



16 August 2019

*To the Independent Shareholders,*

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
FIRST CAPITAL SECURITIES LIMITED  
FOR AND ON BEHALF OF ZENITH HOPE LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF  
CHINA KANGDA FOOD COMPANY LIMITED  
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE  
ACQUIRED BY ZENITH HOPE LIMITED AND/OR  
PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

On 26 June 2019 (after trading hours), the Vendor and the Offeror entered into the Share Purchase Agreement, pursuant to which, among other things, the Vendor has conditionally agreed to sell, and the Offeror has conditionally agreed to purchase the Sale Shares, being 300,740,000 Shares, representing approximately 69.46% of the entire issued share capital of the Company as at the Latest Practicable Date, for a total consideration of HK\$240,592,000, equivalent to HK\$0.80 per Sale Share. Completion of the sale and purchase of the HK Sale Shares and SG Sale Shares took place on 4 July 2019 and 10 July 2019 respectively.

Immediately following the Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in 300,740,000 Shares, representing approximately 69.46% of the entire issued share capital of the Company as at the Latest Practicable Date.

Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those Shares already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it). As the Company's primary listing is not on the Singapore Stock Exchange and the Company is not a Singapore incorporated public company, the Singapore Takeovers Code will not apply to the Offer.

This letter sets out, among other things, the principal terms of the Offer, together with the information on the Offeror and the Offeror's intentions regarding the Group. Further details of the terms of the Offer and procedures for acceptance of the Offer are set out in Appendix I to this Composite Document and the accompanying Acceptance Form(s).

## **MANDATORY UNCONDITIONAL CASH OFFER**

As at the Latest Practicable Date, there were a total of 432,948,000 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and had not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares as at the Latest Practicable Date.

### **Principal terms of the Offer**

FC Securities, on behalf of the Offeror and in compliance with the Takeovers Code, hereby makes the Offer on the terms set out in this Composite Document in accordance with the Takeovers Code on the following basis:

**For each Offer Share**

**HK\$0.80 in cash**

The Offer Price of HK\$0.80 per Offer Share is equal to the purchase price per Sale Share paid by the Offeror under the Share Purchase Agreement.

The Offer Shares to be acquired under the Offer shall be fully paid, free from all Encumbrances and shall be acquired together with all rights attaching to them, including all rights to any dividend or other distribution declared, made or paid, if any, on or after the date on which the Offer is made, being the date of this Composite Document. The Offer is extended to all Shareholders other than the Offeror and parties acting in concert with it in accordance with the Takeovers Code.

The Offer will also be opened for acceptance by Independent Shareholders whose Shares are traded on the Singapore Stock Exchange.

The Offer is unconditional in all respects.

## **Comparisons of value**

The Offer Price of HK\$0.80 per Offer Share represents:

- (a) a premium of approximately 60.00% over the closing price of HK\$0.50 per Share as quoted on the Stock Exchange on the last trading day immediately prior to the commencement of the Offer Period;
- (b) a discount of approximately 1.23% to the closing price of HK\$0.81 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (c) a premium of approximately 23.08% to the closing price of HK\$0.650 per Share as quoted on the Stock Exchange on 26 June 2019, being the Last Trading Day;
- (d) a premium of approximately 25.00% to the average closing price of approximately HK\$0.640 per Share as quoted on the Stock Exchange for the 5 consecutive trading days immediately prior to and including the Last Trading Day;
- (e) a premium of approximately 24.42% to the average closing price of approximately HK\$0.643 per Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (f) a premium of approximately 19.76% to the average closing price of approximately HK\$0.668 per Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day; and
- (g) a discount of approximately 52.04% to the audited consolidated net asset value attributable to the Company's owners of approximately HK\$1.668 per Share as at 31 December 2018 (which was calculated by dividing the sum of the audited consolidated net asset value attributable to the Company's owners as at 31 December 2018 (being the date to which the latest audited financial statements of the Company were made up) of approximately RMB639.1 million (equivalent to approximately HK\$722.2 million) by 432,948,000 Shares in issue as at the date of this Composite Document).

## **Highest and lowest Share prices**

During the Relevant Period:

- (i) the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.84 per Share on 29 January 2019; and
- (ii) the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.455 per Share on 12 November 2018, respectively.

## **Value of the Offer**

As at the Latest Practicable Date, there are 432,948,000 Shares in issue. Based on the Offer Price of HK\$0.8 per Offer Share, the entire issued share capital of the Company is valued at HK\$346,358,400 and the Offer Shares are valued at HK\$105,766,400. Assuming the Offer is accepted in full by the Independent Shareholders and based on 132,208,000 Offer Shares, the total amount of cash required to effect the Offer in full will be HK\$105,766,400.

## **Confirmation of financial resources**

The Offeror financed and satisfied the consideration payable under the Share Purchase Agreement with the SPA Facility. The Offeror intends to finance and satisfy the consideration payable under the Offer in full with the Offer Facility. The Offeror confirms that the payment of interest on, repayment of or security for any liability (contingent or otherwise) in relation to the SPA Facility and the Offer Facility will not depend to any significant extent on the business of the Group.

Donvex Capital, being the financial adviser to the Offeror in respect of the Offer, is satisfied that sufficient financial resources are available to the Offeror to satisfy the amount of funds required for the full acceptance of the Offer.

## **Effect of accepting the Offer**

By accepting the Offer, the accepting Shareholders will sell their Shares to the Offeror free from all Encumbrances together with all rights attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of this Composite Document.

Acceptance of the Offer by any Shareholder will be deemed to constitute a warranty by such person that all Shares sold by such person under the Offer are free from Encumbrances together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and distributions recommended, declared, made or paid, if any, on or after the date of despatch of this Composite Document. Acceptances of the Offer shall be irrevocable and are not capable of being withdrawn, except as permitted under the Takeovers Code.

## **Stamp duty**

### ***Hong Kong***

The seller's Hong Kong ad valorem stamp duty on acceptances of the Offer at a rate of 0.1% of the consideration payable in respect of the relevant acceptances by the Independent Shareholders or if higher, the value of the Offer Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), will be deducted from the amount payable to the Independent Shareholders who accept the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Independent Shareholder who accepts the Offer. The Offeror will bear buyer's ad valorem stamp duty.

## ***Singapore***

Stamp duty and transfer fees (if any) resulting from acceptances of the Offer by Independent Shareholders whose Shares are traded on the Singapore Stock Exchange will be paid by the Offeror.

## **Payment**

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within 7 business days (as defined in the Takeovers Code) of the date on which the duly completed acceptance of the Offer and the relevant documents of title in respect of such acceptance are received by the Offeror (or the Registrar HK, the Registrar SG, or the CDP) (as the case may be) to render each such acceptance complete and valid.

## **Taxation advice**

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with it, the Company, Donvex Capital, FC Securities, the Independent Financial Adviser and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

## **Overseas Shareholders**

The Offer will be in respect of securities of a company incorporated in Bermuda and will be subject to the procedural and disclosure requirements of Hong Kong and Singapore, which may be different from other jurisdictions.

The availability of the Offer to any Overseas Shareholders may be affected by the applicable laws, regulations and rules of their relevant jurisdictions of residence. Overseas Shareholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers in the relevant jurisdictions. It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws, regulations and rules of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions).

**Any acceptance by any Overseas Shareholders will be deemed to constitute a representation and warranty from such Overseas Shareholders to the Offeror that the local laws and requirements have been complied with and such person is permitted under all applicable laws to accept the Offer and any revision thereof, and such acceptances shall be valid and binding in accordance with all applicable laws. The Overseas Shareholders should consult their professional advisers in the relevant jurisdictions if in doubt.**

## Dealing and interests in the Company's securities

Save for the sale and purchase of the Sale Shares pursuant to the Share Purchase Agreement, none of the Offeror, Mr. Wu, and/or parties acting in concert with any of them had dealt in any Shares, options, derivatives, warrants or other securities convertible into Shares during the Relevant Period.

As at the Latest Practicable Date, the Offeror and parties acting in concert with it had not entered into any arrangements or contracts in relation to the derivatives in respect of securities in the Company nor had any of them borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

As at the Latest Practicable Date, save for the Sale Shares, the Offeror, Mr. Wu, and/or parties acting in concert with any of them did not hold, own or control any Shares, options, derivatives, warrants or other securities which may confer rights on the Offeror and parties acting in concert with it to subscribe for, convert or exchange into Shares.

## SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) immediately before Completion; and (ii) immediately following Completion and as at the Latest Practicable Date:

	Immediately before Completion		Immediately following Completion and as at the Latest Practicable Date	
	Number of shares	Approximate % of the interest held (Note)	Number of shares	Approximate % of the interest held
The Vendor	<u>300,740,000</u>	<u>69.46</u>	<u>–</u>	<u>–</u>
The Offeror and parties acting in concert with it	<u>–</u>	<u>–</u>	<u>300,740,000</u>	<u>69.46</u>
Independent Shareholders	<u>132,208,000</u>	<u>30.54</u>	<u>132,208,000</u>	<u>30.54</u>
Total	<u><u>432,948,000</u></u>	<u><u>100.00</u></u>	<u><u>432,948,000</u></u>	<u><u>100.00</u></u>

Note: Certain percentage figures included in this table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

## INFORMATION ON THE GROUP

Your attention is drawn to the details of the information of the Group as set out under the section headed "Information on the Group" in the "Letter from the Board" and in Appendices II and IV to this Composite Document.

## INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability on 6 July 2018. As at the Latest Practicable Date, the Offeror is wholly owned by Eternal Myriad Limited, an investment holding company incorporated in the British Virgin Islands with limited liability on 10 August 2018, which is beneficially and ultimately wholly-owned by Mr. Wu. The sole director of the Offeror is Mr. Peng Haochen (彭浩宸) (“**Mr. Peng**”), who is the assistant to Mr. Wu and the sole director of Eternal Myriad Limited.

Mr. Wu, age 59, has approximately 20 years of experience in the areas of chemical industry, financial services and media industry in the PRC.

Mr. Wu is the controlling shareholder and the chairman of the board of directors of Shanxi Light Industry Plastic Company Limited\* (山西輕工塑膠有限公司) since 2001 whose principally engages in the distribution of plastic chemical products, plastic chemical raw materials and metal materials. He is also a director of Shanxi Radio, Film and Television New Media Company Limited\* (山西廣電新媒體) since 2011 whose principally engages in providing services in internet protocol television, digital terrestrial television, mobile television and internet audio-visual programming.

Being an investor in different industries, Mr. Wu always looks for any potential investment opportunity in the market. He realised that the living pace of the people in PRC is fast. Instead of spending time in consuming food in the wet market, people would buy processed and/or frozen food in supermarket which are safe and nutritious. Mr. Wu is of the view that the growth of the market of the processed and/or frozen food products is substantial as long as people in PRC have a busy city life nowadays. Having considered the above reasons, Mr. Wu is of the view that the acquisition of the Sale Shares would allow him to enter into the market of consumable food products with the production plant and distribution channel readily available for the development of the processed and/or frozen food market. As Mr. Wu is aware that he may not have relevant experience in the processed and/or food market, he intends to retain the Directors except Mr. Wang Yuan, an executive Director, who intended to resign despite Mr. Wu’s intention, the management and experienced staff of the Group to leverage on their expertise in food processing industry to support the operation of the Group upon Completion.

Mr. Wu and Mr. Peng have not held any directorships in any publicly listed companies in the three years preceding the date of the Share Purchase Agreement.

Prior to Completion, none of the Offeror and parties acting in concert with it owns any Shares, convertible securities, options, warrants or derivatives in the Company or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) and all of them are third parties independent of the Group and its connected persons.

## **FUTURE INTENTIONS OF THE OFFEROR REGARDING THE GROUP**

Following the close of the Offer, it is the intention of the Offeror that the Group will continue with its existing principal businesses after the close of the Offer and will maintain the listing status of the Company on the Stock Exchange and the Singapore Stock Exchange. The Company acts as an investment holding company and the existing principal business of the Group includes the production and trading of food products, breeding and sale of livestock, poultry and rabbits. The Offeror will conduct a review on the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the Offeror may look into business opportunities and consider whether any asset disposals, asset acquisitions, business rationalization, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Company. As at the Latest Practicable Date, the Offeror had not identified any new business opportunities. Should such corporate actions materialise, further announcement(s) will be made in accordance with the Listing Rules as and when appropriate.

Save for the Offeror's intention regarding the Group as set out above, the Offeror has no intention to (i) discontinue the employment of any employees of the Group; or (ii) re-deploy the fixed assets of the Company other than those in its ordinary and usual course of business.

## **PROPOSED CHANGE OF BOARD COMPOSITION**

As at the Latest Practicable Date, the Board comprises Mr. Fang Yu (Chief Executive Officer and Chairman), Mr. An Fengjun, Mr. Gao Yanxu, Mr. Luo Zhenwu, Mr. Wang Yuan and Mr. Li Wei as executive Directors, and Mr. Lau Choon Hoong, Mr. Song Xuejun and Mr. Lu Zhiwen as independent non-executive Directors. It is expected Mr. Wang Yuan (“**Mr. Wang**”) will resign with effect from such date as being required by the Offeror or the earliest time permitted under the Takeovers Code or the Listing Rules, whichever is the later.

Save for the resignation of Mr. Wang, the Offeror (i) did not propose to nominate any new Directors to the Board; and (ii) has no intention to make further change to the composition of the Board as at the Latest Practicable Date.

## **COMPULSORY ACQUISITION**

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares after the close of the Offer.

## **PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY**

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25%, of the issued Shares are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.



The Offeror intends to maintain the listing of the Shares on the Main Board of the Stock Exchange and on the Singapore Stock Exchange after the close of the Offer. The director of the Offeror has undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

## **PROCEDURES FOR ACCEPTANCE AND SETTLEMENT**

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and the acceptance period as set out in Appendix I to this Composite Document and the accompanying Acceptance Form(s).

## **GENERAL**

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

All documents and remittances to the Independent Shareholders will be sent by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders (other than the Overseas Shareholders) at their respective addresses as they appear in the register of members or in the records of CDP (as the case may be) or, in the case of joint Independent Shareholders, to the Independent Shareholder (i) whose name appears first in the register of members or (ii) whose address appears in the records of CDP, as the case may be. None of the Offeror and parties acting in concert with it, the Company, Donvex Capital, FC Securities, the Independent Financial Adviser, Registrar HK, Registrar SG, CDP or any of their respective directors or associates or professional advisers or any other party involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

## **ADDITIONAL INFORMATION**

Your attention is drawn to the additional information set out in the Appendices to this Composite Document which form part of this Composite Document. You are reminded to read carefully the “Letter from the Board”, the “Letter from the Independent Board Committee”, the “Letter from the Independent Financial Adviser” and other information about the Group which are set out in this Composite Document before deciding whether or not to accept the Offer.

Yours faithfully,  
For and on behalf of  
**Donvex Capital Limited**



Sy Wai Shuen  
*Director*