company. He graduated from University of New South Wales, Australia, with a bachelor's degree of commerce, major in finance in 2012.

Mr. Dai is the son of Mr. Dai Yongge and Ms. Zhang Xingmei, the controlling shareholder and substantial shareholder of the Company respectively. Save as disclosed aforesaid, Mr. Dai has no relation with any Directors, senior management or other substantial or controlling Shareholders of the Company. Mr. Dai does not hold directorships in any other listed companies in the last three years preceding the Latest Practicable Date.

At as the Latest Practicable Date, Mr. Dai does not have any long or short positions in the Company pursuant to Part XV of SFO. Mr. Dai has entered into a service contract with the Company for a term of three years and Mr. Dai's existing annual emolument is HK\$4,800,000. Mr. Dai is also entitled to a discretionary bonus to be determined by the Company having regard to the Company's and his individual performances and the amount of the discretionary bonus distributed to Mr. Dai for the year 2019 was HK\$16,000,000. The emoluments of the Directors are determined with reference to that director's responsibilities, abilities and performance, the Company's operations, as well as remuneration benchmark in the prevailing market conditions.

*Non-Executive Director***Ms. YANG Yuhua**

Ms. YANG Yuhua (楊玉華), aged 56, was appointed as our Non-Executive Director of the Company in December 2018. She is also a member of the audit committee of the Board of the Company. Ms. Yang graduated with master degree in finance in Shaanxi Institute of Finance and Economics* (陝西財經學院) (Shaanxi, PRC). She has been a senior economist as accredited by the PRC Ministry of Land and Resources since May 2003 and has over 35 years banking and finance experience. She used to serve as the chief financial officer at Saizhi (Tianjin) Properties Co., Ltd.* (賽智(天津)置業有限公司) from June 2006 to January 2013 and has served as its chief financial officer again since March 2017. From May 2014 to March 2017, she was a non-executive director of Shengjing Bank Co., Ltd., a company listed on the main board of the Stock Exchange with stock code: 2066. From January 2013 to March 2017, she served as deputy manager of the financial department of Beijing Zhaotai Group Co., Ltd.. From December 2001 to June 2006, Ms. Yang served as deputy manager of the inter-bank market department and senior investment manager of the Investment Management Centre of New China Life Insurance Co., Ltd.* (新華人壽保險股份有限公司投資管理中心). She successively served as deputy head, head and deputy chief of the funds division and the international business division of Inner Mongolia branch of Industrial and Commercial Bank of China from August 1983 to December 2001.

Ms. Yang has no relationship with any Director, senior management or substantial or controlling Shareholder of the Company. Save as disclosed above, Ms. Yang does not hold directorships in any other listed companies in the last three years preceding the Latest Practicable Date.

As at the Latest Practicable Date, Ms. Yang does not have any long or short positions in the Company pursuant to Part XV of SFO. Ms. Yang has entered into a service contract with the Company for a term of one year and Ms. Yang shall not be entitled to receive any emoluments. The emoluments of the Directors are determined with reference to that director's responsibilities, abilities and performance, the Company's operations as well as the remuneration benchmark in the prevailing market conditions.

* For identification purpose only

*Independent Non-Executive Director***Mr. WANG Yifu**

Mr. WANG Yifu (王一夫), aged 69, was appointed as an independent Non-Executive Director of the Company in August 2008. He is also a member of each of the audit committee, remuneration committee and nomination committee of the Board of the Company. Mr. Wang has over 35 years of experience in the banking and finance industry. He worked at several branches of the China People's Construction Bank (中國人民建設銀行) in Harbin from 1975 to 1993, during which he had worked at the accounting and investment divisions of various branches. He was appointed as the director (行長) of the marketing division and the senior economist of Harbin main branch of the China People's Construction Bank in 1991 and 1993, respectively. In 1996, Mr. Wang was appointed as the supervisor (監事長) of the internal auditing department of Harbin Commercial Bank (哈爾濱商業銀行) and was promoted to vice-governor (副行長) of the same department in 1999. Since 2004, Mr. Wang has been the inspector (調研員) of Harbin Commercial Bank. Mr. Wang graduated from Northeast Heavy Machinery College (東北重型機械學院) with a college degree in mechanical engineering in 1975.

Mr. Wang has no relationship with any Directors, senior management or substantial or controlling Shareholders of the Company. Mr. Wang does not hold directorships in any other listed companies in the last three years preceding the Latest Practicable Date.

At as the Latest Practicable Date, Mr. Wang does not have any long or short positions in the Company pursuant to Part XV of SFO. Mr. Wang has entered into a service contract with the Company for a term of one year and Mr. Wang's existing annual emolument is HK\$360,000. The emoluments of the Directors are determined with reference to that director's responsibilities, abilities and performance, the Company's operations as well as the remuneration benchmark in the prevailing market conditions.

Save as disclosed above, there is no other information which is discloseable nor is/was each of the Retiring Directors involved in any matters required to be disclosed pursuant to the requirements under Rule 13.51(2)(h) to Rule 13.51(2)(x) of the Listing Rules. There is no other matters that need to be brought to the attention of the Shareholders in relation to the re-election of them.

A. RESPONSIBILITY STATEMENT

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

B. DISCLOSURE OF INTERESTS**1. Directors' Interests**

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company or any of their associates had or were deemed to have any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) entered in the register required to be kept pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (“**Model Code**”):

(a) Directors' and chief executives' interests and short positions in Shares and underlying Shares of the Company

Name of director	Capacity	Nature of interest (note 1)	Number of issued Shares/ underlying Shares	Approximate percentage of interest in the Company
Mr. Yin Jianhong	Beneficial owner	L	4,835,000	0.08%

2. Substantial Shareholders' Interests

Save as disclosed below, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any person (other than a Director or chief executive of the Company) who had interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name of shareholder	Capacity	Nature of interest (note 1)	Number of issued Shares	Approximate percentage of interest in the Company
Mr. Dai Yongge	Beneficial owner	L	20,007,000	0.35%
	Interest in controlled corporations	L (note 2)	2,111,021,532	36.93%
	Interest of spouse	L (note 3)	4,803,133,217	84.04%
	Interest in a controlled corporation	S	6,655,629	0.12%
Super Brilliant Investments Limited	Beneficial owner	L (note 2)	2,011,810,466	35.20%
	Beneficial owner	S	6,655,629	0.12%
Shining Hill Investments Limited	Interest in a controlled corporation	L (note 2)	2,011,810,466	35.20%
	Interest in a controlled corporation	S	6,655,629	0.12%
Ms. Zhang Xingmei	Interest in a controlled corporation	L (note 4)	4,803,133,217	84.04%
	Interest of spouse	L (note 5)	2,131,028,532	37.28%
	Interest of spouse	S (note 5)	6,655,629	0.12%
New Amuse Limited	Beneficial owner	L	4,803,133,217	84.04%
Shouguang Dili Agri-Products Group Company Limited	Interest in a controlled corporation	L (note 4)	4,803,133,217	84.04%
Dili Group Holdings Company Limited	Interest in a controlled corporation	L (note 4)	4,803,133,217	84.04%
Win Spread Limited	Interest in a controlled corporation	L (note 4)	4,803,133,217	84.04%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares, and the letter “S” denotes the person’s short position in the Shares.
- (2) Among 2,111,021,532 Shares of the Company deemed to be interested by Mr. Dai Yongge, 15,912,000 Shares are held by Gloss Season Limited (“**Gloss Season**”), which is held as to 100% by Mr. Dai Yongge, he is deemed to be interested in the Shares held by Gloss Season; 2,011,810,466 Shares are held by Super Brilliant Investments Limited (“**Super Brilliant**”) and Super Brilliant is wholly owned by Shining Hill Investments Limited (“**Shining Hill**”). Mr. Dai Yongge is interested in the entire issued share capital of Shining Hill which is in turn interested in the entire issued share capital of Super Brilliant and therefore, Mr. Dai Yongge and Shining Hill are deemed to be interested in the Shares held by Super Brilliant; 83,299,066 Shares are held by Wealthy Aim Holdings Limited (“**Wealthy Aim**”). As the entire issued share capital of Wealthy Aim is held by Broad Long Limited, which is held as to 100% by Mr. Dai Yongge, he is deemed to be interested in the Shares held by Wealthy Aim.
- (3) Mr. Dai Yongge is deemed to be interested in the Shares held by his spouse, Ms. Zhang Xingmei.
- (4) Ms. Zhang Xingmei holds the entire issued share capital of Win Spread Limited (“**Win Spread**”). Win Spread holds the entire issued share capital of Dili Group Holdings Company Limited (“**Dili Group Holdings**”). Dili Group Holdings holds the entire issued share capital of Shouguang Dili Agri-Products Group Company Limited (“**Shouguang Dili**”). Shouguang Dili holds the entire issued share capital of New Amuse Limited (“**New Amuse**”). New Amuse beneficially holds 4,803,133,217 Shares in the Company, of which 3,991,425,900 Shares are interests in conversion shares relating to the convertible bonds yet to be issued pursuant to the sale and purchase agreement dated 5 June 2018 between among others, the Company and New Amuse. Accordingly, each of Ms. Zhang Xingmei, Win Spread, Dili Group Holdings and Shougang Dili is deemed to be interested in the 4,803,133,217 Shares held by New Amuse.
- (5) Ms. Zhang Xingmei is deemed to have interests and short positions in the Shares held by her spouse, Mr. Dai Yongge.

As at the Latest Practicable Date, none of the Directors is also a director or employee of any substantial shareholder of the Company.

C. DIRECTORS’ SERVICE CONTRACTS

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

D. OTHER ARRANGEMENTS INVOLVING DIRECTORS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors were materially interested, directly or indirectly, in any subsisting contract or arrangement entered into by any member of the Group which was significant in relation to the business of the Group.

E. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against the members of the Group.

F. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business, apart from the business of the Group, which competed or was likely to compete, either directly or indirectly, with that of the Group.

G. MATERIAL CONTRACTS

During the two years immediately preceding the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries, have been entered into by the Group and are or may be material:

- (a) the sale and purchase agreement dated 5 June 2018 entered into between Yield Smart, the Company and New Amuse Limited in respect of the entire issued share capital of United Progress Group Limited at a consideration of RMB5.4 billion;
- (b) the sale and purchase agreement dated 5 June 2018 entered into between Yield Smart, the Company and Vast Equity Investment Limited in respect of the entire issued share capital of Wise Path Holdings Limited at a consideration of RMB1.47 billion;
- (c) the underwriting agreement dated 5 June 2018 and entered into between the Company and Super Brilliant Investments Limited in relation to the proposed issuance of rights shares at a subscription price of HK\$0.163 each on the basis of three rights shares for every ten shares issued at the prevailing time;

- (d) the sale and purchase agreement dated 29 August 2019 entered into between Yield Smart and Plenty Business in respect of the acquisition of 19% of the entire share capital of the Target Company at a consideration of RMB950 million;
- (e) the Loan Agreement; and
- (f) the Supplemental Agreement.

H. EXPERT'S CONSENT AND QUALIFICATION

Opus Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the references to its name included herein in the form and context in which it is included.

The following are the qualification of the expert who has given opinion or advice which are contained in this circular:

Name	Qualification
Opus Capital	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO

The expert named above confirmed that as at the Latest Practicable Date, it did not have any beneficial shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interests in any assets which have since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

I. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest audited consolidated financial statements of the Group were made up.

J. CORPORATE INFORMATION

Company Secretary:	Hung Fan Kwan (<i>FCPA, FCCA</i>)
Registered Office:	Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
Principal Place of Business in Hong Kong:	Suites 1701–1703, One IFC, 1 Harbour View Street, Central, Hong Kong

K. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours, Monday to Friday (other than public holidays) at the principal place of business of the Company at Suites 1701–1703, One IFC, 1 Harbour View Street, Central, Hong Kong from the date of this circular up to and including 8 May 2020:

- (a) the material contracts as set out under section headed “G. Material Contracts” of this Appendix above;
- (b) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 16 to 17 of this circular;
- (c) the letter from Opus Capital, the text of which is set out on pages 18 to 31 of this circular;
- (d) the consent letter referred to in the paragraph headed “H. Expert’s Consent and Qualification” in this Appendix;
- (e) the circular of the Company dated 30 September 2019;
- (f) this circular; and
- (g) the memorandum and articles of association of the Company.

L. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text, in the event of inconsistency.

NOTICE OF ANNUAL GENERAL MEETING



中国地利集团 China Dili Group

(formerly known as Renhe Commercial Holdings Company Limited 人和商業控股有限公司*)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1387)

NOTICE IS HEREBY GIVEN that an annual general meeting of China Dili Group (the “**Company**”) will be held at Salon 1–3, 3/F, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Tuesday, 19 May 2020 at 3:00 p.m. (the “**AGM**”) for the following purposes:

ORDINARY RESOLUTIONS

1. To receive and consider the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2019 together with the reports of the directors and the independent auditors thereon.
2. To re-elect the retiring directors (namely, Mr. Dai Bin, Ms. Yang Yuhua and Mr. Wang Yifu).
3. To authorise the board of directors of the Company (the “**Board**”) to fix the remuneration of the Directors.
4. To re-appoint Messrs. KPMG as auditors and to authorise the Board to fix their remuneration.

As special business, to consider and, if thought fit, to pass with or without modifications the following ordinary resolutions:

5. “**THAT**

- (i) subject to paragraph (iii) below, a general mandate be and is hereby unconditionally granted to the directors of the Company (the “**Directors**”) to exercise during the Relevant Period (as defined in paragraph (iv) below) all the powers of the Company to allot, issue and deal with additional shares of HK\$0.10 in the share capital of the Company (“**Shares**”) and to make or grant offers, agreements, options (including bonds, warrants and debentures convertible into Shares) or warrants which would or might require the exercise of such powers, subject to and in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (as amended from time to time);

* For identification purposes only

NOTICE OF ANNUAL GENERAL MEETING

- (ii) the mandate approved in paragraph (i) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements, options (including bonds, warrants and debentures convertible into Shares) and rights of exchange or conversion which might require the exercise of such powers after the end of the Relevant Period;
- (iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the mandate approved in paragraph (i) above, otherwise than pursuant to (a) a Rights Issue (as defined in paragraph (iv) below); or (b) any option scheme or similar arrangement for the time being adopted by the Company for the purpose of granting or issuing Shares or right to acquire Shares to the directors, officers and/or employees of the Company and/or any of its subsidiaries; or (c) an issue of Share in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company from time to time; or (d) pursuant to a specific authority granted by the Shareholders or (e) an issue of Shares as scrip dividend or similar arrangement in accordance with the articles of association of the Company from time to time, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution, and the said mandate shall be limited accordingly; and
- (iv) for the purpose of this resolution:

“**Relevant Period**” means the period from the date of passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and
- (c) the date on which the authority sets out in this resolution is revoked or varied by an ordinary resolution of the Company in general meeting.

“**Rights Issue**” means an offer of Shares open for a period fixed by the Directors to holders of Shares or any class thereof on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any legal restrictions or obligations under the laws of the relevant jurisdiction, or the requirements of any recognized regulatory body or any stock exchange, in any territory outside Hong Kong).”

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6. **“THAT**

- (i) subject to paragraph (ii) below, the exercise by the Directors during the Relevant Period (as defined in paragraph (iii) below) of all powers of the Company to purchase or otherwise acquire Shares on the Stock Exchange or on any other stock exchange on which the Shares may be listed and recognised by the Stock Exchange and the Hong Kong Securities and Futures Commission for this purpose, subject to and in accordance with all applicable laws and the requirements of the Hong Kong Code on Share Buy-backs and the Listing Rules (as amended from time to time) be and is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of the Shares which are authorised to be purchased pursuant to the approval in paragraph (i) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution, and the said approval shall be limited accordingly; and
- (iii) for the purpose of this resolution:

“Relevant Period” means the period from the date of passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and
- (c) the date on which the authority sets out in this resolution is revoked or varied by an ordinary resolution of the Company in general meeting.”

7. **“THAT**

conditional upon the passing of the resolutions set out in paragraphs 5 and 6 of the notice convening this meeting, the general mandate granted to the Directors to exercise the powers of the Company to allot, issue and otherwise deal with shares of the Company pursuant to the resolution set out in paragraph 5 of the notice convening this meeting be and is hereby extended by the addition thereto an amount representing the aggregate nominal amount of shares of the Company purchased or otherwise acquired by the Company pursuant to the authority granted to the Directors under the resolution set out in paragraph 6 above of the notice convening this meeting, provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution.”

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8. “**THAT**

the Supplemental Agreement dated 13 March 2020 entered into between Harbin Dili and Dili Fresh to amend the Loan Agreement (as defined and more particularly set out in the Company’s circular to the shareholders of the Company dated 16 April 2020 (the “**Circular**”)) and the transactions contemplated thereunder including the proposed annual caps, be and are hereby approved, confirmed and ratified; and any one or more of the Directors be and is/are hereby authorised to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as he/she/they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the matters contemplated in this resolution.”

By Order of the Board
China Dili Group
Wang Yan
Chairman

Hong Kong, 16 April 2020

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:

Suites 1701–1703
One IFC
1 Harbour View Street
Central
Hong Kong

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Notes:

1. Unless otherwise defined in this notice or the context requires otherwise, terms defined in the Circular shall have the same meanings when used in this notice.
2. In order to determine the list of Shareholders who will be entitled to attend and vote at the AGM, the register of members of the Company will be closed for registration of transfer of Shares from Thursday, 14 May 2020 to Tuesday, 19 May 2020 (both days inclusive) during which period no transfer of Shares will be effected. Shareholders whose names appear on the register of members of the Company on Tuesday, 19 May 2020 shall be entitled to attend and vote at the AGM. In order for the Shareholders to qualify for attending and voting at the AGM, all transfer documents, accompanied by the relevant Share certificates, should be lodged for registration with Computershare Hong Kong Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong on or before 4:30 p.m., Wednesday, 13 May 2020.
3. Any shareholder entitled to attend and vote at the above meeting is entitled to appoint one or, if he is the holder of two or more Shares, one or more proxies to attend and vote in his stead. A proxy need not be a shareholder of the Company.
4. In order to be valid, a 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 deposited at the offices of the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong at least 48 hours before commencement of the above meeting or any adjournment thereof.
5. In relation to the proposed resolution numbered 5 above, approval is being sought from the shareholders for the granting of a general mandate to the Directors to authorise the allotment and issue of shares under the Listing Rules. The Directors have no immediate plans to issue any new Shares.
6. In relation to the proposed resolution numbered 6 above, the Directors wish to state that they will exercise the powers conferred thereby to purchase Shares in circumstances which they deem appropriate for the benefit of the shareholders of the Company. An explanatory statement containing the information necessary to enable the shareholders of the Company to make an informed decision to vote on the proposed resolution as required by the Listing Rules is set out in the Appendix I in the circular of which this notice of the AGM forms part.
7. In relation to the proposed resolution numbered 8 above, approval is being sought from the Independent Shareholders in respect of the Supplemental Agreement and the transactions contemplated thereunder including the proposed annual caps. As disclosed in the Circular, Mr. Dai and his associates will (and any person who is involved or interested in the Supplemental Agreement and the proposed annual caps are required to) abstain from voting at the Annual General Meeting. A letter from the Company's independent financial adviser, Opus Capital Limited, to the Independent Shareholders (as required by the Listing Rules) is set out in pages 18 to 31 of the Circular.
8. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
9. Where there are joint registered holders of any Share, any one of such persons may vote at any meeting, either in person or by proxy, in respect of such Share as if he/she was solely entitled thereto; but if more than one of such joint holders be present at the meeting in person or by proxy, the vote of one of the said persons so present whose name stands first on the register of members in respect of such Share shall be accepted to the exclusion of the votes of the other joint holders.
10. The resolutions at the AGM will be taken by poll pursuant to the Listing Rules and the poll results will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.

NOTICE OF ANNUAL GENERAL MEETING

As at the date of this notice, the executive Directors are Mr. Wang Yan and Mr. Dai Bin; the non-executive Directors are Mr. Yin Jianhong and Ms. Yang Yuhua; and the independent non-executive Directors are Mr. Fan Ren-Da, Anthony, Mr. Wang Yifu, Mr. Leung Chung Ki and Mr. Tang Hon Man.

SPECIAL NOTICE

To facilitate the ongoing prevention and control of the novel coronavirus (“**COVID-19**”) pandemic and to safeguard the health and safety of the Shareholders and other persons attending the AGM, the Company regrets to inform the Shareholders that there will be no distribution of corporate gift or serving of refreshment in the AGM. Shareholders attending the AGM in person should undertake a temperature check before they enter the meeting venue, and wear surgical face mask and maintain appropriate distance from each other before they enter the meeting venue and throughout the AGM. Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied the entry into the Annual General Meeting Venue. The Company also encourages Shareholders NOT to attend the AGM in person and advise Shareholders to appoint the chairman of the meeting as their proxy to vote on relevant resolutions according to their indicated voting instructions as an alternative.

The Board will assess the impact of the latest outbreak of COVID-19 in the local community, the measures announced by Hong Kong Government and/or any applicable regulatory body in connection with COVID-19 and the availability of the specified place to hold the AGM for the determining whether or not it is necessary to change the place of the AGM or adjourn the AGM. If necessary, the Company will post an announcement on the website of the Company at <http://www.diligrp.com> and the Stock Exchange’s website at <http://www.hkexnews.com> as soon as practicable to notify Shareholders of the new place of the AGM or the date, time and place of the adjourned meeting, if any.
