

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action you should take, you should consult your stockbroker, 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 together with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.



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) CONTINUING CONNECTED TRANSACTIONS FRAMEWORK AGREEMENT FOR THE SUPPLY OF AGRICULTURAL PRODUCE AND FOOD PRODUCTS; AND (2) NOTICE OF EGM

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



A letter from the Board is set out on pages 5 to 18 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 19 to 20 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 39 of this circular.

A notice convening the EGM to be held at Salon 1-3, 3/F, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 19 November 2020 at 3:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office 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 but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

Measures to be taken with the aim of preventing and controlling the spread of COVID-19 at the EGM are set out in the notice of the EGM on page EGM-3 of this circular, which include:

- mandatory body temperature checks at the entrance of the venue of the EGM for all participants, including Shareholders or their proxies;
- compulsory wearing of surgical face masks for all participants, including Shareholders or their proxies;
- the number of seats at the venue of the EGM will be limited and available on a first-come-first-served basis and the Company may limit the number of attendees at the EGM as may be necessary to avoid over-crowding and to enable social distancing;
- no distribution of corporate gift or refreshment and no eating or drinking in the venue of the EGM; and
- anyone who has travelled outside Hong Kong within 14 days before the EGM (a "Recent Record of Travelling"), who is subject to quarantine or self-quarantine related to COVID-19, or has close contact with any person who is undergoing quarantine or has a Recent Record of Travelling should not attend the EGM in person.

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue or be required to leave the EGM venue. The Company encourages Shareholders NOT to attend the EGM in person but to appoint the chairman of the EGM as their proxy to vote on the relevant resolution(s) at the EGM as an alternative.

* For identification purpose only

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DEFINITIONS

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

“Acquisition”	the acquisition by Yield Smart of 19% interest in Million Master which holds the entire interest in Dili Fresh, details of which are set out in the circular of the Company dated 30 September 2019 and which has completed in October 2019
“Board”	the board of Directors
“Call Option”	has the meaning as defined in the circular of the Company dated 30 September 2019
“Company”	China Dili Group (Stock Code: 1387), a company incorporated in the Cayman Islands whose members’ liability is limited, the Shares of which are listed on the Stock Exchange
“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 limited liability company established in the PRC which is wholly-owned by Million Master
“Dili Fresh Group”	including Dili Fresh, Liaoning Fresh and their subsidiaries from time to time
“Dili Fresh Stores”	the retail stores operated by the Dili Fresh Group and the franchise stores operated by the franchisees of the Dili Fresh Group
“Director(s)”	the director(s) of the Company
“EBITDA”	earnings before interest, taxation, depreciation and amortisation
“EGM”	the extraordinary general meeting of the Company to be convened and held at Salon 1–3, 3/F, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 19 November 2020 at 3:00 p.m., at which, among others, the terms of the Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) will be considered, and if thought fit, approved by the Independent Shareholders

DEFINITIONS

“Framework Agreement”	the framework agreement dated 11 September 2020 entered into between the Company, Dili Fresh and Liaoning Fresh with respect to the sale and supply of agricultural produce and food products by the Group to the Dili Fresh Group for a term commencing from 1 November 2020 and expiring on 31 December 2022
“GMV”	gross merchandise value
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee established by the Company consisting of all independent non-executive Directors to advise the Independent Shareholders as to whether the terms and conditions of the Framework Agreement and the transactions contemplated thereunder including the proposed annual caps are fair and reasonable, on normal commercial terms or better, the entering into of the Framework Agreement is 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 on how to vote at the EGM, taking into account the recommendations of the Independent Financial Adviser
“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 Framework Agreement and the transactions contemplated thereunder including the proposed annual caps, the advice of which is set out in pages 21 to 39 of this circular
“Independent Shareholder(s)”	Shareholders other than Mr. Dai and his associates and any person who has a material interest in the Framework Agreement, who are entitled to attend and vote at the EGM under the applicable laws and regulations and the articles of association of the Company

DEFINITIONS

“Latest Practicable Date”	27 October 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Liaoning Fresh”	遼寧地利生鮮農副產品有限公司 (Liaoning Dili Fresh Agricultural Produce and Side Products Co., Ltd.**), a limited liability company established in the PRC which is wholly-owned by Million Master
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Million Master”	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
“Mr. Dai”	Mr. Dai Yongge, a substantial shareholder of the Company and who, together with his associates are, the controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Dai (together with his associates) are interested in approximately 67.06% in the total issued share capital of the Company
“Mr. Dai Bin”	the Chief Executive Officer of the Company and an executive Director and son of Mr. Dai
“Option(s)”	the Call Option and/or the Put Option, as the case may be
“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
“Put Option”	has the meaning as defined in the circular of the Company dated 30 September 2019
“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)
“Shareholder(s)”	the holder(s) of the Shares

DEFINITIONS

“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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.

The shareholding of the respective Shareholder as disclosed in this circular refers to the percentage shareholding of such Shareholder to the total 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 the PRC entities marked with “**” are direct transliteration of their Chinese names and are included in this circular for identification purpose only, and should not be regarded as their official English names. In the event of any inconsistency, the Chinese name prevails.*



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*)

Ms. Qin Xiang (*Chief Operating Officer*)

Non-executive Director:

Mr. Yin Jianhong

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:*

Room 4205-10, 42/F,

China Resources Building,

26 Harbour Road, Wanchai,

Hong Kong

30 October 2020

To the Shareholders

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS
FRAMEWORK AGREEMENT FOR THE SUPPLY
OF AGRICULTURAL PRODUCE AND FOOD PRODUCTS;
AND
(2) NOTICE OF EGM**

A. INTRODUCTION

Reference is made to the announcement of the Company dated 11 September 2020 in relation to the Framework Agreement.

On 11 September 2020, the Company (for itself and on behalf of its subsidiaries) on one hand, Dili Fresh and Liaoning Fresh (for themselves and on behalf of their subsidiaries) on the other hand entered into the Framework Agreement, pursuant to which the Group agreed to sell and supply to the Dili Fresh Group, and the Dili Fresh Group agreed to purchase from the Group, various agricultural produce and food products, including but not limited to vegetables,

* For identification purposes only

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fresh and dried fruits, meat, tea leaves, food snacks, grain and oil and other food produce. The agricultural produce and food products supplied by the Group under the Framework Agreement are for sale by the Dili Fresh Group across the PRC to local consumers.

The purpose of this circular is to provide you with: (i) details of the Framework Agreement; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders as to whether the terms and conditions of the Framework Agreement are on normal commercial terms or better, fair and reasonable, the entering into of the Framework Agreement is 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 on how to vote, taking into account the recommendations from the Independent Financial Adviser; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM.

B. FRAMEWORK AGREEMENT

The principal terms of the Framework Agreement are set out as below:

Date

11 September 2020

Parties

- (a) the Company (for itself and on behalf of its subsidiaries);
- (b) Dili Fresh (for itself and on behalf of its subsidiaries); and
- (c) Liaoning Fresh (for itself and on behalf of its subsidiaries).

Term

The Framework Agreement is for a term commencing from 1 November 2020 and ending on 31 December 2022, subject to renewal upon expiry at the discretion of the Company on terms to be agreed.

Supply of Agricultural Produce and Food Products

Pursuant to the Framework Agreement, the Group will sell and supply to the Dili Fresh Group, and the Dili Fresh Group will purchase from the Group, various agricultural produce and food products, including but not limited to vegetables, fresh and dried fruits, meat, tea leaves, food snacks, grain and oil and other food produce. Under the terms of the Framework Agreement, the Dili Fresh Group agrees to grant a right of first refusal to the Group for the supply of up to 90% of its annual procurement amount of agricultural produce and food products for satisfying the demand of its retail network over the PRC.

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Dili Fresh Group will place purchase orders with the Group and the parties will enter into individual sale and purchase contracts setting out specific terms of the supply of products including but not limited to the products to be supplied, price, quantity, delivery method and payment arrangement. Such terms shall be consistent with the principles and the terms of the Framework Agreement.

The prices for the products to be supplied under the individual sale and purchase contracts shall be determined by arm's length commercial negotiations and on order-by-order basis, with reference to the prevailing market prices of similar agricultural produce and food products in the same or nearby region. In doing so, the Group will first make reference to the prices charged to independent third parties and ensure that the prices for the products to be supplied under the individual sale and purchase contracts shall not be less favourable to the Group than those charged by the Group to independent third parties for similar agricultural produce and food products.

In the event that no such prices are available for comparison, the Group will make reference to the published prices for agricultural produce and food products by relevant trade or industry association(s) and other public sources from time to time such as the Public Service Platform for National Agricultural Products Business* (全國農產品商務信息公共服務平台) through its official webpage (<http://nc.mofcom.gov.cn/>), which is a platform operated by the Ministry of Commerce of the PRC government which provides the prevailing market prices of a wide range of agricultural produce and food products, including but not limited to, vegetables, fresh and dried fruits, meat, grain and oil and other food produce, at different wholesale markets in various regions in the PRC. The market prices disclosed in the platform are updated on a daily basis.

In the event that the prices charged to independent third parties and the prices from the public sources are unavailable for comparison, the Group will also make reference to the trading data obtained from the agriculture wholesale markets operated by the Group, in particular to market trading data from Shouguang Logistics Park. The Group is currently operating ten agriculture wholesale markets across the PRC which generate a substantial amount of agricultural trading transactions between buyers and sellers which are independent from the Group, with the annual transaction volume estimated to be approximately 8 million tonnes in 2019. In fact, the price indices created by one of the Group's wholesale markets, being Shouguang Logistics Park, serve as the approved national official price indices by the PRC government which demonstrates the Group's market trading data is referential and credible. Accordingly, the Board is of the view that the pricing policy as mentioned above could ensure the price of the transactions under the Framework Agreement to be on normal commercial terms, or no less favourable to the Group than those transacted with independent third parties.

When determining the prices for agricultural products to be supplied to the Dili Fresh Group, the Group would consider (i) the prevailing market prices chargeable to independent third parties; published price indices from public sources or the Group's trading data from its agriculture wholesale markets and (ii) its costs and expenses of supplying such products (taking into account costs of the agricultural produce and food products and direct expenses incurred from the sales, including but not limited to the

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storage and delivery expenses), and ensure that the selling price to the Dili Fresh Group exceeds total costs and expenses of the Group in supplying such agricultural products to the Dili Fresh Group. This leads to a contribution by gross profit margin.

The prices chargeable to the Dili Fresh Group would be the market prices determined with reference to (i) and taking into account (ii) as disclosed above in order to ensure that there would be a margin charged on the Dili Fresh Group. Nevertheless, there is no pre-determined minimum margin or margin range chargeable by the Group given that the negotiations with the suppliers on purchase costs would be subject to the Group's bargaining power and relationship with the suppliers, facilitated by the large volume of transaction data in possession by the Group. In any event, the Group will supply agricultural products to the Dili Fresh Group provided that there is a gross profit margin.

Subject to the terms of the individual sale and purchase contracts, the Group will normally grant a credit period of up to 60 days for the supply of agricultural produce and food products to the Dili Fresh Group depending on the types of products purchased which is not less favourable to the Group than the credit period offered by the Group to the existing independent third party customers. On the other hand, the Group will choose its upstream suppliers by considering as a whole the terms of procurement obtained from such suppliers, such as pricing and credit period. Subject to negotiations, credit periods may vary among the upstream suppliers but are generally in line with the credit period of up to 60 days as granted by the Group to the Dili Fresh Group. The credit period offered to the Dili Fresh Group will not be materially different from that offered by the Group's suppliers. Accordingly, the Board considers the credit period granted by the Group to the Dili Fresh Group to be fair and reasonable and on normal commercial terms.

Conditions Precedent

The transactions contemplated under the Framework Agreement are conditional upon the passing of the resolution(s) by the Independent Shareholders at the EGM approving the Framework Agreement and the proposed annual caps.

If the above conditions are not fulfilled on or before 31 December 2020 (or such later date as may be agreed between the parties), the Framework Agreement will automatically be terminated and neither the Company, Dili Fresh nor Liaoning Fresh shall have any rights to claim against each other under the Framework Agreement.

Proposed Annual Caps

The Group has not supplied any agricultural produce or food products to the Dili Fresh Group prior to the Framework Agreement and therefore there is no historical amount from previous transaction. Going forward, it is expected that the proposed annual caps will be the maximum total value of the agricultural produce and food products to be sold and supplied by the Group to the Dili Fresh Group for the relevant period/financial

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year during the term of the Framework Agreement, and will not exceed the amounts set out below:

Period/Financial Year	Maximum Transaction Amounts (RMB)
From 1 November 2020 to 31 December 2020	197,000,000
From 1 January 2021 to 31 December 2021	1,988,000,000
From 1 January 2022 to 31 December 2022	3,067,000,000

Such maximum transaction amounts are determined in accordance with: (i) the historical transaction amounts for the purchase of agricultural produce and food products by the Dili Fresh Group from other third party suppliers during the six months ended 30 June 2020, which amounted to approximately RMB1,183 million (the “**Historical Procurement Amount**”); (ii) the expected growth in annual procurement amount of agricultural produce and food products by the Dili Fresh Group of 20% per annum (the “**Growth Rate**”) based on its projected growth in retail stores and scale of business; and (iii) the estimated amount of agricultural produce and food products to be supplied by the Group to the Dili Fresh Group annually would be at 50%, 70% and 90% (the “**Supply Ratio**”) of the expected annual procurement amount as referred to in (ii) for each of the period or financial year of the proposed annual caps, being the two months ending 31 December 2020, the financial year ending 31 December 2021 and 2022, respectively. For illustration purpose, the proposed annual caps are calculated as follows: (1) for the period from 1 November 2020 to 31 December 2020, the transaction amount of RMB197 million is estimated on a pro-rata basis, based on the Historical Procurement Amount and adjusted by the Supply Ratio of 50%; (2) from 1 January 2021 to 31 December 2021, the amount of RMB1,988 million is estimated based on the annualised Historical Procurement Amount and adjusted by the Growth Rate and Supply Ratio of 70%; and (3) from 1 January 2022 to 31 December 2022, the transaction amount of RMB3,067 million is estimated based on the annualised Historical Procurement Amount and adjusted by the Growth Rate and Supply Ratio of 90%. The increase in the proposed annual caps in the financial years ending 31 December 2021 and 2022 is estimated with consideration to the average historical growth rate of the GMV and sales amount of the Dili Fresh Group for the two years ended 31 December 2018 and 2019 of approximately 33.7% and 25.4% respectively, the compound annual growth rate on the number of self-operated stores from 2020 to 2022 of approximately 23.4% based on the Group’s assessment on the expansion plan of the Dili Fresh Group as well as the Group’s increasing capability in supplying more products to the Dili Fresh Group. Such projection and estimation are considered solely for determining the proposed annual caps and shall not be regarded as any indication directly or indirectly as to the respective revenue, profitability or trading prospects of the Group or the Dili Fresh Group.

Given the business model of the Group primarily involves the operation and management of agriculture wholesale markets and the income model of the Group involves commission income (which is primarily based on the value of the agriculture

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produce traded in the Group's markets or the weight of the products delivered into the markets for trading) and lease income for the leasing of market spaces, warehouses and other facilities to traders, the revenue of the Group arising from the operations of agriculture wholesale markets is relatively low compared to (i) the Dili Fresh Group, as its business model is retail business and the retail price to end consumers is recorded as its revenue income and (ii) the supply chain business of the Group, as it is a business downstream from wholesale markets, which involves the booking of the cost of goods sold and the prices charged to retail business like the Dili Fresh Group will be recorded as revenue income. On the contrary, the gross profit margin of the supply chain business is expected to be significantly lower than that of the agriculture wholesale markets of the Group due to the recording of the cost of goods sold.

As such, while the revenue expects to be generated under the Framework Agreement appears to be considerable to the Company, the gross profit attributable by the Dili Fresh Group to the Group under the Framework Agreement is expected to be comparatively much less substantial, with segment profit contribution also estimated to be not significant as compared to existing segment of the Group. Nevertheless, it is anticipated that the Framework Agreement would provide a good opportunity for the Group to expand its operation of the supply chain business, and provide additional revenue stream to the Group. As the supply chain business generally has a lower barrier of entry, it is the business plan and strategy of the Group to first increase the economies of scale of its supply chain business in order to cater for business opportunities from other independent third parties customers. With the continued development of the supply chain businesses by the Group, it is envisaged that the revenue contribution from the Dili Fresh Group will gradually decrease in the long run. Accordingly, the Directors (including the independent non-executive Directors) are of the view that the Framework Agreement is not expected to give rise to any reliance issue of the Company with its connected persons in a material manner.

In view of the above factors, the Directors (including the independent non-executive Directors) are of the view that the above proposed annual caps under the Framework Agreement are fair and reasonable.

C. INTERNAL CONTROL

In order to ensure that the continuing connected transactions between the Group and the Dili Fresh Group are conducted in accordance with the terms of the Framework Agreement and in compliance with Chapter 14A of the Listing Rules, the Company will implement the following internal control measures:

1. Designated staff will regularly monitor and keep an update on the market supply prices for various agricultural produce and food products to be supplied to the Dili Fresh Group for the purpose of ensuring that the prices charged to the Dili Fresh Group would be aligned with market supply prices and in accordance with the aforesaid pricing policy;

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2. Where the Group supplies similar agricultural produce and food products to independent third parties, relevant personnel of the sales teams of the Group will compare the prices charged to independent third parties with prices charged to the Dili Fresh Group to ensure they are no less favourable to the Group;
3. The relevant personnel of the business department of the Group will conduct regular checks to review and assess whether the transactions contemplated under the Framework Agreement are conducted in accordance with the terms of the Framework Agreement and the individual sale and purchase contracts;
4. The relevant personnel of the finance department of the Group will check and monitor the transaction amounts and ensure the maximum transaction amounts will not exceed the proposed annual caps of the Framework Agreement. If the total transaction amounts reach 80% of the proposed annual caps, or are expected to exceed the proposed annual caps within the next two months, the designated person of the finance department of the Group shall inform the Board immediately so as to determine the appropriate actions to be taken;
5. The finance department of the Group will monitor the risks related to the Framework Agreement by reviewing the minutes of relevant meetings as well as accounting records to ensure the relevant transactions of the Group have been conducted in accordance with the terms of the Framework Agreement;
6. The internal audit department of the Group will carry out annual assessment of the continuing connected transactions under the Framework Agreement conducted by the Group for each financial year. One of the assessment objectives is to ensure that the continuing connected transactions are carried out at arm's length and the terms are comparable to those with independent third parties; and
7. The Company's external auditors and the independent non-executive Directors will conduct an annual review on the pricing and the annual caps of the continuing connected transactions.

D. INFORMATION OF THE PARTIES

The Company is an investment holding company, which, along with its subsidiaries, is principally engaged in business operations of ten 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.

Each of Dili Fresh and Liaoning Fresh is a company incorporated in the PRC which is wholly-owned by Million Master. As at the Latest Practicable Date, Million Master 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.

E. REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENT

As disclosed in the announcements of the Company dated 29 August 2019 and 31 October 2019 and the circular of the Company dated 30 September 2019, the Group has acquired 19% of the total issued shares of Million Master, which wholly owns Dili Fresh. Further to an internal reorganization, the Dili Fresh Group currently comprises Dili Fresh, Liaoning Fresh and their respective subsidiaries. The Dili Fresh Group is one of the largest fresh food supermarkets chain in Northeast China, and principally engaged in 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”. As stated in the said circular of the Company, the Group’s long-term goal is to establish a brand new fresh food distribution platform featuring the “Production — Distribution — Retail” all-in-one concept. The acquisition of interest in Dili Fresh was the first step and touchstone for expanding the Group’s business downstream into the retail end and the entering into of the Framework Agreement is a further step by the Group in extending its capabilities into supply chain and logistics management. In addition, as mentioned in the chairman’s statement of the 2018 annual report of the Company, it is part of the Group’s transformation strategies from a “conventional property developer for fresh agriculture product” to “an advanced fresh food distribution service provider and supplier”, striving to increase the overall efficiency and benefit of fresh distribution and supply in China. In the chairman’s statement of the 2019 annual report of the Company published in April 2020 (after the completion of the Acquisition), it was further mentioned to the effect that Dili Fresh’s sizeable consumption of fresh food products will create a stable demand for supply chain services, which will support the scale and continuous growth for the Group’s supply chain service business. The synergies created with Dili Fresh also provide a competitive edge for the Group’s position within the fresh food industry in China.

Going forward, the Company believes that the operators of wholesale markets will still be playing an important role in the agricultural supply chain. To achieve the long-term goal in establishing a brand new fresh food distribution platform, the Company plans to ride on its existing competitive advantage to expand into other sectors of supply chain business in order to enable long term growth and profitability. While the Acquisition was a key milestone for the Group’s expansion into the downstream agricultural retail business, there was no negotiation and discussion regarding the development of the supply chain business with the Dili Fresh Group and the supply of agricultural produce and food products between the Group and the Dili Fresh Group or any concrete plan as such at the time of the Acquisition though the development of supply chain business is consistent with the Group’s strategy to expand downstream in the agricultural industry. The Acquisition represented an investment opportunity of the Group to invest in the minority interest of the Dili Fresh Group, with the protection of the Option(s) pursuant to the acquisition agreement, which is in line with the Group’s business growth and strategies as set out in the circular of the Company dated 30 September 2019. Despite that the Company has acquired 19% interest in and provided a loan facility to the Dili Fresh Group, the Company is not involved in its daily operating activities as the Dili Fresh Group has its own management team independent from the Group. It is expected that the Group will by stages supply up to 90% of the product portfolio of the Dili Fresh Group

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comprising seven types of fruits and vegetables, but the Dili Fresh Group will maintain its purchasing team for sourcing more than 20 types of other agricultural and food products from independent third party suppliers.

The Group's Supply Chain Business

Since the last quarter of 2019, the Group has commenced a small-scaled supply chain business to supply agricultural produce and food products to independent third parties. The Group's supply chain business is still in an early stage of operation. The business model of the Group's supply chain business involves procurement of agricultural produce and food products from various upstream suppliers such as traders and wholesalers and the procured products will be sold and transported to downstream customers. The customers are generally enterprises or organizations with high demand for food products for consumption or sales including supermarkets, food courts, student cafeterias and catering businesses in the community.

The Company's initial plan in the supply chain business mainly focuses on wholesaling of agricultural products which the Company has gained abundant experience and relevant transaction database through operating the agriculture wholesale markets in various cities. This could expedite the establishment of a large database of both potential suppliers and customers as well as logistics and delivery suppliers which will give the Company competitive advantage in sourcing cheaper and better products and therefore more flexibility in price offering.

The Group has existing warehouses and storage facilities in most of its agriculture wholesale markets and may invest further in storage facilities when required. As a value-added service in the agriculture wholesale markets operated by the Group, it has already established testing centers in such markets to assure the quality of the agricultural products. As the quality of the agricultural produce and food products that the Group procures and delivers is one of its top priority, the staff are required to observe the quality assurance procedures and perform checks on the products periodically, which involve, among others, the detection of pesticide residues on the agricultural products as part of the food safety measures. The Group's supply chain business uses not only its own storage and testing facilities, but also delivery services of the upstream suppliers, some of which transport their agricultural products directly to the Dili Fresh Stores across various cities in the PRC. In addition, as the agricultural produce and food products are perishable goods, the Group would minimize the storage of goods in the Group's warehouses. In the interest of product quality assurance, the agricultural products would normally be transported directly from the upstream suppliers to the Dili Fresh Stores. In the event that additional delivery requirements arise, the Group may engage third party delivery service providers to fulfil such requirements. Accordingly, the Company considers that the large volume of transactions expected under the Framework Agreement could be sufficiently catered for by a combination of internal and external logistics capabilities and as such, the Group is not required to heavily invest to build the storage and logistics infrastructure otherwise required.

In terms of the pricing mechanism, given the nature of the agricultural industry, many of the agricultural produce and food products have published prices or market prices for reference as benchmarks for the pricing of similar items in the surrounding areas. As for the Group's bargaining power, the Group may leverage on its established name and trading record in the

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agricultural industry, in particular, upstream in the operation of agriculture wholesale markets. The Group has also established a team of supply chain personnel and developed its own information technology system in handling the transactions. Further enhancement is expected to cater for the increasing number of transactions but the Group does not expect significant capital to be required at this initial stage of the supply chain business and capital requirement is expected to be financed by internal resources.

By entering into the Framework Agreement and the transactions contemplated thereunder, the Group targets to further expand the scale of operation of its supply chain and logistics management business through supplying to the Dili Fresh Group as well as independent third party customers. With direct access to traders and wholesalers in the agriculture wholesale markets which the Group currently operates and cooperation with other independent suppliers of food products, the Group expects to secure a stable source of supply of agricultural produce and food products to cater for demand of the Dili Fresh Group and other third party supermarkets and fresh food retailers. Furthermore, through its role as a supplier to the Dili Fresh Group, the Group can connect the upstream traders and wholesalers with its downstream customer, Dili Fresh Group, to generate a reliable source of demand for agricultural produce and food products of the traders and wholesalers and by doing so, enhance loyalty of these upstream customers of the Group.

Therefore, the Group conducts its supply chain business by leveraging on its position to bridge the sources of supply upstream from traders and wholesalers with the demand downstream from among others, the Dili Fresh Group and other third party customers. The Group has its own sources of supplies from its upstream customers, primarily traders and wholesalers that operate in the Group's agriculture wholesale markets and thus no practical needs of sourcing from the Dili Fresh Group's existing suppliers, although there is a possibility of overlap where such suppliers may also be the upstream customers of the Group in its agriculture wholesale markets as hundreds of traders and wholesalers trade in each of the Group's agriculture wholesale markets across ten locations in the PRC, and even if such overlap does arise, the Group will be sourcing its supplies on terms to be negotiated with such upstream traders and wholesalers independent of the Dili Fresh Group. In any event, the Group's pricing terms to the Dili Fresh Group would make reference to the prevailing market prices of the agricultural products to be supplied and such terms would not be less favourable to the Group than those charged to independent third parties for similar agricultural products.

By entering into the Framework Agreement, the Group aims to grow its supply chain business quickly as the Dili Fresh Group presents an established network of retail stores with on-going retail demand to support such growth and in doing so, generate a new revenue stream for the Group. Accordingly, the Company's concern is on the business rationale and benefits for the Group for entering into the Framework Agreement, and is not in a position to assess whether the Dili Fresh Group would improve its profitability as a result or obtain more favourable contractual terms than those from its third party suppliers would depend on among others, its own bargaining power with third party suppliers, other operating costs and expenses, operational efficiency and a range of other factors which may affect its profit margin. By entering into the Framework Agreement, the Company expects the Dili Fresh Group may benefit from one-stop procurement of agricultural products from the Group at prevailing market prices without having to source from multiple suppliers which may in turn enhance its

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operational efficiency. Instead of building and upgrading its own supply chain and logistics system, the Dili Fresh Group could rely on the Group's supply chain business for a reliable and good quality source of supply at market prices.

The Directors (including the independent non-executive Directors) are of the view that the Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) are conducted on arm's length basis and on normal commercial terms in the ordinary and usual course of business of the Group, and that the terms of the Framework Agreement and the proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Reference is also made to the circular of the Company published on 30 September 2019 which sets out details on the Acquisition by the Company through Yield Smart and the grant of the Call Option and the Put Option by Plenty Business. The Option(s) are exercisable subject to whether benchmarks in terms of projected GMV of the Dili Fresh Stores and/or the EBITDA of the Dili Fresh Group (as the case may be) in future financial year(s) are met. Based on (i) the GMV of the Dili Fresh Stores is demand-driven and not driven by the supply of agricultural products by the Group; and (ii) the maximum transaction amounts under the Framework Agreement is determined with reference to, among others, the historical procurement amount purchased by the Dili Fresh Group from other third party suppliers in respect of agricultural products which the Group would be supplying, the supply of agricultural produce and food products under the Framework Agreement by the Group is not expected to lead to a material difference in the GMV of the Dili Fresh Stores. In addition, given that the Group's pricing basis is on arm's length negotiations, on order by order basis, with reference to prevailing market prices of similar agricultural produce and food products in the same or nearby region, the supply of agricultural products by the Group to the Dili Fresh Group is not intended to create a direct cost-saving advantage for the Dili Fresh Group, and the effect of the supply of agricultural products under the Framework Agreement, if any, on the EBITDA of the Dili Fresh Group, which is subject to actual operating costs and expenses and other factors such as taxes, depreciation and amortization, is difficult for the Group to assess. Taking into account the foregoing, the Group's decision on the exercise of the Call Option (or the Put Option as the case may be) would not be impacted by the transactions contemplated under the Framework Agreement in a material manner.

F. LISTING RULES IMPLICATIONS

Each of Dili Fresh and Liaoning Fresh is a wholly-owned subsidiary of Million Master, 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 (a substantial shareholder of the Company and who, together with his associates are, the controlling shareholders of the Company), and hence, is a connected person of the Company. As a result, the Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the proposed annual caps for the transactions contemplated under the Framework Agreement exceeds 5%, the Framework Agreement is subject to the reporting, annual review,

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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 Framework Agreement at the EGM.

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 Framework 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 and the Independent Shareholders on matters relating to the Framework Agreement.

H. 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 Company. 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 is not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

I. EGM

A notice of the EGM to be held at 3:00 p.m., on Thursday, 19 November 2020 is set out on pages EGM-1 to EGM-3 of this circular for the purpose of considering and, if thought fit, to approve, among others, the Framework Agreement and the transactions contemplated including the proposed annual caps.

A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office 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 but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending, and voting in person at the EGM or any adjournment thereof if you so desire and, in such event, the instrument appointing a proxy will be deemed to be revoked.

LETTER FROM THE BOARD

In order to determine the list of shareholders who will be entitled to attend and vote at the EGM, the register of members of the Company will be closed for registration of transfer of Shares from Monday, 16 November 2020 to Thursday, 19 November 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 Thursday, 19 November 2020 shall be entitled to attend and vote at the EGM. In order for the Shareholders to qualify for attending and voting at the EGM, 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., Friday, 13 November 2020.

In light of the COVID-19 pandemic, to safeguard the health and safety of the Shareholders and other attendees of the EGM and to minimize the risks of spreading the virus and infection, the Company encourages Shareholders NOT to attend the EGM in person but appoint the chairman of the EGM as their proxy to vote on relevant resolution(s) according to their indicated voting instructions as an alternative.

J. VOTING AT THE EGM AND THE BOARD MEETINGS

Mr. Dai, a substantial shareholder of the Company and who, together with his associates are, the controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Dai together with his associates are interested in approximately 67.06% in the total issued share capital of the Company. For details, please refer to the section headed "B2. Substantial Shareholders' Interests" set out in appendix to this circular. As such, Mr. Dai and his associates will abstain, and any person who has a material interest in the Framework Agreement and the proposed annual caps is required to abstain, from voting on the relevant resolution(s) at the EGM.

Voting at the EGM will be conducted by poll.

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 Framework Agreement and was required to abstain from voting on the relevant resolution(s) of the Board.

K. RECOMMENDATIONS

The Independent Board Committee, having considered the terms and conditions of the Framework 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 Framework Agreement is on normal commercial terms, fair and reasonable, the entering into of the Framework Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The Directors accordingly recommend that the Independent Shareholders vote in favour of the resolution(s) to be proposed at the EGM to approve the Framework 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 19 to 20 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 Framework 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 21 to 39 of this circular.

L. FURTHER INFORMATION

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

M. WARNING

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

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

Yours faithfully,
For and on behalf of the Board of
China Dili Group
WANG Yan
Chairman



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)

30 October 2020

To the Independent Shareholders

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS
FRAMEWORK AGREEMENT FOR THE SUPPLY
OF AGRICULTURAL PRODUCE AND FOOD PRODUCTS;
AND
(2) NOTICE OF EGM**

We refer to the circular dated 30 October 2020 issued by the Company of which this letter forms part of (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 authorized by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders in respect of the Framework 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 18 of the Circular and the letter from the Independent Financial Adviser set out on pages 21 to 39 of the Circular, which contains, among other matters, its advice and recommendation to the Independent Board Committee and the Independent Shareholders in connection with the Framework Agreement and the transactions contemplated thereunder including the proposed annual caps and the principal factors considered by it in arriving at its advice and recommendation.

Having considered, among other matters, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice and recommendation, we consider that the terms and conditions of the Framework Agreement and the transactions contemplated thereunder including the proposed annual caps, are on normal commercial terms, fair and reasonable, the entering into of the Framework Agreement is 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
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Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM in respect of the Framework Agreement and the transactions contemplated thereunder including the proposed annual caps.

Yours faithfully,
For and on behalf of the
Independent Board Committee of
China Dili Group
Fan Ren-Da, Anthony
Wang Yifu
Leung Chung Ki
Tang Hon Man
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Opus Capital to the Independent Board Committee and the Independent Shareholders in respect of the Framework 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

30 October 2020

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

Dear Sirs or Madams,

CONTINUING CONNECTED TRANSACTIONS FRAMEWORK AGREEMENT FOR THE SUPPLY OF AGRICULTURAL PRODUCE AND FOOD PRODUCTS

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement and the transactions contemplated thereunder including the proposed annual caps (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 30 October 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.

FRAMEWORK AGREEMENT FOR THE SUPPLY OF AGRICULTURAL PRODUCE AND FOOD PRODUCTS

On 11 September 2020, the Company (for itself and on behalf of its subsidiaries) on one hand, Dili Fresh and Liaoning Fresh (for themselves and on behalf of their subsidiaries) on the other hand entered into the Framework Agreement, pursuant to which the Group agreed to sell and supply to the Dili Fresh Group, and the Dili Fresh Group agreed to purchase from the Group, various agricultural produce and food products, including but not limited to, vegetables, fresh and dried fruits, meat, tea leaves, food snacks, grain and oil and other food produce. The agricultural produce and food products to be supplied by the Group under the Framework Agreement are for sale by the Dili Fresh Group across the PRC to local consumers.

Each of Dili Fresh and Liaoning Fresh is a wholly-owned subsidiary of Million Master, 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 (a substantial shareholder of the Company and who, together with his associates, are the controlling

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

shareholders of the Company), and hence, is a connected person of the Company. As a result, the Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Proposed Annual Caps for the transactions contemplated under the Framework Agreement exceeds 5%, the Framework Agreement is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. As at the Latest Practicable Date, Mr. Dai together with his associates are interested in approximately 67.06% in the total issued share capital of the Company. Mr. Dai and his associates are required to abstain from voting on the resolution(s) approving the Framework Agreement at the EGM.

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 Framework Agreement and was required to abstain from voting on the relevant resolution(s) of the Board.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Fan Ren-Da, Anthony, Mr. Wang Yifu, Mr. Leung Chung Ki and Mr. Tang Hon Man, has been established to advise the Independent Shareholders as to (i) whether the terms and conditions of the Framework Agreement (including the Proposed Annual Caps) are on normal commercial terms or better, and fair and reasonable; (ii) whether the entering into of the Framework Agreement is 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 (iii) how they should vote on the relevant resolution(s) at the EGM. We, Opus Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

We were appointed as the independent financial adviser to advise the independent board committee and the independent shareholders of the Company on a supplemental agreement dated 13 March 2020 entered into between 哈爾濱地利農副產品有限公司 (Harbin Dili Agricultural Produce and Side Products Co., Ltd.***) (a wholly-owned subsidiary of the Company) and Dili Fresh in relation to the amendment of the loan agreement previously entered into between the parties, details of which are set out in the circular of the Company dated 16 April 2020 (the "**Past Appointment**").

As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Group, the Dili Fresh Group or other parties that could reasonably be regarded as relevant to our independence. Apart from normal independent financial advisory fees paid or payable to us in connection with the Past Appointment and this appointment, no arrangement exists whereby

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

we had received or shall receive any other fees or benefits from the Group, the Dili Fresh Group or any other parties that could reasonably be regarded as relevant to our independence. 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 recommendation to the Independent Board Committee and the Independent Shareholders, we have considered and reviewed, amongst other things:

- (i) the Framework Agreement;
- (ii) the Company's interim report for the six months ended 30 June ("**1H**") 2020 (the "**2020 Interim Report**")
- (iii) the Company's annual report for the year ended 31 December ("**FY**") 2019 (the "**2019 Annual Report**");
- (iv) the circular of the Company dated 30 September 2019 in relation to the major acquisition and connected transaction involving the acquisition of 19% of the total issued shares of Million Master, which wholly owns Dili Fresh (the "**2019 Circular**"); and
- (v) other information as set out in the Circular.

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 EGM.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the terms of the Framework 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 arriving at our opinion in respect of the terms of the Framework Agreement and the transactions contemplated thereunder including the Proposed Annual Caps, we have taken into consideration the following principal factors and reasons:

1. Information of the Group

The Group is principally engaged in business operations of ten 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.

Set out below is the summary of the (i) consolidated income statements of the Group for FY2018, FY2019, 1H2019 and 1H2020; and (ii) consolidated financial positions of the Group as at 31 December 2019 and 30 June 2020.

Table 1: Summary of the consolidated income statements of the Group

	1H2020	1H2019	FY2019	FY2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
		(Restated)		
Revenue	689,299	738,574	1,421,019	1,128,654
Commission income	478,123	539,783	1,009,960	810,572
Lease income	211,176	198,791	411,059	318,082
Profit/(loss) for the period/year				
attributable to the Shareholders	137,184	341,964	557,285	(360,901)

Source: the 2020 Interim Report and the 2019 Annual Report

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

FY2018 and FY2019

Revenue of the Group increased by approximately 25.9%, from approximately RMB1,128.7 million for FY2018 to approximately RMB1,421.0 million for FY2019, which was mainly attributable to the increase in commission income and lease income. The Group recorded a profit attributable to the Shareholders of approximately RMB557.3 million for FY2019 as compared to a loss attributable to the Shareholders of approximately RMB360.9 million for FY2018. The turnaround of the Group's loss making position during FY2018 to a profit making position during FY2019 was mainly due to the combined effects of, among others, (i) the increase in revenue; (ii) the increase in other income; (iii) the increase in net valuation gain on investment properties; (iv) the decrease in administrative expenses; and (v) the decrease in other operating expenses.

1H2019 and 1H2020

Revenue of the Group decreased by approximately 6.7%, from approximately RMB738.6 million for 1H2019 to approximately RMB689.3 million for 1H2020, which was mainly attributable to the decrease in transaction volumes and commission income. The drop in the commission income was due to the impact of coronavirus pandemic, lockdowns and social distancing measures which resulted in temporary closures or the shortening of operation hours of the Group's agriculture wholesale markets. The profit attributable to the Shareholders decreased by approximately 59.9% from approximately RMB342.0 million for 1H2019, to approximately RMB137.2 million for 1H2020. The decrease was mainly due to the combined effects of, among others, (i) the decrease in revenue; (ii) the net valuation loss on investment properties during 1H2020 as compared to the net valuation gain on investment properties during 1H2019; (iii) the increase in administrative expenses; and (iv) the increase in net finance expenses.

Table 2: Summary of the consolidated financial positions of the Group

	As at	
	30 June 2020	31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Total assets	13,691,980	13,505,339
Total liabilities	4,664,516	4,681,061
Net asset value attributable to the Shareholders	8,742,310	8,612,927

Source: the 2020 Interim Report

As at 30 June 2020, the total assets and the total liabilities of the Group and the net asset value attributable to the Shareholders were approximately RMB13,692.0 million, RMB4,664.5 million and RMB8,742.3 million, respectively.

2. Information of the Dili Fresh Group

The Dili Fresh Group currently comprises Dili Fresh, Liaoning Fresh and their respective subsidiaries. Each of Dili Fresh and Liaoning Fresh is a limited liability company established in the PRC which is wholly-owned by Million Master. As at the Latest Practicable Date, Million Master was 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). The Dili Fresh Group is one of the largest fresh food supermarkets chain in Northeast China, and principally engaged in 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”.

3. Reasons for and benefits of entering into the Framework Agreement

According to the Letter from the Board, the Group has acquired 19% of the total issued shares of Million Master, which wholly owns Dili Fresh. Further to an internal reorganisation, the Dili Fresh Group currently comprises Dili Fresh, Liaoning Fresh and their respective subsidiaries. The Dili Fresh Group is one of the largest fresh food supermarkets chain in Northeast China, and principally engaged in 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”. The acquisition of interest in Dili Fresh was the first step and touchstone for expanding the Group’s business downstream into the retail end and the entering into of the Framework Agreement is a further step by the Group in extending its capabilities into supply chain and logistics management. It is also part of the Group’s transformation strategies from a “conventional property developer for fresh agriculture product” to “an advanced fresh food distribution service provider and supplier”, striving to increase the overall efficiency and benefit of fresh distribution and supply in China. Going forward, the Company believes that the operators of wholesale markets will still be playing an important role in the agricultural supply chain. To achieve the long-term goal in establishing a brand new fresh food distribution platform, the Company plans to ride on its existing competitive advantage to expand into other sectors of supply chain business in order to enable long-term growth and profitability.

Since the last quarter of 2019, the Group has commenced a small-scaled supply chain business to supply agricultural produce and food products to independent third parties. The Group’s supply chain business is still in an early stage of operation. For further information on the Group’s supply chain business, please refer to the section headed “The Group’s Supply Chain Business” in the Letter from the Board. By entering into the Framework Agreement and the transactions contemplated thereunder, the Group targets to further expand the scale of operation of its supply chain and logistics management business through supplying to the Dili Fresh Group as well as independent third party customers. With direct access to traders and wholesalers in the agriculture wholesale markets which the Group currently operates and cooperation with other independent suppliers of food products, the Group expects to secure a stable source of supply of agricultural produce and food products to cater for demand of the Dili Fresh Group and other third party supermarkets and fresh food retailers. Furthermore, through

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

its role as a supplier to the Dili Fresh Group, the Group can connect the upstream traders and wholesalers with its downstream customer, the Dili Fresh Group, to generate a reliable source of demand for agricultural produce and food products of the traders and wholesalers and by doing so, enhance loyalty of these upstream customers of the Group.

Therefore, the Group conducts its supply chain business by leveraging on its position to bridge the sources of supply upstream from traders and wholesalers with the demand downstream from among others, the Dili Fresh Group and other third party customers. The Group has its own sources of supplies from its upstream customers, primarily traders and wholesalers that operate in the Group's agriculture wholesale markets and thus no practical needs of sourcing from the Dili Fresh Group's existing suppliers, although there is a possibility of overlap where such suppliers may also be the upstream customers of the Group in its agriculture wholesale markets as hundreds of traders and wholesalers trade in each of the Group's agriculture wholesale markets across ten locations in the PRC, and even if such overlap does arise, the Group will be sourcing its supplies on terms to be negotiated with such upstream traders and wholesalers independent of the Dili Fresh Group. In any event, the Group's pricing terms to the Dili Fresh Group would make reference to the prevailing market prices of the agricultural products to be supplied and such terms would not be less favourable to the Group than those charged to independent third parties for similar agricultural products.

By entering into the Framework Agreement, the Group aims to grow its supply chain business quickly as the Dili Fresh Group presents an established network of retail stores with on-going retail demand to support such growth and in doing so, generate a new revenue stream for the Group. Accordingly, the Company's concern is on the business rationale and benefits for the Group for entering into the Framework Agreement, and is not in a position to assess whether the Dili Fresh Group would improve its profitability as a result or obtain more favourable contractual terms than those from its third party suppliers would depend on among others, its own bargaining power with third party suppliers, other operating costs and expenses, operational efficiency and a range of other factors which may affect its profit margin. By entering into the Framework Agreement, the Company expects the Dili Fresh Group may benefit from one-stop procurement of agricultural products from the Group at prevailing market prices without having to source from multiple suppliers which may in turn enhance its operational efficiency. Instead of building and upgrading its own supply chain and logistics system, the Dili Fresh Group could rely on the Group's supply chain business for a reliable and good quality source of supply at market prices.

According to the information provided by the Management, we noted that the Dili Fresh Group currently operates approximately 230 self-operated retail stores and has approximately 48 franchise stores under the brand name "Dili Fresh" across Harbin, Shenyang, Changchun, Guiyang, Beijing, Daqing, Yushu, Fushun, Tieling, Jilin City and Songyuan in China. It recorded the sales amounts of approximately RMB3.6 billion and RMB4.3 billion for each of the two years ended 31 December 2019 respectively. We understand from the Management that the Dili Fresh Group is still in a high-growth stage for its "Dili Fresh" fresh food supermarket chain and its long-term goal is to become a leading community fresh food retail chain in China with omni-channel retailing (or

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commonly known as O2O) features. In supporting its scale of operation and continuing expansion, the Dili Fresh Group procures a sizeable amount of agricultural produce and food products on a recurring basis for its retail stores network. We noted from a market statistics published by 中國連鎖經營協會 (China Chain Store & Franchise Association*), the official representative of the retailing & franchise industry in China which has more than 1,000 enterprise members with over 388,000 outlets, including domestic and foreign-invested retailers, franchisers, suppliers, and relevant organisations, on 29 June 2020 that the Dili Fresh Group was ranked the 40th largest supermarket chain in China in terms of sales amount in 2019. In view of the extensive retail sales network and business scale of the Dili Fresh Group, we agree with the Management that the entering into of the Framework Agreement with the Dili Fresh Group will provide a reliable and steady demand of agricultural produce and food products which will enable the Group to expedite the expansion of the scale of operation of its supply chain and logistics management.

We understand from the Management that it is the Group's plan to utilise its vast network of traders and wholesalers at the agriculture wholesale markets which it operates and deepen the cooperation with these upstream parties to secure a stable supply of agricultural produce and food products to cater for the demand of the Dili Fresh Group and the Group's other customers. In this respect, we noted that the Group currently operates ten agriculture wholesale markets in seven cities in the PRC and according to the 2019 Annual Report, the total annual trading volume of these markets amounted to approximately 8 million tonnes in 2019. Most of the agriculture wholesale markets operated by the Group are major large-scale wholesale markets in the local and surrounding regions and provide comprehensive categories of agricultural produce and food products. In particular:

- The Hangzhou Dili Logistic Park Cluster (the “**Hangzhou Dili Cluster**”) consists of a fruit-products market, a vegetable market and a seafood market. The Hangzhou Dili Cluster is the largest agriculture wholesale market in Hangzhou and a key logistic hub for agricultural produce within the Yangtze River Delta and surrounding regions. The supply of fruit, vegetable and seafood at the market takes up approximately 70% of the local demand. At the same time, it serves a more extended area, including other cities in Zhejiang Province as well as Jiangsu Province, Anhui Province, Jiangxi Province and Hubei Province. One of the prominent features of the Hangzhou Dili Cluster is the full implementation of electronic settlement as well as the big data system which collects, analyses and makes use of trading and logistic data collected from the markets.
- The Shenyang Shouguang Dili Agricultural Produce and Side Products Market (the “**Shenyang Dili Market**”) consists of two large fruit and vegetable markets and two smaller markets for commodity and condiments, and seafood. Shenyang Dili Market provides full categories of all agricultural produce. It supplies more than 90% of local fruit market, and 50% of the fruits from the market is supplied to the three provinces of Northeast China and the Inner

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Mongolia region. The Shenyang Dili Market plays a decisive role in Northeast China as it is the major transit center for agricultural produce and side products in Northeast China as well as the largest fruits logistics hub in Northeast China.

- The Guiyang Agricultural Produce Logistic Park (the “**Guiyang Logistic Park**”) includes large-scale vegetable and fruit market, as well as markets for frozen food, grain and oil and condiments. The Guiyang Logistic Park has now become the largest agricultural produce distribution center among the nine provinces of Southwest and Northwest region of China and extended its geographical coverage to Guangxi Province, Hunan Province and Hubei Province. It provides full categories of agricultural produce and distribution channels for the poverty alleviation program promoted by the State.
- The Heilongjiang Dili Logistic Park Cluster (the “**Heilongjiang Dili Cluster**”) includes four markets in Heilongjiang Province and the geographical reach of the Heilongjiang Dili Cluster covers more than 50 cities and counties in Heilongjiang Province, Jilin Province and East of Inner Mongolia region.
- The China Shouguang Agricultural Produce Logistic Park (the “**Shouguang Logistic Park**”) is currently the largest integrated agriculture logistic park in Asia in terms of site area which amounts to 1,123,925 square metres. The park is divided into 6 functional zones, including fruit trading, vegetable trading, seeds trading and e-commerce business zones, etc. The Shouguang Logistic Park is the logistic hub of vegetable circulation linking the southern and northern part of China. It also serves as a key center nationwide for functions like national price setting for vegetables, trading information and logistic distribution. The price indices created from the Shouguang Logistic Park serves as the approved national official price indices in China.

Considering the above, we agree with the Management that the Group’s extensive network of agriculture wholesale markets and its direct access to upstream traders and wholesalers can help the Group in securing a stable source of supply of agricultural produce and food products to cater for the demand of the Dili Fresh Group as well as independent third party customers. On the other hand, through procuring for the Dili Fresh Group and the Group’s other downstream customers, the Group will generate additional demand for the agricultural produce and food products of its upstream traders and wholesaler customers. As such, the entering into of the Framework Agreement will provide an opportunity to the Group to connect and capitalise on its upstream and downstream resources. We noted that the Group plans to leverage on its abundant industry experience and transaction database through operating its agriculture wholesale markets in various cities to expedite the establishment of a large base of suppliers and customers as well as logistics suppliers to gain competitive advantage in sourcing cheaper and better products and therefore more flexibility in price offering. In this initial stage of development of its supply chain business, the Group will utilise its existing warehouse and storage facilities, testing centers at its wholesale markets and has established a team of supply chain personnel and developed its own information technology system in handling the relevant transactions. Beside its own storage and testing facilities, the

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Group's supply chain business also makes use of delivery services of the upstream suppliers, some of which transport their agricultural products directly to the Dili Fresh Stores across various cities in the PRC. In addition, as the agricultural produce and food products are perishable goods, the Group would minimise the storage of goods in the Group's warehouses. In the interest of product quality assurance, the agricultural products would normally be transported directly from the upstream suppliers to the Dili Fresh Stores. In the event that additional delivery requirements arise, the Group may engage third party delivery service providers to fulfil such requirements. Accordingly, the Company considers that the large volume of transactions expected under the Framework Agreement could be sufficiently catered for by a combination of internal and external logistics capabilities and as such, the Group is not required to heavily invest to build the storage and logistics infrastructure otherwise required. The Group does not expect significant capital to be required at this initial stage of the supply chain business.

Currently, the revenue of the Group comprises mainly commission income charged to traders primarily based on either value of transactions or weight of products transacted at the Group's agriculture wholesale markets. The Group also received lease income by leasing spaces at the warehouses, icehouses and other facilities at its markets to assist traders to store and pack their products, and from renting rooms at its on-site residential areas and motels to traders. By entering into the Framework Agreement and the transactions contemplated thereunder, the Group will generate additional income from its supply chain and logistics management business segment, which can diversify the Group's existing business scope and broaden its revenue streams.

Furthermore, we noted from the 2019 Annual Report that since 2019, the Group has commenced the implementation of its transformation and business strategy of transforming into an advanced fresh food distribution service provider and supplier. The acquisition of interest in Dili Fresh was one of the key milestones for the Group's transformation. The Dili Fresh Group's sizeable consumption of fresh food products creates stable demand for supply chain services, which supports the scale and continuous growth for the Group's supply chain service business. We noted that the entering into of the Framework Agreement is in line with the Group's long-term development strategy.

We understand from the Management that the entering into of the Framework Agreement is not expected to cause a substantial change to the Company's business and the supply chain operation is not intended to replace the Company's existing agriculture wholesale market operation as the principal business of the Group. We noted that according to the Letter from the Board, although the amount of revenue expected to be generated under the Framework Agreement with reference to the Proposed Annual Caps may appear to be considerable, the Directors considered that after netting off with the corresponding cost of goods sold in generating such revenue, the relevant gross profit to be contributed by the supply chain segment will not be significant as compared to the contribution from the Group's existing segment of agriculture wholesale market operation which mainly includes commission income and lease income. Furthermore, we noted that the existing business segment of agriculture wholesale market operation will remain as the core business of the Group while the supply chain business is expected to provide additional revenue stream and new development opportunity to the Group to expand

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downstream in the agricultural industry which is part of the Group's strategy. As such, we agree with the Management that the entering into of the Framework Agreement is to facilitate the business expansion of the Group that is in line with the its development strategies and does not constitute a substantial change to the Company's business.

Considering the abovementioned factors, including (i) the Group's abundant industry experience through operating its agriculture wholesale markets; (ii) the extensive retail sales network and business scale of the Dili Fresh Group is expected to provide a reliable and steady demand of agricultural produce and food products which will enable the Group to expedite the expansion of its supply chain operation which is currently operating in small scale; (iii) the Group's extensive network of agriculture wholesale markets and its direct access to upstream traders and wholesalers can help the Group in securing a stable source of supply of agricultural produce and food products to cater for the demand of the Dili Fresh Group as well as independent third party customers; (iv) the entering into of the Framework Agreement will provide an opportunity to the Group to connect and capitalise on its upstream and downstream resources; (v) it is part of the Group's long-term development strategy to continue to grow its supply chain service business; and (vi) the Group does not expect significant capital to be required at this initial stage of the supply chain business, we concur with the Directors' view that it is reasonable for the Company to extend its capabilities into the supply chain business and supply agricultural produce and food products to the Dili Fresh Group pursuant to the Framework Agreement.

In view of the above, we concur with the Directors' view that the entering into of the Framework Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Framework Agreement

As extracted from the Letter from the Board, the principal terms of the Framework Agreement are set out as below:

Date

11 September 2020

Parties

- (a) the Company (for itself and on behalf of its subsidiaries);
- (b) Dili Fresh (for itself and on behalf of its subsidiaries); and
- (c) Liaoning Fresh (for itself and on behalf of its subsidiaries).

Term

The Framework Agreement is for a term commencing from 1 November 2020 and ending on 31 December 2022, subject to renewal upon expiry at the discretion of the Company on terms to be agreed.

Supply of Agricultural Produce and Food Products

Pursuant to the Framework Agreement, the Group will sell and supply to the Dili Fresh Group, and the Dili Fresh Group will purchase from the Group, various agricultural produce and food products, including but not limited to vegetables, fresh and dried fruits, meat, tea leaves, food snacks, grain and oil and other food produce. Under the terms of the Framework Agreement, the Dili Fresh Group agrees to grant a right of first refusal to the Group for the supply of up to 90% of its annual procurement amount of agricultural produce and food products for satisfying the demand of its retail network over the PRC.

The Dili Fresh Group will place purchase orders with the Group and the parties will enter into individual sale and purchase contracts setting out specific terms of the supply of products, including but not limited to, the products to be supplied, price, quantity, delivery method and payment arrangement. Such terms shall be consistent with the principles and the terms of the Framework Agreement.

Pricing

The prices for the products to be supplied under the individual sale and purchase contracts shall be determined after arm's length commercial negotiations and on order-by-order basis, with reference to the prevailing market prices of similar agricultural produce and food products in the same or nearby region.

Payment

Subject to the terms of the individual sale and purchase contracts, the Group will normally grant a credit period of up to 60 days for the supply of agricultural produce and food products to the Dili Fresh Group depending on the types of products purchased. The Group will choose its upstream suppliers by considering as a whole the terms of procurement obtained from such suppliers, such as pricing and credit period. Subject to negotiations, credit periods may vary among the upstream suppliers but are generally in line with the credit period of up to 60 days as granted by the Group to the Dili Fresh Group. The credit period offered to the Dili Fresh Group will not be materially different from that offered by the Group's suppliers. Accordingly, the Board considers the credit period granted by the Group to the Dili Fresh Group to be fair and reasonable and on normal commercial terms.

We have reviewed eight samples of previous supply agreements of agricultural produces or food products entered into between the Group (as the supplier) and its independent third party customers (as the purchaser) and noted that the credit period of such agreements ranged from nil to 90 days. As such, we are of the view that the credit period under the Framework Agreement is no less favourable to the Group than the credit period granted by the Group to independent third parties and we concur with the Directors' view that the credit period under the Framework Agreement is fair and reasonable and on normal commercial terms.

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Conditions Precedent

The transactions contemplated under the Framework Agreement are conditional upon the passing of the resolution(s) by the Independent Shareholders at the EGM approving the Framework Agreement and the Proposed Annual Caps.

If the above conditions are not fulfilled on or before 31 December 2020 (or such later date as may be agreed among the parties), the Framework Agreement will automatically be terminated and neither the Company, Dili Fresh nor Liaoning Fresh shall have any rights to claim against each other under the Framework Agreement.

Internal Control Procedures

According to the Letter from the Board, in order to ensure that the continuing connected transactions between the Group and the Dili Fresh Group are conducted in accordance with the terms of the Framework Agreement and in compliance with Chapter 14A of the Listing Rules, the Company will adopt the following internal control measures once the Framework Agreement becomes effective:

1. Designated staff will regularly monitor and keep an update on the market supply prices for various agricultural produce and food products to be supplied to the Dili Fresh Group for the purpose of ensuring that the prices charged to the Dili Fresh Group would be aligned with market supply prices and in accordance with the aforesaid pricing policy;
2. Where the Group supplies similar agricultural produce and food products to independent third parties, relevant personnel of the sales teams of the Group will compare the prices charged to independent third parties with prices charged to the Dili Fresh Group to ensure they are no less favourable to the Group;
3. The relevant personnel of the business department of the Group will conduct regular checks to review and assess whether the transactions contemplated under the Framework Agreement are conducted in accordance with the terms of the Framework Agreement and the individual sale and purchase contracts;
4. The relevant personnel of the finance department of the Group will check and monitor the transaction amounts and ensure the maximum transaction amounts will not exceed the Proposed Annual Caps of the Framework Agreement. If the total transaction amounts reach 80% of the Proposed Annual Caps, or are expected to exceed the Proposed Annual Caps within the next two months, the designated person of the finance department of the Group shall inform the Board immediately so as to determine the appropriate actions to be taken;

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5. The finance department of the Group will monitor the risks related to the Framework Agreement by reviewing the minutes of relevant meetings as well as accounting records to ensure the relevant transactions of the Group have been conducted in accordance with the terms of the Framework Agreement;
6. The internal audit department of the Group will carry out annual assessment of the continuing connected transactions under the Framework Agreement conducted by the Group for each financial year. One of the assessment objectives is to ensure that the continuing connected transactions are carried out at arm's length and the terms are comparable to those with independent third parties; and
7. The Company's external auditors and the independent non-executive Directors will conduct an annual review on the pricing and the annual caps of the continuing connected transactions.

We have obtained and reviewed the internal control policy and procedures of the Group on the implementation of the pricing policy and management of the continuing connected transactions with the Dili Fresh Group contemplated under the Framework Agreement. We noted that in determining the fair market price of agricultural produce and food products to be sold by the Group to the Dili Fresh Group, the Group will first make reference to the prices charged to independent third party customers and ensure that the prices for the products to be supplied under the individual sale and purchase contracts shall not be less favourable to the Group than those charged to independent third parties for similar agricultural produce and food products. In the event that no such prices are available for comparison, the Group will make reference to the published prices for agricultural produce and food products by relevant trade or industry association(s) and other public sources such as 全國農產品商務信息公共服務平台 (the Public Service Platform for National Agricultural Products Business*). As shown on its official webpage (<https://nc.mofcom.gov.cn/>), the platform is operated by the Ministry of Commerce of the PRC government and provides the prevailing market price of a wide range of agricultural produce and food products, including but not limited to, vegetables, fresh and dried fruits, meat, grain and other food produce, at different wholesale markets in various regions in the PRC. The market prices disclosed in the platform are updated on a daily basis. In the event that the prices charged to independent third parties and the prices from the public sources are unavailable for comparison, the Group will also make reference to the trading data obtained from the agriculture wholesale markets operated by the Group, in particular to market trading data from the Shouguang Logistics Park. As mentioned under the section headed "Reasons for and benefits of entering into the Framework Agreement" of this letter, the Group currently operates ten agriculture wholesale markets which are major trading hubs for agricultural produce and food products in various cities in the PRC, with the annual trading volume amounted to approximately 8 million tonnes in 2019. We understand from the Management that these wholesale markets generate a substantial amount of agricultural trading transactions between buyers and sellers which are

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independent from the Group. In particular, the price indices created by the Shouguang Logistics Park serve as the approved national official price indices by the PRC government which demonstrates the Group's market trading data is referential and credible. We have visited the official website of 壽光地利物流園蔬菜指數 (Shouguang Dili Logistics Park Vegetable Price Index*) (the "**Shouguang Price Index**") and noted that the website provides the price information of a wide range of agriculture produce and the price information is updated daily. According to the announcement dated 10 December 2010 published on the website, the Shouguang Price Index had been verified by the experts from the Development Research Center of the State Council of China, the Chinese Academy of Social Sciences, the Commerce Economy Associate of China, the Commerce Statistical Society of China and the Beijing Technology and Business School and the relevant experts concluded that the latest price information of the market can be reflected in the index.

When determining the prices for agricultural products to be supplied to the Dili Fresh Group, the Group would consider (i) the prevailing market prices chargeable to independent third parties; published price indices from public sources or the Group's trading data from its agriculture wholesale markets and (ii) its costs and expenses of supplying such products (taking into account costs of the agricultural produce and food products and direct expenses incurred from the sales, including but not limited to the storage and delivery expenses), and ensure that the selling price to the Dili Fresh Group exceeds total costs and expenses of the Group in supplying such agricultural products to the Dili Fresh Group. The prices chargeable to the Dili Fresh Group would be the market prices determined with reference to (i) and taking into account (ii) as disclosed above in order to ensure that there would be a margin charged on the Dili Fresh Group. Nevertheless, there is no pre-determined minimum margin or margin range chargeable by the Group given that the negotiations with the suppliers on purchase costs would be subject to the Group's bargaining power and relationship with the suppliers, facilitated by the large volume of transaction data in possession by the Group. In any event, the Group will supply agricultural products to the Dili Fresh Group provided that there is a gross profit margin.

We consider the above measures would allow the Group to obtain the then prevailing market prices of the products in determining the prices to be offered for the transactions contemplated under the Framework Agreement and concur with the Directors' view that the pricing policy could ensure the price of the transactions under the Framework Agreement to be on normal commercial terms, or no less favourable to the Group than those transacted with independent third parties.

We also noted that the internal control procedures include assigning specific responsibilities to various designated departments of the Group in performing regular review and cross-checking in order to ensure that the transactions contemplated under the Framework Agreement will be conducted in accordance with the Framework Agreement, with measures to monitor the aggregated transaction amounts under the Framework Agreement to ensure the Proposed Annual Caps will not be exceeded. In addition, we noted from the principal terms of the Framework Agreement that the parties will from time to time enter into individual sale and

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purchase contracts setting out specific terms of the supply of products, which shall always be consistent with the principles and the terms of the Framework Agreement. Furthermore, the Company will comply with the relevant annual review requirements under Chapter 14A of the Listing Rules on an on-going basis.

Having considered the above, we are of the view that the above procedures can ensure that the transactions contemplated under the Framework Agreement will be conducted on normal commercial terms and on terms fair and reasonable so far as the Independent Shareholders are concerned.

5. The Proposed Annual Caps

As set out in the Letter from the Board, the Group has not supplied any agricultural produce or food products to the Dili Fresh Group prior to the Framework Agreement and therefore there is no historical amount from previous transaction. Going forward, it is expected that the Proposed Annual Caps will be the maximum total value of the agricultural produce and food products to be sold and supplied by the Group to the Dili Fresh Group for the relevant period/financial year during the term of the Framework Agreement, and will not exceed the amounts set out below:

Period/Financial Year	Maximum Transaction Amounts (RMB)
From 1 November 2020 to 31 December 2020	197,000,000
From 1 January 2021 to 31 December 2021	1,988,000,000
From 1 January 2022 to 31 December 2022	3,067,000,000

As stated in the Letter from the Board, the maximum transaction amounts are determined in accordance with: (i) the historical transaction amounts for the purchase of agricultural produce and food products by the Dili Fresh Group from other third party suppliers; (ii) the expected annual procurement amount of agricultural produce and food products by the Dili Fresh Group based on its projected growth in retail stores and scale of business for the term of the Framework Agreement; and (iii) the estimated amount of agricultural produce and food products to be supplied by the Group to the Dili Fresh Group annually. In order to assess the fairness and reasonableness of the Proposed Annual Caps, we have discussed with the Management on the bases and assumptions underlying the determination of the Proposed Annual Caps and were given to understand that the Management has taken into account the major factors as bases of determination of the Proposed Annual Caps details of which are set out as below:

(i) The historical procurement amount of the Dili Fresh Group

The supply of the agricultural produce and food products by the Group to the Dili Fresh Group is primarily driven by the demand of the Dili Fresh Group for its fresh food supermarket chain in the PRC under the brand name of “Dili Fresh”. As advised by the Company, for the purpose of determining the Proposed Annual Caps,

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the Management has acquired the relevant information in relation to the procurement of agricultural produce and food products of the Dili Fresh Group. The agricultural produce and food products to be supplied by the Group to the Dili Fresh Group include vegetables, fresh and dried fruits, meat, tea leaves, food snacks, grain and oil and other food produce. Based on the information provided by the Dili Fresh Group, the procurement for these products accounted for approximately 66% of the total procurement amount of the Dili Fresh Group during 1H2020. The Company estimated the expected procurement amount of agricultural produce and food products by the Dili Fresh Group (the “**Expected Procurement Amount(s)**”) for the two months ending 31 December 2020, FY2021 and FY2022 based on the actual procurement amount of these products by the Dili Fresh Group from independent third parties during 1H2020 of approximately RMB1,183 million (the “**Historical Procurement Amount**”).

(ii) The expected growth rate of the procurement amount

With respect to the Expected Procurement Amount for the period from 1 November 2020 to 31 December 2020, the Management has applied the Historical Procurement Amount to the two-month period on a pro-rata basis. For the Expected Procurement Amounts for FY2021 and FY2022, the Management has adopted an expected annual growth rate to the annualised Historical Purchase Amount. Based on our discussion with the Management, we understood that in determining the growth rate of the Expected Procurement Amounts for FY2021 and FY2022, the Company has considered the following factors, including (i) the average historical growth rate of the GMV of the Dili Fresh Group for two years ended 31 December 2019 of approximately 33.7%; (ii) the average historical growth rate of the sales amounts of the Dili Fresh Group for two years ended 31 December 2019 of approximately 25.4%; and (iii) the business development plan of Dili Fresh Group, in particular, the projection of the number of retail stores operated under the brand of “Dili Fresh”. According to the business plan of the Dili Fresh Group, the number of the self-operated stores will increase from 230 in 2020 to 350 in 2022 while the number of the franchise stores will increase from 48 in 2020 to 580 in 2022, representing a compound annual growth rate of approximately 23.4% and 247.6% respectively. Although the number of franchise stores is expected to increase substantially in the coming two years, the Company noted that the scale of the franchise stores is generally not as sizeable as the retail stores operated by the Dili Fresh Group and the products for sale in the franchise stores may also vary from the self-operated stores. The growth rate of the franchise stores may not be an appropriate reference for the projection of the Expected Procurement Amounts. Therefore, the Management did not take into account such growth rate for the purpose of determining the growth rate of the Expected Procurement Amounts for the sake of prudence.

In determining the expected annual growth rate of the Expected Procurement Amounts by the Dili Fresh Group, the Management has taken into account the aforesaid factors and is of the view that the annual growth rate of 20% is a prudent and reasonable estimation. We have obtained from the Company and reviewed the relevant information provided by the Dili Fresh Group. From our further research on

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the Dili Fresh Group, we noted that according to a market statistics published by 中國連鎖經營協會 (China Chain Store & Franchise Association*) on 29 June 2020, the annual growth rate of the sales amount of the Dili Fresh Group was approximately 18.8% for FY2019, which is close to the expected growth rate adopted by the Management. Considering that the average historical growth rate of the GMV and sales amount of the Dili Fresh Group and the expected growth rate of the number of self-operated stores of the Dili Fresh Group range from approximately 23.4% to 33.7%, we are of the view that the expected growth rate of the Expected Procurement Amounts of 20% is reasonable.

Based on the above, the Expected Procurement Amount for each of the two months ended 31 December 2020, FY2021 and FY2022 amount to approximately RMB394 million, RMB2,840 million and RMB3,408 million respectively.

(iii) The supply ratio

As advised by the Management, we understood that the Group intends to supply 50%, 70% and 90% of the Expected Procurement Amount for each of the two months ending 31 December 2020, FY2021 and FY2022 respectively. The Management is of the view that although according to the Framework Agreement the Group has the first right, and not an obligation, to supply up to 90% of the total procurement amount of agricultural produce and food products of the Dili Fresh Group on an annual basis, it would be more prudent to scale down the supply in the beginning of the term of the Framework Agreement and increase the supply gradually. Considering that the Group is at the development stage in extending its capabilities into supply chain and logistics management business, we are of the view that the such progressive approach adopted by the Management is reasonable.

Having considered the factors stated above, we concur with the Directors' view that the Proposed Annual Caps and the major factors considered as the bases of determining the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

However, the Shareholders should note that as the Proposed Annual Caps are determined based on various factors relating to future events and assumptions which may or may not remain valid for the entire period up to 31 December 2022, they do not represent forecasts of revenue to be generated from the operations of the Group. Consequently, we express no opinion as to how closely the actual future transacted amounts of the transactions contemplated under the Framework Agreement will correspond with the relevant Proposed Annual Caps.

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RECOMMENDATION

Having taken into account the above principal factors and reasons, we are of the opinion that (i) the entering into of the Framework Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Framework Agreement (including the Proposed Annual Caps) are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Framework Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps).

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

Mr. Fok Wai Shun Wilson is the Managing Director of Opus Capital and is licensed under the SFO 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.

* For identification purpose only

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**”):

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

Name of director	Capacity	Nature of interest	Number of issued Shares/ underlying Shares	Approximate percentage of interest in the Company
Ms. Qin Xiang	Interest of spouse	Long position	800,000	0.01%
Mr. Yin Jianhong	Beneficial owner	Long position	4,835,000	0.06%

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	Number of issued Shares/ Nature of interest (Note 1)	Approximate percentage of interest in the Company
Mr. Dai Yongge	Beneficial owner	20,007,000 (L)	0.24%
	Interest in controlled corporations (Note 2)	2,111,021,532 (L)	25.07%
	Interest of spouse (Note 3)	3,514,336,975 (L)	41.75%
	Interest in a controlled corporation	6,655,629 (S)	0.08%
Super Brilliant Investments Limited	Beneficial owner (Note 2)	2,011,810,466 (L)	23.90%
	Beneficial owner	6,655,629 (S)	0.08%
Shining Hill Investments Limited	Interest in a controlled corporation (Note 2)	2,011,810,466 (L)	23.90%
	Interest in a controlled corporation	6,655,629 (S)	0.08%
Ms. Zhang Xingmei	Interest in a controlled corporation (Note 4)	3,514,336,975 (L)	41.75%
	Interest of spouse (Note 5)	2,131,028,532 (L)	25.31%
	Interest of spouse (Note 5)	6,655,629 (S)	0.08%
New Amuse Limited	Beneficial owner	3,514,336,975 (L)	41.75%
Shouguang Dili Agri-products Group Company Limited	Interest in a controlled corporation (Note 4)	3,514,336,975 (L)	41.75%
Dili Group Holdings Company Limited	Interest in a controlled corporation (Note 4)	3,514,336,975 (L)	41.75%
Win Spread Limited	Interest in a controlled corporation (Note 4)	3,514,336,975 (L)	41.75%

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 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**”). Accordingly, each of Ms. Zhang Xingmei, Win Spread, Dili Group Holdings and Shouguang Dili is deemed to be interested in the 3,514,336,975 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 29 August 2019 entered into between Yield Smart and Plenty Business in respect of the acquisition of 19% of the entire share capital of Million Master at a consideration of RMB950 million;
- (b) the loan agreement dated 29 August 2019 entered into between 哈爾濱地利農副產品有限公司 (Harbin Dili Agricultural Produce and Side Products Co., Ltd.***) (“**Harbin Dili**”) (as lender) and Dili Fresh (as borrower) in relation to a revolving loan up to the principal amount of RMB2 billion (the “**Loan Agreement**”);
- (c) the supplemental agreement dated 13 March 2020 entered into between Harbin Dili and Dili Fresh to amend the Loan Agreement; and
- (d) the deed of amendment dated 27 April 2020 entered into among the Company, Yield Smart and New Amuse Limited to amend certain terms and conditions in the sales and purchase agreement dated 5 June 2018 in relation to the acquisition of the entire issued share capital of United Progress Group Limited.

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 is the qualification of the expert who has given opinion or advice which is 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 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 Company were made up.

J. CORPORATE INFORMATION

Company secretary:	Hung Fan Kwan (FCPA, FCCA)
Registered Office:	Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
Principal Place of Business in Hong Kong:	Room 4205–10, 42/F, China Resources Building, 26 Harbour Road, Wanchai, 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 Room 4205–10, 42/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including Friday, 13 November 2020:

- (a) the Framework Agreement;
- (b) the material contracts as set out under section headed “G. Material Contracts” of this appendix above;

- (c) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 19 to 20 of this circular;
- (d) the letter from the Independent Financial Adviser, the text of which is set out on pages 21 to 39 of this circular;
- (e) the consent letter referred to in the paragraph headed “H. Expert’s Consent and Qualification” in this appendix above;
- (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 EGM



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 OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) 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 Thursday, 19 November 2020 at 3:00 p.m. for the purposes of considering, and if thought fit, passing the following resolution as ordinary resolution of the Company, with or without amendments.

Capitalised terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 30 October 2020 to the shareholders of the Company (the “**Shareholders**”) (the “**Circular**”) unless otherwise specified.

ORDINARY RESOLUTION

“THAT:

the Framework Agreement dated 11 September 2020 entered into between the Company, Dili Fresh and Liaoning Fresh 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, 30 October 2020

* For identification purpose only

NOTICE OF EGM

Notes:

- (1) As disclosed in the Circular, Mr. Dai and his associates (and any person who is not an Independent Shareholder) are required to abstain from voting on the resolution above at the EGM.
- (2) The register of members of the Company will be closed for registration of transfer of shares from Monday, 16 November 2020 to Thursday, 19 November 2020, both days inclusive. In order to qualify for attending and voting at the EGM, all transfer documents 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., Friday, 13 November 2020.
- (3) Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a shareholder of the Company. A shareholder who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her to attend and vote on his/her behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (4) Where there are joint registered holders of any share, any one of such persons may vote at the EGM, 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 EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such share, shall alone be entitled to vote in respect thereof.
- (5) To be effective, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at Computershare Hong Kong Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (6) The resolution at the EGM will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

As at the date of this notice, the board of directors of the Company comprises Mr. Wang Yan, Mr. Dai Bin and Ms. Qin Xiang as executive directors; Mr. Yin Jianhong as non-executive director; Mr. Fan Ren-Da, Anthony, Mr. Wang Yifu, Mr. Leung Chung Ki and Mr. Tang Hon Man as independent non-executive directors.

NOTICE OF EGM

SPECIAL NOTICE

For ongoing prevention and control of the COVID-19 pandemic and to safeguard the health and safety of the Shareholders and other persons attending the EGM, the Company regrets to inform the Shareholders that there will be no distribution of corporate gift or serving of refreshment in the EGM. When entering the meeting venue, participants including Shareholders or their proxies attending the EGM in person should allow their body temperatures to be checked and wear surgical face masks and maintain appropriate distance from each other throughout the EGM. Participants should also refrain from eating and drinking in the meeting venue.

The number of seats at the venue of the EGM will be limited and available on a first-come-first-served basis and the Company may limit the number of attendees at the EGM as may be necessary to avoid over-crowding and to enable social distancing. Anyone who has travelled outside Hong Kong within 14 days before the EGM (a “**Recent Record of Travelling**”), who is subject to quarantine or self-quarantine related to COVID-19, or has close contact with any person who is undergoing quarantine or has a Recent Record of Travelling should not attend the EGM in person.

Any person who does not comply with the precautionary measures may be denied the entry into the meeting venue. The Company also encourages Shareholders NOT to attend the EGM in person but appoint the chairman of the meeting as their proxy to vote on relevant resolution according to their indicated voting instructions as an alternative. When assessing whether or not it is necessary to adjourn the EGM or change the meeting venue, the Board will consider the impact of the latest outbreak of COVID-19 in the local community, the measures announced by the Government of the Hong Kong Special Administrative Region and/or any applicable regulatory body in connection with COVID-19 and the availability of suitable meeting venue(s). 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.hk> as soon as practicable to notify Shareholders of any change to the meeting venue or the date, time and place of any adjourned meeting.