



CHINA KANGDA FOOD COMPANY LIMITED
中國康大食品有限公司

(Incorporated in Bermuda with limited liability)

(Hong Kong Stock Code: 834)

(Singapore Stock Code: P74)

Directors:

Fang Yu, *Chairman, Executive Director and CEO*

An Fengjun, *Executive Director*

Gao Yanxu, *Executive Director*

Luo Zhenwu, *Executive Director*

Li Wei, *Executive Director*

Wang Yuan, *Executive Director*

Lau Choon Hoong, *Independent Non-Executive Director*

Song Xuejun, *Independent Non-Executive Director*

Lu Zhiwen, *Independent Non-Executive Director*

Registered Office:

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Hamilton HM 12

Bermuda

Principal office in Hong Kong:

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Centre Mark II,

305-313 Queen's Road Central,

Hong Kong

16 August 2019

To the Independent Shareholders

Dear Sir or 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

References are made to the Joint Announcements made jointly by the Company and the Offeror.

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 have 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 took place on 10 July 2019.

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 as it is not a Singapore incorporated public company, the Singapore Takeovers Code will not apply to the Offer.

Details of the Offer and the Offeror are set out in the "Letter from Donvex Capital" and Appendices I and III to the Composite Document and the Acceptance Form(s). The primary purpose of this letter is to provide you with information relating to, among other matters, information relating to the Group and the Offer.

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 has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares. Save as disclosed above, there were no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the Latest Practicable Date.

Principal terms of the Offer

As mentioned in the "Letter from Donvex Capital" on pages 8 to 16 of the Composite Document, FC Securities, on behalf of the Offeror, is making the Offer 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 purchase price per Sale Share was arrived at after arm's length negotiations between the Vendor and the Offeror with reference to the recent prices of the Shares traded on the Stock Exchange, the financial conditions of the Group and the current market conditions, and was paid in cash by the Offeror upon Completion.

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 and other distribution declared, made or paid 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 open for acceptance by Independent Shareholders whose Shares are traded on the Singapore Stock Exchange.

The Offer is unconditional in all respects.

Further details of the Offer

Further details of the Offer including, among other things, the value of the Offer, its extension to the Overseas Shareholders, effect of accepting the Offer, information on stamp duty, taxation, the terms and conditions and the procedures for acceptance and settlement and acceptance period are set out in the "Letter from Donvex Capital" on pages 8 to 16 of the Composite Document, and Appendix I to the Composite Document and the Acceptance Form(s).

GENERAL

Information on the Offeror and its intentions in relation to the Group

Your attention is drawn to the sections headed "Information on the Offeror" and "Future Intentions of the Offeror regarding the Group" in the "Letter from Donvex Capital" set out in the Composite Document. The Board is aware of the intentions of the Offeror in respect of the Group and is willing to co-operate with the Offeror further which is in the interests of the Company and the Shareholders as a whole.

Information on the Group

The Company was incorporated in Bermuda with limited liability and its Shares are primarily listed on the Main Board of the Stock Exchange and secondarily listed on the main board of Singapore Stock Exchange. The Company acts as an investment holding company and the Group is principally engaged in production and trading of food products, breeding and sale of livestock, poultry and rabbits.

The following table sets out the shareholding structure of the Company (based on the information received by or notified to, the Company pursuant to Part XV of the SFO as at the Latest Practicable Date) (i) immediately before the Completion and (ii) immediately after Completion and as at the Latest Practicable Date, assuming there is no change in the issued share capital of the Company:

Shareholder	Immediately before Completion		Immediately after Completion and as at Latest Practicable Date	
	Number of shares	Approximate % of the interest held (Note)	Number of shares	Approximate % of the interest held
The Vendor	300,740,000	69.46	–	–
The Offeror and parties acting in concert with it	–	–	300,740,000	69.46
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.

Your attention is drawn to the financial information of the Group and the general information of the Company as set out in Appendices II and IV to the Composite Document respectively. The Directors would also like to draw your attention that as stated in the annual reports of the Company for each of the three years ended 31 December 2018, BOD Limited, the auditors of the Company, was of the view that there were material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern (which details are set out in Appendix II to this Composite Document).

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 Board noted the Offeror's intention 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 Board also noted that 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.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Rules 2.1 and 2.8 of the Takeovers Code require the Company to establish an independent committee of the Board to give a recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer and that such independent committee should comprise all the non-executive Directors who have no direct or indirect interest in the Offer other than as a Shareholder. The Independent Board Committee, comprising of all independent non-executive Directors, namely Mr. Lau Choon Hoong, Mr. Song Xuejun and Mr. Lu Zhiwen has been established by the Company to make recommendations to the Independent Shareholders as to whether the Offer is fair and reasonable and as to the acceptance of the Offer.

The Independent Financial Adviser (Messis Capital) has been approved by the Independent Board Committee to act as the independent financial adviser to advise the Independent Board Committee as to whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and as to the acceptance in respect of the Offer. The full text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee is set out on pages IFA-1 to IFA-23 of the Composite Document.

RECOMMENDATION

Your attention is drawn to the “Letter from the Independent Board Committee” which sets out its recommendations to the Independent Shareholders in respect of the Offer, as set out on pages IBC-1 to IBC-2 of the Composite Document. Your attention is also drawn to the “Letter from the Independent Financial Adviser” which contains, among other things, their advice to the Independent Board Committee in respect of the Offer, which is set out on pages IFA-1 to IFA-23 of the Composite Document.

ADDITIONAL INFORMATION

Your attention is drawn to the “Letter from Donvex Capital” as set out on pages 8 to 16 of the Composite Document which contains further details of the Offer and the Offeror and the information set out in the appendices to the Composite Document.

In considering what action to take in connection with the Offer, you should consider your own tax positions, if any, and, in case of any doubt, consult your professional advisers.

Yours faithfully,
By order of the Board
China Kangda Food Company Limited

A handwritten signature in black ink, consisting of stylized Chinese characters, positioned above the printed name.

Fang Yu
Chairman