
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your Shares in 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)

**MAJOR TRANSACTION
ACQUISITION OF PROPERTY**

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 4 to 14 of this circular.

25 March 2023

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DEFINITIONS

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

“Acquisition”	the acquisition of the Property by the Purchaser from the Vendor pursuant to the terms of the Agreement
“Agreement”	the sale and purchase agreement dated 18 January 2023 and entered into between the Purchaser and the Vendor in relation to the Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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 sale and purchase of the Property in accordance with the terms of the Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration in the sum of RMB100,000,000 (equivalent to approximately HK\$115,700,000) payable by the Purchaser to the Vendor for the Acquisition under the Agreement
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Country Garden Holdings”	Country Garden Holdings Company Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2007)
“Director(s)”	the director(s) of the Company
“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

DEFINITIONS

“Kaiyuan”	Kaiyuan Investments Limited (開元投資有限公司), a company incorporated under the laws of the BVI with limited liability and a controlling shareholder of the Company, and the ultimate controlling shareholder of which is Mr. Huang
“Latest Practicable Date”	21 March 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“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
“PRC”	the People’s Republic of China which, for the purpose of this circular, exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Property”	the property situated at Block 1, Country Garden Feicuiwan First Street, No.268 Kaiping Avenue, Changsha Subdistrict, Kaiping, Guangdong Province, the PRC (中國廣東省開平市長沙街道開平大道268號碧桂園•翡翠灣一街1幢), being the subject matter of the Acquisition
“Purchaser”	Guangdong Kanglan Food Co., Limited* (廣東康蘭食品有限公司), being a limited liability company established in the PRC, an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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

DEFINITIONS

“Vendor”	Kaiping Country Garden Real Estate Development Co., Ltd.* (開平市碧桂園房地產開發有限公司, being a limited liability company established under the laws of the PRC, a subsidiary of Country Garden Holdings Company Limited (stock code: 2007))
“%”	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\$1.157.

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

Registered office:

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

Independent non-executive Directors:

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

Headquarters in the PRC:

No. 18 Gangkou Road, Changsha
Kaiping
Guangdong PRC

Principal place of business in Hong Kong:

Flat A7, 5/F
Ngai Sheung Factory Building
13 Elm Street
Kowloon

25 March 2023

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION ACQUISITION OF PROPERTY

INTRODUCTION

Reference is made to the announcements of the Company respectively dated 18 January 2023, 20 February 2023 and 23 February 2023 in relation to the Acquisition. On 18 January 2023 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the Agreement, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to acquire, the Property at the consideration of RMB100,000,000 (equivalent to approximately HK\$115,700,000) in cash.

LETTER FROM THE BOARD

The purpose of this circular is to give you further details of the Agreement, the financial information of the Group, the property valuation report in respect of the Property and such other information as required by the Listing Rules.

THE AGREEMENT

The principal terms of the Agreement are set out below:

- Date: 18 January 2023
- Vendor: Kaiping Country Garden Real Estate Development Co., Ltd.* (開平市碧桂園房地產開發有限公司)
- Based on the information provided by the Vendor and to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor and its ultimate beneficial owner(s) are independent third parties of the Company and its connected persons.
- Purchaser: Guangdong Kanglan Food Co., Limited* (廣東康蘭食品有限公司), an indirect wholly-owned subsidiary of the Company
- Property: Block 1, Country Garden Feicuiwan First Street, No. 268 Kaiping Avenue, Changsha Subdistrict, Kaiping, Guangdong Province, the PRC (中國廣東省開平市長沙街道開平大道268號碧桂園•翡翠灣一街1幢).
- Consideration: RMB100,000,000 (equivalent to approximately HK\$115,700,000) in cash
- Payment terms:
- (i) an amount of RMB2,000,000 as deposit has been paid as at the date of the Agreement;
 - (ii) a further amount of RMB78,000,000 shall be paid by the Purchaser to the Vendor within one (1) business day after the date of the Agreement;
 - (iii) a further amount of RMB10,000,000 shall be paid by the Purchaser to the Vendor within one (1) business day from 30 April 2023, being the date of completion of registration of transfer of ownership of the Property and obtaining the relevant Immovable Property Certificate (the “**Ownership Transfer Registration**”); and

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- (iv) the remaining balance of RMB10,000,000 shall be paid by the Purchaser to the Vendor within one (1) business day from 30 May 2023, being the date of Completion.

Completion:

Completion is not subject to any condition precedent. Completion shall take place before 30 May 2023. The Vendor shall deliver and transfer the Property to the Purchaser and complete all the handover work in relation to the Property.

Vendor's undertakings:

The Vendor shall discharge the mortgage in respect of the Property before 30 April 2023.

Defaults:

If the Purchaser fails to pay the Consideration in accordance with the payment terms in the Agreement and such payment is overdue for more than 90 days:

- (i) the Vendor has the right to terminate the Agreement and demand the Purchaser to pay an amount equivalent to 20% of the Consideration as liquidated damages; or
- (ii) if the Vendor decides not to terminate the Agreement, the Agreement shall continue to be effective and the Vendor has the right to demand the Purchaser to pay an amount equivalent to 0.03% of the amount overdue per day as liquidated damages until the amount overdue has been settled, provided that the maximum amount of such liquidated damages shall not exceed 20% of the Consideration.

If the Vendor fails to deliver the Property to the Purchaser according to the terms and conditions of the Agreement and such failure persists over 90 days:

- (i) the Purchaser has the right to terminate the Agreement and demand the Vendor to return all the amount already paid by the Purchaser for the Consideration (the "**Paid Amount**") and pay an amount equivalent to 20% of the Consideration as liquidated damages; or

LETTER FROM THE BOARD

- (ii) if the Purchaser decides not to terminate the Agreement, the Purchaser has the right to demand the Vendor to pay an amount equivalent to 0.03% of the Paid Amount per day as liquidated damages until the Property has been delivered to the Purchaser, provided that the maximum amount of such liquidated damages shall not exceed 20% of the Consideration.

Each of Heshan Gonghe Country Garden Real Estate Development Co., Ltd.* (鶴山市共和碧桂園房地產開發有限公司) (a subsidiary of Country Garden Holdings) and Mr. Yang Zhicheng (楊志成) (a former executive director of Country Garden Holdings based on publicly available information), both are independent third parties of the Company and its connected persons, as guarantor, has provided an undertaking in favour of the Purchaser to guarantee the performance of the obligations of the Vendor under the Agreement.

The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser on normal commercial terms with reference to the valuation of the Property undertaken by an independent professional valuer. The market value of the Property as at 31 December 2022 as appraised by the independent professional valuer was RMB286,865,000 (equivalent to approximately HK\$331,902,805). The Consideration represents a discount of approximately 65.1% to the appraised market value of the Property and such magnitude of discount was merely a commercial decision between a willing seller and a willing buyer having considered the prevailing condition in the PRC property market and the willingness of the Vendor to realise the Property within a short period of time.

The Acquisition will be funded by the Group's internal resources.

As at the Latest Practicable Date, Completion had not taken place.

INFORMATION ON THE PROPERTY

The Property is a ten-storey building (inclusive of a basement) situated at Block 1, Country Garden Feicuiwan First Street, No.268 Kaiping Avenue, Changsha Subdistrict, Kaiping, Guangdong Province, the PRC (中國廣東省開平市長沙街道開平大道268號碧桂園•翡翠灣一街1幢). Based on the Immovable Property Certificate of the Property, the plot area of the land on which the Property is situated is approximately 36,391 sq. m. and the gross floor area of the Property is approximately 47,623 sq. m. The Property is being occupied by the Vendor as a hotel with 284 guest rooms. Pursuant to the Agreement, the Property is to be sold subject to certain tenancies.

LETTER FROM THE BOARD

Set out below is the unaudited financial information on the Property based on the information provided by the Vendor:

	For the year ended 31 December 2022 RMB approximately	For the year ended 31 December 2021 RMB approximately	For the year ended 31 December 2020 RMB approximately
Revenue attributable to the Property (Note)	33,685,000	27,831,000	23,812,000
Profits attributable to the Property (before and after tax)	10,515,000	6,727,000	6,034,000

Note:

The revenue attributable to the Property comprises rental income from the tenancy agreements as disclosed below and the income from operation of the hotel business during the respective period.

As at the Latest Practicable Date, the Property was subject to certain tenancies. Set out below is a summary of the tenancy agreements (the “**Tenancy Agreements**”) in relation to the Property for the three years ended 31 December 2022 and up to the Latest Practicable Date:

Tenant (Note 1)	Location	Term of tenancy	Leased area (sq.m.)	Usage	Annual rent for the year ended 31 December (Note 2)		
					2020	2021	2022
Tenant A	Shop 3-101	From 1 January 2020 to 31 December 2028	4,139	Chinese restaurant	RMB1,764,000 (monthly rent: RMB147,000)	RMB1,852,200 (monthly rent: RMB154,350)	RMB1,944,816 (monthly rent: RMB162,068)
Tenant B	Shop 2-201	From 1 July 2020 to 30 June 2023	108	Handicraft shop	RMB30,000 (monthly rent: RMB5,000)	RMB61,500 (monthly rent: RMB5,000 and RMB5,250 for each half year)	RMB64,578 (monthly rent: RMB5,250 and RMB5,513 for each half year)
Tenant C	A portion of the roof of the 9th Floor	From 1 January 2021 to 31 December 2022	10	Telecommunications tower infrastructure	—	RMB13,200 (monthly rent: RMB1,100)	RMB13,200 (monthly rent: RMB1,100)
Tenant D	Roof of zone 3 and duct well on each floor	From 1 January 2021 to 31 December 2022	N/A	Telecommunications tower infrastructure	—	RMB13,200 (monthly rent: RMB1,100)	RMB13,200 (monthly rent: RMB1,100)
Tenant E	7 carparking spaces	From 20 August 2021 to 20 August 2029	100	Electric vehicle charging station	—	RMB12,280 (monthly rent: RMB2,800)	RMB33,600 (monthly rent: RMB2,800)

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Tenant (Note 1)	Location	Term of tenancy	Leased area (sq.m.)	Usage	Annual rent for the year ended 31 December (Note 2)		
					2020	2021	2022
Tenant F	Shop 1-101	From 1 March 2022 to 28 February 2032	1,090	Supermarket	—	—	RMB190,750 (monthly rent: RMB19,075)
Tenant G	Shop 1-201	From 15 June 2022 to 14 June 2032	1,166	Child care centre	—	—	RMB138,950 (monthly rent: RMB21,377)
Tenant H	Shop 2-101	From 1 May 2022 to 30 April 2025	3,360	Swimming pool, sports training and sale of sports products	—	—	RMB28,000 (monthly rent: RMB3,500)

Notes:

- To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, all the tenants are independent third parties of the Company and its connected persons.
- The annual rent disclosed is exclusive of management fees.

Save as the tenancy agreements entered into with Tenants C and D which had already expired as at the Latest Practicable Date and the tenancy agreement entered into with Tenant B which is approaching expiration, it is expected that the Group will enter into new tenancy agreements with Tenants A, E, F, G and H for an initial term not exceeding the expiration of the Transitional Period (as defined below) after Completion. Assuming that the new tenancy agreements will be concluded with the same rent as the relevant Tenancy Agreements, and Completion will take place on or before 30 May 2023, the gross income of the Property, comprising the rental income from the subsisting Tenancy Agreements and the income from operation of the hotel business, for the period from 31 May 2023 to 31 December 2023 shall be approximately RMB16,923,000.

It is expected that the estimated monthly expenses for the Property payable by the landlord after Completion shall be as follows:

	Estimated monthly recurring expenses RMB('000)
Value added tax ⁽¹⁾	152
Property tax and land use tax ⁽²⁾	917
Insurance ⁽³⁾	4
Total	1,073

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Notes:

- (1) The estimated value added tax is calculated according to the provisions under the Regulations of the State Administration of Taxation, General of the People's Republic of China on Relevant Policies for Deepening Value Added Tax Reform No. 39 [2019] of the Ministry of Finance.
- (2) The estimated property tax is calculated according to the provisions under the Provisional Regulations of the People's Republic of China on Real Estate Tax and other applicable PRC tax laws with reference to the intended use status and the tax basis of the Property after the Acquisition; and the estimated land use tax is calculated according to the Interim Regulations of the People's Republic of China on Urban and Town Land Use Tax with reference to the land area occupied by the Property and the applicable local land use tax rate.
- (3) Calculated based on the premium calculation and the Property currently held by the Purchaser.

For details of the valuation of the Property, please refer to the property valuation report as set out in Appendix III to this circular.

INFORMATION ON THE PURCHASER AND THE GROUP

The Purchaser is a limited liability company established under the laws of the PRC on 15 April 2022. It was a wholly-owned subsidiary of Guangdong Fengjia Food Co., Limited* (廣東豐嘉食品有限公司) (“**Fengjia**”), a joint venture of the Group. On 17 January 2023, Guangdong Jiashili Food Group Co., Limited* (廣東嘉士利食品集團有限公司), an indirect wholly-owned subsidiary of the Company, acquired the entire equity interest in the Purchaser from Fengjia, and since then, the Purchaser has become an indirect wholly-owned subsidiary of the Company. The Purchaser has not commenced business prior to the Acquisition.

The Company is incorporated in the Cayman Islands with limited liability, which is engaged in investment holding. The principal activities of the Group are manufacturing and sales of biscuits in the PRC and overseas.

INFORMATION ON THE VENDOR

The Vendor is a limited liability company established under the laws of the PRC. Based on the information provided by the Vendor, the Vendor is engaged in property development and a subsidiary of Country Garden Holdings. Country Garden Holdings is one of the PRC's largest residential property developers, the shares of which are listed on the Stock Exchange (stock code: 2007).

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group's business strategy is to diversify its product category aiming at providing different food and snack categories with different portfolios to customers in the PRC market. The Group has been strategically expanding its business into the health and wellness industry. In the second quarter of 2022, the Group has established a non-wholly owned subsidiary which engages in the manufacturing and sale of low/stable sugar rice or low glycemic index (low-GI) rice (“wentang mi, 穩糖米”). The low-GI rice, as a kind of low-GI food, is principally designed to serve the dietic needs of the consumers who require tighter control over their blood sugar or body weight. It is therefore suitable for the diabetics. In order to expand its business in the health and

LETTER FROM THE BOARD

wellness industry, the Group plans to establish an integrated healthcare, macrobiotics, agronomy, research, leisure and tourism-oriented centre (the “**Integrated Centre**”) in Kaiping, primarily serving the diabetics with suitable and nutritious meals and low-GI rice.

To establish the Integrated Centre, the Group has considered the options of (i) constructing new properties and (ii) acquiring existing properties in the market, followed by conducting necessary alteration works. As compared to the former option, the latter option is more cost and time-effective. Prior to entering into the Agreement, the Group has considered and assessed the following factors: (a) the Property is situated at Kaiping, which is an ideal location which the Group intends to establish the Integrated Centre; (b) the Property is offered for sale at an attractive price, representing a discount of approximately 65.1% to the appraised market value of the Property, which is favourable to the Group as the Property has higher potential for appreciation in the future; and (c) the area and infrastructure of the Property can meet the needs of the Group’s strategic development plan regarding the Integrated Centre in the next several years. After Completion, the Group will gradually and orderly transform the Property into an Integrated Centre with its resources (the “**Project**”). As at the Latest Practicable Date, the Company had no plan to carry out a complete overhaul or demolition of the existing Property for re-construction after Completion. The Company intends to keep the existing structure of the Property and carry out refurbishment and renovation work on certain floors and areas of the Property. The expected total costs of the Project is approximately RMB35,000,000, of which (i) approximately RMB10,000,000 will be used to refurbish, customise and upgrade the amenities and/or facilities of the Property to meet the needs of the Integrated Centre; (ii) approximately RMB10,000,000 will be used to repair the floor and replace the carpets of the Property; (iii) approximately RMB8,000,000 will be used to repair and replace the air conditioning system and related devices in the Property; (iv) approximately RMB5,000,000 will be used to refurbish the external walls of the buildings; and (v) approximately RMB2,000,000 will be used for gardening and greening. The Project will be implemented by phases from 2024 to 2026. It is expected that a detailed development plan in respect of the Project will be devised after Completion.

Having considered the time required for the design of the Integrated Centre and integration of resources at early stage of the Project, the Board expects that it would take about three years (the “**Transitional Period**”) to complete the whole Project after completion of the Acquisition. Furthermore, after Completion, the Group will enter into new tenancy agreement with each of Tenants A, E, F, G and H for an initial term not exceeding the expiration of the Transitional Period, and the Group may consider renting out the guest rooms in the Property, thereby providing stable cashflow for the Group to execute the Project. The aforesaid tenancy agreements may or may not be renewed upon the expiration of the Transitional Period, which would be subject to negotiation of the parties and the then economic environment, which could not be ascertained as the Latest Practicable Date.

Based on the Immovable Property Certificate of the Property, the land use rights for the Property are designated for hostel or hotel use. As advised by the PRC legal advisers, the establishment and operation of the Integrated Centre is not inconsistent with the permitted land use rights mentioned above, therefore, there is no need to apply for a change in the permitted land use for operation of the Integrated Centre.

LETTER FROM THE BOARD

In light of the above, the Directors are of the view that the terms of the Agreement are on normal commercial terms, are fair and reasonable and the Acquisition is in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one of the relevant percentage ratios in respect of the Agreement and the transactions contemplated thereunder is more than 25% but less than 100%, the Agreement and the transactions contemplated thereunder constitute a major transaction for the Company under Chapter 14 of the Listing Rules, and shall be subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors having made reasonable enquiries, the Vendor had leased certain parts of the Property to certain parties that are independent of the Company and its connected persons for rental income prior to the Acquisition and therefore the Property was a revenue-generating asset with an identifiable income stream under Rule 14.67(6)(b)(i) of the Listing Rules. As such, the Company is required to include in this circular a profit and loss statement for the three preceding financial years on the identifiable net income stream of the Property in strict compliance with the requirements of Rule 14.67(6)(b)(i) of the Listing Rules, and such profit and loss statement must be reviewed by the auditor or reporting accountants. In the case of the Company, such period covers the three financial years ended 31 December 2020, 2021 and 2022 (the "**Relevant Period**").

The Company has been in close communication with the Vendor and repeatedly requested for the financial information required for the purposes under Rule 14.67(6)(b)(i) of the Listing Rules, but the Company has encountered following practical difficulties to gather and collate the required financial information for the preparation of the profit and loss statement (the "**Profit and Loss Statement**"):

- (1) As advised by the Vendor, the Property was constructed by Country Garden Holdings as one of the assets in its property portfolio in Kaiping, Guangdong, and managed and operated by the branch company of Country Garden Holdings in Kaiping, Guangdong. For a branch company, there is no accounting requirement for independent reporting on the liabilities, debts, income or expenses in respect of a single asset, so long as its parent company has prepared, among others, consolidated accounting and cost allocation. As such, Country Garden Holdings has treated the aforesaid property portfolio as a whole, it did not single out and prepare financial information on the Property on a standalone basis. Furthermore, the Vendor did not grant permission for the Company to gain full access to the underlying books and records within the Relevant Period of the Vendor since such books and records contain other confidential information not relevant to the Acquisition and that the Vendor is under no legal obligation to provide such information to the Company.
- (2) Despite the Vendor being a subsidiary of Country Garden Holdings, the financial information regarding the Property has not been separately disclosed in Country Garden Holdings' annual reports nor can it be found in the public domain.

LETTER FROM THE BOARD

Accordingly, the Vendor was unable to provide the balance sheet and/or Profit and Loss Statement in relation to the Property on a single basis. Instead, the Vendor could only provide certain unaudited income and expenses information of the Property, as well as copies of the Tenancy Agreements. Without more specific and detailed books and records from the Vendor, the Company is unable to collect the requisite, detailed, complete and accurate information in respect of the Property, such as the condition of assets and liabilities, for preparing the Profit and Loss Statement.

As the Company would not be able to properly compile the said profit and loss statement for inclusion in this circular as required under Rule 14.67(6)(b)(i) of the Listing Rules, the Company has applied to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 14.67(6)(b)(i) of the Listing Rules.

The Directors are of the view that omission of the Profit and Loss Statement would not render this circular materially incomplete or misleading or deceptive, nor would it create undue risk for the Shareholders, on the following grounds:

- (1) The inclusion of the historical profit and loss figures of the Property would not be useful to the Purchaser when ascertaining the title and value of the Property, nor will the historical profit and loss of the Property be material to the Purchaser in determining the Consideration. Instead, the Consideration for the Acquisition was determined after arm's length negotiation between the Group and the Vendor with reference to the valuation of the Property undertaken by an independent professional valuer. The valuation report on the Property as prepared by the independent professional valuer is set out in Appendix III to this circular.
- (2) The Company will take reasonable steps to make alternative disclosures in this circular (the "**Alternative Disclosures**") to enable the Shareholders to assess the impact of the Acquisition on the Company:
 - (i) a summary of the Tenancy Agreements including the monthly rental income during the Relevant Period;
 - (ii) an estimate of the gross income of the Property, comprising the rental income from the Tenancy Agreements and income from operation of the hotel business, during the Relevant Period; and
 - (iii) an estimate of the monthly expenses for the Property payable by the Group as landlord after the Acquisition.
- (3) The Acquisition has been approved irrevocably and unconditionally by Kaiyuan, a controlling Shareholder beneficially holding a total of 276,168,000 Shares, representing approximately 66.55% of the issued share capital of the Company as at the Latest Practicable Date.

LETTER FROM THE BOARD

The Board is of the view that the valuation report of the Property and the Alternative Disclosures would be sufficient for the Shareholders to make a properly informed assessment on the Acquisition in the absence of the Profit and Loss Statement amid the practical difficulties encountered by the Company as explained above.

The Stock Exchange has granted a waiver to the Company from strict compliance with Rule 14.67(6)(b)(i) of the Listing Rules, subject to the condition that the Company will disclose the waiver (including the details of and reasons for the waiver and the Alternative Disclosures) in this circular.

WRITTEN SHAREHOLDER'S APPROVAL

Pursuant to Rule 14.44 of the Listing Rules, shareholders' approval may be obtained by way of written shareholders' approval in lieu of holding a general meeting if (a) no shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Agreement and the transactions contemplated thereunder; and (b) the written shareholders' approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% of the voting rights at that general meeting to approve the Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has any material interest in the Agreement and the transactions contemplated thereunder, and therefore no Shareholder is required to abstain from voting if the Company is to convene a general meeting for the approval of the Agreement and the transactions contemplated thereunder.

As at the date of the Agreement and the Latest Practicable Date, respectively, Kaiyuan, the ultimate beneficial owner of which is Mr. Huang Xianming, holds 276,168,000 Shares, representing approximately 66.55% of the issued share capital of the Company. As the Company has obtained a written approval from Kaiyuan for the Agreement and the transactions contemplated thereunder, and such written approval is accepted in lieu of holding a general meeting, no extraordinary general meeting of the Company will be convened by the Company for the purpose of approving the Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

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

1. FINANCIAL INFORMATION

The financial information of the Group for the years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2022 were disclosed in the annual reports of the Company for the years ended 2019 (pages 51 to 170), 2020 (pages 51 to 170) and 2021 (pages 56 to 170) and the interim report of the Company for the six months ended 30 June 2022 (pages 14 to 46). The aforementioned financial information of the Group has been published on both the website of the Stock Exchange (www3.hkexnews.hk) and the website of the Company (www.gdjsl.com). Please refer to the hyperlinks as stated below:

2019 Annual Report: <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0512/2020051200558.pdf>

2020 Annual Report: <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042902631.pdf>

2021 Annual Report: <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042803247.pdf>

2022 Interim Report: <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0922/2022092201526.pdf>

2. INDEBTEDNES STATEMENT

(i) Bank borrowings

At the close of business on 31 January 2023, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the bank borrowings of the Group was approximately RMB712,214,000, comprising the following:

	<i>RMB'000</i>
Bank borrowings, unsecured and unguaranteed	514,300
Bank borrowings, unsecured and guaranteed	197,914
	<hr/>
	712,214
	<hr/> <hr/>

(ii) Lease liabilities

As at 31 January 2023, the Group had lease liabilities of approximately RMB53,587,000, comprising the following:

	<i>RMB'000</i>
Lease liabilities, unsecured and unguaranteed	28
Lease liabilities, secured and unguaranteed*	53,559
	<u>53,587</u>

* secured by the lessor's charge over the rental deposits

Save as aforesaid, and apart from intra-group liabilities and normal trade payables, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, bank overdrafts, liabilities under acceptances or acceptance credits, loans and other similar indebtedness, debentures, mortgages, charges, hire purchase commitments, guarantees or other contingent liabilities at the close of business on 31 January 2023.

To the best knowledge of the Directors, having made all reasonable enquiries, there had been no material change in indebtedness or contingent liabilities of the Group since 31 January 2023 and up to the Latest Practicable Date.

3. WORKING CAPITAL STATEMENT

The Directors after taking into account of (i) the internal resources of the Group; (ii) cash flows from operations; (iii) the available banking facilities to the Group; and (iv) also the cash flow impact of the Acquisition, are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least twelve months from the date of publication of this circular. The Company has obtained the relevant letter as required under Rule 14.66(12) of the Listing Rules.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in the manufacture and sale of biscuits in the PRC and Hong Kong. It is one of the largest producer of quality biscuits and crackers in the PRC more than 66 years, The Group market, sell and distribute products under more than 10 brand names in approximately 31 Provinces and Municipalities with more than 550 stock keeping units offered to market in the PRC and overseas. The Group is committed to delivering value to the Shareholders, maximizing business growth opportunities through efficient capital and asset allocations. The Directors are of the opinion that the Group is in a healthy financial position, allowing it to readily capture potential opportunities with long term value potentials which may arise in the future.

The Purchaser was a wholly-owned subsidiary of Guangdong Fengjia Food Co., Limited* (廣東豐嘉食品有限公司) (“Fengjia”), a joint venture of the Group. On 17 January 2023, Guangdong Jiashili Food Group Co., Limited* (廣東嘉士利食品集團有限公司), an indirect wholly-owned subsidiary of the Company, acquired the entire equity interest in the Purchaser from Fengjia, and since then, the Purchaser has become an indirect wholly-owned subsidiary of the Company. The funding to purchase the Property was sourced from Guangdong Jiashili Food Group Co., Limited* (廣東嘉士利食品集團有限公司).

The full year of 2022 demonstrated to be a year full of challenges and uncertainties. The global economy is at risk of renewed commodity and materials shortages due to the rapid spread of the COVID-19 variant Omicron, rising energy costs, supply chain disruptions, labour and climate change. The Group paid closer attention to managing the rising material costs for the Group over the longer term. The Group remains optimistic about the prospects of the biscuits and confectionery products industry given the continued efforts by the Chinese Government to combat the COVID-19 pandemic and the recent relaxation of restrictions on social distancing and other quarantine measures in December 2022 in China. The Group is well prepared for the gradual recovery of domestic and global economy as China gradual transits towards to post-pandemic phase, where restrictions are fully relaxed and economic sectors has fully reopened. The Group will continue to explore new markets to broaden its revenue and enhance the competitiveness of the products.

5. FINANCIAL EFFECTS OF THE ACQUISITION

Based on the unaudited pro forma financial information of the Group set out in Appendix II to this circular, it is expected that upon completion of the Acquisition, the Group’s property, plant and equipment will be increased by RMB100,000,000 and the bank balances and cash will be decreased by RMB100,000,000. There will be no material impact on the profit of the Group for the year ended 31 December 2022.

6. MATERIAL ADVERSE CHANGE

The Company made announcements on 19 August 2022 and 23 August 2022, respectively, in relation to profit warning, pursuant to which the Group expected to record an unaudited consolidated net loss after taxation, ranging from approximately RMB1 million to RMB7 million for the six months ended 30 June 2022, as compared to an unaudited consolidated net profit of approximately RMB102 million recorded for the six months ended 30 June 2021. The decrease in consolidated net profit during the six months ended 30 June 2022 was mainly due to: (i) the complex and difficult business environment faced by the Group during the first six months ended 30 June 2022 as affected by the onslaught of the resurgence of the COVID-19 pandemic with the spread of highly contagious Omicron variant and pandemic-induced mobility restrictions with adverse impacts on the economy in PRC has resulted in weakened consumer spending, sentiment in leisure snack foods; (ii) substantial increase in production costs as a result of the rising costs of raw materials, particularly the price of palm oil has increased in more than 55% from corresponding period of last year. Although the Group has adopted the strategies for raising prices for its products, the price increase in some products cannot fully compensate the rise in costs and expenses, which led to unfavorable impacts on the consolidated net profit of the Group; and (iii) a

net of other losses is expected to be recorded due to the reversal gains of impairment loss on prepayments of approximately RMB75 million was no longer exist in the six months ended 30 June 2022, whereas the reversal gains was recorded in previous corresponding period.

The Directors confirm that save as disclosed in this paragraph headed “Material Adverse Change”, there have been no material adverse changes in the financial or trading position or outlook of the Group since 31 December 2021, the date to which the latest audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

**A. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

Deloitte.

德勤

To the Directors of Jiashili Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Jiashili Group Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 30 June 2022 and related notes as set out on pages II-5 to II-7 of the circular issued by the Company dated 25 March 2023 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page II-4 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the acquisition of a property on the Group’s financial position as at 30 June 2022 as if the transaction had taken place at 30 June 2022. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the six months ended 30 June 2022, on which a review report has been published.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rule and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2022 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 25 March 2023

B. BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

In connection with the major transaction in relation to the acquisition of a property (the “**Acquisition**”) by Jiashili Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”), the unaudited pro forma financial information is prepared to provide information on the Group as a result of the completion of the Acquisition on the basis of notes set out below for illustrating the effect of the Acquisition, as if the Acquisition had taken place on 30 June 2022 for the preparation of the unaudited pro forma consolidated statement of assets and liabilities.

The unaudited pro forma consolidated statement of assets and liabilities of the Group is prepared based on the information on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022 which has been extracted from the published interim report of the Group for the six months ended 30 June 2022, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the Acquisition; and (ii) factually supportable as if the Acquisition had been undertaken on 30 June 2022.

The unaudited pro forma consolidated statement of assets and liabilities of the Group has been prepared by the Directors of the Company in accordance with paragraph 4.29 of the Listing Rules and is solely for the purpose to illustrate the financial position of the Group as if the Acquisition had taken place on 30 June 2022.

The information is prepared for illustrative purposes only and because of its hypothetical nature, it does not purport to represent what the financial position of the Group would have been upon completion of the Acquisition in any future periods or on any future dates.

Accordingly, it does not purport to describe the financial position of the Group that would have been attained had the Acquisition been completed on 30 June 2022, nor to predict the future financial position of the Group.

C. UNAUDITED PRO FORMA FINANCIAL INFORMATION

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

	Pro forma adjustment		
	The Group as	Acquisition of	Unaudited pro
	at 30 June	property	forma total
	2022	RMB'000	for the Group
	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)
	Note (1)		Note (2)
NON-CURRENT ASSETS			
Property, plant and equipment	461,412	100,000	561,412
Right-of-use assets	208,777		208,777
Investment property	11,121		11,121
Intangible assets	34,523		34,523
Goodwill	27,449		27,449
Interests in associates	28,852		28,852
Interest in a joint venture	4,081		4,081
Loans to a joint venture	168,017		168,017
Financial assets at fair value through profit or loss	103,275		103,275
Loan receivables	5,300		5,300
Deferred tax assets	4,238		4,238
Other receivables and deposits	3,182		3,182
Deposit paid for acquisition of a subsidiary	93,000		93,000
Deposit paid for acquisition of right-of-use assets and property, plant and equipment	10,000		10,000
	1,163,227		1,263,227
	1,163,227		1,263,227

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

	Pro forma adjustment	
	The Group as	Unaudited pro
	at 30 June	forma total
	2022	for the Group
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>Note (1)</i>	<i>Note (2)</i>
CURRENT ASSETS		
Inventories	103,765	103,765
Trade, bills and other receivables	162,567	162,567
Loan receivables	151,863	151,863
Amounts due from an associate	46,534	46,534
Amounts due from a non-controlling shareholder of a subsidiary	8,975	8,975
Amounts due from a joint venture	147,336	147,336
Loan to a non-controlling shareholder of a subsidiary	10,611	10,611
Loans to an associate	8,243	8,243
Income tax recoverable	5,840	5,840
Pledged/restricted bank deposits	116	116
Bank balances and cash	249,154	149,154
	(100,000)	
	<u>895,004</u>	<u>795,004</u>
CURRENT LIABILITIES		
Trade, bills and other payables	293,938	293,938
Contract liabilities	42,193	42,193
Income tax payables	11,077	11,077
Bank borrowings	570,524	570,524
Amounts due to related parties	95	95
Amounts due to associates	293	293
Deferred income	1,928	1,928
Lease liabilities	33,516	33,516
	<u>953,564</u>	<u>953,564</u>
NET CURRENT LIABILITIES	<u>(58,560)</u>	<u>(158,560)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,104,667</u>	<u>1,104,667</u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

	Pro forma adjustment	
	The Group as	Unaudited pro
	at 30 June	forma total
	2022	for the Group
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>Note (1)</i>	<i>Note (2)</i>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	6,695	6,695
Deferred income	45,256	45,256
Bank borrowings	38,552	38,552
Lease liabilities	52,027	52,027
	142,530	142,530
NET ASSETS	962,137	962,137
CAPITAL AND RESERVES		
Share capital	3,285	3,285
Reserves	929,335	929,335
Equity attributable to owners of the Company	932,620	932,620
Non-controlling interests	29,517	29,517
TOTAL EQUITY	962,137	962,137

Notes:

- (1) The amounts are extracted from the published interim report of the Group for the six months ended 30 June 2022.
- (2) On 18 January 2023, the Group entered into an agreement with an independent third party pursuant to which the Group has agreed to purchase a property for a cash consideration of RMB100,000,000.

The adjustment represents the impact of the acquisition of the property by the Group at the consideration of RMB100,000,000, as if the acquisition had taken place on 30 June 2022.

The following is the text of a valuation report prepared for the propose of incorporation in this circular received from Castores Magi (Hong Kong) Limited, an independent professional valuer, in connection with its valuation on the Property as at 31 December 2022.

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

25 March 2023

The Directors
Jiashili Group Limited
Flat A7, 5/F
Ngai Sheung Factory Building
13 Elm Street
Kowloon

Dear Sirs,

In accordance with your instructions to value the property interest 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 property as at 31 December, 2022 (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 valuation of the property interest is 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 valuation of the property interest has been made on the assumption that the owner sells the property on the market in its 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 property.

In valuing the land use rights and the building of the property, we have adopted the Cost 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 utilized Depreciated Replacement Cost Method and Replacement Cost Method to value the land use rights and the building of the property, respectively.

Depreciated Replacement Cost Method is an application in the absence of sufficient market data to arrive at the market value of real property by means of market-based evidence. The application of this method in real property valuation is based on an estimate of the market value of the land in its existing use, plus the current cost of replacement of the improvements less allowance for physical deterioration and all relevant forms of obsolescence and optimization. As no recent market sales transaction of land use rights related to hotel use was found in Kaiping Shi, the land use rights of the property has been valued on a market basis with vacant possession by reference to “The People’s Government of Kaiping City Regarding A Notice of State-owned Development Land’s Price Index Update” (開平市人民政府關於公佈開平市城鎮國有建設用地基準地價更新服務項目成果的通告) issued by the Bureau of Natural Resources of Kaiping City, Jiangmen (江門開平市自然資源局) on 28 April 2022.

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.

As advised by the Company, no official rating has been made for the hotel. We have made reference to “Classification & Accreditation for Star-rated Tourist Hotels” (《旅遊飯店星級的劃分及評定》) jointly published by General Administration of Quality Supervision, Inspection and Quarantine of the People’s Republic of China (中華人民共和國國家品質監督檢驗檢疫總局) and Standardization Administration of China (中國國家標準化管理委員) which specifies the basic requirements of 1-Star to 5-Star hotels. According to our internal assessment and past valuation experience, we deem the hotel fulfills the basic requirements of a 3-Star hotel.

In assessing the reinstatement cost of the building as at the valuation date, we have made reference to “Hong Kong Report — Quarterly Construction Cost Updated (December, 2022)” published by Rider Levett Bucknall. Rider Levett Bucknall, which has a history of over 200 years, is an independent global construction and property consultancy providing management and advice throughout the built environment. It has over 4,000 people working across 40 countries and participates in cost management and quantity surveying, project and programme management, asset advisory and specialist consultancy. As stated in the said report, the construction cost’s unit rate for a 3-Star hotel in Guangzhou was between RMB10,900/sq.m. and RMB14,600/sq.m. Having considered the appearance of the building including hotel facilities and decoration, we have

adopted a unit rate of RMB10,900/sq.m. in our valuation. As the COVID-19 containment measures and travel restrictions were not released in the PRC in the 4th quarter of 2022, it is believed that there is no material change in construction cost between the 3rd quarter and the valuation date.

The current status of the property 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
State-owned Land Use Rights for Development Land’s Grant Contract (國有建設用地使用權出讓合同)	Yes
Immovable Property Certificate (不動產權證書)	Yes

In valuing the property interest, we have made reference to the HKIS Valuation Standards 2020 (hereinafter known as “**the Standards**”) published by the HKIS. In view of the worldwide outbreak of coronavirus, we were unable to physically inspect the property due to travel restrictions, containment measures and safety concern as at the valuation date. In this regard, Rules 5.06(1)(m), (n) and (s) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Ltd. could only be complied with by remote inspection with live video collaboration. According to the recent guideline — “Considerations for Inspection Arrangement amidst the COVID-19 Outbreak” (hereinafter known as “**the Guidance Note**”) issued by the HKIS regarding the outbreak of coronavirus, the valuation undertaken by us without conducting site inspection is classified as restricted service and the Company has agreed to such arrangement. Under our restricted service, we have undertaken a remote inspection of the properties with live video collaboration on 17 January, 2023 in addition to examining the recent photos of the interior and exterior of the property provided by the Company. It is believed that such arrangement fulfills the verification requirement of VS 4.3.2(i)(i) of the Standards and is acceptable to reveal the existing condition of the properties, which does not affect the accuracy of our valuation as required under VS 4.3.2(i)(iv) of the Standards.

During our remote inspection with live video collaboration, we conducted the following investigation procedure:

- (a) comparing the recent photos of the interior and exterior of the hotel with the images captured during live video collaboration;
- (b) questioning the staff about the information of the hotel;
- (c) walking through the boundary of the hotel;
- (d) verifying the status of hotel operation;
- (e) viewing the decoration and building conditions of the hotel; and
- (f) viewing the rooms, facilities and amenities of the hotel.

The scope of valuations has been determined with reference to the property list provided by the Company. The property on the list has 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, the containment measures and travel restrictions, we were not able to physically inspect the property in respect of which we have been provided with such information as we have required for the purpose of our valuation by the Company. Such information includes the recent photos of the property, various site plans and floor plans. Nevertheless, the Company has arranged a remote inspection of the properties with live video collaboration on 17 January, 2023 and our valuer, Mr. Au Chi Chung Deret, who is a corporate member of the HKIS, participated in this remote inspection. Besides, we have acquired some satellite photos and street view photos to help for identifying the location of the property. Based on the said information provided by the Company and the images captured during our remote inspection, we assumed that the attributes of the property such as the surroundings, nature, appearance, quality, physical conditions have no material difference from the said information provided by the Company. We deem that the said information gathered based on the said assumptions provides sufficient basis to derive the certified opinion of value of the property and thus the Guidance Note and VS 4.3.2(i), VS 4.3.2(j), VS 4.5.0, VS 7.1 and VS 7.2 of the Standards could be complied with. No structural survey, investigation or examinations has been made. We are not, however, able to report that the property was 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 property nor for any expenses or taxation, which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, such as mortgage and debenture charge, restrictions and outgoings of an onerous nature, which could affect its value.

We have been shown copies of various documents relating to the property 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 property in the PRC or any material encumbrances that might be attached to the property.

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. In this regard, VS 4.3.2(j)(ii) of the Standards has been fully complied with.

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

The conclusion of value 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 judgment 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 value reported.

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, MHKIArb, MCIREA

Note: Deret Au Chi Chung is a Registered Professional Surveyor (General Practice) and has over 30 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 24 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.

CERTIFIED OPINION OF VALUE

Property interest to be acquired by the Group for investment in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December, 2022 (RMB)
A parcel of land and a building erected thereon, Block 1, Country Garden Feicuiwan First Street, No. 268 Kaiping Avenue, Changsha Subdistrict, Kaiping City, Guangdong Province, The PRC.	<p>The property comprises a building erected on a parcel of land having a site area of 36,391.1 sq.m.</p> <p>The property is located at the north-eastern suburb of Kaiping City. Various big residential developments are found in the vicinity.</p> <p>The building is 10 storeys in height and has a total gross floor area of 47,623.25 sq.m. The building was completed in 2014.</p> <p>The property is held under the land use rights for a term commencing from 15 July, 2011 to 14 July, 2051.</p>	<p>The property is currently occupied by the owner as a hotel which has 284 guest rooms. Portion of space having a total lettable area of 9,973 sq.m. was leased to various tenants for providing corresponding hotel services. (see Notes 4-11)</p>	286,865,000

Notes:

- Pursuant to a State-owned Land Use Rights for Development Land's Grant Contract (國有建設土地使用權出讓合同) dated 14 July, 2011 made between State Land and Resources Bureau of Kaiping City, the PRC (中華人民共和國廣東省開平市國土資源局) and Kaiping Country Garden Real Estate Development Co., Ltd. (開平市碧桂園房地產開發有限公司), the former party agreed to grant the latter party a land use rights of a parcel of land having a site area of 139,333.33 sq.m. for a term of 40 years for hotel and catering uses and 70 years for residential use at a land premium of RMB97,340,000. As advised by the Company, the land of the property forms part of the said parcel of land;
- Pursuant to an official receipt issued by the Treasury Bureau of Guangdong Province (廣東省財政廳) on 12 January, 2011, the land premium of RMB97,340,000 was fully paid;
- Pursuant to an Immovable Property Certificate—Yue (2022) Kai Ping Shi Immovable Property Rights No. 0022444 (不動產權證 — 粵(2022)開平市不動產權第0022444號) dated 6 June, 2022 issued by the Bureau of Land and Resources of Kaiping City (開平市自然資源局), Kaiping Country Garden Real Estate Development Co., Ltd. (開平市碧桂園房地產開發有限公司) was granted a land use rights of a parcel of land having a site area of 36,391.1 sq.m. for a term commencing from 15 July, 2011 to 14 July, 2051 for hostel/hotel use. The building on this parcel of land has a gross floor area of 47,623.25 sq.m.;
- The property is subject to a tenancy agreement of Shop No. 1-101 dated 10 February, 2022. In accordance with this agreement, Wang Xiao Ping (黃曉平) rented a shop having a lettable area of 1,090 sq.m. from Kaiping Country Garden Real Estate Development Co., Ltd., Changsha Branch Office (開平市碧桂園房地產開發有限公司長沙分公司) (“the lessor”) for a term of 10 years commencing from 1 March, 2022 to 28 February, 2032 for supermarket purpose. The details of monthly rent, which is exclusive of management fee, central air-conditioning, water and electricity charges and fire equipment maintenance fee, are tabulated as follows:

Period	Monthly Rent
from 1 March, 2022 to 28 February, 2023	RMB19,075
from 1 March, 2023 to 28 February, 2024	RMB27,250
from 1 March, 2024 to 28 February, 2025	RMB28,885
from 1 March, 2025 to 28 February, 2026	RMB28,885
from 1 March, 2026 to 28 February, 2027	RMB30,602
from 1 March, 2027 to 28 February, 2028	RMB30,602
from 1 March, 2028 to 28 February, 2029	RMB32,404
from 1 March, 2029 to 28 February, 2030	RMB32,404
from 1 March, 2030 to 28 February, 2031	RMB34,297
from 1 March, 2031 to 28 February, 2032	RMB34,297

5. The property is subject to a tenancy agreement of Shop No.1-201 dated 9 June, 2022. In accordance with this agreement, Chen Xiang (陳香) rented a shop having a lettable area of 1,166 sq.m. from the lessor for a term of 10 years commencing from 15 June, 2022 to 14 June, 2032 for nursery purpose. The details of monthly rent which, is exclusive of management fee, central air-conditioning, water and electricity charges and fire equipment maintenance fee, are tabulated as follows:

Period	Monthly Rent
from 15 June, 2022 to 14 June, 2023	RMB21,377
from 15 June, 2023 to 14 June, 2024	RMB26,818
from 15 June, 2024 to 14 June, 2025	RMB28,450
from 15 June, 2025 to 14 June, 2026	RMB28,450
from 15 June, 2026 to 14 June, 2027	RMB30,164
from 15 June, 2027 to 14 June, 2028	RMB30,164
from 15 June, 2028 to 14 June, 2029	RMB31,964
from 15 June, 2029 to 14 June, 2030	RMB31,964
from 15 June, 2030 to 14 June, 2031	RMB33,854
from 15 June, 2031 to 14 June, 2032	RMB33,854

6. The property is subject to a tenancy agreement of Shop No. 2-101. In accordance with this agreement, 鶴山市新一代體育服務有限公司 rented an outdoor shop having a lettable area of 3,360 sq.m. from the lessor for a term of 3 years commencing from 1 May, 2022 to 30 April, 2025 for outdoor swimming pool, sport training and sport commodity retailing purposes. The details of monthly rent which, is exclusive of management fee, water and electricity charges are tabulated as follows:

Period	Monthly Rent
from 1 May, 2022 to 30 April, 2023	RMB3,500
from 1 May, 2023 to 30 April, 2024	RMB3,675
from 1 May, 2024 to 30 April, 2025	RMB3,859

7. The property is subject to a tenancy agreement of Shop No. 2-201 dated 29 June, 2020. In accordance with this agreement, Zhao Bo (趙波) rented a shop having a lettable area of 108 sq.m. from the lessor for a term of 3 years commencing from 1 July, 2020 to 30 June, 2023 for handicraft retailing purpose. The details of monthly rent which, is exclusive of management fee, water and electricity charges, are tabulated as follows:

Period	Monthly Rent
from 1 July, 2020 to 30 June, 2021	RMB5,000
from 1 July, 2021 to 30 June, 2022	RMB5,250
from 1 July, 2022 to 30 June, 2023	RMB5,513

8. The property is subject to a tenancy agreement of Shop No. 3-101 dated 1 January, 2020. In accordance with this agreement, 開平市鳳興餐飲服務有限公司 rented a shop having a lettable area of 4,139 sq.m. from the lessor for a term of 8 years commencing from 1 January, 2020 to 31 December, 2028 for dim sum Chinese restaurant purpose. The details of monthly rent which, is exclusive of management fee, gas, water and electricity charges, are tabulated as follows:

Period	Monthly Rent
from 1 January, 2020 to 31 December, 2020	RMB147,000
from 1 January, 2021 to 31 December, 2021	RMB154,350
from 1 January, 2022 to 31 December, 2022	RMB162,068
from 1 January, 2023 to 31 December, 2023	RMB170,171
from 1 January, 2024 to 31 December, 2024	RMB178,680
from 1 January, 2025 to 31 December, 2025	RMB187,614
from 1 January, 2026 to 31 December, 2026	RMB196,995
from 1 January, 2027 to 31 December, 2027	RMB206,845
from 1 January, 2028 to 31 December, 2028	RMB217,187

9. The property is subject to a tenancy agreement of top roof of Zone 3 and ducts on various floors. In accordance with this agreement, 中國鐵塔股份有限公司江門分公司 rented certain space on top roof and ducts from the lessor for a term of 2 years commencing from 1 January, 2021 to 31 December, 2022 at an annual rent of RMB13,200 for tele-communication purpose. The annual rent is inclusive of management fee but is exclusive of electricity charge;

10. The property is subject to a tenancy agreement of top roof on Level 9. In accordance with this agreement, 中國鐵塔股份有限公司江門分公司 rented certain space on top roof from the lessor for a term of 2 years commencing from 1 January, 2021 to 31 December, 2022 at an annual rent of RMB13,200 for tele-communication purpose. The annual rent is inclusive of management fee but is exclusive of electricity charge;
11. In accordance with An Agreement for the Use of Place at Kaiping City Country Garden Jade Bay Phoenix Hotel (開平市碧桂園翡翠灣鳳凰酒店場地使用協議) made between the lessor and Tesla (Shanghai) Co., Ltd. (特斯拉(上海)有限公司), the latter party agreed to rent 7 carparks for the establishment of Supercharger station from the lessor for a term of 8 years and 1 day commencing from 20 August, 2021 to 20 August, 2029 at a monthly rent of RMB2,800 exclusive of electricity charge of RMB0.61/unit and management fee counting on the basis of electricity meter of RMB0.19/unit; and
12. As mentioned in Notes 4–11 above, a portion of the property was leased to third parties for various purposes. In accordance with “Classification & Accreditation for Star-rated Tourist Hotels” (《旅遊飯店星級的劃分及評定》) jointly published by General Administration of Quality Supervision, Inspection and Quarantine of the People’s Republic of China (中華人民共和國國家品質監督檢驗檢疫總局) and Standardization Administration of China (中國國家標準化管理委員), “Tourist Hotel” is defined as a property which leases out its rooms for overnight accommodation and provides corresponding services such as commercial, conference, leisure, vacation, etc. As such, the existing users under these leases are part of the hotel operation.
13. In verifying the title of the property, we have relied on the legal opinion provided by the Company’s PRC legal advisers. 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:
- Kaiping Country Garden Real Estate Development Co., Ltd. (開平市碧桂園房地產開發有限公司) has fully paid the land premium and has obtained the Immovable Property Certificate (不動產權證) of the property. As such, Kaiping Country Garden Real Estate Development Co., Ltd. (開平市碧桂園房地產開發有限公司) is a lawful land use rights holder of the property;
 - Kaiping Country Garden Real Estate Development Co., Ltd. (開平市碧桂園房地產開發有限公司) has lawfully obtained the building ownership of the property;
 - Apart from the a mortgage registered on 6 June, 2022 in favour of 佛山市順德區城鐵置業有限公司, the property is not subject to any other security, mortgage or sequestration. Upon releasing the said mortgage, Kaiping Country Garden Real Estate Development Co., Ltd. (開平市碧桂園房地產開發有限公司) is entitled to convey the property; and
 - The existing lease agreements appurtenant to the property do not affect the rights of Kaiping Country Garden Real Estate Development Co., Ltd. (開平市碧桂園房地產開發有限公司) to freely transfer the property and taking the property as security.
14. In 2022, the general occupancy rate of 3-star hotels in Guangdong Province was about 50%. Along with the removal of containment measures and travel restrictions of the PRC, the arrangement of exempting visitors’ visa for foreigners in Hong Kong and Macau has been resumed. It is expected that the hotel occupancy rate will gradually rebound to the level before the outbreak of COVID-19.
15. The property’s market value of RMB286,865,000 was made up of the land use rights of RMB26,502,000 under the residual land use term and the depreciated replacement cost of the building of RMB260,363,000. The summary of the building’s depreciated replacement cost computation is set out as follows:

Gross Floor Area:	47,625.25 sq.m.
Construction Cost’s Unit Rate in Guangzhou:	RMB10,900/sq.m.
Construction Cost’s Unit Rate in Kaping: (by adjusting the commodity price difference between the two cities)	RMB7,224/sq.m.
Reinstatement Cost of the Building:	RMB344,050,293
Depreciation of the Building:	RMB83,687,909
Depreciated Replacement Cost of the Building:	RMB260,363,000

Due to rounding, numbers presented throughout this may not add up precisely to the totals provided

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 Directors	Company/name of associated corporation	Capacity	Number and class of securities	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%
Mr. Huang	Great Logistics Global Limited (“ Great Logistics ”)	Beneficial owner	1 (L) ⁽¹⁾	100%

Notes:

- (1) The Letter “L” denotes our 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 shareholders	Capacity/Nature of interest	Number of shares held	Approximate percentage of issued share capital
Ms. Huang Cuihong	Interest in controlled corporation ⁽¹⁾ ; interest in family member ⁽²⁾ /Long position	310,472,000	74.81%
Ms. Huang Xianxian	Interest in controlled corporation ⁽¹⁾ ; interest in family member ⁽²⁾ /Long position	310,472,000	74.81%
Ms. Huang Rujiao	Interest in controlled corporation ⁽¹⁾ ; interest in family member ⁽²⁾ /Long position	310,472,000	74.81%
Ms. Huang Rujun	Interest in controlled corporation ⁽¹⁾ ; interest in family member ⁽²⁾ /Long position	310,472,000	74.81%
Great Logistics	Interest in controlled corporation ⁽¹⁾ ; interest in family member ⁽²⁾ /Long position	310,472,000	74.81%

Name of shareholders	Capacity/Nature of interest	Number of shares held	Approximate percentage of issued share capital
Grand Wing Investments Limited (“ Grand Wing ”)	Interest in controlled corporation ⁽¹⁾ ; interest in family member ⁽²⁾ /Long position	276,168,000	66.55%
Intelligent Pro Investments Limited (“ Intelligent Pro ”)	Interest in controlled corporation ⁽¹⁾ ; interest in family member ⁽²⁾ /Long position	276,168,000	66.55%
Jade Isle Global Limited (“ Jade Isle ”)	Interest in controlled corporation ⁽¹⁾ ; interest in family member ⁽²⁾ /Long position	276,168,000	66.55%
Kaiyuan	Beneficial interest/Long position	276,168,000	66.55%
Prestige Choice Investments (Overseas) Limited (“ Prestige Choice Overseas ”)	Interest in controlled corporation ⁽¹⁾ ; interest in family member ⁽²⁾ /Long position	276,168,000	66.55%

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 the 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.

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 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 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 GROUP

Since 31 December 2021, being the date to which the latest published audited accounts of the Company were made up, until the Latest Practicable Date, none of the Directors had 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 Group.

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

On 10 May 2021, Jiashili (Hong Kong) Limited (“**Jiashili HK**”, an indirect wholly-owned subsidiary of the Company) as purchaser, Koni (Hong Kong) Food Investment Limited (“**Koni HK**”) as vendor and Guangdong Kangli Food Company Limited* (廣東康力食品有限公司) (“**Kangli**”) entered into an equity transfer agreement (the “**Kangli Equity Transfer Agreement**”, which was amended and supplemented by the supplemental agreements dated 30 September 2021, 28 December 2021 and 23 September 2022, respectively), pursuant to which Jiashili HK has conditionally agreed to acquire and Koni HK has conditionally agreed to sell the entire equity interest in Kangli at the consideration of RMB135,000,000 in cash. Upon completion, Kangli will become an indirect wholly-owned subsidiary of the Company.

As at the Latest Practicable Date, the entire issued share capital of Koni HK was 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, Koni HK is an associate of the controlling shareholder and thus a connected person of the Company under the Listing Rules.

As at the Latest Practicable Date, the conditions of the Kangli Equity Transfer Agreement had not been fulfilled in full and therefore completion had not taken place. For details, please refer to the announcements of the Company dated 10 May 2021, 30 September 2021, 28 December 2021, 23 September 2022 and 30 September 2022 and the circular of the Company dated 11 June 2021.

Save as disclosed above, 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 Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) had been entered into by the members of the Group within the two years immediately preceding the issue of this circular and are or may be material:

- (a) the Agreement; and
- (b) the Kangli Equity Transfer Agreement and its supplemental agreements dated 30 September 2021, 28 December 2021 and 23 September 2022, respectively, details of which are set out in the paragraph headed “6. Contracts or Arrangements which Directors are Materially Interested and are Significant in relation to the Business of the Group” in this appendix.

8. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or claim of material importance and there was no litigation or claim of material importance pending or threatened against any member of the Group.

9. QUALIFICATIONS AND CONSENT OF EXPERTS

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

Expert	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants
Castores Magi (Hong Kong) Limited	Independent professional valuer

As at the Latest Practicable Date, each of the experts above did not have any direct or indirect interest in any asset which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up; and was not beneficially interested in the share capital of any member of the Group and had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the experts above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its reports and opinions and reference to its name in the form and context in which they respectively appear.

10. MATERIAL ADVERSE CHANGE

The Company made announcements on 19 August 2022 and 23 August 2022, respectively, in relation to profit warning, pursuant to which the Group expected to record an unaudited consolidated net loss after taxation, ranging from approximately RMB1 million to RMB7 million for the six months ended 30 June 2022, as compared to an unaudited consolidated net profit of approximately RMB102 million recorded for the six months ended 30 June 2021. The decrease in consolidated net profit during the six months ended 30 June 2022 was mainly due to: (i) the complex and difficult business environment faced by the Group during the first six months ended 30 June 2022 as affected by the onslaught of the resurgence of the COVID-19 pandemic with the spread of highly contagious Omicron variant and pandemic-induced mobility restrictions with adverse impacts on the economy in PRC has resulted in weakened consumer spending, sentiment in leisure snack foods; (ii) substantial increase in production costs as a result of the rising costs of raw materials, particularly the price of palm oil has increased in more than 55% from corresponding period of last year. Although the Group has adopted the strategies for raising prices for its products, the price increase in some products cannot fully compensate the rise in costs and expenses, which led to unfavorable impacts on the consolidated net profit of the Group; and (iii) a net of other losses is expected to be recorded due to the reversal gains of impairment loss on prepayments of approximately RMB75 million was no longer exist in the six months ended 30 June 2022, whereas the reversal gains was recorded in previous corresponding period.

Save as disclosed in this paragraph headed “10. 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 Group since 31 December 2021, being the date to which the latest published audited accounts of the Company were made up.

11. 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 A7, 5/F, Ngai Sheung Factory Building, 13 Elm Street, Kowloon.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road 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.

12. DOCUMENTS ON DISPLAY

Copies of the following documents are published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.gdjsl.com) for a period of 14 days from the date of this circular:

- (a) the Agreement;
- (b) the independent reporting accountants' assurance report from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information of the Group as set out in Appendix II to this circular;
- (c) the valuation report of the Property, the text of which is set out in Appendix III to this circular;
- (d) the consent letters as referred to in the paragraph headed "9. Qualifications and Consent of Experts" in this appendix;
- (e) the annual reports of the Company for the three years ended 31 December 2019, 2020 and 2021;
- (f) the interim report of the Company for the six months ended 30 June 2022; and
- (g) this circular.