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

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

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嘉士利集團有限公司
Jiashili Group Limited



(incorporated in the Cayman Islands with limited liability)

(Stock code: 1285)

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE EQUITY INTEREST IN GUANGDONG KANGLI FOOD COMPANY LIMITED*

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



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 5 to 18 of this circular. A letter from the Independent Board Committee is set out on page 19 of this circular. A letter from Lego Corporate Finance Limited, the Independent Financial Adviser, containing its recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 31 of this circular.

A notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use by the Shareholders in connection with the EGM is enclosed with this circular. Such form of proxy is also published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.gdjsl.com).

A form of proxy for use by the Shareholders at the EGM is enclosed with this circular for despatch to the Shareholders. Whether or not you intend to attend and/or vote at the EGM in person, you are requested to complete the accompanying 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, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not later than 48 hours before the time 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.

Due to the constantly evolving COVID-19 pandemic situation, the Company may need to take certain precautionary measures at the venue of the EGM to ensure the safety of attendees. For details, please refer to page ii of this circular.

11 June 2021

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PRECAUTIONARY MEASURES FOR THE EGM

PRECAUTIONARY MEASURES FOR THE EGM

Due to the constantly evolving COVID-19 pandemic situation, the Company may need to take certain precautionary measures at the venue of the EGM to ensure the safety of attendees which include but not limited to:

- (i) Compulsory body temperature check will be conducted for every attending Shareholder, proxy and other attendees before entering the EGM venue. Any person with a body temperature of over 37.5 degrees Celsius or otherwise unwell will be denied entry into the EGM venue or be required to leave the EGM venue.
- (ii) All attending Shareholders, proxies and other attendees are required to submit at the entrance of the EGM venue a completed declaration form confirming their names and contact details, and be asked whether (a) they have travelled to, or to their best of knowledge had close contact with any person who has recently travelled to, areas outside of Hong Kong at any time in the preceding 14 days of the EGM; and (b) they are subject to any compulsory quarantine prescribed by the Hong Kong Government.

Any person who responds affirmatively to any one of the above questions will be denied entry into the EGM venue or be required to leave the EGM venue.

- (iii) All attendees are requested to wear surgical face masks at the EGM venue at all times. Person without wearing a surgical face mask may be denied entry.
- (iv) Appropriate distance and space will be maintained and as such, the Company may limit the number of attendees at the EGM as appropriate.
- (v) The Company will not distribute corporate gifts or provide refreshments.

In the interest of all stakeholders' health and safety and consistent with the guidelines for the prevention and control of COVID-19, the Company encourages Shareholders, particularly those who are subject to quarantine in relation to COVID-19, to appoint the Chairman of the EGM as their proxy to vote according to their indicated voting instructions at the above meeting as an alternative to attending in person.

Depending on the development of the COVID-19 pandemic, the Company may implement further precautionary measures and may make relevant adjustments and arrangements for the EGM and will issue further announcement as appropriate.

DEFINITIONS

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

“Acquisition”	the acquisition of the entire equity interest in the Target Company by the Purchaser
“Articles of Association”	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“close associate”	has the meaning ascribed to it under the Listing Rules
“Company”	Jiashili Group Limited (嘉士利集團有限公司), a company incorporated under the laws of the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1285)
“Completion”	completion of the Acquisition
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company to be convened to consider and, if appropriate, to approve the Equity Transfer Agreement and the transactions contemplated thereunder
“Enlarged Group”	the Group as enlarged by the Acquisition

DEFINITIONS

“Equity Transfer Agreement”	the equity transfer agreement entered into among the Purchaser, the Vendor and the Target Company on 10 May 2021 in relation to the Acquisition
“Great Logistics”	Great Logistics Global Limited (鉅運環球有限公司), a company incorporated in the BVI with limited liability and wholly-owned by Mr. Huang
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Huang’s Family”	collectively, Mr. Huang and Ms. Huang Cuihong (黃翠紅), his spouse, and Mr. Huang’s sisters, namely Ms. Huang Rujun (黃如君), Ms. Huang Rujiao (黃如嬌) and Ms. Huang Xianxian (黃仙仙), each a controlling shareholder of the Company
“Independent Board Committee”	an independent Board committee comprising all the independent non-executive Directors, namely Mr. Kam Robert, Ms. Ho Man Kay and Mr. Ma Xiaoqiang, which has been established to advise the Independent Shareholders on the Equity Transfer Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Lego Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as to the entering into of the Equity Transfer Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders other than Mr. Huang and his associates

DEFINITIONS

“Kaiyuan”	Kaiyuan Investments Limited (開元投資有限公司), a company incorporated in the BVI with limited liability and a controlling shareholder of the Company
“Lands”	the two parcels of lands situated at No. 43–2 and No. 45 of Long Mei Gong Ye Road, Shuikou Town, Kaiping City, Guangdong Province, PRC (中國廣東省開平市水口鎮龍美工業路43號之2及45號), with Immovable Property Certificates of Yue (2018) Kai Ping Shi Immovable Property Rights No. 00445 48 (不動產權證 — 粵(2018)開平市不動產權第0044548號) and Yue (2018) Kai Ping Shi Immovable Property Rights No. 0044553 (不動產權證 — 粵(2018)開平市不動產權第0044553號)
“Latest Practicable Date”	7 June 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained therein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Mr. Huang”	Mr. Huang Xianming (黃銑銘), an executive Director, the chairman and a controlling shareholder of the Company
“Parties”	collectively, the Purchaser, the Vendor and the Target Company, being the parties to the Equity Transfer Agreement, and “Party” means any one of them
“PRC”	the People’s Republic of China which, for the purpose of this circular, exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	Jiashili (Hong Kong) Limited (嘉士利(香港)有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“sq.m.”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Guangdong Kangli Food Company Limited* (廣東康力食品有限公司), a company established in the PRC with limited liability
“Vendor”	Koni (Hong Kong) Food Investment Limited (康力(香港)食品投資有限公司), a company incorporated in Hong Kong with limited liability
“Zhongchen”	Guangdong Zhongchen Industrial Holding Co., Ltd.* (廣東中晨實業集團有限公司), a company established in the PRC
“%”	per cent

In this circular, if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of names or any descriptions in Chinese which are marked with “” is for identification purpose only.*

** For the purpose of this circular, the translation of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 = HK\$1.21.*

LETTER FROM THE BOARD

嘉士利集團有限公司
Jiashili Group Limited



(incorporated in the Cayman Islands with limited liability)

(Stock code: 1285)

Executive Directors:

Mr. Huang Xianming
(Chairman and Chief executive officer)
Mr. Tan Chaojun *(Vice chairman)*
Mr. Chen Songhuan

Non-executive Director:

Mr. Lin Xiao

Independent non-executive Directors:

Mr. Kam Robert
Ms. Ho Man Kay
Mr. Ma Xiaoqiang

Registered office:

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Headquarters in the PRC:

No. 18 Gangkou Road, Changsha
Kaiping
Guangdong
PRC

Principal place of business in Hong Kong:

Flat 10A, 14/F
Splendid Centre
100 Larch Street
Kowloon
Hong Kong

11 June 2021

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
ACQUISITION OF THE ENTIRE EQUITY INTEREST IN
GUANGDONG KANGLI FOOD COMPANY LIMITED***

INTRODUCTION

Reference is made to the announcement of the Company dated 10 May 2021 in relation to the Acquisition.

LETTER FROM THE BOARD

On 10 May 2021 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company), the Vendor and the Target Company entered into the Equity Transfer Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire equity interest in the Target Company at the consideration of RMB135,000,000 (equivalent to HK\$163,350,000) in cash.

The purpose of this circular is to provide you with (i) information relating to the Equity Transfer Agreement and the transactions contemplated thereunder; (ii) the recommendations of the Independent Board Committee to the Independent Shareholders on the terms of the Equity Transfer Agreement and the transaction contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the terms and conditions of the Equity Transfer Agreement and the transaction contemplated thereunder; (iv) a valuation report on the Lands and other property interests of the Target Company; and (v) the notice convening the EGM.

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are summarised below:

Date

10 May 2021

Parties

- (i) Vendor: Koni (Hong Kong) Food Investment Limited (康力(香港)食品投資有限公司)
- (ii) Purchaser: Jiashili (Hong Kong) Limited (嘉士利(香港)有限公司)
- (iii) Target Company: Guangdong Kangli Food Company Limited* (廣東康力食品有限公司)

As at the Latest Practicable Date, the entire issued share capital of the Vendor was owned by Kaiyuan, a controlling shareholder of the Company, which was ultimately beneficially owned as to 80% by Mr. Huang, an executive Director and a controlling shareholder of the Company, and 20% by other members of the Huang's Family. As such, the Vendor is an associate of the controlling shareholder and thus a connected person of the Company under the Listing Rules.

LETTER FROM THE BOARD

Assets to be acquired

Pursuant to the Equity Transfer Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire equity interest in the Target Company.

Consideration

The consideration for the Acquisition is RMB135,000,000 (equivalent to HK\$163,350,000), which shall be settled in cash in the following manner:

- (i) conditional upon fulfillment of the following conditions, a prepayment in the amount of RMB93,000,000 (the “**Prepayment**”) shall be paid by the Purchaser to the Vendor on or before 20 May 2021, which will automatically settle part of the consideration on the date of Completion:
 - (a) the company stamps, certificates, licenses, books of accounts, passcode devices of bank accounts and keys of the Target Company having delivered to the Purchaser;
 - (b) in accordance with the Purchaser’s request, the Target Company having instructed the banks to change the stamps and signatories of the bank accounts of the Target Company;
 - (c) the Target Company having approved the appointment of the directors, legal representative and financial officer nominated by the Purchaser, and the relevant changes in personnel having reported and filed with the administration for market regulation;
 - (d) Zhongchen and the Target Company having entered into an agreement regarding the transfer of the Lands from Zhongchen to the Target Company, and as confirmed by the Parties, completion of the aforesaid transfer is subject to the release of the existing mortgage in relation to the Lands and should take place on or before 30 September 2021; and
 - (e) Zhongchen has delivered the Lands to the Target Company for its use at nil consideration; and
- (ii) the remaining balance of RMB42,000,000 shall be paid by the Purchaser to the Vendor on the date of Completion.

LETTER FROM THE BOARD

The Parties agreed that the consideration for the Acquisition can be settled either in RMB or an equivalent amount of HK\$, based on the daily reference rate of RMB against HK\$ set by the People's Banks of China.

The Prepayment together with accrued interest (as set out below) shall be returned to the Purchaser in full by the Vendor within three (3) business days in the event that the Equity Transfer Agreement and the Acquisition are not approved by the Independent Shareholders at the EGM.

The consideration for the Acquisition will be funded by internal resources of the Group.

As at the Latest Practicable Date, the conditions for the Prepayment set out in paragraphs (i)(b) and (c) had been fulfilled, whereas the conditions set out in paragraphs (i)(a), (d) and (e) had not been fulfilled, as additional time is required for the relevant parties in the delivery of the items of the Target Company and negotiation for the entering into of the agreement in respect of the transfer of the Lands from Zhongchen to the Target Company. Accordingly, the Prepayment had not been paid by the Purchaser as at the Latest Practicable Date and the Parties had confirmed that the Prepayment will be paid upon fulfillment of all the above conditions.

Basis of the determination of the consideration

The consideration for the Acquisition was determined after arm's length negotiation between the Group and the Vendor with reference to (i) the unaudited net asset value of the Target Company as at 30 April 2021 of approximately RMB33,229,000 (adjusted to approximately RMB21,546,000 if excluding the book value of the existing property interests of the Target Company of approximately RMB11,683,000); (ii) the then appraised value of the Lands and other property interests of the Target Company as at 30 April 2021 of approximately RMB102,192,000 and RMB16,757,000 (which was subsequently adjusted to RMB18,352,000 having taken into account the effect of the recent grant of an Immovable Property Certificate to the Target Company in respect of an industrial unit), respectively, as assessed by Castores Magi (Hong Kong) Limited, an independent professional valuer; and (iii) the benefits of the Acquisition brought about to the Group upon Completion as set out in the paragraph headed "Reasons for and benefits of the Acquisition" below in this circular.

The Directors consider that the consideration for the Acquisition is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Conditions precedent

Completion is conditional upon the fulfillment or waiver (as the case may be) of the following conditions:

- (i) the Company having obtained the Independent Shareholders' approval at the EGM for the Equity Transfer Agreement and the Acquisition in accordance with the Listing Rules;
- (ii) the warranties provided by the Target Company and the Vendor in the Equity Transfer Agreement remaining true, complete and effective at Completion as if repeated at Completion, and the undertakings agreed to be complied with or performed by the Target Company and/or the Vendor prior to Completion having been complied with or performed in all material aspects;
- (iii) there not being in existence any material adverse change up to the date of Completion;
- (iv) the Vendor and/or Zhongchen having procured the transfer of the Lands to the Target Company and completed the registration of such transfer;
- (v) the Vendor and the Target Company having acted in accordance with the Purchaser's instructions in relation to the appointment of the directors, legal representative and financial officer nominated by the Purchaser; and
- (vi) the Target Company having completed the relevant industry and commerce reporting and registration procedures at the administration of market regulation in respect of the Acquisition, and the Purchaser having registered as the shareholder of the entire equity interest of the Target Company.

The Purchaser may at any time at its absolute and sole discretion waive the conditions set out in paragraphs (ii) to (vi) above.

As at the Latest Practicable Date, none of the above conditions have been fulfilled.

Pursuant to the Equity Transfer Agreement, interest shall accrue on the Prepayment from the date of payment on daily basis and the Vendor shall pay such interest to the Purchaser at an interest rate of 5% per annum until the occurrence of the following incidents, whichever is the earlier:

- (i) the Equity Transfer Agreement and the Acquisition are not approved by the Independent Shareholders at the EGM;

LETTER FROM THE BOARD

- (ii) any of the above condition have not been fulfilled or waived prior to 30 September 2021 (the “**Long Stop Date**”) or any later date as agreed by the Parties, upon which the Equity Transfer Agreement is terminated by the Purchaser; or
- (iii) the Purchaser is recorded as the sole shareholder in the register of shareholders of the Target Company.

The interest charged against the Vendor serves to protect the Group during the period until the occurrence of the above incidents. The Parties considered that a fair and commercially reasonable interest rate shall be determined and therefore took into account the prevailing benchmark RMB lending interest rate for six-month to one-year loans offered by the People’s Bank of China of 4.35% per annum plus 15% of such rate after arm’s length negotiations.

If any of the above conditions have not been fulfilled or waived prior to the Long Stop Date, any Party shall have the right to terminate the Equity Transfer Agreement, and the Vendor shall return the Prepayment together with accrued interest to the Purchaser within three (3) business days upon termination of the Equity Transfer Agreement.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group’s consolidated financial statements.

INFORMATION ON THE TARGET COMPANY

Corporate information

The Target Company is a limited liability company established in the PRC on 24 September 1998, with registered capital of RMB52 million. It is principally engaged in the manufacture and sale of pasta products. As at the date of the Equity Transfer Agreement, the Target Company was wholly owned by Zhongchen, which was in turned owned as to 80% by Mr. Huang and 20% by other members of the Huang’s Family.

After entering into of the Equity Transfer Agreement and prior to Completion, the Target Company will undergo a corporate reorganisation, pursuant to which Zhongchen will transfer its entire equity interest in the Target Company to the Vendor, which is ultimately beneficially owned as to 80% by Mr. Huang and 20% by other members of the Huang’s family, and inject the Lands into the Target Company. As at the Latest Practicable Date, the said transfer has not completed.

LETTER FROM THE BOARD

Financial information

Set out below is the audited financial information of the Target Company for the financial year ended 31 December 2019 and the unaudited financial information of the Target Company for the financial year ended 31 December 2020:

	For the year ended 31 December 2019	For the year ended 31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(unaudited)
Revenue	51,494	51,005
(Loss) before tax	(12,430)	(2,244)
(Loss) after tax	(12,430)	(2,244)

The unaudited net asset value and total asset value of the Target Company as at 30 April 2021 were approximately RMB33.2 million and RMB52.9 million, respectively. Assuming the injection of the Lands has been completed and taking into account the appraisal of the Lands and other property interests of the Target Company as assessed by the independent valuer, the unaudited net asset value and total asset value of the Target Company as at 30 April 2021 were approximately RMB142.1 million^(Note) and RMB161.8 million, respectively.

Information on the Lands

As part of the corporate reorganisation, Zhongchen will inject two parcels of lands into the Target Company, completion of which shall take place prior to Completion. The Lands are respectively situated at No. 43-2 and No. 45 of Long Mei Gong Ye Road, Shuikou Town, Kaiping City, Guangdong Province, PRC (中國廣東省開平市水口鎮龍美工業路43號之2及45號), with a total site area of approximately 30,970 sq.m. and a total gross floor area of approximately 26,490 sq.m. for industrial use. Pursuant to the Immovable Property Certificates (不動產權證) in respect of the Lands, land use rights up to 2055 and 2047 have been granted to the Zhongchen, respectively. Several factory and office buildings and staff quarters are currently erected on the Lands. As at the Latest Practicable Date, the said injection of the Lands has not completed.

Note: This comprises (i) the unaudited net asset value of the Target Company (excluding the book value of the existing property interests of the Target Company of approximately RMB11,683,000) as at 30 April 2021 of approximately RMB21,546,000, and (ii) the appraised value of the Lands and other property interests of the Target Company as at 30 April 2021 of approximately RMB102,192,000 and RMB18,352,000, respectively.

LETTER FROM THE BOARD

Information on other property interests of the Target Company

The Target Company also holds three parcels of lands situated at Nos. 32, 39 and 53 of Wuxi Road West, Sanbu District, Kaiping City, Guangdong Province, PRC (中國廣東省開平市三埠區武溪西路32號、39號及53號) with total site area of approximately 3,949 sq.m. for industrial use. Pursuant to the relevant State-owned Land Use Rights Certificates (國有土地使用權證), land use rights have been granted to the Target Company up to 2081, 2061 and 2061, respectively. Several buildings used as workshop, warehouse and office are currently erected on the lands.

The Target Company also possesses an industrial unit on Level 1 situated at No. 49-1 of Wuxi Road West, Sanbu District, Kaiping City, Guangdong Province, PRC (中國廣東省開平市三埠區武溪西路49號之一). Pursuant to an Immovable Property Certificate (不動產權證) granted to the Target Company, this industrial unit has a gross floor area of approximately 306 sq.m..

As the assets held or to be held by the Target Company consist mainly of the Lands and other property interests, and the consideration for the Acquisition was determined with reference to, among other things, the valuation of the Lands and other property interests of the Target Company, a valuation report on the Lands and other property interests of the Target Company prepared by Castores Magi (Hong Kong) Limited, an independent professional valuer, is included in Appendix I to this circular.

INFORMATION ON THE VENDOR

The Vendor is a company incorporated in Hong Kong with limited liability. It is principally engaged in investment holding. As at the Latest Practicable Date, the entire issued share capital of the Vendor is owned by Kaiyuan, a controlling shareholder of the Company, which is ultimately beneficially owned as to (i) 80% by Mr. Huang, an executive Director and a controlling shareholder of the Company, and (ii) 5% by each of Ms. Huang Cuihong, Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun, who are sisters of Mr. Huang, through their respective wholly-owned investment holding companies, namely Jade Isle Global Limited, Prestige Choice (Overseas) Investments Limited, Grand Wing Investments Limited and Intelligent Pro Investments Limited. As such, the Vendor is an associate of the controlling shareholder and thus a connected person of the Company under the Listing Rules.

INFORMATION ON THE PURCHASER AND THE GROUP

The Purchaser is a company incorporated in Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of the Company and is engaged in investment holding.

The Group is principally engaged in manufacture and sale of biscuits in the PRC and Hong Kong.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group has always been exploring opportunities to enter into other sectors in the food industry and diversify its product offerings. As the Group recognises a growing demand towards healthy food from the consumers, it has planned to accommodate the contemporary market trend by launching and sourcing products with healthier ingredients.

Pasta is rich in carbohydrate and has a good mineral content including, among others, calcium, magnesium, as well as B vitamins. The Target Company is a long-established and leading enterprise in the production of pasta in the PRC, the quality of its wide range of products has been well-recognised.

In October 2019, the Group has entered into a master purchase agreement with the Target Company for the purchase of pasta products from the Target Company until December 2021 (the “**Business Cooperation**”), details of which are disclosed in the Company’s announcement dated 17 October 2019 and circular dated 12 November 2019. As the pasta products purchased from the Target Company are sold through the extensive nationwide distribution channel of the Group, the penetration and sales of the pasta products have been increased, thereby generating synergy to both the Target Company and the Group. The Business Cooperation has also successfully enhanced the product portfolio and market recognition of the Group. Since the commencement of the Business Cooperation, due to the sharing of the Target Company’s customer resources in the pasta sector with the Group, the customer base of the Group has also been broadened.

The Board is of the view that the Acquisition would enable the Group to continue to enjoy the above benefits brought by the Business Cooperation. In addition, such benefits are expected to be enhanced upon the Group’s gaining full control at both the shareholding and board levels of the Target Company, which allows greater operational control in the supply of pasta products. Moreover, the Lands are located near to the Group’s production facilities in Kaiping, the factory and office buildings erected on the Lands have been well-maintained and ready for use, the Group will be able to make use of the Lands for potential expansion of its production facilities flexibly and efficiently.

The Group plans to combine the demands of raw materials from itself and the Target Company and make bulk purchases in the future. The expected centralised procurement and bulk purchasing will enhance purchase and management efficiency, lower purchase costs and further improve the performance of the Company.

LETTER FROM THE BOARD

The Directors, having considered the following, are of the view that the Acquisition would allow the Group to fully enjoy the future growth and performance of the Target Company:

- (i) the amount of net loss of the Target Company had reduced from approximately RMB12,430,000 for the year ended 31 December 2019 to RMB2,244,000 for the year ended 31 December 2020, due to reduction in the finance costs of the Target Company. Furthermore, as compared to the same period in 2020, the financial condition of the Target Company for the four months ended 30 April 2021 has improved and the Target Company has started recording net profits, primarily attributable to (a) the further reduction in finance costs of the Target Company after repayment of certain loans, (b) the subsidence of the COVID-19 epidemic situation which has alleviated the adverse impact on the food industry and (c) the adjustment in business strategies by diversification and expansion of its product portfolio including different flavour of instant pasta products (which, as compared to traditional pasta products, can be served much more quickly after heating the pasta with hot water or microwave and mixing well with sauce), and expansion of its sales network to more end consumers. For the years ended 31 December 2019 and 2020 and the four months ended 30 April 2021, traditional pasta products accounted for approximately 89.8%, 87.1% and 85.0% of the revenue of the Target Company, respectively, whereas instant pasta products accounted for approximately 9.64%, 12.44% and 12.62% of the revenue of the Target Company, respectively;
- (ii) the expected reduction in finance costs of the Target Company when obtaining loans from financial institutions in the future, as the Target Company will enjoy the status of a subsidiary of a listed company;
- (iii) that the Business Cooperation has brought about benefits and generated synergy to the Group as disclosed above;
- (iv) the appointment of experienced directors and senior management to the Target Company by the Group would improve the business operation and management efficiency of the Target Company;
- (v) the purchase costs of raw materials would be reduced as a result of the abovementioned centralised procurement and bulk purchasing arrangement; and
- (vi) the Lands provide flexibility for the Group's potential expansion of its production facilities.

LETTER FROM THE BOARD

Given that the consideration for the Acquisition was determined with reference to the net asset value of the Target Company and the appraised value of the Lands and other property interests of the Target Company, instead of past and future financial performance of the Target Company, the Directors are further of the view that the consideration for the Acquisition is fair and reasonable, and the benefits of the Acquisition would outweigh the fact that the Target Company has been loss-making in the most recent financial years.

Based on the above, the Directors consider that the terms of the Equity Transfer Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 5% but all of the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The entire issued share capital of the Vendor is owned by Kaiyuan, a controlling shareholder of the Company, which is ultimately beneficially owned as to 80% by Mr. Huang, an executive Director and a controlling shareholder of the Company, and 20% by other members of the Huang's Family. As such, the Vendor is an associate of the controlling shareholder and thus a connected person of the Company under the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, and is therefore subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

By virtue of the interests of Mr. Huang in the Equity Transfer Agreement, he had abstained from voting in respect of the relevant board resolutions relating to the Equity Transfer Agreement and the Acquisition. Save for the aforesaid, no other Directors has a material interest in the Equity Transfer Agreement and was required to abstain from voting on the Board resolution approving the Equity Transfer Agreement and the Acquisition.

In accordance with the Listing Rules, any Shareholder who has a material interest in the Equity Transfer Agreement and the Acquisition shall abstain from voting on the resolutions to approve the Equity Transfer Agreement and the Acquisition at the EGM. As at the Latest Practicable Date, Mr. Huang and his close associates, namely Great Logistics and Kaiyuan, who together are interested in 310,472,000 Shares, representing approximately 74.81% of the total

LETTER FROM THE BOARD

issued share capital of the Company^(Note), will be required to abstain from voting on the relevant resolutions at the EGM accordingly. Save as disclosed above, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no other Shareholder has a material interest in the Equity Transfer Agreement and the Acquisition and will be required to abstain from voting on the relevant resolutions to approve the Equity Transfer Agreement and the Acquisition at the EGM.

EXTRAORDINARY GENERAL MEETING

The EGM will be held by the Company at Unit 1603–1604, 16/F, Causeway Bay Plaza I, 489 Hennessy Road, Causeway Bay, Hong Kong on Tuesday, 29 June 2021 at 11:00 a.m., to consider and if thought fit, to approve, among other things, the entering into of the Equity Transfer Agreement. A form of proxy and the reply slip for use at the EGM are enclosed with this circular.

Any Shareholder and his or her or its associates with a material interest in the resolutions will abstain from voting on the resolutions on the entering into of the Equity Transfer Agreement at the EGM. As at the Latest Practicable Date, Mr. Huang and his close associates, namely Great Logistics and Kaiyuan, who together are interested in 310,472,000 Shares, representing approximately 74.81% of the total issued share capital of the Company, will be required to abstain from voting on the relevant resolutions at the EGM.

Save as disclosed above, to the best knowledge, information and belief of the Directors having made all reasonable enquires, no other Shareholders are required to abstain from voting on the relevant resolutions to be considered at the EGM as at the Latest Practicable Date.

The notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular. For those who intend to direct a proxy to attend the EGM, please complete the form of proxy and return the same in accordance with the instructions printed thereon. In order to be valid, the above documents must be delivered to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for the holding of the EGM or any adjournment thereof.

Note: On 25 January 2021, Actis Investment Holdings Ship Limited and Kaiyuan entered into a sale and purchase agreement, pursuant to which Actis Investment Holdings Ship Limited has conditionally agreed to sell and Kaiyuan has conditionally agreed to purchase 60,000,000 Shares, representing approximately 14.46% of the issued share capital of the Company, at the consideration of HK\$1.95 per Share. As at the Latest Practicable Date, the aforesaid transaction has not completed. In the event that completion has not taken place prior to the date of the EGM, Mr. Huang and his close associates are only entitled to exercise approximately 60.35% voting rights at the EGM.

LETTER FROM THE BOARD

You are urged to complete and return the form of proxy and reply slip whether or not you will attend the EGM. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM (or any subsequent meetings following the adjournments thereof) should you wish to do so.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Kam Robert, Ms. Ho Man Kay and Mr. Ma Xiaoqiang, has been formed to advise the Independent Shareholders on the reasonableness and fairness in respect of the entering into of the Equity Transfer Agreement. Lego Corporate Finance Limited, the Independent Financial Adviser, has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in such regard. Accordingly, your attention is drawn to the letter from the Independent Board Committee set out on pages 19 to 20 of this circular, which contains its advice to the Independent Shareholders, and the letter from Independent Financial Adviser set out on pages 21 to 41 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders.

RECOMMENDATION

The Board (including the Independent Board Committee, whose views are set out in the letter from the Independent Board Committee after taking into account the advice of the Independent Financial Adviser) considers that the terms of the Equity Transfer Agreement are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole, notwithstanding that the Acquisition is not in the ordinary and usual course of business of the Group. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

VOTING BY WAY OF POLL AT THE EGM

Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the EGM will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, the chairman of the EGM will demand a poll for each and every resolution put forward at the EGM pursuant to the Articles of Association. An announcement on the poll vote results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

By Order of the Board
Jiashili Group Limited
Huang Xianming
Chairman and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendations to the Independent Shareholders in connection with the entering into of the Equity Transfer Agreement for inclusion in this circular.

嘉士利集團有限公司
Jiashili Group Limited



(incorporated in the Cayman Islands with limited liability)
(Stock code: 1285)

11 June 2021

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE EQUITY INTEREST IN GUANGDONG KANGLI FOOD COMPANY LIMITED*

We have been appointed as members of the Independent Board Committee to give our advice on the Equity Transfer Agreement, details of which are set out in the letter from the Board included in the circular to the Shareholders dated 11 June 2021 (the “**Circular**”), of which this letter forms a part. Terms used herewith shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise us on the Equity Transfer Agreement and the transactions contemplated thereunder. The letter from the Independent Financial Adviser is set out on pages 21 to 41 of the Circular.

Having taken into account (i) the reasons as disclosed in the paragraph headed “Reasons for and benefits of the Acquisition” of the Circular; and (ii) the principal factors and reasons considered by the Independent Financial Adviser, and its conclusion and advice, we are of the opinion that the Equity Transfer Agreement and the transactions contemplated thereunder are in the interests of the Group and the Shareholders as a whole, and the terms and conditions of the Equity

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Transfer Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, notwithstanding that the Acquisition is not in the ordinary and usual course of business of the Group.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM for approving the Equity Transfer Agreement and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee

Mr. Kam Robert

Independent

Non-executive Director

Ms. Ho Man Kay

Independent

Non-executive Director

Mr. Ma Xiaoqiang

Independent

Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in relation to the Equity Transfer Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this Circular.



11 June 2021

*To: The Independent Board Committee and the Independent Shareholders
of Jiashili Group Limited*

Dear Sirs and Madams,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE EQUITY INTEREST IN GUANGDONG KANGLI FOOD COMPANY LIMITED

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Equity Transfer Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 11 June 2021 (the “**Circular**”), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

Reference is made to the announcement of the Company dated 10 May 2021, according to which on 10 May 2021 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company), the Vendor and the Target Company entered into the Equity Transfer Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire equity interest in the Target Company at the consideration of RMB135,000,000 (equivalent to HK\$163,350,000) in cash. Upon Completion, the Target Company will become an indirectly wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group’s consolidated financial statements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, the entire issued share capital of the Vendor was owned by Kaiyuan, a controlling shareholder of the Company, which was ultimately beneficially owned as to 80% by Mr. Huang, an executive Director and a controlling shareholder of the Company, and 20% by other members of the Huang's Family. As such, the Vendor is an associate of the controlling shareholder and thus a connected person of the Company under the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, and is therefore subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The EGM will be convened and held for the Independent Shareholders to consider, and if thought fit, to approve, among others, the Equity Transfer Agreement and the transactions contemplated thereunder. According to the Letter from the Board, as at the Latest Practicable Date, Mr. Huang and his close associates, namely Great Logistics and Kaiyuan, who together were interested in 310,472,000 Shares, representing approximately 74.81% of the total issued share capital of the Company, were regarded as having a material interest in the transactions contemplated under the Equity Transfer Agreement, and accordingly would be required under the Listing Rules to abstain from voting on the relevant resolutions at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Kam Robert, Ms. Ho Man Kay and Mr. Ma Xiaoqiang, has been established to advise the Independent Shareholders as regards the terms of the Equity Transfer Agreement and the transactions contemplated thereunder.

We, Lego Corporate Finance Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as regards the Equity Transfer Agreement and the transactions contemplated thereunder and to make recommendations as to whether the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms, whether the terms thereof are fair and reasonable, and in the interests of the Company and the Independent Shareholders as a whole, and as to voting in respect of the relevant resolution(s) at the EGM. Our appointment has been approved by the Independent Board Committee.

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests in the Company or any other parties that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last two years, Lego Corporate Finance Limited has acted as the independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to a continuing connected transaction, details of which are set out in the circular of the Company dated 12

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

November 2019. Apart from normal professional fees paid or payable to us in connection with the aforesaid appointment and our appointment as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Group. Accordingly, we are independent under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser and to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

BASIS OF OUR ADVICE

In formulating our opinions and recommendations, we have reviewed, among others, the Equity Transfer Agreement, the announcement of the Company dated 10 May 2021, the annual report of the Company for the financial year ended 31 December 2019 (the “**2019 Annual Report**”), the annual report of the Company for the financial year ended 31 December 2020 (the “**2020 Annual Report**”) and the management accounts of the Target Company for the two financial years ended 31 December 2020 and the four months ended 30 April 2021 (the “**Management Accounts of the Target Company**”). We have also reviewed certain information provided by the management of the Company (the “**Management**”) relating to the operations, financial conditions and prospects of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the Management regarding the terms of the Equity Transfer Agreement and the transactions contemplated thereunder, the businesses and future outlook of the Group. We have taken reasonable steps to ensure that such information and statements, and any representation made to us, which we have relied upon in formulating our opinions, are true, accurate and complete in all material respects as of the Latest Practicable Date and the Shareholders shall be notified of any material changes, if any, as soon as possible.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement herein or in the Circular misleading. We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the terms of and reasons for entering into the Equity Transfer Agreement and the transactions contemplated thereunder to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or the Management, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

independent detailed investigation or audit into the business or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us as at the Latest Practicable Date.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions in respect of the Equity Transfer Agreement and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1 Financial information of the Group

The Company is an investment holding company, whose subsidiaries are principally engaged in manufacturing and sales of biscuits in the PRC and Hong Kong.

Set out below in Table 1 is certain financial information of the Group for the two financial years ended 31 December 2018 and 2019 as extracted from the 2019 Annual Report, and for the year ended 31 December 2020 as extracted from the 2020 Annual Report, respectively.

Table 1: Financial information of the Group

	For the year ended 31 December		
	2020	2019	2018
	(audited)	(audited)	(audited)
	RMB'000	RMB'000	RMB'000
Revenue	1,518,545	1,593,067	1,449,288
Profit and total comprehensive income for the year attributable to owners of the Company	142,669	109,584	86,479

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	As at 31 December		
	2020	2019	2018
	(audited)	(audited)	(audited)
	RMB'000	RMB'000	RMB'000
Non-current assets	880,129	733,542	642,204
Current assets	893,089	900,212	796,610
Current liabilities	(788,299)	(698,006)	(585,142)
Net current assets	104,790	202,206	211,468
Non-current liabilities	(67,991)	(160,924)	(151,091)
Net assets	916,928	774,824	702,581

For the year ended 31 December 2019

For the year ended 31 December 2019, total revenue of the Group was approximately RMB1,593.07 million, representing an increase of approximately 9.92% as compared to that of approximately RMB1,449.29 million for the year ended 31 December 2018. Based on the 2019 Annual Report, such increase in revenue was mainly driven by the increase in revenue from certain product categories including sandwiches biscuits series, coarse grain biscuits series and other series, the latter of which mainly included Jiuzhou cookies, cream crackers and Ruishiyue products series, due to, among others, the continued increased acceptance by the youth customers group, introduction of different flavours on the products or the success of the product images and brand name of Jiashili.

For the year ended 31 December 2019, the Group recognised profit and total comprehensive income for the year attributable to owners of the Company of approximately RMB109.58 million, representing an increase of approximately 26.72% as compared to that of approximately RMB86.48 million for the year ended 31 December 2018. Based on the 2019 Annual Report, such increase was mainly due to the strong sales volume growth achieved in the year and the contribution from strategic acquisition of 85% equity interests in Silang Foods (Huaibei) Company Limited in April 2018.

As at 31 December 2019, the Group recorded net current assets and net assets of approximately RMB202.21 million and approximately RMB774.82 million, respectively.

For the year ended 31 December 2020

For the year ended 31 December 2020, total revenue of the Group amounted to approximately RMB1,518.55 million, representing a slightly decrease of approximately 4.68% from that of RMB1,593.07 million for the previous year. Based on the 2020 Annual Report, the decrease in

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revenue was primarily due to the decrease in revenue from product categories including crisp biscuits series, sandwiches biscuits and coarse grain biscuits, which were primarily due to, among others, the impacts of the COVID-19 pandemic including but not limited to the lockdown of factories and production, prolonged logistic and delivery time due to transportation restrictions, prolonged suspension of school and the repeated social distancing rules and guidelines in the PRC, and the fact that the Chinese Lunar New Year peak season was nearing the end of January in 2020 instead of usual mid-February, which has resulted in a majority of new-year gifts and products having been sold to customers including distributors and shops in December 2019, the revenue of which was recognised in the previous year.

For the year ended 31 December 2020, the Group recognised profit and total comprehensive income for the period attributable to owners of the Company of approximately RMB142.67 million, representing an increase of approximately 30.20% as compared to that of approximately RMB109.58 million for the previous year. Based on the 2020 Annual Report, such increase was mainly due to reduction in impairment loss on prepayments incurred during the year, which has completely offset the increases in COVID-19-related administrative and selling and distribution costs as well as research expenses on expanding product excellency and portfolio.

As at 31 December 2020, the Group recorded net current assets and net assets of approximately RMB104.79 million and approximately RMB916.93 million, respectively.

2 Background information on the Target Company, the Lands and other property interests of the Target Company

The Target Company is a limited liability company established in the PRC in 1998 with registered capital of RMB52 million., The Target Company is principally engaged in manufacture and sales of pasta products in the PRC. As at the Latest Practicable Date, the Target Company was wholly owned by Zhongchen, which was in turn owned as to 80% by Mr. Huang and 20% by other members of the Huang's Family. As at the Latest Practicable Date, the Target Company also held three parcels of lands situated at Nos. 32, 39 and 53 of Wuxi Road West, Sanbu District, Kaiping City, Guangdong Province, PRC (中國廣東省開平市三埠區武溪西路32號、39號及53號) with total site area of approximately 3,949 sq.m. for industrial use. Pursuant to the relevant State-owned Land Use Rights Certificates (國有土地使用權證), land use rights have been granted to the Target Company up to 2081, 2061 and 2061, respectively. Several buildings used as workshop, warehouse and office are currently erected on the lands. As at the Latest Practicable Date, the Target Company also possessed an industrial unit on Level 1 situated at No.49-1 of Wuxi Road West, Sanbu District, Kaiping City, Guangdong Province, PRC (中國廣東省開平市三埠區武溪西路49號之一). Pursuant to the Immovable Property Certificate (不動產權證) granted to the Target Company, this industrial unit has a gross floor area of approximately 306 sq.m.

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After entering into of the Equity Transfer Agreement and prior to Completion, the Target Company will undergo a corporate reorganisation, pursuant to which Zhongchen will transfer its entire equity interest in the Target Company to Vendor, which is ultimately beneficially owned as to 80% by Mr. Huang and 20% by other members of the Huang's Family, and inject the Lands into the Target Company. The Lands are respectively situated at No. 43-2 and No. 45 of Long Mei Gong Ye Road, Shuikou Town, Kaiping City, Guangdong Province, PRC (中國廣東省開平市水口鎮龍美工業路43號之2及45號), with a total site area of approximately 30,970 sq.m. and a total gross floor area of approximately 26,490 sq.m. for industrial use. Pursuant to the Immovable Property Certificates (不動產權證) in respect of the Lands, land use rights up to 2055 and 2047 have been granted to Zhongchen, respectively. Several factory and office buildings and staff quarters are currently erected on the Lands.

Set out below is the audited financial information of the Target Company for the financial year ended 31 December 2019 and the unaudited financial information of the Target Company for the financial years ended 31 December 2020, respectively:

	For the year ended	
	31 December	
	2020	2019
	<i>(unaudited)</i>	<i>(audited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	51,005	51,494
(Loss) before tax	(2,244)	(12,430)
(Loss) after tax	(2,244)	(12,430)

As at 30 April 2021, the unaudited net asset value and total asset value of the Target Company were approximately RMB33.2 million and approximately RMB52.9 million, respectively. Assuming the injection of the Lands has been completed and taking into account the appraisal of the Lands and other property interests of the Target Company as assessed by the independent valuer, the unaudited net asset value and total asset value of the Target Company as at 30 April 2021 were approximately RMB142.1 million, which comprised the unaudited net asset value of the Target Company (excluding the book value of the existing property interests of the Target Company of approximately RMB11,683,000) as at 30 April 2021 of approximately RMB21,546,000 and the respective appraised values of the Lands and other property interests of the Target Company as at 30 April 2021 of approximately RMB102,192,000 and approximately RMB18,352,000, and approximately RMB161.8 million, respectively.

3 Reasons for and benefits of the entering into of the Equity Transfer Agreement and the transactions contemplated thereunder

In assessing the reasons for and benefits of entering into the Equity Transfer Agreement and the transactions contemplated thereunder, we have primarily considered the development of the Group's pasta products business, future prospect of the pasta industry in the PRC, as well as the development of the Target Company's pasta business products and the potential synergies to be created from the Acquisition.

3.1 Development of the Group's pasta products business

The Group is principally engaged in manufacture and sale of biscuits in the PRC and Hong Kong with six major product segments, being breakfast biscuits series, crisp biscuits series, sandwiches biscuits series, wafer series, coarse grain biscuits series other biscuit products and others including products other than biscuits. According to the 2020 Annual Report, the Group adopts business strategy of diversified product category aiming at providing different food and snack categories with different flavours to customers in the PRC market. In particular, as advised by the Management, the Group recognises a growing demand towards healthy food from the consumers, and has been putting efforts to accommodate the contemporary market trend by launching and sourcing products with healthier ingredients. With reference to the circular of the Company dated 12 November 2019, in October 2019, the Group entered into the Business Cooperation with the Target Company for the purchase of pasta products from and the sharing of the client resources of the Target Company until December 2021. Leveraging on the Group's extensive nation-wide sales and distribution channel as well as its strong brand reputation, the Business Cooperation has brought diversity towards the Group's product portfolio and broadened its customer base. With the Business Cooperation, it is expected that the sale of pasta products by the Group will continue to bring additional income to the Group. Having considered the rich nutrition content of pasta products including carbohydrates, calcium, magnesium and B vitamins as well as the potential of the market thereof, the Group believes that pasta products would be a suitable business area for further development which is in line with its business strategy.

3.2 Future prospect of the pasta industry in the PRC

In assessing the future prospect of the pasta industry in the PRC, we have primarily conducted research from the public domain on the demand of the pasta consumption in relation to the pasta industry.

With reference to 《2020–2026年中國方便食品行業市場深度評估及投資戰略諮詢報告》 (“2020–2026 China's convenience food industry market in-depth assessment and investment strategy consulting report*”) published by Intelligence Research Group (<http://www.zhiyan.org/>), a

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consulting institution in the PRC with more than 10 years of experience in providing research reports, in March 2020, the market size of convenient food industry in the PRC reached RMB450 billion in 2019 and was expected to reach approximately RMB630 billion by 2025, demonstrating a cumulative annual growth rate of approximately 6% throughout the five years ending 2025. According to the study report “Global Pasta Industry” published on 20 August 2020 by ReportLinker (<https://www.reportlinker.com/>), a professional search engine which provides access to more than 3.8 million studies and market reports, pasta market size of the PRC was expected to exhibit a cumulative annual growth rate of approximately 4.1% during the period between 2020 to 2027 and reach approximately 3 billion United States dollars by 2027, outweighing the global growth rate of approximately 2.2% for the same period.

Based on the above, it is expected that future outlook of the pasta industry in the PRC will be generally positive.

3.3 Development of the pasta products business of the Target Company and the potential synergies to be created through the Acquisition

With an establishment of over 20 years, the Target Company is specialised in the production of pasta and related products in the PRC. As advised by the Management, after several phases of enhancement of the production lines, currently the Target Company is capable of producing more than 38,000 tonnes of pasta annually covering over 20 product series such as spaghetti, macaroni and instant pasta and over 200 pasta products, demonstrating the mature production capacity of the Target Company. Further, we have reviewed the relevant certificate of conformity with ISO9001:2015, which certifies the quality management of the Target Company in respect of its production and sale services.

Notwithstanding the loss-making position of the Target Company for the two years ended 31 December 2020, the amount of net loss of the Target Company had reduced significantly by approximately 81.9% year-over-year for the year ended 31 December 2020 primarily due to the reduction in finance costs of the Target Company. Further, as compared to the same period in 2020, the financial condition of the Target Company for the four months ended 30 April 2021 has improved and the Target Company has started recording net profits, which were primarily attributable to (i) the further reduction in finance costs after repayment of certain loans; (ii) the subsidence of the COVID-19 epidemic situation which has alleviated the adverse impact on the food industry; and (iii) the adjustment in business strategies by diversification and expansion of its product portfolio including different flavours of instant pasta products, and expansion of its sales network to more end consumers. As per discussion with the Management, the Target Company has formulated a plan to stimulate the penetration and sales of pasta products in the future through, among others, cooperating with live commerce platforms, organising advertisement events in campuses and catering sectors, as well as developing new products. As at the Latest Practicable

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Date, the Target Company was in negotiations with several brands and platforms including a convenient ramen brand and famous convenience store chains in the PRC to explore into the possibility of expanding the distribution and selling platforms of its pasta products.

On the other hand, by expanding the Group's pasta products business through the operations of the Target Company, it is expected that synergies will be created from the Acquisition from different aspects. First, selling and distributions channels in respect of the pasta products of the Target Company and those in respect of the existing products of the Group could be shared. As advised by the Management, pasta products of the Target Company are currently supplied to the market through direct selling to catering chain restaurants and manufacturers, distributors as well as other original equipment manufacturers, whereas with reference to the 2020 Annual Report, the Group has more than 2,000 distributors through various channels across the PRC. By integrating the selling and distribution channels, corresponding sales personnel and logistics could accordingly be shared which could in turn allow the Group to offer a wider range of products to customers at each channel at a lower cost. Second, with the extended selling and distribution network and the access to the customer base of the Target Company in particular those from the pasta sector, the Group is expected to increase the exposure of the entire range of its products as well as achieve customer diversification, thereby enhancing its vulnerability to economic downturn in the markets. Also, the Group plans to combine the demand of raw materials from itself and the Target Company and make bulk purchases in the future, which shall help improve the bargaining power of the Group against its suppliers, enhance its purchase and management efficiency as well as lower the purchase costs. Lastly, the Group currently purchases the finished goods of pasta products directly from the Target Company under the Business Cooperation. By implementing the Acquisition, it is expected that the overall research and development relating to the leisure foods and snack industry as well as production capacity and diversity of the Group shall be strengthened by integrating those relating to pasta products of the Target Company, which shall in turn help enhance the competitiveness of the Group within the industry.

In conclusion, despite the loss-making position of the Target Company for the two years ended 31 December 2020, considering that (i) the expansion of the pasta products business through the Acquisition is in line with the Group's business strategies, which aim at diversifying product offering and launching products with healthier ingredients; (ii) the generally promising prospect of the pasta industry in the PRC; (iii) the business experience and competence of the Target Company in relation to pasta products and the potential synergies to be created from the Acquisition; and (iv) the recent improvement in the Target Company's financial performance and certain loans, the finance costs of which had contributed to the net loss position of the Target Company for the two years ended 31 December 2020, had subsequently been repaid, we are of the view that the entering into of the Equity Transfer Agreement and the transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole.

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4 Principal terms of the Equity Transfer Agreement and the transactions contemplated thereunder

On 10 May 2021 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company), the Vendor and the Target Company entered into the Equity Transfer Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire equity interest in the Target Company in cash. Details of principal terms of the Equity Transfer Agreement are set out in the section headed “THE EQUITY TRANSFER AGREEMENT” of the Letter from the Board.

4.1 Assessment of the consideration for the Acquisition

According to the Letter from the Board, the consideration for the Acquisition shall be RMB135,000,000 (equivalent to HK\$163,350,000) and was determined after arm’s length negotiations between the Group and the Vendor with reference to (i) the unaudited net asset value of the Target Company as at 30 April 2021 of approximately RMB33,229,000 (adjusted to approximately RMB21,546,000 if excluding the book value of the existing property interests of the Target Company of approximately RMB11,683,000); (ii) the then appraised values of the Lands and other property interests of the Target Company as at 30 April 2021 (the “**Valuation Date**”) of approximately RMB102,192,000 and RMB16,757,000 (which was subsequently adjusted to RMB18,352,000 having taken into account the effect of the recent grant of an Immovable Property Certificate to the Target Company in respect of an industrial unit), respectively, as assessed by Castores Magi (Hong Kong) Limited (the “**Valuer**”), an independent professional valuer; and (iii) the benefits of the Acquisition brought about to the Group upon Completion. Details of the report on the valuation on the Lands and other properties of the Target Company (the “**Valuation Report**”) as compiled by the Valuer is set out in Appendix I to the Circular.

In assessing the fairness and reasonableness of the determination of the consideration for the Acquisition, we have reviewed the Valuation Report and discussed with the Valuer regarding, among others, its experience and the principal bases and assumptions adopted for the underlying valuation (the “**Valuation**”). Based on our discussions with the Valuer, the Valuer possesses experience in performing valuations of land use rights of properties in the PRC using comparable transactions method and valuations of properties in the PRC using replacement cost method. In particular, based on the information made available to us, the professional responsible for signing off the Valuation Report has over 28 years of experience in valuing the properties of private and state-owned enterprises in over 100 towns and cities in the PRC. The Valuer confirmed that it was an independent third party to the Company, the Purchaser, the Vendor, the Target Company and their respective close associates as at the Latest Practicable Date. In addition, we have reviewed the terms of the engagement letter of the Valuer with respect to the Valuation and noted that the

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scope of work is appropriate to the opinion required to be given, and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuation Report.

During our assessment, we noted that the Valuation was based on the key assumptions that (i) the owners sell the properties on the market in their existing state without the benefit of a deferred term contracts, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the properties; and (ii) the properties are free from encumbrances, unless otherwise specified. We were advised by the Valuer that the aforementioned assumptions are generally adopted in valuation exercise of properties in the PRC.

In obtaining the appraised values of land use rights of the Lands (the “**Land Use Rights**”) as well as an industrial unit of the Target Company (the “**Industrial Unit**”), the Valuer has principally adopted comparable transactions method by making reference to comparable market transactions and asking sales comparables (the “**Comparables**”). As advised by the Valuer, comparable transactions method was considered as the most appropriate approach for appraising the Land Use Rights and the Industrial Unit given the availability of the market information on the Comparables. The Valuer further advised that it is a normal market practice to value the land use rights of properties in the PRC using the comparable transactions method. We have, in this regard, conducted an independent research from the public domain and made reference to the relevant valuation reports contained in circulars of other companies listed on the Stock Exchange which (i) were published during the period from 1 March 2021 up to and including the Latest Practicable Date; and (ii) were related to acquisitions of land use right(s) of property interests and/or industrial unit(s). On a best-effort basis, four valuation reports in respect of land use rights and three valuation reports in respect of industrial units having met the abovementioned criteria have been identified, and all of the underlying valuation methods adopted were comparable transactions method which is consistent with the Valuation. We have further enquired with the Valuer as to whether any other valuation approaches have been considered, and were advised that as compared to the comparable transactions method, other approaches such as cost approach and income approach would be less desirable considering (i) that all of the Land Use Rights were acquired by the Target Company via liquidation auctions and it was not feasible to obtain the current reinstatement cost of the same Land Use Rights via liquidation auctions as required under the cost approach; (ii) the Industrial Unit forms part of a factory building and given the general facilities of the building such as electricity and water supplies, common staircases and the foundation are undivided and commonly used by all industrial units thereof, it is not feasible to reallocate the rebuilding costs to, and hence is not feasible to assess the construction cost of, a particular factory unit alone in adopting cost approach; and (iii) the potential difficulties in preparing a reliable cash flow forecast of the Land Use Rights and the Industrial Unit as required under the income approach. Considering the above and, as analysed above, the Valuer’s extensive experience of over 28 years in valuation industry covering private and state-owned enterprises in over 100 towns and

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cities in the PRC and his previous experience in valuing properties using comparable transactions method, we have relied upon the expertise of the Valuer in selecting the most appropriate valuation method and have not adopted other valuation approach to counter-check the Valuation.

The Valuer has identified the Comparables principally based on the selection criteria that (i) the underlying properties were located within the territory of Kaiping City as the Industrial Unit and properties underlying the Land Use Rights; (ii) the underlying properties were prescribed for industrial use; and (iii) the transactions were completed or announced within three months immediately preceding and including the Valuation Date. Corresponding adjustments were then applied to the unit rates of the Comparables to reflect the differences in the characteristics of the underlying properties as compared to those of the Industrial Unit and those underlying the Land Use Rights. Specifically, we have enquired with the Valuer on the rationale for and bases of the adjustments made, and learnt that adjustments were made in respect of (i) status of the Comparables where discount would be applied to the unit rate of those Comparables that had not yet been completed during the review period to reflect the room for price negotiations between the sellers and buyers; (ii) size of the underlying properties to reflect the potential quantum discount applied to the unit rate of larger properties as generally noted in the real estate market and perceived by the valuation practitioners; and (iii) location of the underlying properties to reflect the potential discount applied to the unit rate of properties located in more remote area. The Valuer has further confirmed that all of the adjustments applied conform to the market practice. We have cross-checked the relevant computations of the Valuer and noted that the adjustments applied were generally in line with the aforesaid bases and rationale, which we consider fair and reasonable. As confirmed by the Valuer, the Comparables in respect of the Land Use Rights and the Industrial Unit represent an exhaustive list of relevant comparables to their best understanding. It is noted that the Valuer has relied upon 阿里拍賣平台 (“**Alibaba Auction Platform***”) (<https://sf.taobao.com/>), 中工招商網 (“**China Zhao Shang***”) (<http://www.zhaoshang800.com/>) and 安居客房產網 (“**Anjuke Real Estate***”) (<https://jiangmen.anjuke.com/>) as the sources of information on the Comparables. The Valuer confirmed that the above platforms were the only reliable sources made available to them for the purpose of the Valuation as at the Valuation Date. Based on our independent research, Alibaba Auction Platform is an online auction platform owned by Alibaba Group Holding Limited, a multinational technology company listed on the Stock Exchange (stock code: 9988) and the New York Stock Exchange (Quote: BABA) being specialised in e-commerce, retail, Internet and technology. China Zhao Shang is a real estate service platform established in 2010 which provides an extensive coverage of information over lands, factories, office premises, shops and industrial parks on sale, and is operated by Partner Industry Service Group, a holding company of China Fortune Land Development Co., Ltd., which is a company listed on the Shanghai Stock Exchange (Stock Code: 600340) being engaged in real estate development; whereas Anjuke Real Estate is a service platform established in 2007 in Shanghai which provides information on real estate properties on sale and on rent the PRC and was selected

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as one of the benchmarking real estate enterprises in 2019 by The Beijing News (<http://www.bjnews.com.cn/>). In light of the foregoing, we are of the view that the sources of information on the Comparables are reliable and the Comparables are fair and reasonable.

On the other hand, in obtaining the appraised value of the buildings of the Lands and other property interests of the Target Company (the “**Buildings**”), the Valuer has adopted replacement cost method under cost approach, which is based on the economic principle that a purchaser will pay no more for an asset than the cost to obtain one of equal utility whether by purchase or construction. As advised by the Valuer, replacement cost method was considered as the most appropriate approach in conducting the valuation on the Buildings whereas other valuation approaches such as market approach, income approach and reproduction cost method under the cost approach were considered less desirable given (i) the unavailability of comparable sale transactions for similar type of industrial complex; (ii) the potential difficulties in preparing a reliable cash flow forecast of the Buildings; and (iii) the fact that reproduction cost is normally used to value plant and machinery. The Valuer further advised that it is a normal market practice to value the buildings of properties in the PRC using the replacement cost method. We have independently conducted a research from the public domain and made reference to the relevant valuation reports contained in circulars of other companies listed on the Stock Exchange which (i) were published during the period from 1 March 2021 up to and including the Latest Practicable Date; and (ii) were related to acquisitions of building(s) erected on properties. On a best-effort basis, two valuation reports in respect of buildings having met the abovementioned criteria have been identified, and all of the underlying valuation methods adopted were replacement cost method which is consistent with the Valuation. Considering the above and, as analysed above, the Valuer’s extensive experience of over 28 years in valuation industry covering private and state-owned enterprises in over 100 towns and cities in the PRC and his previous experience in valuing properties using replacement cost method, we have relied upon the expertise of the Valuer in selecting the most appropriate valuation method and have not adopted other valuation approach to counter-check the Valuation.

In arriving at the replacement costs of the Buildings, the Valuer has principally made reference to (i) the gross floor area of different blocks of the Buildings such as office building, workshop and boiler house; and (ii) the estimated unit rates (the “**Estimated Unit Rate(s) of Blocks**”) of such blocks computed by 蔡茂林 (“**Cai Maolin**”), an independent then cost engineering consultant of 開平市騰達建築設計有限公司 (“**Kaiping Tengda Architecture Design Co., Ltd.**”) which is an independent cost engineering institution in the PRC engaged by the Company for the purpose of the Valuation (the “**Cost Engineering Consultant**”). We have enquired with the Valuer and learnt that it is a common market practice to make reference to the estimated costs of properties computed by an independent cost engineering consultant when conducting comparable valuation exercises. We have also, in such regard, reviewed the relevant business license, certificates and track records of Kaiping Tengda Architecture Design Co., Ltd.

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and/or Cai Maolin, and noted that Cai Maolin was a first class cost engineer registered with China Cost Engineering Association (<http://www.ccea.pro/>), the national cost engineering industrial association in the PRC, and possesses previous experience in performing not less than seven construction costs consultation exercises of industrial properties in Guangdong province, six of which were located specifically in Kaiping City as the Lands and other property interests of the Target Company. Considering the above, in assessing the fairness and reasonableness of the computation of the Estimated Unit Rates of Blocks, we have, among others, relied upon Cai Maolin's experience and expertise in the cost engineering profession as well as conducted an interview with the representative of the Cost Engineering Consultant. We understand that for each block of the Buildings, the corresponding Estimated Unit Rate of Block was computed based on the gross floor area of the block and the estimated total construction cost of such block, which was in turn principally computed based on (i) the required engineering quantities of different construction materials/parts estimated based on the relevant engineering drawings of such block prepared after the Cost Engineering Consultant's field trip and with reference to their knowledge, expertise and experience; and (ii) the corresponding unit rates of the construction materials/parts estimated with reference to principal factors such as the then prevailing official pricing basis for construction projects issued by 廣東省住房和城鄉建設廳 ("The Ministry of Housing and Urban-Rural Development for Guangdong Province*") (<http://zfcxjst.gd.gov.cn/>) and the then prevailing market reference prices for different construction project's materials/parts published by 江門市工程造價管理站 ("The Cost Engineering Cost Management Station for Jiangmen City*") (<http://www.jmgczj.com/>), an institution which, among others, regularly monitors and releases data in the field of housing and urban-rural construction and provides assistance in compiling pricing basis for construction projects in Jiangmen City. The Cost Engineering Consultant has confirmed that the bases, assumptions and methodology adopted for the computation of the Estimated Unit Rates of Blocks conform to the normal market practice. Further, in respect of the Estimated Unit Rates of Blocks, we have conducted an independent check from the public domain by making reference to the latest quarterly construction cost update report issued in March 2021 by Rider Levett Bucknall (<https://www.rlb.com/>), a global construction and property consultancy, which indicates, among others, the estimated construction cost indices for different types of buildings in selected cities in the PRC for the fourth quarter of 2020. For our assessment purpose, we initially intended to compare the Estimated Unit Rates of Blocks with the unit construction costs of industrial buildings in Kaiping City, a city where the Buildings are situated in, as suggested in the report. Yet, given the unavailability of such costs for Kaiping City in the report, we have alternatively made reference to the unit construction costs of industrial buildings in each of Guangzhou, Shenzhen and Zhuhai cities, all of which are located within Guangdong Province as Kaiping City, and noted that each of the Estimated Unit Rates of Blocks either falls below or is within the respective ranges of the suggested unit constructions costs of industrial buildings in Guangzhou, Shenzhen and Zhuhai cities.

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As confirmed by the Valuer, in performing the Valuation, the Valuer has complied with the HKIS Valuation Standards 2020 as published by the Hong Kong Institute of Surveyors. During the course of our review of the Valuation Report and discussions with the Valuer, we have not identified any major factors that have caused us to doubt the fairness and reasonableness of the principal bases and assumptions adopted in the Valuation.

In light of the above, we are of the opinion that the bases and assumptions adopted by the Valuer for the Valuation are fair and reasonable.

On the other hand, it is noted that the consideration for the Acquisition of RMB135,000,000 (equivalent to HK\$163,350,000) represents a discount (the “**Discount**”) of approximately 4.99% to the adjusted net asset value of the Target Company as at 30 April 2021 of approximately RMB142,090,000, which is computed based on the assumption that the injection of the Lands has been completed and the appraised value of the Lands and other property interests of the Target Company as at 30 April 2021. In assessing the fairness and reasonableness of the Discount of approximately 4.99%, we have made reference to the circulars of other companies listed on the Stock Exchange which (i) were related to acquisitions of equity interests; (ii) the principal assets of the underlying target group mainly comprised property interests; and (iii) were published during the period from 1 April 2021 up to and including the Latest Practicable Date. On a best-effort basis, an exhaustive list of three comparable transactions having met the above criteria (the “**Comparable Transactions**”) has been identified. It is worth noting that despite the underlying issuers of the Comparable Transactions may or may not be identical to the Company in terms of principal activities, market capitalisations, profitability, operations and financial position, our analysis serves as a general reference to the acquisition transactions recently conducted by the companies listed on the Stock Exchange for our assessment purpose. Details of the Comparable Transactions are summarised in Table 2 below.

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Table 2: A summary of the Comparable Transactions

Company Name	Stock code	Date of circular	Connected transaction	Premium/ (discount) of the underlying considerations over/to the adjusted net asset values of the underlying target group of the Comparable Transactions
				(Approximate) %
Kato (Hong Kong) Holdings Limited	2189	26/5/2021	No	29.7
Great Wall Belt & Road Holdings Limited	524	25/5/2021	No	(0.3)
Emperor Entertainment Hotel Limited	296	30/4/2021	Yes	0.3
			Maximum	29.7
			Minimum	(0.3)
			Average	9.9
Company				(4.99)

Source: The official website of the Stock Exchange (<https://www.hkex.com.hk/>)

As shown in Table 2, the considerations for the Comparable Transactions range from a discount of approximately 0.3% to a premium of approximately 29.7% to/over the respective adjusted net asset values of the underlying target groups of the Comparable Transactions. Therefore, the Discount of approximately 4.99% represents a term being more favourable to the Company than those underlying the Comparable Transactions.

Accordingly, taking into account that (i) making reference to the net asset value of the Target Company would be more appropriate to reflect the fair value thereof given its loss recognised for the year ended 31 December 2020; (ii) the consideration for the Acquisition of RMB135,000,000 (equivalent to HK\$163,350,000) represents a discount to the adjusted net asset value of the Target Company as at 30 April 2021 of approximately RMB142,090,000, which is computed based on the assumption that the injection of the Lands has been completed and the appraised value of the

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Lands and other property interests of the Target Company as at 30 April 2021; and (iii) the Discount of approximately 4.99% represents a term being more favourable to the Company than those underlying the Comparable Transactions, we consider that the consideration for the Acquisition is fair and reasonable.

4.2 Assessment of other principal terms

Pursuant to the Equity Transfer Agreement, the consideration for the Acquisition of RMB135,000,000 (equivalent to HK\$163,350,000) shall be settled by the Purchaser as to (i) conditional upon fulfillment of five conditions precedent as set out in the sub-section headed “THE EQUITY TRANSFER AGREEMENT — Consideration” of the Letter from the Board, RMB93,000,000 as the Prepayment on or before 20 May 2021, which will be automatically set off against part of the consideration on the date of Completion; and (ii) the remaining balance of RMB 42,000,000 on the date of Completion. As at the Latest Practicable Date, the Prepayment had not been paid by the Purchaser and the relevant parties confirmed that the Prepayment will be paid upon fulfillment of all of the conditions mentioned above.

On the other hand, an interest (the “**Interest**”) shall accrue on the Prepayment from the date of payment on daily basis and the Vendor shall pay such interest to the Purchaser at an interest rate of 5% per annum until the occurrence of the following incidents, whichever is earlier: (i) the Equity Transfer Agreement and the Acquisition are not approved by the Independent Shareholders at the EGM; (ii) any of the conditions precedent to the Equity Transfer Agreement have not been fulfilled or waiver prior to the Long Stop Date or any later date as agreed by the Parties, upon which the Equity Transfer Agreement is terminated by the Purchaser; or the Purchaser is recorded as the sole shareholder in the register of shareholders of the Target Company.

For our assessment purpose, we have independently conducted research on the prevailing benchmark RMB lending interest rates set by the People’s Bank of China, and noted that the interest rate of 5% per annum is higher than the prevailing benchmark RMB lending interest rates set by the People’s Bank of China (<http://www.pbc.gov.cn/>), which amount to 4.35% per annum for loans with a term of one year or less, 4.75% per annum for loans with a term of over one year and up to five years, and 4.90% per annum for loans with a term of more than 5 years, respectively.

Considering that (i) the arrangement for the Prepayment was determined after arms’ length negotiations between the Purchaser and the Vendor as part of the terms of the Acquisition; (ii) the Prepayment is conditional on completion of certain procedures including but not limited to (a) the delivery of several mandatory legal and corporate documents of the Target Company to the Purchaser; (b) approval of appointment of directors and senior roles of the Target Company by the Purchaser; (c) the delivery of the Lands to the Target Company, which are normally required at completion; (iii) the Interest will be accrued on the Prepayment from the date of payment at a rate

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higher than the prevailing benchmark RMB lending interest rates set by the People's Bank of China; and (iv) the benefits of the Acquisition as analysed previously in this letter, we are of the view that the Prepayment which represents an advanced payment of a significant portion of the Consideration is justifiable and therefore the arrangement of the Prepayment (including the determination of the interest rate) are fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole.

5 Financial effects of the Equity Transfer Agreement and the Acquisition

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the consolidated financial statements of the Group.

When assessing the financial impacts of the Equity Transfer Agreement and the transactions contemplated thereunder, we have primarily taken into account the following aspects:

5.1 Earnings

According to the 2020 Annual Report, profit for the year attributable to equity shareholders of the Company for the year ended 31 December 2020 was approximately RMB142.7 million. Upon Completion, notwithstanding the loss-making performance of the Target Company for the two-year ended 31 December 2020 as set out in the above section headed "Background information on the Target Company, the Lands and other property interests of the Target Company" of this letter, in view of (i) the generally promising prospect of the pasta industry in the PRC and (ii) the business experience and competence of the Target Company in relation to pasta products and the potential synergies to be created from the Acquisition, as detailed in the above section headed "Reasons for and benefits of the entering into of the Equity Transfer Agreement and the transactions completed thereunder", it is expected that the Equity Transfer Agreement and the transactions contemplated thereunder will have positive impacts on the earnings of the Group in the long run after Completion.

5.2 Assets and liabilities

According to the 2020 Annual Report, total assets and total liabilities of the Group as at 31 December 2020 were approximately RMB1,773.2 million and RMB856.3 million, respectively, leading to net assets of approximately RMB916.9 million. Given that the consideration for the Acquisition represents a discount to the adjusted net asset value of the Target Company as at 30 April 2021 after taking into account of the appraised value of the Lands and other property interests of the Target Company as at 30 April 2021 and assuming that injection of the Lands has

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been completion, it is expected that the Equity Transfer Agreement and the transactions contemplated thereunder shall have a positive impact on the net assets of the Group upon Completion.

The above analyses are for illustrative purpose only and do not purport to represent the financial position of the Group upon Completion.

RECOMMENDATIONS

Having considered the above principal factors and reasons, particularly:

- (i) the reasons for and benefits of implementing the Acquisition after taking into account of, among others, (a) the expansion of the pasta products business through the Acquisition is in line with the Group's business strategies; (b) the general promising prospect of the pasta industry in the PRC; (c) the business experience and competence of the Target Company in relation to pasta products and the potential synergies to be created from the Acquisition; and (d) despite the loss-making position of the Target Company for the two years ended 31 December 2020, the recent improvement in the Target Company's financial performance and certain loans, the finance costs of which had contributed to the net loss position of the Target Company for the two years ended 31 December 2020, had subsequently been repaid, further details of which are set out in the sub-section headed "Reasons for and benefits of the entering into of the Equity Transfer Agreement and the transactions contemplated thereunder" of this letter;
- (ii) the consideration for the Acquisition represents a discount to the adjusted net asset value of the Target Company as at 30 April 2021, which was computed based on the assumption that the injection of the Lands has been completed and the appraised value of the Lands and other property interests of the Target Company as at 30 April 2021 obtained from the Valuation, the underlying bases and assumptions of which are considered to be fair and reasonable;
- (iii) the Discount of approximately 4.99% represents a term being more favourable to the Company than those underlying the Comparable Transactions; and
- (iv) the arrangement of the Prepayment (including the determination of the interest rate) is fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole, further details of the analysis of which are set out in the sub-section headed "4.2 Assessment of other principal terms" of this letter,

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we are of the view that the Equity Transfer Agreement and the transactions contemplated thereunder, which are not implemented in the ordinary and usual course of business of the Company, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed for approving the Equity Transfer Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Billy Tang
Managing Director

Mr. Billy Tang is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in the corporate finance advisory profession.

The following is the text of a property valuation report prepared for the purpose of incorporation in this circular, received from the valuer, Castores Magi (Hong Kong) Limited.

嘉漫(香港)有限公司

CASTORES MAGI (HONG KONG) LIMITED
REGISTERED PROFESSIONAL SURVEYORS (GENERAL PRACTICE)
REAL ESTATE, MINERALS, MACHINERY & EQUIPMENT AND BUSINESS VALUERS

CASTORES



Units 2203–4
Alliance Building
133 Connaught Road Central
Hong Kong

11 June 2021

The Directors
Jiashili Group Limited
Flat 10A, 14th Floor,
Splendid Centre
100 Larch Street
Kowloon
Hong Kong

Dear Sirs,

In accordance with your instructions to value the property interests to be acquired by Jiashili Group Limited (the “**Company**”) and its subsidiaries (together the “**Group**”), we confirm that we have made relevant enquiries and searches, and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the relevant properties as at 30 April 2021 (the “**valuation date**”) for possible acquisition purpose.

The valuation assignment was handled by Mr. Au Chi Chung Deret who is a Corporate Member from the General Practice Division of the Hong Kong Institute of Surveyors (“**HKIS**”) and is in a position to provide an objective and unbiased valuation. He has no material connection or involvement with the subject assets or other parties to this valuation assignment. He has sufficient current local and national knowledge of the particular market, and the skills and understanding to undertake the valuation competently.

Our valuations of the property interests are our opinion of the Market Value which we would define as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.” Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

Our valuations of the property interests have been made on the assumption that the owner sells the properties on the market in their existing state without the benefit of a deferred term contracts, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the properties.

In valuing the land use rights of the properties and Property 4 by adopting Income Approach, a cash flow forecast is normally required. However, these properties are owner-occupied and do not fall into the category of investment properties. There is no reliable base such as tenancy agreement to build up a cash flow forecast. As such, the valuation methods under Income Approach have not been considered in our valuation.

The current real estate titlers acquired the land use rights of the properties together with a batch of some other fixed assets such as machinery and equipment from a liquidation auction at the successful bid as a lump sum. It is not feasible to obtain the current reinstatement cost of the same Land Use Rights under Cost Approach on the assumption that another liquidation auction was held as at the valuation date. In accordance with HKIS Valuation Standards 2020 published by the HKIS, the current cost of the land use rights as at the valuation date should be assessed on the valuation basis of Liquidation Value which is dissimilar to Market Value adopting in this valuation. In this regard, the valuation method under Cost Approach was not adopted by us in assessing the value of the said land use rights.

The valuation method under Cost Approach was not adopted in valuing Property 4 since this industrial unit forms part of a factory building and it is not feasible to assess the cost of rebuilding a particular factory unit alone.

The land use rights of the properties and Property 4 have been valued on a market basis with vacant possession by reference to actual comparable market transactions and hypothetical transactions. This approach rests on the wide acceptance of market price as the best indicator of value and pre-supposes that evidence of recent transactions in the market place can be extrapolated to similar property, subject to allowances for variable factors. This valuation method is normally adopted if recent actual and hypothetical transactions of land use rights similar to the subject asset are available.

In valuing the land use rights of the properties and Property 4, we have adopted Comparable Transactions Method. The Comparable Transactions Method, also known as the guideline transactions method, utilises information on transactions involving assets that are the same or similar to the subject asset to arrive at an indication of value.

In valuing the buildings of the properties, we have adopted the Cost Approach but not Market Approach and Investment Approach. The Cost Approach is based on the economic principle that a purchaser will pay no more for an asset than the cost to obtain one of equal utility whether by purchase or construction. Under the Cost Approach, we have utilised Replacement Cost Method. Replacement cost is the cost that is relevant to determining the price that a participant would pay as it is based on replicating the utility of the asset, not the exact physical properties of the asset. Usually, replacement cost is adjusted for physical deterioration and all relevant forms of obsolescence. After such adjustments, this can be referred to as depreciated replacement cost. Replacement Cost Method is a method used in financial reporting to arrive at a surrogate for the market value of specialised and limited market properties, for which market evidence is unavailable. The buildings of the properties belong to the category of specialised properties, which are rarely if ever sold in the open market, except by way of a sale of the business or entity of which they are a part, due to their uniqueness, which arises from the specialised nature and design of the buildings, their configuration, size, location or otherwise. Consequently, reliable sale and rental comparables cannot generally be identified for specialised properties. In this regard, Market Approach and Investment Approach were not considered in our valuation.

The current status of the properties regarding major approvals, consents or licences required in the People's Republic of China (“**the PRC**”) is as follows:

Property Title					
Certificate or Contract	Property 1	Property 2	Property 3	Property 4	Property 5
State-owned Land Use Rights Grant Contract (國有土地使用權出讓合同)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
State-owned Land Use Rights Certificate (國有土地使用權證)	Not Applicable	Yes	Yes	Not Applicable	Not Applicable
Realty Title Certificate (房地權證)	Not Applicable	No	No	Not Applicable	Not Applicable

Property Title					
Certificate or Contract	Property 1	Property 2	Property 3	Property 4	Property 5
Immovable Property Certificate (不動產權證)	Yes	No	No	Yes	Yes

Note: Ministry of State Land and Resources (國土資源部) had announced that, commencing from 1 May 2017, State-owned Land Use Rights Certificate (國有土地使用權證) and Realty Title Certificate (房地權證) were replaced by Immovable Property Certificate (不動產權證). There is no mandatory requirement for the existing land use rights holders and building owners to apply for Immovable Property Certificates (不動產權證) unless there are changes in property titler and/or encumbrances.

In valuing the property interests, we have made reference to the HKIS Valuation Standards 2020 published by the HKIS. According to the recent guideline issued by HKIS regarding the outbreak of coronavirus, the valuation undertaken by us without conducting any site inspection is classified as restricted service.

The scope of valuations has been determined with reference to the property list provided by the Company. The properties on the list have been included in this certified opinion of value.

In valuing the property interests in the People's Republic of China (the "PRC"), we have complied with all the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We have relied to a considerable extent on the information provided by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, rental, site and floor areas and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the area in respect of the properties but have assumed that the site area shown on the documents and official site plans handed to us are correct. Based on our valuation experience of similar properties, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurements have been taken.

Due to the worldwide outbreak of coronavirus and the prevailing containment measures, we are not able to inspect the properties in respect of which we have been provided with such information as we have required for the purpose of our valuations. Such information includes the recent photos of the properties and various site plans. We have acquired some satellite photos to

help for identifying the location of the properties. No structural survey, investigation or examinations has been made. We are not, however, able to report that the properties were free from rot, infestation or any other structural defects. No tests were carried out to any of the services.

No allowance has been made in our report for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation, which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, such as mortgage and debenture charge, restrictions and outgoings of an onerous nature, which could affect their values.

We have been shown copies of various documents relating to the properties such as property title documents and site plans. However, we have not searched the original documents to verify any amendments, which may not appear on the copies handed to us. Due to restrictions of the land registration system in the PRC, we are unable to search the original documents to verify the existing title of the properties in the PRC or any material encumbrances that might be attached to the properties.

We have had no reason to doubt the authenticity and accuracy of the information provided to us by the Company. We have also sought and received confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary amounts stated in this certified opinion of value are in Renminbi (RMB).

The conclusion of values is based on generally accepted valuation procedures and practices that rely extensively on assumptions and considerations, not all of which can be easily quantified or ascertained exactly. While we have exercised our professional judgement in arriving at the valuation, you are urged to consider carefully the nature of such assumptions, which are disclosed in this report and should exercise caution when interpreting this report.

We hereby certify that we have neither present nor prospective interest in the Company or the values reported.

Our valuations are summarised below and the certified opinion of value is attached.

Yours faithfully,

For and on behalf of

Castores Magi (Hong Kong) Limited

Au Chi Chung Deret

Registered Business Valuer of Hong Kong Business Valuation Forum

B.Sc., MHKIS, RPS (GP), MCI Arb, MHKI Arb, MCIREA

Note: Deret Au Chi Chung is a Registered Professional Surveyor (General Practice) and has over 28 years of experience in valuing properties in Hong Kong and the properties of private and state-owned enterprises in over 100 towns and cities in the PRC. He also possesses over 23 years of valuation experience in the Asia-Pacific Region. His name is included on the List of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers set forth by the Hong Kong Institute of Surveyors.

SUMMARY OF VALUES

Property interests to be acquired by the Group in the PRC

Property	Market value in existing state as at 30 April 2021 (RMB)
1. Two parcels of land and various buildings erected thereon, Nos. 43–2 and 45 Long Mei Gong Ye Road, Shuikou Town, Kaiping City, Guangdong Province, The PRC.	102,192,000
2. A parcel of land and four various building erected thereon, No. 32 Wuxi Road West, Sanbu District, Kaiping City, Guangdong Province, The PRC.	7,822,000
3. A parcel of land and a building erected thereon, No. 39 Wuxi Road West, Sanbu District, Kaiping City, Guangdong Province, The PRC.	360,000
4. Unit No. 104 on Level 1, No. 49–1 Wuxi Road West, Sanbu District, Kaiping City, Guangdong Province, The PRC.	1,595,000
5. A parcel of land and a building erected thereon, No. 53 Wuxi Road West, Sanbu District, Kaiping City, Guangdong Province, The PRC.	8,575,000
Total:	120,544,000

CERTIFIED OPINION OF VALUE

Property interests to be acquired by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2021 (RMB)
1. Two parcels of land and various buildings erected thereon, Nos. 43-2 and 45 Long Mei Gong Ye Road, Shuikou Town, Kaiping City, Guangdong Province, The PRC.	<p>The property comprises 8 buildings erected on two parcels of land having a total site area of approximately 30,970 sq.m.</p> <p>The buildings are 1 to 5 storeys in height and have a total gross floor area of 26,489.62 sq.m. The buildings were completed in 2000 and 2007.</p> <p>The property is held under the land use rights for various terms commencing from 11 December 2005 to 10 December 2055 and from 18 July 1997 to 17 July 2047.</p>	The property is currently occupied by the owner for production, office and dormitory purposes.	102,192,000

Notes:

- Pursuant to A Judgement Execution Document of the People's Court of Kaiping City, Guangdong Province — 2013 Jiang Kai Fa Zhi Zi No. 3040-4 (廣東省開平市人民法院執行裁定書 — 2013江開法執字第3040-4號) dated 10 August 2015, it was adjudicated that Guangdong Zhongchen Industrial Holding Co., Ltd. (廣東中晨實業集團有限公司) was the highest bidder of a liquidation auction held on 29 May 2015. In this auction, Guangdong Zhongchen Industrial Holding Co., Ltd. (廣東中晨實業集團有限公司) successfully acquired the land use rights and building ownership of the property, a number of motor vehicles and some machinery and equipment tabulated in the auction's asset list at a consideration of RMB32,802,025.6;
- Pursuant to an Immovable Property Certificate — Yue (2018) Kai Ping Shi Immovable Property Rights No. 0044548 (不動產權證 — 粵(2018)開平市不動產權第0044548號) dated 5 December 2018 issued by the Bureau of Land and Resources of Kaiping (開平市自然資源局), Guangdong Zhongchen Industrial Holding Co., Ltd. (廣東中晨實業集團有限公司) was granted a land use rights of a parcel of land having a site area of 16,957.5 sq.m. for a term commencing from 11 December 2005 to 10 December 2055 for industrial use. The building on this parcel of land has a gross floor area of 5,640 sq.m.;

3. Pursuant to an Immovable Property Certificate — Yue (2018) Kai Ping Shi Immovable Property Rights No. 0044553 (不動產權證 — 粵(2018)開平市不動產權第0044553號) dated 5 December 2018 issued by the Bureau of Land and Resources of Kaiping (開平市自然資源局), Guangdong Zhongchen Industrial Holding Co., Ltd. (廣東中晨實業集團有限公司) was granted a land use rights of a parcel of land having a site area of 14,012.5 sq.m. for a term commencing from 18 July 1997 to 17 July 2047 for industrial use. The buildings erected on this parcel of land have a total gross floor area of 20,849.62 sq.m.; and
4. It is stated in the legal opinion given by the Company's PRC legal advisers — Guangdong Weisheng Law Firm (廣東維盛律師事務所), *inter alia*, that:
 - (a) Pursuant to A Judgement Execution Document of the People's Court of Kaiping City, Guangdong Province — 2013 Jiang Kai Fa Zhi Zi No. 3040-4 (廣東省開平市人民法院執行裁定書 — 2013江開法執字第3040-4號), Guangdong Zhongchen Industrial Holding Co., Ltd. (廣東中晨實業集團有限公司) lawfully and effectually obtained the land use rights and building ownership of the property via court's judgement and entirely made the payment;
 - (b) Guangdong Zhongchen Industrial Holding Co., Ltd. (廣東中晨實業集團有限公司) is entitled to possess, use, lease, convey and mortgage the land use rights and building ownership of the property within the land use term;
 - (c) Guangdong Zhongchen Industrial Holding Co., Ltd. (廣東中晨實業集團有限公司) mortgaged the land use rights and building ownership of the property in favour of United Society Kaiping Rural Credit Cooperatives (開平市農村信用合作聯社) to secure for a loan in the amount of RMB61,181,506 borrowed by 中晨電子科技有限公司. The mortgage term is from 9 May 2019 to 8 May 2029. As confirmed by Guangdong Zhongchen Industrial Holding Co., Ltd. (廣東中晨實業集團有限公司), 中晨電子科技有限公司 has made application for early settlement of the loan on 17 May 2021. 中晨電子科技有限公司 has started repaying the loan on 17 May 2021. It is estimated that the mortgage would be released on 1 June 2021; and
 - (d) Apart from the said mortgage, the land use rights and building ownership of the property are not subject to any other security, mortgage, sequestration or other forms of miscellaneous rights establishment or restriction.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2021 (RMB)
2. A parcel of land and four various buildings erected thereon, No. 32 Wuxi Road West, Sanbu District, Kaiping City, Guangdong Province, The PRC.	<p>The property comprises 3 various buildings erected on a parcel of land having a site area of approximately 2,627.83 sq.m.</p> <p>The buildings are 2 to 3 storeys in height. The total gross floor area of the buildings is uncertain. (<i>see Note 2</i>) The buildings were completed in 1980s and 1994, respectively.</p> <p>The property is held under the land use rights for a term up to 17 August 2081.</p>	The property is currently vacant.	7,822,000

Notes:

- Pursuant to a State-owned Land Use Rights Certificate — Kai Fu Guo Yong (2011) No. 04479) (國有土地使用權證 — 開府國用(2011)第04479號) dated 20 September 2011 issued by the State Land and Resources Bureau of Kaiping City (開平市國土資源局), Guangdong Kangli Food Company Limited (廣東康力食品有限公司) was granted a land use rights of a parcel of land having a site area of 2,627.83 sq.m. for a term up to 17 August 2081 for industrial use;
- As advised by the Company, Guangdong Kangli Food Company Limited (廣東康力食品有限公司) could not retrieve the gross floor area of the existing buildings from the government record. According to a liquidation appraisal report dated 15 September 2009 prepared by Jiangmen Zhongkun Asset Appraisal and Real Estate Valuation Company Limited (江門市中坤資產評估土地房地產估價有限公司), the buildings had a total gross floor area of approximately 2,141 sq.m. upon liquidation. We are unable to confirm whether there were any additions, alternation or demolition or not after the liquidation. The said appraisal report was engaged by the liquidation team of Jiashili Noodle Factory of Kaiping City (開平市嘉士利麵製品廠清算組) subject to a Notice — (2008) Kai Fa Po Zi No. 1-11 (通知書 — (2008)開法破字第1-11號) issued by the People's Court of Kaiping Municipality, Guangdong Province (廣東省開平市人民法院) and a Letter of Entrustment — (2008) Jiang Zhong Fa Si Wei Po Zi No. 1-2 (委託函 — (2008)江中法司委破字第1-2號) issued by the Intermediate People's Court of Jiangmen Municipality, Guangdong Province (廣東省江門市中級人民法院);
- In valuing the buildings of the property, we have not ascribed any commercial value since neither Building Ownership Certificate (房屋所有權證) nor Immovable Property Certificate (不動產權證) for the buildings were available as at the valuation date. We could not assess the market value of the buildings as the official figures of gross floor area are not available. As advised by the Company, there are difficulties in obtaining an Immovable Property Certificate (不動產權證) as the buildings fall into disrepair; and

4. It is stated in the legal opinion given by the Company's PRC legal advisers — Guangdong Weisheng Law Firm (廣東維盛律師事務所), *inter alia*, that:
- (a) Pursuant to A Judgement Execution Document of the People's Court of Kaiping City, Guangdong Province — 2008 Kai Fa Po Zi No. 1-12 (廣東省開平市人民法院執行裁定書 — 2008開法破字第1-12號), Guangdong Kangli Food Company Limited (廣東康力食品有限公司) lawfully and effectually obtained the land use rights and building ownership of the property via court's judgement and entirely made the payment;
 - (b) Guangdong Kangli Food Company Limited (廣東康力食品有限公司) is entitled to possess, use, lease, convey and mortgage the land use rights of the property within the land use term;
 - (c) The land use rights and building ownership of the property are not subject to any security, mortgage, sequestration or other forms of miscellaneous rights establishment or restriction;
 - (d) Guangdong Kangli Food Company Limited (廣東康力食品有限公司) could convey and mortgage the building ownership of the property after obtaining the Immovable Property Certificate (不動產權證). During the land use term, Guangdong Kangli Food Company Limited (廣東康力食品有限公司) is entitled to possess, use and lease or lawfully dispose the building ownership;
 - (e) Apart from obtaining the land use rights and/or building ownership via public auctions held by the People's Government or civic conveyance in the PRC, the buyers could acquire the same via liquidation auction under the court's order. Generally speaking, a liquidation auction is ordered by the People's Court when a debtor is unable to settle the loan payment on or before date due. The assets of the debtor would be sold to pay the debt by means of liquidation auction. In order to assess the market value of the liquidated assets, the People's Court would appoint an independent qualified appraiser to prepare a liquidation appraisal report. The People's Court would base on the appraisal result to decide the reserve price of the liquidation auction. The land use rights and the building ownership would finally go to a bidder giving the highest bid in the auction, which is deemed as an effectual and lawful conveyance of property title; and
 - (f) Obtaining the land use rights and/or building ownership via liquidation auction under the court's order is in compliance with the laws and regulations of the PRC.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2021 (RMB)
3. A parcel of land and a building erected thereon, No. 39 Wuxi Road West, Sanbu District, Kaiping City, Guangdong Province, The PRC.	<p>The property comprises a building erected on a parcel of land having a site area of approximately 126.64 sq.m.</p> <p>The building is 3 storeys in height. The gross floor area of the building is uncertain. (<i>see Note 2</i>) The building was completed in 1983.</p> <p>The property is held under the land use rights for a term up to 17 August 2061.</p>	The property is currently vacant.	360,000

Notes:

- Pursuant to a State-owned Land Use Rights Certificate — Kai Fu Guo Yong (2011) No. 04355 (國有土地使用權證 — 開府國用(2011)第04355號) dated 9th September 2011 issued by the State Land and Resources Bureau of Kaiping City (開平市國土資源局), Guangdong Kangli Food Company Limited (廣東康力食品有限公司) was granted a land use rights of a parcel of land having a site area of 126.64 sq.m. for a term up to 17 August 2061 for industrial use;
- As advised by the Company, Guangdong Kangli Food Company Limited (廣東康力食品有限公司) could not retrieve the gross floor area of the building from the government record. According to a liquidation appraisal report dated 15 September 2009 prepared by Jiangmen Zhongkun Asset Appraisal and Real Estate Valuation Company Limited (江門市中坤資產評估土地房地產估價有限公司), the building had a gross floor area of 222.5 sq.m. upon liquidation. We are unable to confirm whether there were any additions, alternation or demolition or not after the liquidation. The said appraisal report was engaged by the liquidation team of Jiashili Noodle Factory of Kaiping City (開平市嘉士利麵製品廠清算組) subject to a Notice — (2008) Kai Fa Po Zi No. 1-11 (通知書 — (2008)開法破字第1-11號) issued by the People's Court of Kaiping Municipality, Guangdong Province (廣東省開平市人民法院) and a Letter of Entrustment — (2008) Jiang Zhong Fa Si Wei Po Zi No. 1-2 (委託函 — (2008) 江中法司委破字第1-2號) issued by the Intermediate People's Court of Jiangmen Municipality, Guangdong Province (廣東省江門市中級人民法院);
- In valuing the building of the property, we have not ascribed any commercial value since neither Building Ownership Certificate (房屋所有權證) nor Immovable Property Certificate (不動產權證) for the building was available as at the valuation date. We could not assess the market value of the buildings as the official figures of gross floor area are not available. As advised by the Company, there are difficulties in obtaining an Immovable Property Certificate (不動產權證) as the building falls into disrepair; and

4. It is stated in the legal opinion given by the Company's PRC legal advisers — Guangdong Weisheng Law Firm (廣東維盛律師事務所), *inter alia*, that:
- (a) Pursuant to A Judgement Execution Document of the People's Court of Kaiping City, Guangdong Province — 2008 Kai Fa Po Zi No. 1-12 (廣東省開平市人民法院執行裁定書 — 2008開法破字第1-12號), Guangdong Kangli Food Company Limited (廣東康力食品有限公司) lawfully and effectually obtained the land use rights and building ownership of the property via court's judgement and entirely made the payment;
 - (b) Guangdong Kangli Food Company Limited (廣東康力食品有限公司) is entitled to possess, use, lease, convey and mortgage the land use rights of the property within the land use term;
 - (c) The land use rights and building ownership of the property are not subject to any security, mortgage, sequestration or other forms of miscellaneous rights establishment or restriction;
 - (d) Guangdong Kangli Food Company Limited (廣東康力食品有限公司) could convey and mortgage the building ownership of the property after obtaining the Immovable Property Certificate (不動產權證). During the land use term, Guangdong Kangli Food Company Limited (廣東康力食品有限公司) is entitled to possess, use and lease or lawfully dispose the building ownership;
 - (e) Apart from obtaining the land use rights and/or building ownership via public auctions held by the People's Government or civic conveyance in the PRC, the buyers could acquire the same via liquidation auction under the court's order. Generally speaking, a liquidation auction is ordered by the People's Court when a debtor is unable to settle the loan payment on or before date due. The assets of the debtor would be sold to pay the debt by means of liquidation auction. In order to assess the market value of the liquidated assets, the People's Court would appoint an independent qualified appraiser to prepare a liquidation appraisal report. The People's Court would base on the appraisal result to decide the reserve price of the liquidation auction. The land use rights and the building ownership would finally go to a bidder giving the highest bid in the auction, which is deemed as an effectual and lawful conveyance of property title; and
 - (f) Obtaining the land use rights and/or building ownership via liquidation auction under the court's order is in compliance with the laws and regulations of the PRC.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2021 (RMB)
4. Unit No. 104 on Level 1, No. 49-1 Wuxi Road West, Sanbu District, Kaiping City, Guangdong Province, The PRC.	<p>The property comprises an industrial unit on Level 1 of a 6-storey workshop building.</p> <p>The gross floor area of the property is 306.2 sq.m. The building was completed in 1988.</p> <p>The property is held under the land use rights for a term commencing from 27 January 2011 to 26 January 2061.</p>	The property is currently vacant.	1,595,000

Notes:

1. Pursuant to an Immovable Property Certificate — Yue (2021) Kai Ping Shi Immovable Property Rights No. 0016081 (不動產權證 — 粵(2021)開平市不動產權第0016081號) dated 23 April 2021 issued by the Bureau of Land and Resources of Kaiping (開平市自然資源局), Guangdong Kangli Food Company Limited (廣東康力食品有限公司) was granted a building ownership having a gross floor area of 306.2 sq.m. under a land use term commencing from 27 January 2011 to 26 January 2061 for industrial use;
2. It is stated in the legal opinion given by the Company's PRC legal adviser — Guangdong Weisheng Law Firm (廣東維盛律師事務所), *inter alia*, that:
 - (a) Pursuant to A Judgement Execution Document of the People's Court of Kaiping City, Guangdong Province — 2008 Kai Fa Po Zi No. 1-12 (廣東省開平市人民法院執行裁定書 — 2008開法破字第1-12號), Guangdong Kangli Food Company Limited (廣東康力食品有限公司) lawfully and effectually obtained the building ownership of the property via court's judgement and entirely made the payment;
 - (b) Guangdong Kangli Food Company Limited (廣東康力食品有限公司) is entitled to possess, use, lease, convey and mortgage the building ownership of the property within the land use term; and
 - (c) On 14 May 2021, Guangdong Kangli Food Company Limited (廣東康力食品有限公司) mortgaged the land use rights and the building ownership of the property and Property 5 to Agricultural Bank of China Limited, Kaiping Branch (中國農業銀行股份有限公司開平市支行) for a loan in the amount of RMB10,896,308 for a term commencing from 14 May 2021 to 13 May 2031. Apart from this mortgage, the land use rights and building ownership of the property are not subject to any security, mortgage, sequestration or other forms of miscellaneous rights establishment or restriction;

- (d) Apart from obtaining the land use rights and/or building ownership via public auctions held by the People's Government or civic conveyance in the PRC, the buyers could acquire the same via liquidation auction under the court's order. Generally speaking, a liquidation auction is ordered by the People's Court when a debtor is unable to settle the loan payment on or before date due. The assets of the debtor would be sold to pay the debt by means of liquidation auction. In order to assess the market value of the liquidated assets, the People's Court would appoint an independent qualified appraiser to prepare a liquidation appraisal report. The People's Court would base on the appraisal result to decide the reserve price of the liquidation auction. The land use rights and the building ownership would finally go to a bidder giving the highest bid in the auction, which is deemed as an effectual and lawful conveyance of property title; and
- (e) Obtaining the land use rights and/or building ownership via liquidation auction under the court's order is in compliance with the laws and regulations of the PRC.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2021 (RMB)
5. A parcel of land and a building erected thereon, No. 53 Wuxi Road West, Sanbu District, Kaiping City, Guangdong Province, The PRC.	<p>The property comprises a building erected on a parcel of land having a site area of approximately 1,195.02 sq.m.</p> <p>The building is 7 storeys in height. The gross floor area of the building is 6,036.86 sq.m. The building was completed in 1989.</p> <p>The property is held under the land use rights for a term up to 17 August 2061.</p>	The property is currently occupied by the owner for storage and office purposes.	8,575,000

Notes:

1. Pursuant to an Immovable Property Certificate — Yue (2018) Kai Ping Shi Immovable Property Rights No. 0025583 (不動產權證 — 粵(2018)開平市不動產權第0025583號) dated 13 July 2018 issued by the Bureau of Land and Resources of Kaiping (開平市自然資源局), Guangdong Kangli Food Company Limited (廣東康力食品有限公司) was granted a land use rights having a site area of 1,195.02 sq.m. and a building ownership having a gross floor area of 6,036.86 sq.m. under a land use term commencing from 18 August 2011 to 17 August 2061 for industrial use;
2. It is stated in the legal opinion given by the Company's PRC legal advisers — Guangdong Weisheng Law Firm (廣東維盛律師事務所), *inter alia*, that:
 - (a) Pursuant to A Judgement Execution Document of the People's Court of Kaiping City, Guangdong Province — 2008 Kai Fa Po Zi No. 1-12 (廣東省開平市人民法院執行裁定書 — 2008開法破字第1-12號), Guangdong Kangli Food Company Limited (廣東康力食品有限公司) lawfully and effectually obtained the land use rights and building ownership of the property via court's judgement and entirely made the payment;
 - (b) Guangdong Kangli Food Company Limited (廣東康力食品有限公司) is entitled to possess, use, lease, convey and mortgage the land use right and building ownership of the property within the land use term;
 - (c) On 14 May 2021, Guangdong Kangli Food Company Limited (廣東康力食品有限公司) mortgaged the land use rights and the building ownership of the property and Property 4 to Agricultural Bank of China Limited, Kaiping Branch (中國農業銀行股份有限公司開平市支行) for a loan in the amount of RMB10,896,308 for a term commencing from 14 May 2021 to 13 May 2031. Apart from this mortgage, the land use rights and building ownership of the property are not subject to any security, mortgage, sequestration or other forms of miscellaneous rights establishment or restriction;
 - (d) Apart from obtaining the land use rights and/or building ownership via public auctions held by the People's Government or civic conveyance in the PRC, the buyers could acquire the same via liquidation auction under the court's order. Generally speaking, a liquidation auction is ordered by the People's Court when a debtor is unable to settle the loan payment on or before date due. The assets of the debtor would be sold to pay the debt by means of liquidation auction. In order to assess the market value of the liquidated assets, the

People's Court would appoint an independent qualified appraiser to prepare a liquidation appraisal report. The People's Court would base on the appraisal result to decide the reserve price of the liquidation auction. The land use rights and the building ownership would finally go to a bidder giving the highest bid in the auction, which is deemed as an effectual and lawful conveyance of property title; and

- (e) Obtaining the land use rights and/or building ownership via liquidation auction under the court's order is in compliance with the laws and regulations of the PRC.

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

2. DISCLOSURE OF INTERESTS

(a) Directors and chief executive

As at the Latest Practicable Date, the interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executive of the Company which were required to be 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 were deemed or taken to have under provisions of the SFO), or have been entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company (the “**Model Code**”) were as follows:

Directors’ interests or short positions in the Shares underlying shares and debentures of the Company or the associated corporation

Name of Director	Company/name of associated corporation	Capacity	Number of shares	Approximate percentage of Issued share capital
Mr. Huang	The Company	Interests of controlled corporation ⁽²⁾	310,472,000 (L) ⁽¹⁾	74.81%
Mr. Huang	Kaiyuan	Interests of controlled corporation ⁽³⁾	100 (L) ⁽¹⁾	100%

Name of Director	Company/name of associated corporation	Capacity	Number of shares	Approximate percentage of Issued share capital
Mr. Huang	Great Logistics Global Limited (“ Great Logistics ”)	Beneficial owner	1 (L) ⁽¹⁾	100%

Notes:

- (1) The Letter “L” denotes the Directors’ long position in the Shares or the relevant associated corporation.
- (2) The relevant shares are held by Kaiyuan, which is in turn held as to 80% by Great Logistics, a company wholly-owned by Mr. Huang, and the remaining 20% of Kaiyuan are held by four entities wholly-owned by Mr. Huang’s family comprising, Ms. Huang Cuihong, Ms. Huang Rujun, Ms. Huang Rujiao and Ms. Huang Xianxian.
- (3) Kaiyuan is held as to 80% by Great Logistics and 20% by four entities, which are all wholly-owned by Mr. Huang’s family comprising, Ms. Huang Cuihong, Ms. Huang Rujun, Ms. Huang Rujiao and Ms. Huang Xianxian.

Save as disclosed above, none of the Directors or chief executive of the Company and/or any of their respective close associates had registered any interests or short positions in any Shares, underlying Shares in, and debentures of, the Company or any associated corporations as at the Latest Practicable Date, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

(b) Substantial Shareholder

As at the Latest Practicable Date, the following person (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Interests and short positions of the substantial shareholders in Shares and underlying shares of the Company

Name of shareholder	Nature of interest	Number of Shares held	Approximate percentage of issued share capital
Ms. Huang Cuihong	Interest in controlled corporation ⁽¹⁾⁽⁵⁾ ; interest in family member ⁽²⁾	310,472,000	74.81%
Ms. Huang Xianxian	Interest in controlled corporation ⁽¹⁾⁽⁵⁾ ; interest in family member ⁽²⁾	310,472,000	74.81%
Ms. Huang Rujiao	Interest in controlled corporation ⁽¹⁾⁽⁵⁾ ; interest in family member ⁽²⁾	310,472,000	74.81%
Ms. Huang Rujun	Interest in controlled corporation ⁽¹⁾⁽⁵⁾ ; interest in family member ⁽²⁾	310,472,000	74.81%
Great Logistics	Interest in controlled corporation ⁽¹⁾⁽⁵⁾ ; interest in family member ⁽²⁾ ; beneficial interest ⁽³⁾	310,472,000	74.81%
Grand Wing Investments Limited (“ Grand Wing ”)	Interest in controlled corporation ⁽¹⁾⁽⁵⁾ ; interest in family member ⁽²⁾	276,168,000	66.55%

APPENDIX II

GENERAL INFORMATION

Name of shareholder	Nature of interest	Number of Shares held	Approximate percentage of issued share capital
Intelligent Pro Investments Limited (“ Intelligent Pro ”)	Interest in controlled corporation ⁽¹⁾⁽⁵⁾ ; interest in family member ⁽²⁾	276,168,000	66.55%
Jade Isle Global Limited (“ Jade Isle ”)	Interest in controlled corporation ⁽¹⁾⁽⁵⁾ ; interest in family member ⁽²⁾	276,168,000	66.55%
Kaiyuan	Beneficial interest ⁽⁵⁾	276,168,000	66.55%
Prestige Choice (Overseas) Investments Limited (“ Prestige Choice Overseas ”)	Interest in controlled corporation ⁽¹⁾⁽⁵⁾ ; interest in family member ⁽²⁾	276,168,000	66.55%
Actis 4 PCC	Interest in controlled corporation ⁽⁴⁾⁽⁶⁾	60,000,000	14.46%
Actis Global 4 LP	Interest in controlled corporation ⁽⁴⁾⁽⁶⁾	60,000,000	14.46%
Actis GP LLP	Interest in controlled corporation ⁽⁴⁾⁽⁶⁾	60,000,000	14.46%
Actis Investment Holdings Ship Limited (“ Actis Ship ”)	Beneficial interest ⁽⁴⁾⁽⁶⁾	60,000,000	14.46%
Rich Tea Investment Limited (“ Rich Tea ”)	Interest in controlled corporation ⁽⁴⁾⁽⁶⁾	60,000,000	14.46%

Notes:

- (1) Kaiyuan was held as to 80% by Mr. Huang (through his investment holding company Great Logistics) and as to 5% by each of Ms. Huang Cuihong, Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun, through their investment holding companies, namely Jade Isle, Prestige Choice Overseas, Grand Wing and Intelligent Pro respectively.
- (2) In addition to Mr. Huang, Huang's Family consist of Ms. Huang Cuihong, Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun. Ms. Huang Cuihong is the spouse of Mr. Huang, while Ms. Huang Xianxian, Ms. Huang Rujiao and Ms. Huang Rujun are the sisters of Mr. Huang, and therefore they are deemed to be parties acting in concert with Mr. Huang and are deemed to be interested in the shares in our Company in which Mr. Huang is interested, and Mr. Huang is deemed to be interested in the shares in which Huang's Family is interested, and vice versa.
- (3) Great Logistics is interested in 310,472,000 Shares, of which 34,304,000 Shares (representing approximately 8.26% of the issued share capital of the Company) are directly held by Great Logistics and 276,168,000 Shares (representing approximately 66.55% of the issued share capital of the Company) are held by Kaiyuan.
- (4) Actis Ship and Rich Tea are controlled by a group of limited partnerships and protected cell companies, and are parties acting in concert with each other. Therefore, Rich Tea and such group of limited partnerships and protected cell companies are deemed to be interested in the shares held by Actis Ship.
- (5) On 25 January 2021, Actis Ship and Kaiyuan entered into a sale and purchase agreement, pursuant to which Actis Ship has conditionally agreed to sell and Kaiyuan has conditionally agreed to purchase 60,000,000 Shares, representing approximately 14.46% of the issued share capital of the Company, at the consideration of HK\$1.95 per Share. As at the Latest Practicable Date, the aforesaid transaction has not completed. Based on the disclosure of interests notices filed with the Stock Exchange in relation to the respective entities and individuals, the number of Shares held by the respective entities and individuals set out herein have taken into account the aforesaid 60,000,000 Shares.
- (6) As disclosed in note (5) above, the aforesaid transaction has not completed as at the Latest Practicable Date. For the purpose of illustration only, the number of Shares held by the respective entities set out herein remain as 60,000,000 Shares.

Save as disclosed above, as at the Latest Practicable Date, no person, other than the Directors or chief executive of the Company had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

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

4. COMPETING INTEREST OF DIRECTORS

As at the Latest Practicable Date, none of the Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group as required to be disclosed pursuant to the Listing Rules.

5. INTEREST OF DIRECTORS IN ASSETS ACQUIRED OR DISPOSED OF BY OR LEASED TO ANY MEMBER OF THE ENLARGED GROUP

Since 31 December 2020, being the date to which the latest published audited accounts of the Company were made up, until the Latest Practicable Date, save as the fact that Mr. Huang is interested in the transfer of the Lands from Zhongchen to the Target Company (which is disclosed in the paragraph headed “Information on the Target Company — Corporate information” in the section headed “Letter from the Board” of this circular), none of the Directors has any interest, direct or indirect, in any assets which were, or were proposed to be, acquired or disposed of by or leased to any member of the Enlarged Group.

6. CONTRACTS OR ARRANGEMENTS WHICH DIRECTORS ARE MATERIALLY INTERESTED AND ARE SIGNIFICANT IN RELATION TO THE BUSINESS OF THE ENLARGED GROUP

As at the Latest Practicable Date, Mr. Huang, an executive Director, the chairman and a controlling shareholder of the Company, had a material interest in the master purchase agreement dated 17 October 2019 (the “**Master Purchase Agreement**”) entered into between Guangdong Jiashili (for itself and on behalf of its subsidiaries) and Guangdong Kangli Food Company Limited* (廣東康力食品有限公司) (“**Guangdong Kangli**”), the ultimate controlling shareholder of which is Mr. Huang. Pursuant to the Master Purchase Agreement, the Group agreed to purchase pasta products from Guangdong Kangli until 31 December 2021. For details, please refer to the announcement of the Company dated 17 October 2019 and the circular of the Company dated 12 November 2019.

Save as disclosed above, as at the Latest Practicable Date, there were no contract or arrangement subsisting in which a Director was materially interested and which was significant in relation to the business of the Enlarged Group.

7. LITIGATION

As at the Latest Practicable Date, none of the members of the Enlarged Group was engaged in any litigation or arbitration of material importance and there was no litigation or arbitration of material importance known to the Directors to be pending or threatened by or against any members of the Enlarged Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Enlarged Group since 31 December 2020, being the date to which the latest published audited accounts of the Company were made up.

9. EXPERTS AND CONSENTS

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

Name	Qualification
Lego Corporate Finance Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Castores Magi (Hong Kong) Limited	Independent property valuer
Guangdong Weisheng Law Firm* (廣東維盛律師事務所)	PRC legal advisers
Kaiping Tengda Architecture Design Co., Ltd.* (開平市騰達建築設計有限公司)	Independent cost engineering institution

As at the Latest Practicable Date, each of the above experts:

- (a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, in the form and context in which it appears;

- (b) did not have any shareholding in any member of the Enlarged 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 Enlarged Group; and
- (c) did not have any direct or indirect interest in any assets which had been since 31 December 2020 (the date to which the latest published audited consolidated financial statements of the Company were made up), acquired, disposed of by, or leased to any member of the Enlarged Group or were proposed to be acquired or disposed of by, or leased to any member of the Enlarged Group.

10. GENERAL

- (a) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (b) The headquarters of the Company in the PRC is No. 18 Gangkou Road, Changsha, Kaiping, Guangdong, PRC.
- (c) The principal place of business of the Company in Hong Kong is Flat 10A, 14/F, Splendid Centre, 100 Larch Street, Kowloon, Hong Kong.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) The principal share registrar and transfer office of the Company is Codan Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY-1111, Cayman Islands.
- (f) The company secretary of the Company is Mr. Shoom Chin Wan, who is a member of each of the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Chartered Secretaries.
- (g) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Flat 10A, 14/F, Splendid Centre, 100 Larch Street, Kowloon, Hong Kong during 9:00 a.m. to 5:30 p.m. on any business day in Hong Kong, from the date of this circular for a period of 14 days:

- (a) the Equity Transfer Agreement;
- (b) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 19 of this circular;
- (c) the letter issued by the Independent Financial Adviser, the text of which is set out on pages 21 to 41 of this circular;
- (d) the valuation report on the Lands and other property interests of the Target Company issued by Castores Magi (Hong Kong) Limited, the text of which is set out in Appendix I to this circular;
- (e) the legal opinion issued by Guangdong Weisheng Law Firm* (廣東維盛律師事務所) as mentioned in the valuation report on the Lands and other property interests of the Target Company;
- (f) the report on the estimated unit rates of different blocks of the buildings of the Lands and other property interest of the Target Company, prepared by Kaiping Tengda Architecture Design Co., Ltd.* (開平市騰達建築設計有限公司);
- (g) the written consents referred to in the section headed "Experts and consents" in this appendix; and
- (h) this circular.

NOTICE OF EGM

嘉士利集團有限公司
Jiashili Group Limited



(incorporated in the Cayman Islands with limited liability)

(Stock code: 1285)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Jiashili Group Limited (the “**Company**”) will be held at 11:00 a.m. on Tuesday, 29 June 2021 at Unit 1603–1604, 16/F, Causeway Bay Plaza I, 489 Hennessy Road, Causeway Bay, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the Equity Transfer Agreement (as defined and described in the circular to the shareholders of the Company dated 11 June 2021 (the “**Circular**”), a copy of which has been produced to the meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification) and the execution thereof and implementation of all transactions thereunder be and are hereby approved, ratified and confirmed; and
- (b) any Director(s) be and are hereby authorised for and on behalf of the Company to, amongst others, sign, execute and deliver or to authorise the signing, execution and delivery of all such documents and deeds, to do or authorise doing all such acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement the Equity Transfer Agreement and any ancillary documentation and transactions thereof.”

Yours faithfully,
By Order of the Board
Jiashili Group Limited
嘉士利集團有限公司
Huang Xianming
Chairman and Executive Director

Hong Kong, 11 June 2021

NOTICE OF EGM

Notes:

1. A member of the Company entitled to attend and vote at the EGM is entitled to appoint another person at his/her/its proxy to attend and vote in his/her/its stead in accordance with the articles of association of the Company. A proxy needs not be a member of the Company.
2. Whether or not you intend to attend the EGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.
3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
4. In the case of joint holders of shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
5. In the interest of all stakeholders' health and safety and consistent with the guidelines for the prevention and control of COVID-19, the Company encourages Shareholders, particularly those who are subject to quarantine in relation to COVID-19, to appoint the Chairman of the EGM as their proxy to vote according to their indicated voting instructions at the above meeting as an alternative to attending in person.

As at the date of this notice, the board of directors of the Company comprises Mr. Huang Xianming, Mr. Tan Chaojun and Mr. Chen Songhuan as executive directors; Mr. Lin Xiao as non-executive director; Mr. Kam Robert, Ms. Ho Man Kay and Mr. Ma Xiaoqiang as independent non-executive directors.